

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
DENTONS US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924
Attorneys for the Chapter 11 Debtors and
Debtors In Possession

FILED & ENTERED

MAY 02 2019

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

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

CHANGES MADE BY COURT

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

Hon. Judge Ernest M. Robles

**ORDER (A) AUTHORIZING THE SALE
OF CERTAIN OF THE DEBTORS'
ASSETS TO STRATEGIC GLOBAL
MANAGEMENT, INC. FREE AND CLEAR OF
LIENS, CLAIMS, ENCUMBRANCES, AND
OTHER INTERESTS; (B) APPROVING THE
ASSUMPTION AND ASSIGNMENT OF
AN UNEXPIRED LEASE RELATED
THERE TO; AND (C) GRANTING
RELATED RELIEF**

Hearing:

Date: April 17, 2019

Time: 10:00 a.m.

Location: Courtroom 1568

255 E. Temple St., Los Angeles, CA

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

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300



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DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 This matter came before the Court on the *Motion For The Entry Of (I) An Order (1)*
2 *Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective*
3 *Overbidders To Use, (2) Approving Auction Sale Format, Bidding Procedures And Stalking*
4 *Horse Bid Protections, (3) Approving Form Of Notice To Be Provided To Interested Parties, (4)*
5 *Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest Bidder And (5)*
6 *Approving Procedures Related To The Assumption Of Certain Executory Contracts And*
7 *Unexpired Leases; And (II) An Order (A) Authorizing The Sale Of Property Free And Clear Of*
8 *All Claims, Liens And Encumbrances* (the “Motion”) [Docket No. 1279], filed by Verity Health
9 System of California, Inc. (“VHS”), and the above-referenced affiliated debtors and debtors in
10 possession in the above-captioned chapter 11 bankruptcy cases (the “Debtors”), for the entry of
11 an order, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the
12 “Bankruptcy Code”), Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1.¹

13 At the previous hearing on the Motion on February 19, 2019 (the “Bidding Procedures
14 Hearing”), the Court considered various objections (the “Premature Objections”) filed by: (i) St
15 Vincent IPA Medical Corporation and Angeles IPA [Docket No. 1397]; (ii) the California
16 Attorney General [Docket No. 1352]; (iii) MGH Painting Inc. [Docket No. 1358]; and (iv) Belfor
17 USA Group, Inc. [Docket No. 1364]. The Court ruled that the Premature Objections were
18 premature and preserved for the Sale Hearing, as set forth in order granting the Motion (the
19 “Bidding Procedures Order”) [Docket No. 1572]. The Bidding Procedures Order also stated that
20 objections filed by the U.S. Department of Health and Human Services and Centers for Medicare
21 and Medicaid Services [Doc. No. 1346] and the California Department of Health Care Services
22 [Doc. No. 1353] (the “Continued Objections”) were continued, as resolved by stipulations
23 [Docket Nos. 1458 and 1473, respectively], approved by this Court’s orders [Docket Nos. 1465
24 and 1483, respectively].

25
26
27 ¹ Unless specified otherwise, all chapter and section references are to the Bankruptcy Code, 11
28 U.S.C. §§ 101-1532, all “Rule” references are to the Federal Rules of Bankruptcy Procedure, and
all “LBR” references are to the Local Bankruptcy Rules for the United States Bankruptcy Court
for the Central District of California.

Any additional objections that were filed and overruled at the Bidding Procedures Hearing are not listed herein.

The Court, having reviewed the Memorandum [Docket No. 2115], the Declarations of Richard Adcock [Docket Nos. 8 and 1469] and James Moloney [Docket No. 2220] in support thereof, the *Notice To Counterparties To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* [Docket No. 1704], the *Supplemental Notice To Counterparties To Executory Contracts and Unexpired Leases of The Debtors That May Be Assumed and Assigned* [Docket No. 1836], the *Second Supplemental Notice Re Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* [Docket No. 2065] (together Docket Nos. 1704, 1836 and 2065 are the “Cure Notice”), the *Notice of Executory Contracts and Unexpired Leases Designated by Strategic Global Management, Inc. For Assumption and Assignment* [Docket No. 2131] (the “Designation Notice”), the *Notice That No Auction Shall Be Held Re Debtors’ Motion and Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to Be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. 2053] (the “No-Auction Notice”), the objections filed by various counterparties to certain executory contracts and unexpired leases [Docket Nos. 1788; 1804; 1819; 1830; 1849; 1850; 1852; 1853; 1856-1858; 1863; 1866; 1869; 1870; 1873-1877 1881; 1882; 1885; 1890-1892; 1904; 1926; 1930; 1933; 1940; 1946; 1948; 1949; 1953; 1954; 1965; 2058; 2066; 2108; 2113; 2144; 2146; 2148, 2150, 2157, 2161, 2162] (the “Cure Objections”), the objection by the California Department of Health Care Services (the “DHCS”) [Docket No. 1879], the *Stipulation Continuing Hearing Regarding Creditors U.S. Department of Health and Human Services and California Department of Health Care Services* [Docket No.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

2125], the *Limited Opposition of Belfor USA Group, Inc. to Debtors' Motion for an Order Authorizing the Sale of Property Free and Clear of All Claims Liens and Encumbrances* [Docket No. 2130], the *Objection of United Healthcare Insurance Company to Debtors' Motion for Order Approving Form of Asset Purchase Agreement for Stalking Horse Bidder, Etc.* [Docket No. 2145] filed United Healthcare Insurance Company, *SEIU-UHW's Objection and Reservation of Rights to Debtors' Sale Motion* filed by the Service Employees International Union, United Healthcare Workers-West [Docket No. 2147], the *Limited Objection and Reservation of Rights of United Nurses Associations of California to Motion of Debtors for Approval of Sale [of Remaining Hospital Assets to the Highest Bidder]* [Docket No. 2155] filed by the United Nurses Association of California, the *Reservation of Rights of U.S. Bank National Association, As Series 2015 Note Trustee and as Series 2017 Note Trustee and as Series 2017 Note Trustee, with Respect to Debtors' Motion for Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and For Stalking Horse Bidder and for Prospective Overbidders (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections, (3) Approving Form of Notice to be Provided to Interested Parties, (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. 2156] filed by U.S. Bank National Association, As Series 2015 Note Trustee and as Series 2017 Note Trustee, the *Official Committee of Unsecured Creditors Response to the Debtors' SGM Sale Motion* [Docket No. 2164], the *Reservation of Rights of California Statewide Communities Development Authority to Motion of Debtors for Approval of Sale [of Remaining Hospital Assets] to the Highest Bidder* [Docket No. 2168] filed by the California Statewide Communities Development Authority, the Premature Objections, the Continued Objections, and any withdrawals thereof, the statements, arguments and representations of the parties made at the Sale Hearing; and the entire record of these cases; and the Court, having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and that

the legal and factual bases set forth in the Motion and presented at the Sale Hearing establish just cause for the relief granted herein and for the reasons set forth in the Court's tentative ruling [Docket No. 2221]; and all objections to the Motion, if any, having been withdrawn, continued or overruled; **and for the reasons set forth in the Court's tentative ruling [Docket No. 2221], which the Court adopts as its final ruling and which is incorporated herein by reference;** and after due deliberation and sufficient good cause appearing therefor:

THE COURT HEREBY FINDS AND CONCLUDES THAT:²

A. Jurisdiction and Venue. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of the Debtors' bankruptcy estates and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b) (2) (A), (M), (N) and (O). Venue of these cases is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Statutory Predicates. The statutory predicates for the relief requested in the Motion are (i) §§ 105(a), 363(b), (f), (k), (l) and (m), and 365, (ii) Rules 2002(a)(2), 2002(c)(1) and (d), 6004 (a), (b), (c), (e), (f) and (h), 6006(a), (c) and (d), 9006, 9007, 9013 and 9014, and (iii) LBR 6004-1 and 9013-1.

C. Notice. As evidenced by the affidavits of service previously filed with the Court, the Debtors have provided proper, timely, adequate and sufficient notice with respect to the following: (i) the Motion and the relief sought therein, including the entry of this Sale Order and the transfer and sale of the assets (the "Purchased Assets"), as set forth in the Asset Purchase Agreement, dated January 8, 2019, a copy of which is attached as Exhibit "A" to Docket No. 1279 (the "APA"); (ii) the Sale Hearing; (iii) the No-Auction Notice; and (iv) the assumption and assignment of the executory contracts and unexpired leases and proposed cure amounts owing under such executory contracts and unexpired leases (the "Cure Amounts"); and no further notice

² The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Rule 7052, made applicable to this proceeding pursuant to Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

1 of the Motion, the relief requested therein or the Sale Hearing is required. The Debtors have also
2 complied with all obligations to provide notice of the Auction, the Sale Hearing, the proposed
3 sale and otherwise, as required by the Bidding Procedures Order. A reasonable opportunity to
4 object and to be heard regarding the relief provided herein has been afforded to parties-in-interest.

5 D. Arm's Length Transaction. The APA and other documents and instruments (the
6 "Transaction Documents") related to and connected with this transaction (the "Transaction") and
7 the consummation thereof were negotiated and entered into by the Debtors and Strategic Global
8 Management, Inc. ("SGM"), as Purchaser under the APA without collusion, in good faith and
9 through an arm's length bargaining process. Neither SGM nor any of its affiliates or
10 representatives is an "insider" of the Debtors, as that term is defined in § 101(31). None of the
11 Debtors, SGM, or their respective representatives engaged in any conduct that would cause or
12 permit the APA, any of the other Transaction Documents or the Transaction to be avoided under
13 § 363(n), or have acted in any improper or collusive manner. The terms and conditions of the
14 APA and the other Transaction Documents, including, without limitation, the consideration
15 provided in respect thereof, are fair and reasonable, and are not avoidable and shall not be
16 avoided, and no damages may be assessed against SGM or any other party, as set forth in §
17 363(n). The consideration provided by SGM is fair, adequate and constitutes reasonably
18 equivalent value and fair consideration under the Bankruptcy Code and any other applicable laws
19 of the United States or any of its jurisdictions or subdivisions, including the State of California.

20 E. Good Faith Purchaser. SGM has proceeded in good faith and without collusion in
21 all respects in connection with the sale process, in that: (i) SGM, in proposing and proceeding
22 with the Transaction in accordance with the APA, recognized that the Debtors were free to deal
23 with other interested parties; (ii) SGM agreed to provisions in the APA that would enable the
24 Debtors to accept a higher and better offer; (iii) SGM complied with all of the provisions in the
25 Bidding Procedures Order applicable to SGM; (iv) all payments to be made by SGM and other
26 agreements entered into or to be entered into between SGM and the Debtors in connection with
27 the Transaction have been disclosed; (v) the negotiation and execution of the APA and related
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Transaction Documents were conducted in good faith and constituted an arm's length transaction; (vi) SGM did not induce or cause the chapter 11 filings by the Debtors; and (vii) the APA was not entered into, and the Transaction being consummated pursuant to and in accordance with the APA is not being consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors. SGM is therefore entitled to all of the benefits and protections provided to a good-faith purchaser under § 363(m). Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Transaction shall not affect the validity of the Transaction, any terms or conditions of the Transaction or SGM's status as a "good faith" purchaser.

F. Justification for Relief. Good and sufficient reasons for approval of the APA and the other Transaction Documents and the Transaction have been articulated to this Court in the Motion and at the Sale Hearing, and the relief requested in the Motion and set forth in this Sale Order is in the best interests of the Debtors, their estates, and their creditors. The Debtors have demonstrated through the Motion and other evidence submitted at the Sale Hearing both (i) good, sufficient and sound business purpose and justification and (ii) compelling circumstances for the transfer and sale of the Purchased Assets as provided in the APA outside the ordinary course of business, and (iii) such transfer and sale is an appropriate exercise of the Debtors' business judgment and in the best interests of the Debtors, their estates, and their creditors.

G. Free and Clear. In accordance with §§ 363(b) and 363(f), the consummation of the Transaction pursuant to the Transaction Documents shall be a legal, valid, and effective transfer and sale of the Purchased Assets and, except with respect to the liens arising from the Special Assessments and the PACE Obligations (each as defined in §1.1(a)(iii) of the APA) assumed by SGM, shall vest in SGM, through the consummation of the Transaction, all of the Debtors' right, title, and interest in and to the Purchased Assets, free and clear of all liens, claims, interests, rights of setoff, recoupment, netting and deductions, rights of first offer, first refusal and any other similar contractual property, legal or equitable rights, and any successor or successor-in-interest liability theories (collectively, the "Encumbrances"). The Debtors have demonstrated that one or

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 more of the standards set forth in § 363(f)(1)-(5) have been satisfied. Those holders of
2 Encumbrances who did not object, or who withdrew their objections, to the sale or the Motion are
3 deemed to have consented pursuant to § 363(f)(2). Those holders of Encumbrances who did
4 object fall within one or more of the other subsections of § 363(f). All holders of the
5 Encumbrances in the Purchased Assets are adequately protected by having their respective
6 Encumbrances attach to the Debtors' interests in the proceeds of the sale of the Purchased Assets
7 under the APA (subject to any Challenge within the meaning of that certain *Final Order (I)*
8 *Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens*
9 *and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection,*
10 *(V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final
11 DIP Order") that has been, or may be, timely filed³), and any related documents or instruments
12 delivered in connection therewith, whenever and wherever received (the "Sale Proceeds") to the
13 extent and manner herein provided.

14 H. Prompt Consummation. The Debtors have demonstrated good and sufficient cause
15 to waive the stay requirement under Rules 6004(h) and 6006(d). Time is of the essence in
16 consummating the Transaction, and it is in the best interests of the Debtors and their estates to
17 consummate the Transaction within the timeline set forth in the Motion and the APA. The Court
18 finds that there is no just reason for delay in the implementation of this Order, and expressly
19 directs entry of judgment as set forth in this Order.

21 ³ The Final DIP Order granted to the Committee standing to file the requisite pleading to
22 challenge the validity, enforceability and amount of the Prepetition Liens (each such proceeding
23 or appropriate pleading commencing a proceeding or other contested matter, a "Challenge")
24 within ninety (90) days from the formation of the Committee (the "Challenge Deadline"). See
25 Final DIP Order ¶ 5(e). The Committee's investigation as to the Prepetition Liens remains
26 ongoing. The Committee and the Prepetition Secured Creditors have entered into a number of
27 stipulations (the "Challenge Stipulations") by which the Committee has acknowledged and
28 stipulated to the validity, enforceability and perfection of the Prepetition Liens in certain
collateral identified in the Challenge Stipulations, and by which the Challenge Deadline has been
extended a number of times with respect to the validity, enforceability and perfection of the
Prepetition Liens in any other collateral. The Challenge Deadline with respect to any Prepetition
Liens for which the Committee has not stipulated pursuant to the Challenge Stipulations as to the
validity, enforceability and perfection thereof is now May 13, 2019.

1 I. Assumption of Executory Contracts and Unexpired Leases. The Debtors have
2 demonstrated that it is an exercise of their sound business judgment to assume and assign to SGM
3 the Currently Identified Designated Contracts (as defined and identified in paragraph 15 below)
4 and to the extent subsequently identified by SGM pursuant to paragraph 16 below, the
5 Subsequently Identified Designated Contracts (as defined in paragraph 16 below) (the Currently
6 Identified Designated Contracts and the Subsequently Identified Contracts are collectively
7 referred to herein as the “Designated Contracts”) in connection with the consummation of the
8 Transaction, and the assumption and assignment of the Designated Contracts is in the best
9 interests of the Debtors and their estates.

10 J. Cure/Adequate Assurance. In connection with the Closing, and pursuant to the
11 APA, unless otherwise ordered, any and all defaults existing on or prior to the Closing under any
12 of the Designated Contracts will have been cured, within the meaning of § 365(b)(1)(A), by
13 payment of the amounts and in the manner set forth below, unless otherwise agreed by SGM and
14 the counterparty. SGM has provided or will provide adequate assurance of future performance of
15 and under the Designated Contracts within the meaning of § 365(b)(1)(C) and § 365(f)(2)(B), and
16 shall have no further obligation to provide assurance of performance to any counterparty to a
17 Designated Contract. Pursuant to § 365(f), the Designated Contracts to be assumed by the
18 Debtors (i.e., St. Francis Medical Center, a California nonprofit public benefit corporation (“St.
19 Francis Medical Center”), St. Vincent Medical Center, a California nonprofit public benefit
20 corporation (“St. Vincent Medical Center”), St. Vincent Dialysis Center, Inc., a California
21 nonprofit public benefit corporation (“St. Vincent Dialysis Center”), and Seton Medical Center, a
22 California nonprofit public benefit corporation (“Seton Medical Center”) (collectively, the
23 “Hospitals”), VHS, and Verity Holdings LLC, a California limited liability company
24 (“Holdings”)), and assigned to SGM under the APA shall be assigned and transferred to, and
25 remain in full force and effect for the benefit of, SGM, notwithstanding any provision in such
26 Designated Contracts prohibiting their assignment or transfer. The Debtors have demonstrated
27 that no other parties to any of the Designated Contracts has incurred any actual pecuniary loss
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1 resulting from a default on or prior to the Closing under any of the Designated Contracts within
2 the meaning of § 365(b)(1)(B).

3 K. Rejection of Executory Contracts and Unexpired Leases. The Debtors will have
4 demonstrated that it is a reasonable and appropriate exercise of their sound business judgment for
5 the Hospitals to reject all of their executory contracts and unexpired leases, excluding (i)
6 Designated Contracts, (ii) any prepetition multiparty contract affecting more than one Debtor in
7 addition to the Hospitals, (iii) any prepetition contract that is the subject of a Rule 9019 settlement
8 motion prior to Closing, and (vi) any collective bargaining agreement, pension plan or health and
9 welfare plan providing collectively bargained benefits to which a Hospital is a party or sponsor,
10 which matters shall be scheduled for determination as provided in paragraph 33 below. Each
11 such executory contract rejection is subject only to the conditions set forth in paragraphs 18, 31,
12 and 32. The Debtors shall file an appropriate motion to reject such contracts, covered by this
13 paragraph K, prior to Closing and shall request therein that the rejection be effective as of the
14 Closing or as otherwise appropriate.

15 L. Highest or Otherwise Best Offer. The Debtors solicited offers and noticed the
16 Auction in accordance with the provisions of the Bidding Procedures Order. The Auction was
17 duly noticed, the sale process was conducted in a non-collusive manner and the Debtors afforded
18 a full, fair and reasonable opportunity for any person or entity to make a higher or otherwise
19 better offer to purchase the Purchased Assets. Other than SGM's Stalking Horse Bid, the Debtors
20 received two Qualified Partial Bids by the Partial Bid Deadline and did not receive a Qualified
21 Full Bid (as such terms are defined by the Bidding Procedures Order). The Debtors properly
22 consulted with the Consultation Parties in selecting the SGM Stalking Horse Bid as the highest
23 and best bid and in determining that no auction should be held (as such terms are defined in the
24 Bidding Procedures Order), as set forth in their No-Auction Notice. The transfer and sale of the
25 Purchased Assets to SGM on the terms set forth in the APA constitutes the highest or otherwise
26 best offer for the Purchased Assets and will provide a greater recovery for the Debtors' estates
27 than would be provided by any other available alternative. The Debtors' determination, in
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consultation with the Consultation Parties (as defined in the Bidding Procedure Order), that the APA constitutes the highest or best offer for the Purchased Assets and to not conduct an auction constitutes a valid and sound exercise of the Debtors' business judgment.

M. No De Facto or Sub Rosa Plan of Reorganization. The sale of the Purchased Assets does not constitute a *de facto* or *sub rosa* plan of reorganization or liquidation because it does not propose to (i) impair or restructure existing debt of, or equity or membership interests in, the Debtors, (ii) impair or circumvent voting rights with respect to any plan proposed by the Debtors, (iii) circumvent chapter 11 safeguards, including those set forth in §§ 1125 and 1129, or (iv) classify claims or equity or membership interests.

N. Legal and Factual Bases. The legal and factual bases set forth in the Motion and at the Sale Hearing establish just cause for the relief granted herein.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The relief requested in the Motion is GRANTED and APPROVED in all respects to the extent provided herein.

2. All objections with regard to the relief sought in the Motion that have not been withdrawn, waived, settled, or provided for herein or in the Bidding Procedures Order, including any reservation of rights included in such objections, are overruled on the merits with prejudice. To the extent of any inconsistency between this Sale Order and the Bidding Procedures Order, the terms of this Sale Order shall prevail.

3. Pursuant to §§ 105(a), 363(b), 363(f), and 365, the Transaction, including the transfer and sale of the Purchased Assets to SGM on the terms set forth in the APA, is approved in all respects, and the Debtors are authorized and directed to consummate the Transaction in accordance with the APA, including, without limitation, by executing all of the Transaction Documents (and any ancillary documents or instruments that may be reasonably necessary or desirable to implement the APA or the Transaction) and taking all actions necessary and appropriate to effectuate and consummate the Transaction (including the transfer and sale of the Purchased Assets) in consideration of the Purchase Price (as defined in § 1.1 of the APA) upon

1 the terms set forth in the APA, including, without limitation, assuming and assigning to SGM the
2 Designated Contracts. The Debtors and SGM shall have the right to make any mutually
3 agreeable, non-material changes to the APA, which shall be in writing signed by both parties,
4 without further order of the Court provided, that after reasonable notice, the Official Committee
5 of Unsecured Creditors (the "Committee"), the DIP Agent (as defined in the Final DIP Order
6 defined below), and the Prepetition Secured Creditors (as defined in the Final DIP Order) do not
7 object to such changes. Any timely objection by the aforementioned parties to any agreed non-
8 material changes to the APA may be resolved by the Court on shortened notice.

9 4. As of the Closing, (i) the Transaction set forth in the APA shall effect a legal,
10 valid, enforceable and effective transfer and sale of the Purchased Assets to SGM free and clear
11 of all Encumbrances, except with respect to the liens arising from the Special Assessments and
12 the PACE Obligations assumed by SGM, as further set forth in the APA and this Sale Order; and
13 (ii) the APA, and the other Transaction Documents, and the Transaction, shall be enforceable
14 against and binding upon, and not subject to rejection or avoidance by, the Debtors, any successor
15 thereto including a trustee or estate representative appointed in the Bankruptcy Cases, the
16 Debtors' estates, all holders of any Claim(s) (as defined in the Bankruptcy Code) against the
17 Debtors, whether known or unknown, any holders of Encumbrances on all or any portion of the
18 Purchased Assets, all counterparties to the Designated Contracts and all other persons and
19 entities.

20 5. Encumbrances in and to Purchased Assets shall attach (subject to any Challenge
21 within the meaning of the Final DIP Order that has been, or may be, timely filed) to the Sale
22 Proceeds of such Purchased Assets with each such Encumbrance having the same force, extent,
23 effect, validity and priority as such Encumbrance had on the Purchased Assets giving rise to the
24 Sale Proceeds immediately prior to the Closing. For the avoidance of doubt, the foregoing force,
25 extent, effect, validity and priority shall: (i) reflect the security interests, liens (including any
26 Prepetition Replacement Liens arising for diminution of value, if any) and rights, powers and
27 authorities that have been granted to the DIP Agent, the DIP Lender and to the Prepetition
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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Secured Creditors, as applicable, pursuant to the Final DIP Order, to the extent that (i) the rights
2 granted to the Prepetition Secured Creditors with respect to §§506(c) and 552(b) by the Final DIP
3 Order are not limited or modified as a result of the appeal from the Final DIP Order filed by the
4 Committee on November 29, 2019; and/or (ii) any replacement liens or security interest granted
5 to the Prepetition Secured Creditors by the Final DIP Order are not invalidated as a result of any
6 Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed. In
7 addition, the Intercreditor Agreement (as defined in the Final DIP Order) shall apply with respect
8 to the rights of the parties thereto in and to the Sale Proceeds and the Escrow Deposit Account, to
9 the extent of and in accordance with its terms with all parties reserving all rights thereunder.

10 6. Subject to the fulfillment of the terms and conditions of the APA, this Sale Order
11 shall, as of the Closing, be considered and constitute for all purposes a full and complete general
12 assignment, conveyance, and transfer of the Purchased Assets and/or a bill of sale transferring all
13 of the Debtors' rights, title and interest in and to the Purchased Assets to SGM. Consistent with,
14 but not in limitation of the foregoing, each and every federal, state, and local governmental
15 agency or department, except as stated herein, is hereby authorized and directed to accept all
16 documents and instruments necessary and appropriate to consummate the transactions
17 contemplated by the APA and approved in this Sale Order. A certified copy of this Order may be
18 filed with the appropriate clerk and/or recorded with the appropriate recorder to cancel any
19 Encumbrances of record.

20 7. Any person or entity that is currently, or on the Closing Date may be, in
21 possession of some or all of the Purchased Assets is hereby directed to surrender possession of
22 such Purchased Assets either to (a) the Debtors before the Closing or (b) to SGM or its designee
23 upon the Closing, and to cooperate with the Debtors and SGM in the Debtors' and SGM's
24 fulfillment of their obligations hereunder and pursuant to the APA.

25 8. The transfer of the Purchased Assets pursuant to the Transaction Documents shall
26 be a legal, valid, and effective transfer and shall, in accordance with §§ 105(a) and 363(f), and
27 upon consummation of the Transaction, including, without limitation, payment of the Purchase
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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Price to the Debtors, vest SGM with all right, title, and interest in the Purchased Assets, free and
2 clear of all Encumbrances. Upon closing of the Transaction, SGM shall take title to and
3 possession of the Purchased Assets, subject only to the Assumed Obligations, as set forth in the
4 APA. The transfer of the Purchased Assets from the Debtors to SGM constitutes a transfer for
5 reasonable equivalent value and fair consideration under the Bankruptcy Code and the laws of the
6 State of California.

7 9. Following the Closing, no holder of any Encumbrance against the Debtors or upon
8 the Purchased Assets shall interfere with SGM's respective rights in, title to or use and enjoyment
9 of the Purchased Assets. All persons and entities are hereby forever prohibited and enjoined from
10 taking any action that would adversely affect or interfere with the ability of the Debtors to sell
11 and transfer the Purchased Assets to SGM, including the assumption and assignment of the
12 Designated Contracts.

13 10. SGM shall not be deemed, as a result of any action taken in connection with, or as
14 a result of the Transaction (including the transfer and sale of the Purchased Assets), to: (i) be a
15 successor, continuation or alter ego (or other such similarly situated party) to the Debtors or their
16 estates by reason of any theory of law or equity, including, without limitation, any bulk sales law,
17 doctrine or theory of successor liability, or any theory or basis of liability, regardless of source of
18 origin; or (ii) have, *de facto* or otherwise, merged with or into the Debtors; or (iii) be a mere
19 continuation, *alter ego*, or substantial continuation of the Debtors. Other than the Assumed
20 Liabilities, SGM is not assuming any of the Debtors' debts.

21 11. This Sale Order (i) shall be effective as a determination that, on Closing, all
22 Encumbrances existing against the Purchased Assets before the Closing have been
23 unconditionally released, discharged and terminated, and that the transfers and conveyances
24 described herein have been effected, and (ii) shall be binding upon and shall govern the acts of all
25 persons and entities. If, following a reasonable written request made by the Debtors, any person
26 or entity that has filed financing statements or other documents or agreements evidencing any
27 Encumbrances against the Purchased Assets shall not have delivered to the Debtors for use at or
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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 in connection with Closing, in proper form for filing and executed by the appropriate parties,
2 termination statements, instruments of satisfaction, releases of all Encumbrances which the
3 person or entity has with respect to the Purchased Assets, then SGM and/or the Debtors are
4 hereby authorized to execute and file such statements, instruments, releases and other documents
5 on behalf of the person or entity with respect to such Purchased Assets. For the avoidance of
6 doubt, such statements, instruments, releases and other documents shall not impair Encumbrances
7 that attach (subject to any Challenge within the meaning of the Final DIP Order that has been, or
8 may be, timely filed) to the Sale Proceeds or the terms of this Order, including, but not limited to
9 paragraphs 5 and 13 hereof.

10 12. In accordance with the APA, concurrently with the Closing, SGM shall pay that
11 portion of the Purchase Price due at Closing, by wire transfer of immediately available funds, to
12 Debtors' Escrow Deposit Accounts (defined below), subject to the adjustments set forth in the
13 APA. Any direct expenses of the Sale shall be disclosed by Debtors to the DIP Agent, the
14 Prepetition Secured Creditors, and the Committee in advance of the Closing.

15 13. The terms and conditions of the Final DIP Order shall apply with respect to the
16 Sale Proceeds and Escrow Deposit Accounts (defined herein). Without limiting the foregoing, the
17 Debtors shall comply with paragraph 4 of the Final DIP Order in the following manner:

18 (a) the Debtors shall direct SGM, pursuant to the terms of the APA, to remit all Sale
19 Proceeds to the separate accounts opened in the name of each Debtor for the Sale Proceeds (each
20 such hereafter referred to as "Escrow Deposit Account");

21 (b) in giving direction to SGM pursuant to sub-paragraph (a), above, the Debtors shall
22 exercise their reasonable business judgment, in good faith, and allocate the Sale Proceeds among
23 the Escrow Deposit Accounts on the basis of the value of each Debtor's Purchased Assets as of
24 the Closing (which allocation, for the avoidance of doubt, shall be subject to the reservations of
25 rights in paragraph 4 of the Final DIP Order and paragraph 31 of the Bidding Procedures Order;
26 provided further that nothing in this paragraph shall waive or limit any rights the Committee or
27 the Prepetition Secured Creditors may have in connection with the confirmation of a proposed
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chapter 11 plan for any of the Debtors' cases (including the right to seek to reallocate estate values and the Sale Proceeds);

(c) without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing Agreements and the Final DIP Order, no funds held in any Escrow Deposit Account shall be (i) commingled with any other funds of the applicable Debtor or any of the other Debtors or (ii) used by the Debtors for any purpose, except as provided in this Order, the DIP Credit Agreements or the Final DIP Order without further order of this Court, after reasonable notice under the circumstances to the DIP Agent, the Prepetition Secured Creditors and the Committee; and

(d) each Escrow Deposit Account shall be subject to a deposit account control agreement in favor of the DIP Agent and DIP Lender, and subject to, without limitation of the rights of the DIP Agent and DIP Lender under the DIP Financing Agreements and the Final DIP Order with respect to the Sale Proceeds and Escrow Deposit Account, including, without limitation, following the occurrence of an Event of Default or the Revolving Loan Termination Date (as defined in the DIP Credit Agreement), the Debtors shall not be permitted to use the funds held in any Escrow Deposit Account for any purpose, except as provided in paragraph 14, 15, 16, and 17 of this Order, and to fund any Purchase Price adjustment in favor of the Purchaser, without first obtaining the consent of the DIP Agent, DIP Lender and the Prepetition Secured Creditors or obtaining an order of the Court pursuant to §§ 363 or 1129 after reasonable notice under the circumstances to the DIP Agent, the DIP Lender, the Prepetition Secured Creditors and the Committee and, if necessary, a hearing thereon; and

(e) for the avoidance of doubt, the rights of the Debtors, the Committee, and the Prepetition Secured Creditors as to the Sale Proceeds and any funds held in a Deposit Escrow shall be, except as set forth herein, as contemplated by Paragraph 4 of the Final DIP Order, and nothing in this Order shall be construed as altering, amending, waiving, or affecting in any way such rights. Concurrently with the Closing or as soon thereafter as is possible, and in accordance with the APA, SGM shall pay to the counter-parties to the Designated Contracts the cure amounts

1 set forth in the Cure Notice, or as otherwise agreed to by the Debtors, SGM and the applicable
2 counter-parties thereto or ordered by this Court after a continued hearing on the Cure Objections
3 (the “Designated Cure Amounts”). SGM has the right under the APA to remove any Contracts
4 from the list of Designated Contracts up to seven (7) days prior to Closing, as also set forth in the
5 *Order Approving Stipulation Regarding Designation Deadline Re Order (1) Approving Form Of*
6 *Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders, (2)*
7 *Approving Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections*
8 [Docket No. 1865].

9 14. To the extent that any of the contracts and/or leases, which give rise to the
10 Designated Cure Amounts and are set forth in the Designation Notice and are not subsequently
11 and timely removed by SGM under the APA and the *Order Approving Stipulation Regarding*
12 *Designation Deadline Re Order (1) Approving Form Of Asset Purchase Agreement For Stalking*
13 *Horse Bidder And For Prospective Overbidders, (2) Approving Auction Sale Format, Bidding*
14 *Procedures And Stalking Horse Bid Protections* [Docket No. 1865] (the “Currently Identified
15 Designated Contracts”) are executory contracts or unexpired leases (over which the Court is not
16 making any such determination at this time), then in connection with the Closing, the Debtors
17 shall be deemed to have assumed all such Currently Identified Designated Contracts (so that they
18 are deemed part of the Designated Contracts) and to have assigned them to SGM, and SGM shall
19 have assumed all obligations owing under all such Currently Identified Designated Contracts
20 arising after and following the Closing. The Court shall resolve any and all disputes which may
21 arise between the Debtors, SGM and any of the Currently Identified Designated Contract
22 Counter-Parties over whether the Currently Identified Designated Contracts are executory
23 contracts or unexpired leases and whether any of the Currently Identified Designated Contract
24 Counter-Parties are entitled to an allowed claim against the Debtors which exceeds the
25 Designated Cure Amounts (the “Assumption Dispute”).

26 15. In the event that the Court determines that any such counter-parties to the
27 Currently Identified Designated Contracts (the “Currently Identified Designated Contract
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601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
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1 Counter-Parties” and, individually, a “Currently Identified Designated Contract Counter-Party”)
2 have an allowed cure claim against the Debtors which exceeds the Designated Cure Amounts (the
3 “Excess Cure Amount”), the difference will be paid by SGM and shall not be the responsibility of
4 the Debtors as more specifically set forth below; provided, however, that unless the Court makes
5 such a determination on or before fifteen (15) days prior to Closing, and unless the Debtor, SGM
6 and the Currently Identified Designated Contract Counter-Party agree otherwise, the Currently
7 Identified Designated Contract which is the subject of such Assumption Dispute, shall be deemed
8 a rejected contract within the meaning of § 1.11(a) of the APA as of ten (10) days prior to
9 Closing, and SGM, except as provided below, shall have no obligation to assume such Currently
10 Identified Designated Contract or to pay any Cure Amount or Excess Cure Amount in connection
11 with such Currently Identified Designated Contract. To the extent an Assumption Dispute relates
12 solely to the Cure Amount, the Debtors may, with SGM’s consent, assume and assign the
13 applicable executory contract or unexpired lease at Closing and prior to the resolution of the
14 Assumption Dispute by the Bankruptcy Court, provided, that either (a) the Bankruptcy Court has
15 estimated the maximum cure payment, pursuant to 11 U.S.C. § 502(c), and SGM has remitted
16 such amount to the Debtors to be held as sales proceeds in the Sale Proceeds Account for the
17 relevant Debtor(s), or (b) SGM provides to the relevant Debtor(s) and non-Debtor counterparty a
18 separate reasonably acceptable undertaking that SGM will promptly pay the maximum disputed
19 cure amount in accordance with 11 U.S.C. § 365 (b)(1)(A) and (B) (or such smaller amount as
20 may be fixed or estimated by the Bankruptcy Court or otherwise agreed to by such non-Debtor
21 party and SGM). The Debtors shall pay and hereby are authorized to pay disputed cure amounts
22 from the relevant Sales Proceeds Account(s) upon entry of a final order by this Court to the extent
23 SGM remitted to Sellers the amount required by item (a) of this paragraph of the Order.

24 16. All of the Currently Identified Designated Contracts, to the extent they are
25 executory contracts or unexpired leases and are not subsequently and timely removed by SGM
26 under the APA and the *Order Approving Stipulation Regarding Designation Deadline Re Order*
27 *(1) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For*
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1 *Prospective Overbidders, (2) Approving Auction Sale Format, Bidding Procedures And Stalking*
2 *Horse Bid Protections* [Docket No. 1865], or deemed a rejected contract within the meaning of §
3 1.11(a) of the APA pursuant to paragraph 15 above, shall be part of the Designated Contracts that
4 will be assumed by the Debtors and assigned to SGM at the Closing. In the event that SGM elects
5 to add any other of the Debtors' executory contracts or unexpired leases to the list of Designated
6 Contracts (the "Subsequently Identified Designated Contracts") and, individually, a "Subsequently
7 Identified Designated Contract") under the APA and the *Order Approving Stipulation Regarding*
8 *Designation Deadline Re Order (1) Approving Form Of Asset Purchase Agreement For Stalking*
9 *Horse Bidder And For Prospective Overbidders, (2) Approving Auction Sale Format, Bidding*
10 *Procedures And Stalking Horse Bid Protections* [Docket No. 1865], SGM shall notify the Debtors
11 of any such Subsequently Identified Designated Contracts on or before thirty days before Closing,
12 and the Debtors shall (i) file a notice with the Court identifying all such Subsequently Identified
13 Designated Contracts and their respective cure amounts as agreed upon between the Debtors and
14 SGM, and (ii) serve such notice by over-night mail on all counter-parties to the Subsequently
15 Identified Designated Contracts (the "Subsequently Identified Designated Contract Counter-
16 Parties"). All Subsequently Identified Designated Contracts shall be assumed by the Debtors and
17 assigned to SGM at the Closing, with SGM to be obligated to pay all cure amounts owing to such
18 Subsequently Identified Designated Contract Counter-Parties concurrently with the Closing, as
19 set forth in the Debtors' notice, or as otherwise agreed to by the Debtors, SGM and the applicable
20 counter-parties thereto, or ordered by the Court in accordance with paragraphs 34 and 36 below
21 (the "Additional Cure Amounts"), so long as such amount as ordered by the Court is no greater
22 than the amount agreed upon by SGM; and in the event the Additional Cure Amount is greater
23 than the amount agreed upon by SGM, and SGM is not willing to pay the Additional Cure
24 Amount, the Debtors shall not be required to pay the Additional Cure Amount(s) and the
25 Subsequently Identified Designated Contract(s) shall be deemed a rejected contract within the
26 meaning of § 1.11(a) of the APA pursuant to paragraph 15 above; provided, and for the avoidance
27 of doubt, no collective bargaining agreement, pension plan or health and welfare plan providing
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collectively bargained benefits to which a Hospital is a party or sponsor constitutes a Currently Identified Designated Contract or a Subsequently Identified Designated Contract for which SGM or the Debtors may be obligated to pay any cure amount.

17. Upon the Closing, the Debtors are authorized and directed to assume, assign and/or transfer each of the Designated Contracts to SGM, including the Currently Identified Designated Contracts and any Subsequently Identified Designated Contracts (collectively, the “Contract Counter-Parties”). At the Closing, SGM shall pay the (i) Sale Proceeds, (ii) the Designated Cure Amounts identified in paragraph 13 above, (iii) the Excess Cure Amounts identified in paragraph 15 above, and (iv) the Additional Cure Amounts, subject to paragraph 15 above. Payment by SGM of such Designated Cure Amounts and Additional Cure Amounts are deemed the necessary and sufficient amounts to “cure” all “defaults” with respect to all such Currently Identified Designated Contracts and Subsequently Identified Designated Contracts under § 365(b). The foregoing payment shall (i) effect a cure of all defaults existing under all such Currently Identified Designated Contracts, and (ii) compensate all such Contract Counter-Parties for any actual pecuniary loss resulting from any such default. The Debtors shall then have assumed and assigned to SGM, effective as of the Closing, all of the Designated Contracts (comprised of both all Currently Identified Designated Contracts and all Subsequently Identified Designated Contracts, if any), and, pursuant to § 365(f), the assignment by the Debtors of all such Designated Contracts to SGM shall not be a default thereunder. After the payment of the Designated Cure Amounts and the Additional Cure Amounts, neither the Debtors nor SGM shall have any further liabilities to any Contract Counter-Parties, other than SGM’s obligations under the Designated Contracts that accrue and become due and payable after the Closing Date. In addition, adequate assurance of future performance has been demonstrated by or on behalf of SGM with respect to all of the Designated Contracts within the meaning of §§ 365(b)(1)(c), 365(b)(3) (to the extent applicable) and 365(f)(2)(B). For the avoidance of doubt, SGM shall not be liable for the payment of any liabilities or obligations arising from or related to (a) any executory contracts that the Debtors intend to reject by appropriate motion and which are not being assumed and assigned to SGM, (b) any multiparty contract affecting more than one Debtor in addition to one of the hospitals subject to the

Transaction, or (c) any collective bargaining agreement (“CBA”), pension plan, or health and welfare plan providing for collectively bargained for benefits to which a Hospital is a party or a sponsor, unless expressly assumed and assigned with SGM’s consent.

18. The Debtors intend, and are hereby authorized, to (A) reject, pursuant to § 365(a), all executory contracts to which one or more of the Hospitals are a party, excluding (i) Designated Contracts, and (ii) any prepetition multiparty contract affecting more than one Debtor in addition to one of the Hospitals, and, (B) reject and terminate, to the extent separately authorized by this Court, pursuant to §§ 1113, 1114, and any other applicable provision of the Bankruptcy Code, any collective bargaining agreement, pension plan or health and welfare plan providing collectively bargained benefits to which one of the Hospitals is a party or sponsor and that SGM does not assume.

19. All of the Contract Counter-Parties are forever barred, estopped, and permanently enjoined from (i) raising or asserting against the Debtors or SGM, or any of their property, any assignment fee, acceleration, default, breach, or claim of pecuniary loss, or condition to assignment, arising under or related to the Designated Contracts, existing as of the Closing, or arising by reason of the consummation of the Transaction contemplated by the APA, including, without limitation, the Transaction and the assumption and assignment of the Designated Contracts, including any asserted breach relating to or arising out of the change-in-control provisions in such Designated Contracts, or any purported written or oral modification to the Designated Contracts and (ii) asserting against SGM any claim, counterclaim, breach, or condition asserted or assertable against the Debtors existing as of the Closing or arising by reason of the transfer of the Purchased Assets, except for the Assumed Obligations.

20. Any provisions in any Designated Contracts that prohibit or condition the assignment of such Designated Contract or allow the counterparty to such Designated Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Designated Contract constitute unenforceable anti-assignment provisions

1 that are void and of no force and effect with respect to the Debtors' assumption and assignment of such
2 Designated Contract to SGM in accordance with the APA, pursuant to § 363(f).

3 21. The terms and provisions of this Sale Order, as well as the rights granted under the
4 Transaction Documents, shall continue in full force and effect and are binding upon any successor,
5 reorganized Debtors, or chapter 7 or chapter 11 trustee applicable to the Debtors, notwithstanding ~~entry~~
6 ~~of any order of conversion or dismissal any such conversion, dismissal or order entry~~. Nothing
7 contained in any chapter 11 plan confirmed in the Debtors' cases or in any order confirming such a
8 plan, nor any order dismissing the cases or converting the cases to a case under chapter 7, shall conflict
9 with or derogate from the provisions of the APA, any documents or instruments executed in
10 connection therewith, or the terms of this Sale Order, provided however, that in the event of a conflict
11 between this Sale Order and an express or implied provision of the APA, this Sale Order shall govern.
12 The provisions of this Sale Order and any actions taken pursuant hereto shall survive any conversion or
13 dismissal of the cases and the entry of any other order that may be entered in the cases, including any
14 order (i) confirming any plan of reorganization; (ii) converting the cases from chapter 11 to chapter 7;
15 (iii) appointing a trustee or examiner in the cases; or (iv) dismissing the cases.

16 22. The Transaction contemplated by the APA and other Transaction Documents are
17 undertaken without collusion and in "good faith," as that term is defined in § 363(m) of the Bankruptcy
18 Code. SGM is a good faith purchaser within the meaning of § 363(m) and, as such, is entitled to the
19 full protections of § 363(m). Accordingly, the reversal or modification on appeal of the authorization
20 provided herein by this Sale Order to consummate the Transaction shall not affect the validity of the
21 sale of the Purchased Assets to SGM. The APA and the Transactions contemplated thereby cannot be
22 avoided under § 363(n).

23 23. The failure to specifically include any particular provision of the APA or the other
24 Transaction Documents in this Sale Order shall not diminish or impair the effectiveness of such
25 provisions, it being the intent of the Bankruptcy Court that the Transaction, the APA and the other
26 Transaction Documents be authorized and approved in their entirety. Likewise, all of the provisions of
27 this Sale Order are non-severable and mutually dependent.
28

1 24. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. §
2 158(a). Notwithstanding Rules 6004(h), 6006(d), 7062, or 9014, if applicable, or any other LBR or
3 otherwise, this Sale Order shall not be stayed for 14-days after the entry hereof, but shall be effective
4 and enforceable immediately upon entry pursuant to Rule 6004(h) and 6006(d). Time is of the essence
5 in approving the Transaction (including the transfer and the sale of the Purchased Assets).

6 25. The automatic stay in effect pursuant to § 362 is hereby lifted with respect to the
7 Debtors to the extent necessary, without further order of this Court, to (i) allow SGM to deliver any
8 notice provided for in the APA and Transaction Documents and (ii) allow SGM to take any and all
9 actions permitted under the APA and Transaction Documents in accordance with the terms and
10 conditions thereof.

11 26. Unless otherwise provided in this Sale Order, to the extent any inconsistency exists
12 between the provisions of the APA and this Sale Order, the provisions contained in this Sale Order
13 shall govern.

14 27. This Court shall retain exclusive jurisdiction to interpret, construe, and enforce the
15 provisions of the APA and this Sale Order in all respects, and further, including, without limitation, to
16 (i) hear and determine all disputes between the Debtors and/or SGM, as the case may be, and any other
17 non-Debtor party to, among other things, the Designated Contracts concerning, among other things,
18 assignment thereof by the Debtors to SGM and any dispute between SGM and the Debtors as to their
19 respective obligations with respect to any asset, liability, or claim arising hereunder; (ii) compel
20 delivery of the Purchased Assets to SGM free and clear of Encumbrances, except with respect to the
21 liens arising from the Special Assessments and the PACE Obligations; (iii) compel the delivery of the
22 Purchase Price or performance of other obligations owed to the Debtors; (iv) interpret, implement, and
23 enforce the provisions of this Sale Order; and (v) protect SGM against (A) claims made related to any
24 of the Excluded Liabilities (as defined in the APA), (B) any claims of successor or vicarious liability
25 (or similar claims or theories) related to the Purchased Assets or the Designated Contracts, or (C) any
26 Encumbrances asserted on or against SGM or the Purchased Assets.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 28. Following the date of entry of this Sale Order, the Debtors and SGM are authorized to
2 make changes to the APA and/or execute supplemental agreements implementing the transactions
3 contemplated by the APA without the need for any further order of the Court provided that all such
4 changes have been approved in writing by the Debtors, SGM, the Committee, the DIP Agent, and
5 Prepetition Secured Creditors. Any other proposed changes to the APA or this Sale Order shall require
6 a further order of the Court, after reasonable notice under the circumstances and a hearing.

7 29. Notwithstanding any other provision of this Sale Order or any other Order of this
8 Court, no sale, transfer or assignment of any rights and interests of a regulated entity in any federal
9 license or authorization issued by the FCC shall take place prior to the issuance of FCC regulatory
10 approval for such sale, transfer or assignment pursuant to the Communications Act of 1934, as
11 amended, and the rules and regulations promulgated thereunder. The FCC's rights and powers to take
12 any action pursuant to its regulatory authority, including, but not limited to, imposing any regulatory
13 conditions on such sales, transfers and assignments and setting any regulatory fines or forfeitures, are
14 fully preserved, and nothing herein shall proscribe or constrain the FCC's exercise of such power or
15 authority to the extent not inconsistent with the applicable provisions of the Bankruptcy Code.

16 30. To the extent the Purchased Assets contain records of the Verity Health System
17 Retirement Plan A and Verity Health System Retirement Plan B (collectively, the "Pension
18 Plans") or employment records of participants of the Pension Plans, SGM shall store, and
19 preserve any such records until the Pension Benefit Guaranty Corporation ("PBGC") has
20 completed its investigation regarding the Pension Plans and shall make such documents available
21 to PBGC for inspection and copying. Such records include, but are not limited to, any Pension
22 Plan governing documents, actuarial documents, and employment records (collectively, the
23 "Pension Plan Documents"). The Debtors shall retain and not abandon any Pension Plan
24 Documents that are not Purchased Assets no earlier than February 28, 2020, and shall make such
25 documents available to the PBGC for inspection and copying.

26 31. No later than May 13, 2019, either (i) the Debtors will file a notice of a resolution of
27 the issues regarding the transfer and/or proposed assumption and assignment or rejection of the
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LOS ANGELES, CALIFORNIA 90017-5704
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Hospitals' Medi-Cal Provider Agreements or (ii) DHCS will file a supplemental objection to the proposed transfer of the Medi-Cal Provider Agreements. If necessary, the Debtors will file any reply to the supplemental objection no later than 4:00 p.m. (Pacific Time), on May 27, 2019, and a hearing will be held on the issues raised regarding the transfer and/or proposed assumption and assignment or rejection of the Medi-Cal Provider Agreements on June 5, 2019, at 10:00 a.m. (Pacific Time); and all parties' rights, claims, and defenses are preserved until that hearing. Nothing in this Sale Order shall apply to Medi-Cal Provider Agreements until and unless there is a Court order approving a settlement between the Debtors and the DHCS or a Court order resolving the DHCS's objections.

32. No later than May 13, 2019, either (i) the Debtors will file a notice of a resolution of the issues regarding the transfer and/or proposed assumption and assignment or rejection of the Hospitals' Medicare Provider Agreements or (b) HHS will file a supplemental objection to the proposed transfer of the Medicare Provider Agreements. If necessary, the Debtors will file any reply to the supplemental objection no later than 4:00 p.m. (Pacific Time), on May 27, 2019, and a hearing will be held on the issues raised regarding the transfer and/or proposed assumption and assignment or rejection of the Medicare Provider Agreements on June 5, 2019, at 10:00 a.m. (Pacific Time); and all parties' rights, claims, and defenses are preserved until that hearing. Nothing in this Sale Order shall apply to Medicare Provider Agreements until and unless there is a Court order approving a settlement between the Debtors and the HHS or a Court order resolving the HHS's objections.

33. In accordance with the terms of §§ 4.7 and 5.11 of the APA, the Debtors and SGM will negotiate regarding modification of applicable CBAs. To the extent the Debtors seek modification, rejection and/or termination of CBAs, they will comply with the requirements of § 1113, as applicable, and may do so before or after Closing under their discretion.

34. A continued hearing on the Cure Objections shall be held on June 5, 2019, at 10:00 a.m. (Pacific Time). As to the Currently Identified Designated Contracts, by no later than May 22, 2019, at 4:00 p.m. (Pacific Time), the Debtors shall file a notice containing a list of (a) the Cure Objections that have been resolved, and (b) the Cure Objections as to which Court intervention is required. As to the Cure Objections for which Court intervention is required, *pursuant to the Order*

1 *Approving Omnibus Stipulation Continuing Hearing on Certain Objections to Notice and*
2 *Supplemental Notice of Contracts Designated for Assumption and Assignment [Docket No. 2183], the*
3 *deadline for the Debtors to reply to the Cure Objections shall be May 29, 2019, at 4:00 p.m. (Pacific*
4 *Time). the following briefing schedule shall apply: (1) the Debtors' opposition to each outstanding*
5 *Cure Objection shall be submitted by no later than May 22, 2019; and (2) the counterparties' reply in*
6 *support of its Cure Objections shall be submitted by no later than May 29, 2019.* Nothing in this Sale
7 Order constitutes a finding or determination on any Cure Objection. All Cure Objections are preserved
8 until resolved either by agreement between the Debtors and the contract counterparty or further order
9 of the Court.

10 35. As to any executory contracts or unexpired leases that were listed on the Initial
11 Designated Contract List, but not listed on any prior Cure Notice, any counterparty thereto may file an
12 objection to the cure amount or assumption thereof by May 22, 2019, and all other provisions in
13 paragraph 34 shall apply to resolution thereof.

14 36. As to Subsequently Identified Designated Contracts, (i) promptly upon SGM's
15 identifying such contract(s), the Debtors shall file a notice with the Court identifying all Subsequently
16 Identified Designated Contracts no later than 30 days prior to Closing and provide service thereof in
17 accordance with paragraph 16, and (ii) to the extent that any Subsequently Identified Designated
18 Contracts were not listed on a Cure Notice, counterparties subject to contracts who object to
19 assumption and/or the proposed cure amounts must file an objection no later than 14 days prior to
20 Closing, and any reply shall be filed no later than 7 days prior to Closing. To the extent that a
21 negotiated resolution cannot be achieved, any objections filed in connection with the Subsequently
22 Identified Designated Contracts shall be adjudicated by the Court, which shall resolve any and all
23 disputed issues related to the objection(s).

24 37. The California Attorney General, the Debtors, the Consultation Parties (as defined in
25 the Bid Procedures Order) and SGM, reserve all rights, arguments and defenses concerning the
26 California Attorney General's authority, if any, to review the sale under California Corporations Code
27 §§ 5914–5924 and California Code of Regulations on Nonprofit Hospital Transactions—Title 11,
28

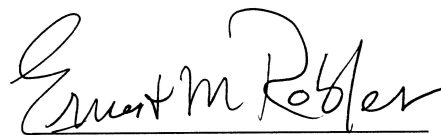
Chapter 15, § 999.5, and any conditions issued thereto. Nothing in this Sale Order shall be construed as a waiver of the Attorney General's statutory and regulatory authority or other rights.

38. The Committee and the Prepetition Secured Creditors' rights, and their ability to participate and be heard at the hearings described in paragraphs 31 to 36 of this Sale Order, are hereby reserved. To the extent that the DIP Agent, DIP Lender, Prepetition Secured Creditors or the Committee desire to file pleadings related to such hearings, their respective times for filing an objection or response to any of the requests for relief described in paragraphs 31 to 37 herein shall be the same as granted to the Debtors pursuant to the notice in each such instance.

IT IS SO ORDERED.

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Date: May 2, 2019



Ernest M. Robles
United States Bankruptcy Judge