

Docket #2564 Date Filed: 6/19/2019

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

In re

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

Debtors and Debtors in
Possession.

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
Hon. Ernest M. Robles

**DECLARATION OF ERIC GOLDSTEIN IN
SUPPORT OF MOTION TO COMPEL
COMPLIANCE WITH ORDER APPROVING
PROCEDURES RELATED TO THE
ASSUMPTION OF CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES
[DOCKET NO. 1572]**

HEARING:

Date: July 10, 2019

Time: 10:00 a.m.

Place: Courtroom 1568

255 E. Temple Street, Los Angeles, CA 90012



182015119061900000000003

1 ERIC GOLDSTEIN declares under penalty of perjury as follows:

2 1. I am over the age of eighteen and believe in the obligations of an oath. I am a
3 partner at the law firm of Shipman & Goodwin LLP ("S&G"), which is counsel to
4 UnitedHealthcare Insurance Company (collectively with its affiliates, subsidiaries, and
5 parents, "United") in connection with the above referenced case. I make this declaration
6 based on my personal knowledge and my personal knowledge of the books and records of
7 S&G. I make this declaration in support of United's *Motion to Compel Compliance with*
8 *Order Approving Procedures Related to the Assumption of Certain Executory Contracts and*
9 *Unexpired Leases [Docket No. 1572]* (the "Motion").

10 2. To date, the Purchaser¹ has not made an irrevocable designation of the United
11 Provider Agreements. On April 11, 2019, I spoke to Debtors' counsel and agreed, upon
12 client confirmation, to extend the deadline until the end of April 2019, which United
13 ultimately agreed to do. Because no irrevocable designation was made by April 30 2019, I
14 sent a letter on May 3, 2019, to Debtors' counsel, with a copy to Purchaser's counsel, giving
15 the Debtors and Purchaser until May 15, 2019, to make such irrevocable designation.

16 3. Thereafter, on May 21, 2019, counsel for the Debtors, Purchaser, Cigna, and I
17 held a telephonic conference to discuss the need to make an irrevocable designation of the
18 United Provider Agreements and the similar Cigna contracts. At the conclusion of that call,
19 Purchaser's counsel agreed to discuss this issue promptly with his client.

20 4. On May 24, 2019, I emailed counsel for the Purchaser, with a copy to Debtors'
21 counsel and Cigna's counsel, requesting an update on a date by which the Purchaser would
22 make an irrevocable designation.

23 5. On May 28, 2019, Purchaser's counsel contacted me, but did not have any
24 definitive date that the Purchaser would make an irrevocable designation.

25 6. Having received no further response from Purchaser's counsel, on June 4,
26 2019, I again emailed Purchaser's counsel asking for an update on when an irrevocable
27 designation would be made. Still having received no response, I emailed Purchaser's

28 ¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

1 counsel again on June 10, 2019, and made demand that the Purchaser advise United by the
2 close of business on June 11, 2019, the date by which it would make an irrevocable
3 designation of the United Provider Agreements. United has received no further response
4 from Purchaser's counsel.

5 7. Attached as Exhibit A is a true and correct copy of an excerpt of the Court's
6 Tentative Ruling for the February 6, 2019, 10:00 a.m. calendar in the Verity Health System
7 of California matter, concerning the Sale Motion.

8
9 I declare under penalty of perjury that the foregoing is true and correct, and that this
10 Declaration was executed on June 19, 2019.

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12 _____
13 Eric Goldstein
14 Partner, Shipman & Goodwin LLP
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Exhibit A

Exhibit A

**United States Bankruptcy Court
Central District of California
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10:00 AM

2:18-20151 Verity Health System of California, Inc.

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#10.00 HearingRE: [1279] Motion and Notice of 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; Memorandum of Points and Authorities In Support Thereof

Docket 1279

Tentative Ruling:

2/5/2019

For the reasons set forth below, the Bidding Procedures Motion is GRANTED, except that the Court will approve a Breakup Fee of only 3.0%, and the Court finds that certain of the termination rights granted to SGM in the APA are unduly broad.

Pleadings Filed and Reviewed:

- 1) Debtors' Notice of 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 [Doc. No. 1279] (the "Bidding Procedures Motion")
- 2) Opposition Papers:
 - a) Limited Objection and Reservation of Rights of the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to [Bidding Procedures Motion] [Doc. No. 1346]
 - b) Reservation of Rights of U.S. Bank, N.A. [Doc. No. 1347]

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- c) Objection of Cigna Entities to [Bidding Procedures Motion] [Doc. No. 1349]
- d) Limited Objection to [Bidding Procedures Motion] [filed by UnitedHealthcare Insurance Company] [Doc. No. 1351]
- e) [California] Attorney General's Opposition to [Bidding Procedures Motion] [Doc. No. 1352]
- f) Creditor California Department of Health Care Services's Objection to [Bidding Procedures Motion] [Doc. No. 1353]
- g) SEIU-UHW's Objection and Reservation of Rights as to [Bidding Procedures Motion] [Doc. No. 1354]
- h) IUOE, Stationary Engineers Local 39's Reservation of Rights Regarding [Bidding Procedures Motion] [Doc. No. 1355]
- i) Response and Reservation of Rights to Motion to Sell Asset and for Related Relief [filed by UMB Bank, N.A.] [Doc. No. 1357]
- j) Reservation of Rights of MGH Painting, Inc., Holder of a Mechanic's Lien Against St. Vincent Medical Center, in Connection with [Bidding Procedures Motion] [Doc. No. 1358]
- k) California Nurses Association Objection to [Bidding Procedures Motion] [Doc. No. 1359]
 - i) Declaration of Kyrsten B. Skogstad in Support of Objection [Doc. No. 1360]
- l) Limited Objection and Reservation of Rights of San Mateo County & Health Plan of San Mateo Re Debtors' [Bidding Procedures Motion] [Doc. No. 1361]
 - i) Proof of Service [Doc. No. 1383]
- m) Limited Opposition of Belfor USA Group, Inc. to Debtors' Bidding Procedures Motion [Doc. No. 1364]
- n) Limited Objection and Reservation of Rights of St. Vincent IPA Medical Corporation & Angeles IPA Re Debtors' [Bidding Procedures Motion] [Doc. No. 1388]
- o) UNAC's Limited Objection and Reservation of Rights Regarding [Bidding Procedures Motion] [Doc. No. 1395]
- p) Opposition to the Debtors' [Bidding Procedures Motion filed by Hooper Healthcare Consulting LLC] [Doc. No. 1397]
- q) Official Committee of Unsecured Creditors' Limited Objection to [Bidding Procedures Motion] [Doc. No. 1399]
 - i) Declaration of Cynthia A. Nelson in Support of Official Committee of Unsecured Creditors' Limited Objection to SGM Sale Motion [Doc. No.

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1401]

ii) Request for Judicial Notice [Doc. No. 1402]

iii) Proof of Service [Doc. No. 1410]

iv) Joint Supplement to Objection and Response to Debtors' Sale Motion
[Doc. No. 1460]

3) Reply Papers:

a) Debtors' Omnibus Reply to Objections to Debtors' Bid Procedures Motion by
(I) U.S. Department of Health and Human Services and Centers for Medicare
and Medicaid Services, and (II) California Department of Health Care Services
[Doc. No. 1438]

b) [Debtors'] Reply to California Attorney General's Opposition [to Bidding
Procedures Motion] [Doc. No. 1442]

c) Reply of Strategic Global Management, Inc. to Objections to [Bidding
Procedures Motion] [Doc. No. 1444]

d) [Debtors'] Omnibus Reply [Doc. No. 1448]

e) [Debtors'] Omnibus Reply to Union Objections [Doc. No. 1449]

i) Objection to Declaration of Kyrsten B. Skogstad [Doc. No. 1450]

I. Facts and Summary of Pleadings

On August 31, 2018 (the "Petition Date"), Verity Health Systems of California ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On August 31, 2018, the Court entered an order granting the Debtors' motion for joint administration of the Debtors' Chapter 11 cases. Doc. No. 17.

Debtors seek approval of procedures governing the sale of St. Francis Medical Center ("St. Francis"), St. Vincent Medical Center ("St. Vincent"), St. Vincent Dialysis Center ("St. Vincent Dialysis"), Seton Medical Center ("Seton"), Seton Medical Center Coastsides ("Seton Coastsides"), and related assets (collectively, the "Hospitals"). *See* Doc. No. 1279 (the "Bidding Procedures Motion"). Pursuant to an Asset Purchase Agreement (the "APA") dated January 8, 2019, Strategic Global Management ("SGM") has agreed to serve as the stalking horse bidder.

A. Proposed Bidding Procedures and Material Terms of the APA

Under the APA, the proposed purchase price is approximately \$610 million (the "Cash Consideration"), with \$420 million allocated to St. Francis, \$120 million allocated to St. Vincent, and \$70 million allocated to Seton and Seton Coastsides.

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combined, plus the payment of cure costs associated with the assumption and assignment of executory contracts and unexpired leases. APA at § 1.1(1)(i). The proposed breakup fee (the "Breakup Fee") is 3.5% of the Cash Consideration, or \$21.35 million, plus reimbursement of reasonably documented costs and expenses in an amount not to exceed \$2 million. SGM has made a good-faith deposit in the amount of \$30 million.

The APA contemplates that the Debtors will seek the review and approval of the California Attorney General (the "Attorney General") as to the sale. If the Attorney General's review results in the imposition of certain types of conditions, SGM may terminate the transaction:

Purchaser [SGM] recognizes that the transactions contemplated by this Agreement may be subject to review and approval of the [Attorney General]. Purchaser [SGM] agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the [Attorney General] are substantially consistent with the conditions set forth in Schedule 8.6. In the event the [Attorney General] imposes conditions on the transactions contemplated by this Agreement which are not as set forth on Schedule 8.6 (the "Additional Conditions"), Sellers [the Debtors] shall have the opportunity to file a motion with the Bankruptcy Court seeking the entry of an order finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions. If Sellers obtain such an order, from the Bankruptcy Court or another court, Purchaser shall have a period of 21 business days from the entry of such order to determine, in Purchaser's sole and absolute discretion, and in consultation with Purchaser's financing sources, whether to proceed to consummate the transactions contemplated by this Agreement. If Purchaser [SGM] determines not to proceed, Purchaser [SGM] shall have the right to terminate this Agreement and receive the return of its Good Faith Deposit.

APA at § 8.6.

Under the proposed bidding procedures, bidders may submit bids for a subset of the Hospitals (a "Partial Bid") or for all of the Hospitals (a "Full Bid"). If the Debtors receive one or more Partial Bids, they will conduct separate auctions of each asset or combination thereof (each, a "Partial Bid Auction"). The Partial Bid Auction(s) will

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be conducted at the Debtors' offices on April 8, 2019. If the Debtors receive one or more Full Bids, the Debtors will conduct the Full Bid Auction at the Debtors' offices on April 9, 2019. In the event that no qualifying bids are received, no auction will be conducted and SGM will be named the successful bidder.

The proposed bidding procedures authorize SGM to terminate the transaction if qualified Partial Bids are received but no qualified Full Bids are received:

If the Partial Bids do not include all four APA Facilities, and if there are no other qualified full bids, then Seller, in its discretion, will either choose (1) to have no auction and the Stalking Horse Purchaser will purchase the four APA Facilities pursuant to the Stalking Horse APA, or (2) if the Debtor and Consultation Parties deem the aggregate Winning Partial Bid(s) to be sufficient to warrant leaving one or more APA Facilities behind (the "Remaining Facility"), the Stalking Horse Purchaser shall have the option of (i) acquiring the Remaining Facility at the allocated price in the Stalking Horse APA, (ii) overbidding one or more of the Partial Bids, or (ii) terminating the Stalking Horse APA. In either event, the Stalking Horse Purchaser shall be entitled to the Break-Up Fee for all of the APA Facilities not acquired by the Stalking Horse Purchaser.

Bidding Procedures (APA, Schedule 6.1(b)(3)) at § II.H(b).

The APA requires that the Hospitals be transferred to SGM free and clear of collective bargaining agreements ("CBAs"), but expressly notes that the Debtors will not be in breach for failing to obtain any modification or rejection of an existing CBA. APA at §§ 1.7 and 4.7.

The proposed bidding procedures authorize the Debtors to employ and announce additional procedural rules at the auction, provided that the Debtors first consult with SGM, the Official Committee of Unsecured Creditors (the "Committee"), the Prepetition Secured Creditors, and any other party deemed appropriate within the business judgment of the Debtors. [Note 1]

**B. Proposed Procedures Relating to the Assumption and Assignment of
Executory Contracts and Unexpired Leases**

The Debtors propose the following procedures with respect to the assumption and assignment of executory contracts and unexpired leases:

- 1) The Debtors will seek to assume and assign certain executory contracts and

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unexpired leases to be identified in the Purchase Agreements (collectively, the "Assumed Executory Contracts"). (For simplicity, as used hereafter, the term "executory contract" means an executory contract and/or an unexpired lease, as the context requires.)

- 2) The Assumed Executory Contracts will be those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Hospitals. The Successful Bidder(s) may choose to exclude (or add) certain executory contracts to the list of Assumed Executory Contracts, subject to further notice.
- 3) The Debtors will provide all executory contract counterparties notice of whether their contract is to be assumed and assigned to the Successful Bidder(s) within 48 hours of the conclusion of the Full Bid Auction. The Debtors, however, cannot give assurance that such notice will be irrevocable, as the Debtors cannot predict whether the Successful Bidder's transaction will be approved by the Court or will survive potential litigation with the Attorney General.
- 4) On March 5, 2019, the Debtors will serve a cure notice (the "Cure Notice") upon counterparties to the Assumed Executory Contracts. The Cure Notice will advise the counterparties of the date and time of the hearing to approve the sale of the Hospitals (the "Sale Hearing") (April 17, 2019, at 10:00 a.m.), as well as the deadline to object to the sufficiency of the Cure Amount (March 22, 2019, at 4:00 p.m.). The Cure Notice will further advise counterparties of the deadline to assert an objection to assumption and assignment, other than an objection based on the sufficiency of the Cure Amount (April 12, 2019, at 4:00 p.m.).

C. Proposed Significant Dates

The Debtors propose the following timetable with respect to the auction (all times are local prevailing time):

- 1) Service of Notice of Sale Hearing: March 1, 2019.
- 2) Service of Assumption and Cure Notice: March 5, 2019.
- 3) Deadline for Executory Contract Counterparties to Object to the Sufficiency of the Cure Amount (as to counterparties who were served the Assumption and Cure Notice on March 5, 2019): March 22, 2019, at 4:00 p.m.
- 4) Partial Bid Deadline: March 28, 2019, at 4:00 p.m.

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- 5) Full Bid Deadline: April 3, 2019, at 4:00 p.m.
- 6) Partial Bid Auction: April 8, 2019, at 10:00 a.m.
- 7) Full Bid Auction: April 9, 2019, at 10:00 a.m.
- 8) Notice of Results of Auction and filing of Memorandum Supporting the Sale: April 10, 2019, at 10:00 a.m.
- 9) Service of Notice of Executory Contracts to be Assumed and Assigned: April 11, 2019, at 10:00 a.m.
- 10) Sale Objection Deadline: April 12, 2019, at 4:00 p.m.
- 11) Deadline for Executory Contract Counterparties to Assert Objections Other than An Objection to the Sufficiency of the Cure Amount: April 12, 2019, at 4:00 p.m.
- 12) Reply Deadline: April 15, 2019, at 4:00 p.m.
- 13) Sale Hearing: April 17, 2019, at 10:00 a.m.

D. Summary of the Objections Filed to the Bidding Procedures Motion and the Debtors' Replies in Support of the Motion

The objections to the Bidding Procedures Motion, and the Debtors' reply to each objection, are summarized below. (Certain objections have been resolved; only unresolved objections are discussed herein.)

1. Objections of the Committee and the Prepetition Secured Creditors [Doc. Nos. 1399, 1401, 1402, and 1460]

The Committee asserts that certain of the bidding protections afforded to SGM (the "Bid Protections") are not consistent with applicable precedent and market terms and practice, and will not yield optimal value for the estate. The Committee's specific objections are as follows:

- 1) The Breakup Fee of \$21.35 million, or 3.5% of the Cash Consideration, is not necessary to garner SGM's participation in the auction. In 2014, the Debtors' predecessor attempted to sell the Hospitals. SGM, Prime Healthcare Services, Inc. ("Prime") and Prospect Medical Holdings, Inc. ("Prospect") all participated in the auction. Given the high level of interest exhibited in the 2014 auction, the 3.5% Breakup Fee is excessive. The Breakup Fee should be reduced to 3% of the Cash Consideration, or \$18.3 million. The cases cited by the Debtors involving an equal or higher breakup fee are inapposite, because the transactions in each of those cases were much smaller.

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- 2) In the case of *In re Promise Healthcare Group LLC*, Case No. 18-12491 (CSS) (Bankr. D. Del. Dec. 4, 2018), SGM agreed that it was appropriate to limit the amount of a break-up fee. In that case, SGM argued that aggregate Bid Protections amounting to 5.4% of the nominal purchase price were excessive. SGM asserted that a 3% break-up fee was appropriate. Since a 3% break-up fee is all that SGM thought was necessary to facilitate the sale of the Los Angeles Downtown Medical Center in *Promise Healthcare*, no more should be necessary for SGM to serve as the Stalking Horse Bidder in this case.
- 3) The Bidding Procedures authorize SGM to terminate the transaction if Partial Bids are received but no Full Bids are received. SGM should be required to remain the Stalking Horse Bidder until the conclusion of the auction.
- 4) The Bidding Procedures do not require SGM to act as a Backup Bidder in connection with a sale of fewer than all four of the Hospitals. The Bidding Procedures should require SGM to serve as the Backup Bidder in the event of a Partial Bid Auction.
- 5) The Bidding Procedures require the Debtors to consult SGM with respect to any additional procedural rules employed at the auction. This consultation right gives SGM a greater voice regarding the conduct of the auction and could chill bidding, as other bidders might believe that SGM could tilt the rules in its favor.
- 6) SGM should not have the right to terminate the transaction if, in response to the imposition of additional conditions by the Attorney General, the Debtors seek and obtain an order authorizing the sale of the Hospitals free and clear of such additional conditions.

The Prepetition Secured Creditors assert substantially similar objections to the Bidding Procedures as the Committee.

The Debtors reply to the objections asserted by the Committee and the Prepetition Secured Creditors as follows:

- 1) The 3.5% Breakup Fee was necessary to incentivize SGM to perform the requisite due diligence to submit an opening bid and to enter into a binding contract and to secure financing for a \$610 million transaction. SGM has agreed to purchase multiple hospitals, not just the most attractive ones, and has agreed to a significant cash purchase price.

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- 2) The fact that SGM bid for the Hospitals in 2014 does not warrant a reduction in the Breakup Fee. While SGM may have been familiar with the Hospitals in 2014, the condition of the Hospitals has changed significantly over the past five years.
- 3) In connection with the sale of Saint Louise Regional Medical Center and O'Connor Hospital to the County of Santa Clara, this Court approved a 4% break-up fee. Other Bankruptcy Courts have approved break-up fees of 3.5% or higher. Hence, the 3.5% Breakup Fee sought here is reasonable.
- 4) There is no merit to the contention that SGM's termination rights are too broad or that SGM should be required to serve as the Backup Bidder in connection with a Partial Bid auction. These objections ignore that the Bidding Procedures were a result of an overall compromise on both sides to reach a deal. Parties cannot cherry-pick in isolation various provisions without opening up all of the Bidding Procedures to further negotiation.

SGM asserts that the terms of the APA, including the Breakup Fee, are appropriate. SGM emphasizes the enormously complicated nature of the Hospitals' businesses, and notes that the universe of prospective purchasers for such healthcare facilities, particularly facilities with a history of losses, is small. SGM contends that proceeding with the APA will produce optimal results for all stakeholders.

2. Objections of Entities Who Are Parties to or Benefit from Various Collective Bargaining Agreements with Certain of the Debtors [Doc. Nos. 1354, 1355, 1359, and 1395]

The International Union of Operating Engineers, Stationary Engineers Local 39 ("Local 39"), the Service Employees International Union, United Healthcare Workers-West ("SEIU-UHW"), the California Nurses Association (the "CNA"), and the United Nurses Association of California/Union of Health Care Professionals ("UNAC") are parties to collective bargaining agreements ("CBAs") with certain of the Debtors. The CBA currently in effect between the Debtors and Local 39 was entered into postpetition; all the other CBAs were entered into prepetition.

The Unions assert that the CBAs prohibit the Debtors from agreeing to the transfer of any of the Hospitals unless the purchaser is required to assume the CBAs. The Unions contend that the Debtors must first comply with the requirements of § 1113 before entering into an APA which contemplates the modification of the CBAs.

The Unions further contend that the proposed bidding procedures do not

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sufficiently incentivize prospective purchasers to assume the CBAs. According to the Unions, the Debtors should be required to provide a quantification of the bidding credit to any bidder who agrees to assume liabilities under the CBAs.

UNAC and CNA challenge the size of the Breakup Fee, raising many of the same arguments as the Committee. CNA asserts that the Breakup Fee is unnecessary given that the Hospitals were previously marketed in 2014.

Debtors dispute the Union's contention that they must obtain relief under §1113 before proceeding with the sale. Debtors rely upon *Local 211 v. Family Snacks, Inc., Official Unsecured Creditors' Comm. (In re Family Snacks, Inc.)*, 257 B.R. 884, 897 (B.A.P. 8th Cir. 2001):

When a debtor is selling on a going concern basis, the union urges, *Ionosphere* should not apply because the only meaningful time the court can make a decision on rejection is prior to the sale. We see no basis for such a distinction, unless it is to give the union veto power over a going concern sale which, as we know from experience, is often the best way to reap the greatest benefit for all creditors. Section 1113 was never intended to give unions such power. Its sole purpose is to keep a debtor from unilaterally rejecting a CBA and to plainly articulate the rules for going about rejection. If, as *Ionosphere* concluded, a debtor who is liquidating piecemeal should not be forced into Chapter 7 in order to preserve its assets for equitable distribution to all creditors, the same is true for a debtor who is selling its assets on a going concern basis.

Family Snacks, 257 B.R. at 897.

Debtors state that they have consistently expressed a preference to all potential buyers that they assume the existing CBAs. With respect to the Unions' request that the Debtors be required to quantify the credit to be afforded to bidders assuming the CBAs, Debtors state that they must be given broad discretion to select the highest and best bid in accordance with their business judgment. Debtors state that providing a specific valuation for the assumption of the CBAs would be unreasonable, burdensome, and bid-chilling, and contend that the provision of such information is unnecessary given the sophistication of the parties participating in the Auction(s).

3. Objection of the County of San Mateo and the Health Plan of San Mateo [Doc. No. 1361]

The County of San Mateo and the Health Plan of San Mateo (collectively, the "San Mateo Objectors") raise an issue with § 5.1(b) of the APA, which provides that

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SGM is permitted to meet and communicate with "applicable governmental and regulatory authorities regarding prospective compliance with regulatory requirements and related issues; so long as ... such communications and meetings do not interfere with the operation of the Businesses or the conduct of the Bankruptcy Cases and (ii) any communications or meeting with any governmental authority are approved in advance by Sellers [the Debtors] as to timing and content (and Sellers are copied on such communications and afforded the opportunity to participate in such meetings)." The San Mateo Objectors fear that such language could be construed to restrict the ability of SGM to communicate with the County on matters of interest to the County and its residents.

In response, the Debtors affirm that the restrictions and limitations set forth in § 5.1(b) on communications between SGM and governmental authorities are intended to apply only to communications regarding licensing or regulation of the Hospitals with the relevant licensing or regulatory authorities. Debtor state that the restrictions do not apply to communications involving SGM (or any other prospective buyers) and any governmental authority on subjects unrelated to licensing or regulation by that authority.

4. Objection of Hooper Healthcare Consulting LLC [Doc. No. 1397]

Hooper Healthcare Consulting LLC ("Hooper") provides consulting services to the Debtors to enable the Debtors to maximize their receipt of Hospital Quality Assurance Fees. Hooper asserts that its services have increased the Debtors' receipt of Quality Assurance Fees by \$16.4 million over the past 2.5 years. Hooper receives a monthly consulting fee of \$9,400 for its services, plus 3% of the increased Quality Assurance Fee receipts generated by Hooper's services, up to a maximum of \$500,000 (the "Net Benefit Compensation"). According to Hooper, the Bidding Procedures Motion does not identify whether the Debtors or the successful purchaser is required to pay any Net Benefit Compensation that may come due in the future. Hooper further contends that procedures proposed by the Debtors do not provide it sufficient time to object to the assumption and assignment of its executory contract.

The Debtors maintain that Hooper's objection is premature. The Debtors state that once they have identified the Successful Bidder, they will provide Hooper with notice of how its Net Benefit Compensation will be treated. The Debtors assert that the procedures regarding assumption and assignment are standard for cases of this type and provide counterparties with a sufficient opportunity to protect their rights.

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5. Reservation of Rights of MGH Painting Inc. [Doc. No. 1358] and Limited
Opposition of Belfor USA Group, Inc. [Doc. No. 1364]

MGH Painting, Inc. ("MGH Painting") asserts a mechanic's lien in the amount of \$225,000 against St. Vincent. MGH Painting reserves its rights to object at the Sale Hearing in the event it is not satisfied with the proposed treatment of its lien.

Belfor USA Group, Inc. ("Belfor") asserts a mechanic's lien in the amount of \$250,733.03 against St. Vincent. Belfor opposes any sale of St. Vincent free and clear of its lien unless it is paid in full from the sale proceeds.

The Debtors assert that the objections of MGH Painting and Belfor are premature and are more appropriately addressed at the Sale Hearing.

6. Objection of Cigna [Doc. Nos. 1349 and 1459]

The Debtors are parties to various agreements with Cigna Healthcare of California, Inc. ("Cigna CA"), Cigna Health and Life Insurance Company ("CHLIC"), and Life Insurance Company of North America ("LINA," and collective with Cigna CA and CHLIC, "Cigna"). Customers of Cigna receive healthcare services pursuant to various Hospital Services Agreements between the Debtors and Cigna (such agreements collectively, the "Cigna Provider Agreements"). Under various short and long term disability policies (the "LINA Policies"), employees of the Debtors receive group disability benefits.

In its Opposition, Cigna requested that the Bidding Procedures Order contain the following language:

The Debtors shall, no later than the earlier of (i) one business day after the conclusion of the Auction, or (ii) thirty (30) days prior to the Closing Date, provide Cigna with written notice of its irrevocable decision as to whether or not the Debtors propose to assume and assign any or all of the Cigna Provider Agreements as part of the Sale.

Doc. No. 1349 at ¶12.

In their Reply, the Debtors stated that it was not possible to provide, by a date certain, an "irrevocable decision" regarding assumption and assignment, because the Debtors could not know whether the sale would be approved by the Court or would survive litigation with the Attorney General. Cigna filed a Sur-Reply, in which it contends that the Debtors' concerns could be resolved by the following language (additional provisions italicized):

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The Debtors shall, no later than the earlier of (i) one business day after the conclusion of the Auction, or (ii) thirty (30) days prior to the Closing Date, provide Cigna with written notice of its irrevocable decision as to whether or not the Debtors propose to assume and assign any or all of the Cigna Provider Agreements as part of the Sale; *provided, however, that such notice shall be irrevocable only to the extent that the Successful Bidder's transaction is approved by this Court, and the Successful Bidder's transaction survives any potential litigation with the Attorney General of California.*

Doc. No. 1459 at ¶6.

7. Objection of UnitedHealthcare Insurance Company [Doc. No. 1351]

UnitedHealthcare Insurance Company ("UnitedHealthcare") provides health care insurance benefits through group medical policies, and has contracts with St. Francis, St. Vincent, and Seton. UnitedHealthcare requests that the Debtors provide notice of the contracts to be assumed and assigned at least 70 days before the Closing Date.

In Reply, the Debtors state that they will provide notice of the contracts to be assumed on April 11, 2019—two days after the Full Bid Auction concludes on April 9, 2019. The Debtors estimate that the Attorney General's review of the transaction will require at least four months, and contend that the proposed notice is more than adequate.

8. Objection of St. Vincent IPA Medical Corporation and Angeles IPA

St. Vincent IPA Medical Corporation and Angeles IPA (collectively, "St. Vincent IPA") are parties to *Healthcare Services Risk Sharing Agreements* (the "Risk Sharing Agreements") with certain of the Debtors. St. Vincent IPA requests that the Debtors be required to (1) pay in full the undisputed portion of the Cure Amount for an Assumed Executory Contract at the Closing Date, and (2) segregate the disputed portion of the Cure Amount. St. Vincent asserts that such protections are necessary to insure that the Debtors reserve sufficient funds to pay the full Cure Amounts that are ultimately determined.

The Debtors are agreeable to paying out the undisputed Cure Amounts concurrently with the closing of the transaction or as soon thereafter as is possible. However, the Debtors state that it is not administratively feasible for them to segregate the disputed Cure Amounts in the manner requested by St. Vincent IPA.

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The Debtors point out that their cash management system is extremely complex and is subject to deposit account control agreements in favor of Ally Bank, the DIP lender.

9. Objection of the California Attorney General [Doc. No. 1352]

The California Attorney General (the "Attorney General") seeks clarification that the transaction is subject to his review and approval pursuant to Cal. Corp. Code § 5914. The Attorney General objects to the fact that the APA was filed without many of the schedules attached, and requests an opportunity to provide further objections upon disclosure of the schedules. The Attorney General seeks clarification that the Sale Order will carve out the Attorney General's review and approval process, and that Debtors will seek an order under § 363 related to the Attorney General's conditions only after he has completed his review of the transaction under Cal. Corp. Code § 5914.

The Attorney General requests that the Bidding Procedures Order contain the following language:

Nothing in this Order or the Final Asset Purchase Agreement is intended to be or shall be construed as an adjudication of the applicability of the California Attorney General's authority or conditions issued under California Corporations Code section 5914 *et seq.*, in relation to the sale and/or assumed leases of certain of the Debtor's assets The California Attorney General and these listed persons and entities reserve all rights and defenses concerning the applicability of the California Attorney General's Authority or conditions issued under California Corporations Code section 5914 *et seq.*

Nothing in this Order or the Final Asset Purchase Agreement releases, nullifies, precludes or enjoins the enforcement of any liability to a governmental unit under police and regulatory statutes or regulations (including, but not limited to, charitable trust laws such as California Corporations Code section 5914 *et seq.*), and any associated liabilities for penalties, damages, cost recovery, or injunctive relief that any entity would be subject to as the owner, lessor, lessee, or operator of the property after the date of entry of this Order. Nothing contained in this Order or in the Asset Purchase Agreement shall in any way diminish the obligation of any entity, including the Debtor, to comply with charitable trust laws. Nothing in this Order or the Asset Purchase Agreement authorizes the transfer to the Buyer of any licenses, permits, registrations, or governmental authorizations and approvals without

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the Buyer's compliance with all applicable legal requirements under charitable trust laws governing such transfers.

Nothing in this Order or the Final Asset Purchase Agreement shall limit the California Attorney General's right to conduct a full review of any sale pursuant to California Corporations Code sections 5914-5924 including the right to receive the notice and all information to which he is entitled, and to have the prescribed time period of 90 days, and 45-day extension, to Approve; Disapprove; or Approve with conditions a sale under California Corporations Code sections 5914-5924 and California Code of Regulations on Nonprofit Hospital Transactions - Title 11, Chapter 15, section 999 .5.

Doc. No. 1352 at 9–10.

The Debtors assert that the Attorney General's arguments are premature because the ultimate identity of the winning bidder is unknown, meaning that it is unknown whether the sale will even be subject to the Attorney General's review under California law. The Debtors state that several counties have expressed interest in purchasing the Hospitals, in which case the sale would not be subject to the Attorney General's review.

II. Findings and Conclusions

A. Evidentiary Objections

At the outset, the Court addresses the Debtors' evidentiary objections to the Declaration of Kyrsten B. Skogstad, submitted in support of the CNA's objection. The Skogstad Declaration contains documents relating to SGM's proposal to acquire certain of the Hospitals in 2014. The Debtors object to the Skogstad Declaration on the grounds of relevance and hearsay.

The Court will admit the Skogstad Declaration; however, the declaration has only minimal relevance to the Bidding Procedures Motion. SGM's activities in connection with the 2014 sale provide some minimally relevant background information, but nothing more. Significant changes to the Hospitals have occurred in the past five years; what occurred in 2014 is useful only to the extent that it provides historical context.

B. Certain Objections Are Premature and Will Not be Decided in Connection with this Hearing

This hearing involves only the approval of the Bidding Procedures that will be

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used at the auction of the Hospitals. The Court finds that many of the objections are more appropriately considered at the final Sale Hearing, at which point the identity of the successful purchaser will be known. Many objections are based upon hypothetical future events and raise issues that may never ripen.

The Court finds that MGH Painting and Belfor's objections regarding the treatment of the mechanics' liens which they assert to be premature. These objections are preserved for the Sale Hearing and may be raised at that time.

To the extent that the Unions assert that the Debtors are required to reject the CBAs prior to entering into the APA, the Unions' objections are overruled. This ruling does not prevent the Unions from raising objections under § 1113 at the Sale Hearing. However, the Unions' contention that the APA and the associated bidding procedures cannot be approved prior to the adjudication of § 1113 issues is without merit. The decision in *Local 211 v. Family Snacks, Inc., Official Unsecured Creditors' Comm. (In re Family Snacks, Inc.)*, 257 B.R. 884, 897 (B.A.P. 8th Cir. 2001) shows that the Debtors are not obligated to reject CBAs prior to the sale of assets. In *Family Snacks*, the debtor filed § 1113 motions only after it had sold its assets. The *Family Snacks* court held that the debtor's decision to not commence negotiations until after the asset sale did not automatically bar the debtor from obtaining relief under § 1113. *Family Snacks*, 257 B.R. at 895–96.

C. The Objections of the Unions Are Overruled

The Unions contend that the proposed bidding procedures do not sufficiently incentivize prospective purchasers to assume the CBAs. According to the Unions, the Debtors should be required to provide a quantification of the bidding credit to any bidder who agrees to assume liabilities under the CBAs.

The Court finds that requiring the Debtors to provide a precise quantification of the value to be accorded to the assumption of CBA liabilities would unduly impair the Debtors' flexibility in the conduct of the auction, and would likely yield suboptimal results for all stakeholders. The Debtors must be allowed to conduct the Auction in accordance with their business judgment, especially given the complexity of an Auction of this type. Precise quantification of the valuation to be afforded to assumption of the CBAs would not be of material assistance to the sophisticated participants in this Auction, who will be assisted by professional advisors using their own detailed financial models and projections.

D. The Court Declines to Approve the 3.5% Breakup Fee

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The Court declines to approve the 3.5% Breakup Fee. The Court finds that a Breakup Fee of this magnitude is not warranted based on comparable transactions. Further, a Breakup Fee of 3.5% would likely chill bidding. The maximum Breakup Fee that the Court will approve is 3.0%.

It is true that the Court approved a Breakup Fee of 4.0% in connection with the sale of St. Louise and O'Connor to the County of Santa Clara. However, the Court took pains to emphasize that its approval of that Breakup Fee was not intended to provide a benchmark for future sales. A Breakup Fee must be carefully tailored to each transaction. The Breakup Fee approved in one transaction has limited precedential value as to different transactions.

The purchase price in the Santa Clara Sale was \$235 million, considerably less than the Stalking Horse Bid of \$610 million in the instant transaction. As a general rule, a larger transaction size results in a smaller breakup fee (in percentage terms). The cases cited by the Debtors in which higher breakup fees were approved reflect this general rule—the transactions at issue in those cases were an order of magnitude smaller than the instant transaction. For example, the 4.7% breakup fee and expense reimbursement approved in *In re Women First Healthcare, Inc.*, 332 B.R. 115, 118 (Bankr. D. Del. 2005) involved a stalking horse bid of only \$1.75 million. The 4.75% breakup fee approved in *In re Lake Burton Dev., LLC*, No. 09-bk-22830 (Bankr. N.D. Ga. Apr. 1, 2010) involved a stalking bid of \$10.52 million.

The Debtors point to the 3.5% breakup fee approved in *In re BPS Holdings, Inc.*, No. 16-12373 (Bankr. D. Del. Nov. 30, 2016) as a benchmark for this transaction. The sale price in *BPS Holdings* was \$575 million, comparable to the Stalking Horse Bid here. However, the higher breakup fee in *BPS Holdings* was necessary given that the debtors were being investigated by the U.S. Securities and Exchange Commission; had failed to timely file their most recent annual audited financial statements; and had been required to engage independent legal counsel to conduct an internal investigation of accounting practices. *See generally* Doc. No. 16, Case No. 16-bk-12373-KJC (Bankr. D. Del. October 31, 2016) (Bidding Procedures Motion filed in *BPS Holdings*). While the Hospitals offered for sale here have experienced operational losses, there is no suggestion of accounting fraud. To the contrary, the reliability of the Debtors' financials is attested to by a detailed report prepared by auditor Ernst & Young. A higher breakup fee is obviously necessary in situations involving the possibility of fraud, as purchasers will be required to conduct additional due diligence since they cannot rely upon published financial results.

The Court additionally finds that a 3.5% breakup fee is not appropriate given that

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SGM bid for the Hospitals in 2014. While it is true that much can change in the intervening years, SGM already has a baseline of familiarity with the Hospitals. A 3.0% breakup fee is sufficient to cover SGM's due diligence costs.

E. SGM's Consultation Rights are Approved

The Committee objects to SGM's right to be consulted in the event the Debtors decide to introduce additional procedural rules at the Auction(s). The Committee fears that such consultation rights will tilt the playing field in SGM's favor.

The Committee's objection is overruled. The Debtors retain ultimate authority over setting procedural rules, and it is in the Debtors' interest to ensure an efficient and fair auction. The Court does not believe that the sophisticated parties participating in this Auction will be deterred from bidding as a result of SGM's consultation rights.

F. SGM's Termination Rights are Unduly Broad

The APA allows SGM to terminate the transaction if the Attorney General imposes conditions beyond those set forth in Schedule 8.6, even if the Debtors obtain an order from the Bankruptcy Court authorizing SGM to purchase the Hospitals free and clear of such conditions. The Court finds that SGM's termination rights are unduly broad.

SGM receives a number of benefits under the APA, including the Breakup Fee and the right to be consulted with respect to procedural changes at the Auction(s). In return for receiving such benefits, SGM is required to assume certain obligations, including the obligation to consummate the sale. If SGM is to serve as the Stalking Horse Bidder, it is only reasonable that SGM be required to close the sale, provided that the Debtors obtain an order authorizing the sale free and clear of any additional conditions that may be imposed by the Attorney General.

The APA allows SGM to terminate the transaction in the event that the Debtors elect to proceed with a Partial Bid Auction. The Court finds this termination provision to be reasonable. SGM entered into the APA with the intent of purchasing all four Hospitals. SGM should not be required to proceed with a purchase of fewer than all four of the Hospitals.

G. St. Vincent IPA's Objection is Overruled

St. Vincent IPA contends that the Debtors should be required to segregate disputed portions of the Cure Amount. The Court finds that such segregation is unnecessary and would not be feasible, given the complexity of the Debtors' cash

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management system. St. Vincent IPA's objection is overruled.

H. Cigna's Objection is Sustained

The Court finds the language proposed by Cigna in its Sur-Reply with respect to the assumption and assignment of executory contracts to be generally appropriate, except that the Debtors shall have 48 hours from the conclusion of the Auction to notify executory contract counterparties. Specifically, the Court approves the following language (which differs somewhat from the that proposed by the parties):

The Debtors shall, no later than the earlier of (i) 48 hours after the conclusion of the Auction, or (ii) thirty (30) days prior to the Closing Date, provide Cigna with written notice of its irrevocable decision as to whether or not the Debtors propose to assume and assign any or all of the Cigna Provider Agreements as part of the Sale; provided, however, that such notice shall be irrevocable only to the extent that the Successful Bidder's transaction is approved by this Court **and an order thereon becomes final and non-appealable.**

I. Objection of the County of San Mateo and the Health Plan of San Mateo

The Debtors' Reply appears to have resolved the issues raised by the San Mateo Objectors. The Court agrees with the Debtors' characterization of § 5.1(b) of the APA. Specifically, the Court finds that the restrictions and limitations set forth in § 5.1(b) on communications between SGM and governmental authorities shall apply only to communications regarding licensing or regulation of the Hospitals with the relevant licensing or regulatory authorities. Such restrictions shall not apply to communications involving SGM (or any other prospective buyers) and any governmental authority on subjects unrelated to licensing or regulation by that authority.

J. Hooper's Objection is Overruled

To the extent that Hooper asserts that it is entitled to receive notification of the treatment of its Net Benefit Compensation prior to selection of the Successful Bidder, its objection is overruled. Hooper may raise any objections regarding its Net Benefit Compensation or the assumption and assignment of its executory contract at the Sale Hearing. It would be premature to address such objections in connection with this hearing. Because the treatment of Hooper's Net Benefit Compensation will be materially affected by the identity of the Successful Bidder, it would not be reasonable

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to require the Debtors to provide Hooper such information at this time.

Hooper's objection to the timeline proposed by the Debtors with respect to the assumption and assignment of executory contracts is overruled. The deadlines proposed by the Debtors are common in sales of this size and complexity.

K. The Timetable Proposed by the Debtors Provides UnitedHealthcare Sufficient Notice Regarding the Assumption of its Executory Contracts

UnitedHealthcare requests that the Debtors provide notice of the contracts to be assumed and assigned at least 70 days before the Closing Date.

The Court finds that the timetable proposed by the Debtors provides UnitedHealthcare sufficient notice of whether its executory contracts will be assumed and assigned. The Debtors will provide notice of the contracts to be assumed on April 11, 2019, two days after the Full Bid Auction concludes on April 9, 2019. In the Court's experience, the Attorney General's review of the transaction will require several months. Therefore, UnitedHealthcare will receive in excess of the 70 days' notice that it requests.

L. The California Attorney General's Objection Is Premature

The California Attorney General (the "Attorney General") seeks inclusion of broad language in the Bidding Procedures Order regarding the Attorney General's authority to review the sale. The proposed language assumes that the ultimate bidder will not be a governmental entity and that the Attorney General will therefore have authority to review the sale under Cal. Corp. Code § 5914. The winning bidder's identity cannot be known at this time, and it is possible that the winning bidder will be a governmental identity, in which case the Attorney General would not have authority to review the sale. Further, within the context of this Bidding Procedures Motion, the Court will not approve any limitations to its order not germane to its context.

The Attorney General's objection is premature. The Attorney General may raise its objection at the Sale Hearing. The Court declines to require the Debtor to include the language proposed by the Attorney General in the Bidding Procedures Order.

M. The Bidding Procedures Are Approved

Except for the (1) 3.5% Breakup Fee and (2) SGM's right to terminate as a result of additional conditions imposed by the Attorney General even if the Debtors obtain an order authorizing a sale free and clear of such conditions, the Bidding Procedures are approved. The Court finds that the Bidding Procedures are likely to maximize the

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proceeds received by the estate. *See Simantob v. Claims Prosecutor, LLC (In re Lahijani)*, 325 B.R. 282, 288–89 (B.A.P. 9th Cir. 2005) (“The court’s obligation in § 363(b) sales is to assure that optimal value is realized by the estate under the circumstances.”).

The timetable proposed by the Debtors shall apply, as follows (all times are local prevailing time):

- 1) Service of Notice of Sale Hearing: March 1, 2019.
- 2) Service of Assumption and Cure Notice: March 5, 2019.
- 3) Deadline for Executory Contract Counterparties to Object to the Sufficiency of the Cure Amount (as to counterparties who were served the Assumption and Cure Notice on March 5, 2019): March 22, 2019, at 4:00 p.m.
- 4) Partial Bid Deadline: March 28, 2019, at 4:00 p.m.
- 5) Full Bid Deadline: April 3, 2019, at 4:00 p.m.
- 6) Partial Bid Auction: April 8, 2019, at 10:00 a.m.
- 7) Full Bid Auction: April 9, 2019, at 10:00 a.m.
- 8) Notice of Results of Auction and filing of Memorandum Supporting the Sale: April 10, 2019, at 10:00 a.m.
- 9) Service of Notice of Executory Contracts to be Assumed and Assigned: April 11, 2019, at 10:00 a.m.
- 10) Sale Objection Deadline: April 12, 2019, at 4:00 p.m.
- 11) Deadline for Executory Contract Counterparties to Assert Objections Other than An Objection to the Sufficiency of the Cure Amount: April 12, 2019, at 4:00 p.m.
- 12) Reply Deadline: April 15, 2019, at 4:00 p.m.
- 13) Sale Hearing: April 17, 2019, at 10:00 a.m.

III. Conclusion

Based upon the foregoing, the Bidding Procedures Motion is GRANTED to the extent set forth herein.

No appearance is required if submitting on the court’s tentative ruling. If you intend to submit on the tentative ruling, please contact Jessica Vogel or Daniel Koontz, the Judge’s Law Clerks, at 213-894-1522. **If you intend to contest the tentative ruling and appear, please first contact opposing counsel to inform them of your intention to do so.** Should an opposing party file a late opposition or appear

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at the hearing, the court will determine whether further hearing is required. If you wish to make a telephonic appearance, contact Court Call at 888-882-6878, no later than one hour before the hearing.

Note 1

The term "Prepetition Secured Creditors" has the meaning set forth in the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Doc. No. 409] (the "Final Financing Order").

Party Information

Debtor(s):

Verity Health System of California,

Represented By
Samuel R Maizel
John A Moe II
Tania M Moyron
Claude D Montgomery
Sam J Alberts
Shirley Cho
Patrick Maxcy

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
1925 Century Park East, Suite 2000, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **DECLARATION OF ERIC GOLDSTEIN IN SUPPORT OF MOTION TO COMPEL COMPLIANCE WITH ORDER APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES [DOCKET NO. 1572]** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **June 19, 2019**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Melinda Alonzo ml7829@att.com
- Robert N Amkraut ramkraut@foxrothschild.com
- Kyra E Andrassy kandrassy@swelawfirm.com; lgarrett@swelawfirm.com; gcruz@swelawfirm.com; jchung@swelawfirm.com
- Simon Aron saron@wrslawyers.com
- Lauren T Attard lattard@bakerlaw.com, abalian@bakerlaw.com

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) **June 19, 2019**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

The Honorable Ernest M. Robles
United States Bankruptcy Court
255 E. Temple Street, Suite 1560
Los Angeles, CA 90012

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) **June 19, 2019**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

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

June 19, 2019
Date

Jennifer A. Montgomery
Printed Name

/s/ Jennifer A. Montgomery
Signature

CONTINUED SERVICE PAGE

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