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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.

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. Judge Ernest M. Robles

**STIPULATION RESOLVING
UNITEDHEALTHCARE ADEQUATE
ASSURANCE AND CURE OBJECTIONS
[RELATED TO DKT. NO. 1858, 2145]**

- ☒ 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

Debtors and Debtors In Possession.

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1 This stipulation is entered between Verity Health System of California, Inc. and the above-
2 referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter
3 11 bankruptcy case (collectively, the “Debtors”), on the one hand, and UnitedHealthcare Insurance
4 Company (“United”), on the other, in the above-captioned jointly administered cases with respect
5 to the following:

6 1. On February 19, 2019, the Court entered its *Order (1) Approving Form Of Asset*
7 *Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders, (2) Approving*
8 *Auction Sale Format, Bidding Procedures And Stalking Horse Bid Protections, (3) Approving*
9 *Form Of Notice To Be Provided To Interested Parties, (4) Scheduling A Court Hearing To*
10 *Consider Approval Of The Sale To The Highest Bidder, And (5) Approving Procedures Related To*
11 *The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order (A)*
12 *Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances*
13 [Docket No. 1572], which set a deadline for counterparties to executory contracts and unexpired
14 leases to object to the cure amounts, identified by the Debtors, on or before March 22, 2019, at
15 4:00 p.m. (PST).

16 2. On March 5, 2019, the Debtors filed a *Notice of Counterparties to Executory*
17 *Contracts and Unexpired Leases of the Debtors That May Be Assumed and Assigned* [Docket No.
18 1704]. On March 18, 2019, the Debtors filed a *Supplemental Notice re Notice to Counterparties*
19 *to Executory Contracts and Unexpired Leases of the Debtors that May be Assumed and Assigned*
20 [Docket No. 1836].

21 3. On March 21, 2019, United filed the *Objection to Cure Amounts Set Forth in the*
22 *Notice to Counterparties to Executory Contracts and Unexpired Leases of the Debtors That May*
23 *be Assumed and Assigned, and Supplemental Notice re Notice to Counterparties to Executory*
24 *Contracts and Unexpired Leases of the Debtors That May be Assumed and Assigned* [Docket No.
25 1858] (the “Cure Objection”).

26 4. On April 12, 2019, United filed the *Objection of United Healthcare Insurance*
27 *Company to Debtors’ Motion for Order Approving Form of Asset Purchase Agreement for*
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1 *Stalking Horse Bidder, etc. [Dkt No. 1279] [Docket No. 2145] (the “Adequate Assurance*
2 *Objection”). In the Adequate Assurance Objection, United objected to the assignment of certain*
3 *of its provider agreements under 11 U.S.C. § 365(f)(2)(B), and objected to any attempt to sell the*
4 *Debtors’ accounts receivable free and clear of any right of recoupment that United may have.*

5 5. On May 2, 2019, the Court entered its *Order (A) Authorizing the Sale of Certain of*
6 *the Debtors’ Assets to Strategic Global Management, Inc. Free and Clear of Liens, Claims,*
7 *Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of an*
8 *Unexpired Lease Related Thereto; and (C) Granting Related Relief [Docket No. 2306] (the “Sale*
9 *Order”), which set a hearing for June 5, 2019, at 10:00 a.m., for United’s Cure Objection and*
10 *Adequate Assurance Objection (the “Hearing Date”), and set a deadline for the Debtors to reply to*
11 *the Cure Objection and Adequate Assurance Objection for May 29, 2019, at 4:00 p.m. (PDT) (the*
12 *“Reply Deadline”). Sale Order at ¶ 34.*

13 6. On May 30, 2019, the Court entered its *Order Approving Omnibus Stipulation*
14 *Continuing Hearing on Objections re Cure and Other Issues re Order (A) Authorizing the Sale of*
15 *Certain of the Debtors’ Assets to Strategic Global Management, Inc. [Docket No. 2472],*
16 *continuing the Hearing Date to July 10, 2019, at 10:00 a.m. (PDT), and the Reply Deadline to July*
17 *3, 2019, at 4:00 p.m. (PDT).*

18 7. On July 8, 2019, the Court entered the *Order Approving Omnibus Stipulation*
19 *Continuing Hearing on Objections re Cure and Other Issues re Order (A) Authorizing the Sale of*
20 *Certain of the Debtors’ Assets to Strategic Global Management, Inc. [...] [Docket No. 2685],*
21 *continuing the Hearing Date on the Cure Objection to August 7, 2019, at 10:00 a.m. (PDT).*

22 8. On July 8, 2019, the Court entered the *Order Approving Stipulation Continuing*
23 *Hearing on UnitedHealthcare Adequate Assurance Objection re Order (A) Authorizing the Sale of*
24 *Certain of the Debtors’ Assets to Strategic Global Management, Inc. [Docket No. 2688],*
25 *continuing the Hearing Date on the Adequate Assurance Objection to July 24, 2019, at 10:00 a.m.*
26 *(PDT).*

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1 9. On July 17, 2019, the Debtors filed a *Notice re Rejection of Certain Provider*
2 *Agreements [Related Docket Nos. 2563, 2577, 2713]* [Docket No. 2734] (the “Rejection Notice”),
3 providing notice of the Debtors’ intent to reject certain provider agreements with United based on
4 communications with Strategic Global Management, Inc. (“SGM”) and to be effective upon the
5 closing of the sale of certain hospitals and assets to SGM.

6 10. In light of the Debtors’ Rejection Notice, the United Cure Objection and Adequate
7 Assurance Objection can be removed from the Court’s calendar for hearing. The Debtors intend
8 to file a motion to reject such agreements at a later date and, upon entry of an order approving the
9 motion, the United Cure Objection and Adequate Assurance Objection will be moot.

10 NOW, THEREFORE, all of the parties to this Stipulation hereby stipulate as follows:

11 A. The Hearing Dates for the Cure Objection and Adequate Assurance Objection are
12 vacated and removed from the Court’s calendar.

13 B. Notwithstanding anything to the contrary in the Sale Order, the Debtors’ sale of
14 assets to SGM shall not extinguish any of United’s recoupment rights with respect to pre- and
15 post-petition overpayments owed to United under the provider agreements.

16
17 **Verity Health System of California, Inc. et al.**

18 DATED: July 23, 2019

DENTONS US LLP

19
20 By: /s/ Tania M. Moyon

Samuel Maizel

Tania M. Moyron

Counsel to Debtors and Debtors in Possession

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22
23 **UnitedHealthcare Insurance Company**

24 DATED: July 23, 2019

SHIPMAN & GOODWIN LLP

25
26 By: 

Eric Goldstein

Counsel to UnitedHealthcare Insurance Company

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