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Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

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

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

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:
Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Ernest M. Robles

**STIPULATION BETWEEN DEBTORS VERITY
HEALTH SYSTEM OF CALIFORNIA, INC.,
ST. FRANCIS MEDICAL CENTER AND
FEDERICO FUENTES AND IRENE FUENTES
GRANTING MOTION FOR RELIEF FROM THE
AUTOMATIC STAY [DOCKET NO. 2504]**

Hearing:

DATE: July 29, 2019
TIME: 10:00 a.m.
PLACE: Roybal Federal Building
255 East Temple Street, Courtroom 1568
Los Angeles, California 90012

This Stipulation is entered into by and between the debtors Verity Health System of
California, Inc. ("VHS") and St. Francis Medical Center ("St. Francis"), debtors and debtors in

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1 possession in these procedurally consolidated cases, and Movants Federico Fuentes and Irene
2 Fuentes (the “MOVANTS”), stipulating to relief from the automatic stay so that MOVANTS may
3 resume the prosecution of their Complaint filed in the Superior Court for Los Angeles County on
4 March 11, 2019, as Case No. 19STCV08306, based on the following facts.

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

12 B. On August 31, 2018, this Court entered an order authorizing the joint
13 administration of the Debtors’ chapter 11 cases (the “Cases”) pursuant to Bankruptcy Rule
14 1015(b) and LBR 1015-1 and 9013-1(q).

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

20 D. At the inception of the cases, VHS, the Hospitals, and their affiliated entities
21 operated as a nonprofit health care system, with approximately 1,680 inpatient beds, six active
22 emergency rooms, a trauma center, eleven medical office buildings, and a host of medical
23 specialties, including tertiary and quaternary care. *Declaration Of Richard G. Adcock In Support*
24 *of Emergency First-Day Motions*, at 4, 12 (the “First Day Declaration”) [Docket No. 8]. On the
25 Petition Date, the Debtors had approximately 850 inpatients. *Id.*, at 6, 17. The scope of the
26 services that were provided by the Verity Health System is exemplified by the fact that in 2017,
27 the Hospitals provided medical services to over 50,000 inpatients and approximately 480,000
28 outpatients. *Id.*, at 4, 12.

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

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

5 G. No trustee or examiner has been appointed in these Cases.

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

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

20 J. On April 17, 2019, the Court approved the sale of St. Francis Medical Center,
21 St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center and Seton
22 Medical Center Coastsides to Strategic Global Management Inc. On May 2, 2019, the Court
23 entered its Order approving that sale [Docket No. 2306].

24 K. On March 11, 2019, the MOVANTS filed a Complaint against St. Francis in the
25 Superior Court for Los Angeles County, Case No. 19STCV08306 (the "LASC CASE").

26 L. On June 4, 2019, the MOVANTS filed a Motion For Relief From The Automatic
27 Stay [Docket No. 2504] (the "Motion"), in which Motion the MOVANTS request relief from stay
28 so that they may resume prosecution of the LASC CASE, *seeking recovery only from applicable*

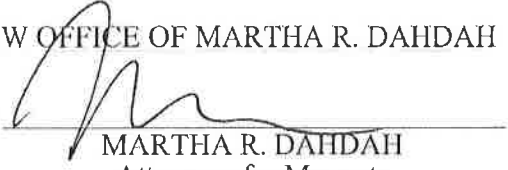
1 *insurance, and waiving any deficiency or other claim against the Debtors or property of the*
2 *Debtors' bankruptcy estate.*

3 M. The MOVANTS are not seeking and will not seek damages that are not covered by
4 insurance.

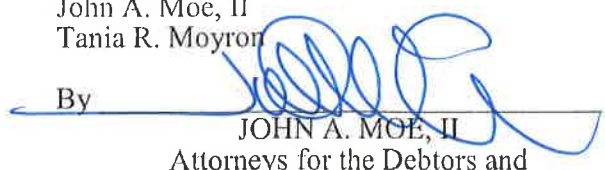
5 N. The parties agree that relief from stay will not be effective as to VHS and
6 St. Francis until August 15, 2019 to permit prosecution of the LASC CASE, and that the
7 Complaint filed March 11, 2019 shall be deemed filed as to VHS and St. Francis as of August 15,
8 2019, at which time the MOVANTS will serve -- by E-Mail or United States Mail -- a copy of an
9 issued Summons in the LASC CASE, the Complaint, the Civil Case Cover Sheet, Civil Case
10 Cover Sheet Addendum and other documents related to the Complaint issued by the Superior
11 Court upon John A. Moe, II, at Dentons US LLP on behalf of VHS and St. Francis.

12 WHEREFORE, VHS, St. Francis and the MOVANTS stipulate that the MOVANTS shall
13 have relief from the automatic stay as of August 15, 2019 as set forth above, on the basis that
14 (1) the MOVANTS will seek recovery only from applicable insurance, (2) the MOVANTS will
15 not assert claims that are not covered by insurance and (3) the MOVANTS waive any deficiency
16 or other claim against the Debtors or property of the Debtors' bankruptcy estates.

17
18 Dated: July 15, 2019

LAW OFFICE OF MARTHA R. DAHDAH
By 
MARTHA R. DAHDAH
Attorneys for Movants
Federico Fuentes and Irene Fuentes

19
20
21
22 Dated: July 15, 2019

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Tania R. Moyron
By 
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