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Sydney Thomson, M.D. & Anthony Barajas

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

In re

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

Debtors and Debtors In Possession.

- ☐ Affects All Debtors
- ☒ Affects Verity Health System of
California, Inc.
- ☒ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☒ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital
Foundation
- ☐ Affects St. Francis Medical Center of
Lynwood Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose
ASC, LLC

Debtors and Debtors In Possession.

Lead Case No. 18-bk-20151-ER

Jointly Administered With:
Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20171-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**STIPULATION BETWEEN DEBTORS VERITY
HEALTH SYSTEM OF CALIFORNIA, INC.,
O'CONNOR HOSPITAL, O'CONNOR
HOSPITAL FOUNDATION AND SYDNEY
THOMSON, M.D. AND ANTHONY BARAJAS,
GRANTING SYDNEY THOMSON, M.D. AND
ANTHONY BARAJAS RELIEF FROM THE
AUTOMATIC STAY SO THAT SUPERIOR
COURT CASE MAY PROCEED**

Hearing:

Date: June 10, 2019 at 10:00 a.m.
Place: U.S. Bankruptcy Court, Courtroom 1568
255 East Temple Street
Los Angeles, California 90012



1 This Stipulation is entered into by and between the debtors, Verity Health System of
2 California, Inc. (“VHS”), O’Connor Hospital (“O’Connor”) and O’Connor Hospital Foundation
3 (the “Foundation”), debtor and debtors in possession in these procedurally consolidated cases
4 (collectively, the “Debtors”), and Movants Sydney Thomson, M.D., and Anthony Barajas,
5 stipulating to relief from the automatic stay so that Dr. Thomson and Mr. Barajas may proceed with
6 their litigation [Case Number 18CV335208] filed in the Superior Court of Santa Clara County based
7 on the following facts.

8 A. On August 31, 2018, the Debtors each filed a voluntary petition for relief under
9 Chapter 11. Since the commencement of their cases, the Debtors have been operating their
10 businesses as Debtors in possession pursuant to §§ 1107 and 1108.

11 B. As of the commencement of these cases, VHS, a California nonprofit public benefit
12 corporation, is the sole corporate member of five debtor California nonprofit public benefit
13 corporations that operated six acute care hospitals: O’Connor, Saint Louise Regional Hospital,
14 Saint Francis Medical Center, Saint Vincent Medical Center, Seton Medical Center and Seton
15 Medical Center Coastsides, and other facilities, in the State of California. Seton Medical Center and
16 Seton Medical Center Coastsides operate under one consolidated acute care license.

17 C. As of the commencement of these cases, VHS, the Hospitals and their affiliated
18 entities operate as a nonprofit health care system, with approximately 1,680 inpatient beds, six
19 active emergency rooms, and a trauma center, eleven medical office buildings, and a host of medical
20 specialties, including tertiary and quaternary care.

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

23 E. On December 27, 2018, the Court entered an order [Docket No. 1153] approving
24 Santa Clara County as the purchaser for the Debtors’ two hospitals in Santa Clara County—Saint
25 Louise Medical Center and O’Connor – and related assets at a price of approximately \$235 million,
26 with the sale closing on February 28, 2019.

27 F. On February 19, 2019, the Court entered an Order approving bidding procedures
28 and a stalking horse bidder for the Debtors remaining four hospitals – St. Francis Medical Center,

1 St. Vincent Medical Center, Seton Medical Center and Seton Medical Center Coastsides Campus –
2 and set a sale hearing for April 17, 2019. [Docket Nos. 1279, 1572]. The proposed asset purchase
3 agreement (the “APA”) [Docket No. 1279, Exhibit 1] entered into between certain Debtors (VHS,
4 Verity Holdings, LLC, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis
5 Center and Seton Medical Center) and Strategic Global Management, Inc., has an outside closing
6 date of December 31, 2019. APA § 9.1.

7 G. At a hearing on April 17, 2019, the Court approved the sale of St. Francis Medical
8 Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center and Seton
9 Medical Center Coastsides to Strategic Global Management Inc. The Court entered its Order
10 approving the sale On May 2, 2019.

11 H. On September 21, 2018, Sydney Thomson, M.D., and Anthony Barajas filed a
12 Complaint against VHS, O’Connor and the Foundation in the Superior Court of the State of
13 California for the County of Santa Clara, Case No. 18CV335208.

14 I. On November 20, 2018, VHS, O’Connor and the Foundation filed a Notice Of
15 Bankruptcy Stay in the California Superior Court case.

16 J. On May 20, 2019, Sydney Thomson, M.D., and Anthony Barajas filed a Motion For
17 Relief From Automatic Stay in which Thomson and Barajas *seek recovery only from applicable*
18 *insurance, and waive any deficiency or other claims against the Debtors or property of the Debtors’*
19 *bankruptcy estates.*

20 K. Dr. Thomson and Mr. Barajas are not, and will not seek damages from the Debtors
21 that are not covered by insurance.

22 L. The parties agree that relief from stay will not be effective until August 3, 2019.

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1 WHEREFORE, VHS, O'Connor, the Foundation, Sydney Thomson, M.D., and Anthony
2 Barajas stipulate that Dr. Thomson and Mr. Barajas may have relief from the automatic stay as of
3 August 3, 2019, on the basis that: they will seek recovery only from applicable insurance; they will
4 not seek damages that are not covered by insurance; and, they waive any deficiency or other claim
5 against the Debtors or property of the Debtors' bankruptcy estates.

6
7 Dated: May 29, 2019

DENTONS US LLP
Samuel R. Maizel
John A. Moe, II
Tania M. Moyron

8
9 By /s/ John A. Moe, II
10 John A. Moe, II

11 Attorneys for the Chapter 11 Debtors
12 and Debtors In Possession

13 Dated: May 29, 2019

LAW OFFICE OF BJ FADEM & ASSOCIATES
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14
15
16 By /s/ Lee F. Hoffman
Lee F. Hoffman

17 Attorneys for Chapter 11 Creditors
18 Sydney Thomson, M.D. & Anthony Barajas

19 Dated: May 29, 2019

THE COSTANZO LAW FIRM
Lori J. Costanzo
Andrea Justo

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21 By /s/ Lori J. Costanzo
Lori J. Costanzo

22 Attorneys for Chapter 11 Creditors
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