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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 De Paul Ventures, LLC
- ☐ Affects De Paul 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. Judge Ernest M. Robles

**DEBTORS' NOTICE OF MOTION AND  
MOTION FOR ENTRY OF AN ORDER  
PURSUANT TO SECTION 1121 OF THE  
BANKRUPTCY CODE EXTENDING THE  
EXCLUSIVE PERIODS TO FILE A  
CHAPTER 11 PLAN AND SOLICIT  
ACCEPTANCES; MEMORANDUM OF  
POINTS AND AUTHORITIES;  
DECLARATION OF TANIA M. MOYRON**

Hearing:

Date: September 4, 2019

Time: 10:00 a.m.

Location: Courtroom 1568

255 East Temple Street  
Los Angeles, California 90012-3300



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1           **PLEASE TAKE NOTICE** that at the above referenced date, time and location, Verity  
2 Health System of California, Inc., a California nonprofit benefit corporation and the Debtor herein,  
3 and the above-referenced affiliated entities, the debtors and debtors in possession in the above-  
4 captioned chapter 11 bankruptcy cases (collectively, the “Debtors”), will move (the “Motion”) the  
5 Court for entry of an order, pursuant to § 1121 of title 11 of the United States Code, extending the  
6 exclusivity periods to file a chapter 11 plan and solicit acceptances thereof by an additional 60 days  
7 from the current deadlines of August 26, 2019 (filing a plan) and October 25, 2019 (obtaining  
8 acceptances) to new deadlines of October 25, 2019 (filing a plan) and December 24, 2019  
9 (obtaining acceptances), without prejudice to the Debtors seeking further extensions.

10           **PLEASE TAKE FURTHER NOTICE** that the Motion is based on this Notice and  
11 Motion, the attached Memorandum of Points and Authorities and the Declaration of Samuel R.  
12 Maizel, the *Declaration of Richard Adcock in Support of Emergency First-Day Motions* [Docket  
13 No. 8] (the “First-Day Declaration”), the arguments of counsel, and other admissible evidence  
14 properly brought before the Court at or before the hearing on this Motion, if any. In addition, the  
15 Debtors request that the Court take judicial notice of all documents filed with the Court in this case.

16           **PLEASE TAKE FURTHER NOTICE** that any party opposing or responding to the  
17 Motion must file and serve the response (“Response”), pursuant to LBR 9013-1(f), on the moving  
18 party and the United States Trustee not later than 14 days before the date designated for the hearing.  
19 A Response must be a complete written statement of all reasons in opposition thereto or in support,  
20 declarations and copies of all evidence on which the responding party intends to rely, and any  
21 responding memorandum of points and authorities.

22           **PLEASE TAKE FURTHER NOTICE** that, pursuant to LBR 9013-1(h), the failure to file  
23 and serve a timely objection to the Motion may be deemed by the Court to be consent to the relief  
24 requested herein.

1 Dated: August 14, 2019

DENTONS US LLP

2 SAMUEL R. MAIZEL  
3 JOHN A. MOE, II  
4 TANIA M. MOYRON

5 By /s/ Tania M. Moyron  
6 Tania M. Moyron

7 Attorneys for the Chapter 11 Debtors and  
8 Debtors In Possession  
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**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. RELIEF REQUESTED**

Verity Health System of California, Inc., a California nonprofit benefit corporation and the Debtor herein (“VHS”), and the above-referenced affiliated entities, the debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 bankruptcy cases (the “Cases”), respectfully request the entry of an order (i) extending the Debtors’ exclusive right to file a plan of reorganization and gain acceptances of a plan of reorganization by an additional 60 days from the current deadlines of August 26, 2019 (filing a plan) and October 25, 2019 (obtaining acceptances) to new deadlines of October 25, 2019 (filing a plan) and December 24, 2019 (obtaining acceptances), pursuant to § 1121(d),<sup>1</sup> without prejudice to the Debtors seeking further extensions, and (ii) granting the Debtors such other and further relief as is just and proper.

**II. JURISDICTION, VENUE AND BASIS**

The Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The Debtors consent to entry of final orders and judgments by the bankruptcy judge. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

The statutory predicate for the relief requested herein is § 1121(d).

**III. BACKGROUND FACTS**

**A. General Background.**

1. On August 31, 2018 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

2. As of the Petition Date, VHS, the hospitals, and their affiliated entities (collectively, “Verity Health System”) operated as a nonprofit health care system, with approximately 1,680

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

1 inpatient beds, six active emergency rooms, a trauma center, eleven medical office buildings, and  
2 a host of medical specialties, including tertiary and quaternary care. *Declaration of Richard G.*  
3 *Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (“First-Day Declaration”), at  
4 4, ¶ 12. On the Petition Date, the Debtors had approximately 850 inpatients. *Id.* at 6, ¶ 17. The  
5 scope of the services provided by the Verity Health System is exemplified by the fact that in 2017,  
6 the hospitals provided medical services to over 50,000 inpatients and approximately 480,000  
7 outpatients. *Id.*, at 4, ¶ 12.

8 3. Additional background facts on the Debtors, including an overview of the Debtors’  
9 business, information on the Debtors’ capital structure and additional events leading up to these  
10 chapter 11 Cases, are contained in the First-Day Declaration.

11 4. On September 14, 2018, the Office of the United States Trustee appointed an  
12 Official Committee of Unsecured Creditors in these chapter 11 Cases (the “Committee”) [Docket  
13 No. 197].

14 **B. Sales of the Hospitals and Current Status**

15 5. On December 27, 2018, the Court entered an order approving the sale of all assets  
16 (excluding cash, accounts receivables and causes of action) of O’Connor Hospital and Saint Louise  
17 Regional Hospital to the County of Santa Clara, a political subdivision of the State of California  
18 [Docket No. 1153]. This sale closed on February 28, 2019.

19 6. On April 17, 2019, the Court held a hearing to approve the sale of substantially all  
20 assets of St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center and  
21 Seton Medical Center, including Seton Coastside, to Strategic Global Management, Inc. (“SGM”  
22 and the “SGM Sale,” respectively). On May 2, 2019, the Court entered an order approving the  
23 SGM Sale [Docket No. 2306].

24 7. The SGM Sale is subject to review by the California Attorney General (the “AG”)  
25 under applicable non-bankruptcy law (the “AG Review”). If AG Review takes the entire allotted  
26 time under the applicable state statute, the AG would issue a decision in late September 2019.  
27 However, the Debtors and the Committee have requested a more expedited review of the  
28 transaction from the AG.

8. With the sale of O'Connor Hospital and Saint Louise Regional Hospital complete, and a sale of St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, and Seton Coastside approved by the Court, the Debtors have focused on formulating a plan of liquidation (the "Plan").

**C. Status of Debtors' Plan of Liquidation.**

9. On December 28, 2018, the Court entered an order extending the exclusive period within which the Debtors could file and solicit votes on a plan of reorganization from December 29, 2018 and February 27, 2019, to April 28, 2019 and June 27, 2019, respectively [Docket No. 899].

10. On June 7, 2019, the Court entered an order further extending the exclusive period within which the Debtors can file and solicit votes on a plan of reorganization to August 26, 2019 and October 25, 2019, respectively [Docket No. 2520].

11. The Debtors have made significant progress in resolving a number of matters that directly impact the formulation of the Plan. In connection therewith, the Debtors also have prepared drafts of a Plan and a disclosure statement, and began discussions with the Committee and various lenders regarding the Plan and related issues. The discussions are ongoing, but the Debtors anticipate they will soon be in a position to file a Plan and the related disclosure statement.

**IV. ARGUMENT**

Section 1121(d) grants this Court authority to extend the exclusivity period "for cause." Although the term "cause" is not defined by the Bankruptcy Code, the legislative history indicates that it is to be viewed flexibly "in order to allow the debtor to reach an agreement." *In re McLean Indus., Inc.*, 87 B.R. 830, 833 (Bankr. S.D.N.Y. 1987) (quoting H.R. Rep. No. 595, 95th Cong., 2d Sess. 231 (1978), *reprinted in* 1978 U.S.C.C.A.N. 5963, 6190). This is because a debtor should be given a reasonable opportunity to negotiate an acceptable plan with creditors and to prepare adequate financial and non-financial information concerning the ramifications of any proposed plan for disclosure to creditors. *See, e.g., Id.* at 833-34; *In re Texaco Inc.*, 76 B.R. 322, 327 (Bankr. S.D.N.Y. 1987).

“A decision whether to extend or terminate exclusivity for cause is within the discretion of the bankruptcy court and is fact-specific.” *In re New Meatco Provisions, LLC*, No. 2:13-BK-22155-PC, 2014 WL 917335, at \*3 (Bankr. C.D. Cal. Mar. 10, 2014) (quoting *In re Adelphia Communications Corp.*, 352 B.R. 578, 586 (Bankr. S.D.N.Y. 2006)). Courts examine a number of factors to determine whether “cause” exists to extend an exclusivity period. These factors include the following:

- a. the size and complexity of the cases;
- b. the existence of good faith progress;
- c. the necessity of sufficient time to negotiate and prepare adequate information;
- d. whether the debtor is paying its debts as they become due;
- e. whether the debtor has demonstrated reasonable prospects for filing a viable plan;
- f. whether the debtor has made progress negotiating with creditors;
- g. the length of time a case had been pending;
- h. whether the debtor is seeking an extension to pressure creditors; and
- i. whether or not unresolved contingencies exist.

*See In re New Meatco Provisions, LLC*, 2014 WL 917335, at \*3 (citing *In re Dow Corning Corp.*, 208 B.R. 661, 664-665 (Bankr. E.D. Mich. 1997). A “transcendent consideration” in deciding whether to extend exclusivity is “whether adjustment of exclusivity will facilitate moving the case forward toward a fair and equitable resolution.” *In re Henry Mayo Newhall Mem’l Hosp.*, 282 B.R. 444, 453 (9th Cir. B.A.P. 2002) (affirming extension of exclusivity in chapter 11 case of non-profit hospital) (citing *In re Dow Corning Corp.*, 208 B.R. at 670).

Here, the Debtors submit that sufficient “cause” exists pursuant to § 1121(d) to extend the exclusivity periods by an additional 60 days, as follows:

Size and Complexity of the Cases. These are “mega” chapter 11 Cases; the chapter 11 filings of the Verity Health System are almost certainly the second largest hospital bankruptcy case in American history (behind only the Allegheny Health, Education and Research Foundation bankruptcy). Moreover, these Cases are very complex. Selling (while still operating) six non-profit hospitals raises issues of healthcare regulatory law, labor law, mergers & acquisitions law,

1 and bankruptcy law, among other fields, exemplified by the currently pending AG Review.  
2 Moreover, the Debtors' corporate structure is complex and there also are many issues that arise in  
3 simply maintaining the Debtors' operations pending resolution of these bankruptcy Cases. Among  
4 other issues, there are existing labor contracts which are being negotiated, numerous pending  
5 medical malpractice, personal injury and employment law related cases which the Court has  
6 allowed to proceed through relief from the automatic stay, and vendors which are requiring  
7 substantial negotiations to maintain relationships.

8 Good Faith Progress. The Debtors have made significant progress in these Cases. The  
9 Debtors continued to operate their Hospitals and related entities, and also (i) negotiated and closed  
10 the SCC Sale, (ii) negotiated and obtained Court approval of the sale of the remaining four Debtor  
11 Hospitals to SGM, (iii) submitted an application to the Office of the Attorney General to approve  
12 the SGM Sale and responded to any inquiries related thereto, (iv) worked and continue to work  
13 with SGM with respect to interim agreements that will be entered into after the sale closing during  
14 the sale leaseback period, (v) resolved many cure issues related to executory contracts and leases  
15 in connection with the SCC and SGM Sales, (vi) sold other assets approved by various orders  
16 entered by the Court, (vii) made progress to formulate a Plan, and (viii) attended to administrative  
17 compliance materials such as the Monthly Operating Reports. In connection therewith, the Debtors  
18 have dedicated a substantial amount of time to preparing and filing motions, other pleadings,  
19 documents and orders.

20 Necessity of Sufficient Time to Negotiate and Prepare Adequate Information. The closing  
21 of the SCC Sale and the approval of the SGM Sale laid the groundwork for the resolution of these  
22 cases by way of a Plan. The Debtors have been (i) formulating and drafting a Plan and related  
23 documents for these complex Cases, and (ii) are have begun discussions with major constituents in  
24 these Cases regarding the Plan. However, there are a number of open issues, which are likely to  
25 impact the feasibility of the Plan and/or return to unsecured creditors, including the close of the  
26 SGM Sale and the timing thereof which depends on the AG's review. Consequently, the Debtors  
27 seek this extension to allow them to continue to navigate through these issues and diligently finish  
28



1 the Plan, while retaining exclusivity (including to retain exclusivity relating to any amendments to  
2 the Plan this fall).

3 Paying Debts as They Become Due. The Debtors are paying their ordinary course  
4 administrative expenses as they come due. The Debtors have paid over \$15 million in critical  
5 vendor payments to prepetition creditors, and they have access to ~\$120 million of post-petition  
6 borrowing ability, which ensures that the Debtors have sufficient liquidity to continue paying  
7 postpetition obligations when and as they come due. Creditors therefore are not prejudiced by the  
8 requested extension because the Debtors have obtained debtor in possession financing and have  
9 sufficient financing to maintain operations through closing of the sales of hospital assets, and in the  
10 interim period they are maintaining their assets and operations, and paying their administrative  
11 expenses in the ordinary course of business as they come due. Further, the Debtors are current with  
12 respect to their reporting and payment requirements to the Office of the United States Trustee and  
13 other requirements of the Bankruptcy Code and Rules.

14 Prospects for Filing a Viable Plan. The Debtors have demonstrated a clear path forward for  
15 the resolution of these Cases through their sale-oriented process. The Debtors already are executing  
16 that plan through the pending sales and through their efforts to procure additional sales and resolve  
17 claim issues. The Debtors are also currently drafting and preparing a Plan.

18 Progress Negotiating with Creditors. The Debtors have been working closely and in concert  
19 with stakeholders in these cases, including the Committee and the representatives of the prepetition  
20 secured creditors drafting and preparing a Plan.

21 Length of Time the Cases Have Been Pending. These complex Cases have been pending  
22 for less than a year.

23 Whether the Extension is Sought to Pressure Creditors. There is no evidence to suggest that  
24 the Debtors seek this extension for anything other than good faith purposes, and to allow these  
25 Cases to move forward to a successful conclusion.

26 Existence of Unresolved Contingencies. Unresolved contingencies do exist, not the least  
27 of which is the necessity to close the SGM Sale and successfully sell the remaining assets of the  
28 Debtors. Moreover, even these sales present contingencies not present in the usual bankruptcy, in

1 that they will involve the AG Review, negotiations with the Department of Health and Human  
2 Services over the transfer of the Medicare Provider Agreement, and with the California Department  
3 of Healthcare Services over the transfer of the Medi-Cal Provider Agreement.

4 Accordingly, the standards for the requested 60-day extension are satisfied. The  
5 “adjustment of exclusivity will facilitate moving the [bankruptcy process] forward toward a fair  
6 and equitable resolution” of the plan of liquidation envisioned since the Debtors filed these cases.  
7 *In re Henry Mayo Newhall Mem’l Hosp.*, 282 B.R. at 453; *see also* First-Day Declaration at 25,  
8 ¶ 96 (the goal of the Cases is a “bankruptcy court supervised sale of some or all of the hospitals  
9 and related facilities, and the comprehensive resolution of the Debtors financial obligations through  
10 a court approved plan of reorganization”).

11 **V. CONCLUSION**

12 For the foregoing reasons, the Debtors respectfully request that this Court enter an order  
13 (i) granting the Motion and extending the Exclusivity Period for filing a plan and for obtaining  
14 acceptances of such plan by an additional 60 days through and including October 25, 2019 (filing  
15 a plan) and December 24, 2019 (obtaining acceptances), respectively, that is without prejudice to  
16 seeking further extensions, and (ii) granting such further relief as the Court deems appropriate.

17  
18 Dated: August 14, 2019

DENTONS US LLP

19 SAMUEL R. MAIZEL  
20 JOHN A. MOE, II  
21 TANIA M. MOYRON

22 By /s/ Tania M. Moyron  
TANIA M. MOYRON

23 Attorneys for the Chapter 11 Debtors and  
24 Debtors In Possession  
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**DECLARATION OF TANIA M. MOYRON**

I, Tania M. Moyron, declare that if called on as a witness, I would and could testify of my own personal knowledge as follows:

1. I am a Partner at Dentons US LLP, at 601 South Figueroa Street, Suite 2500, Los Angeles, California 90017-5704, and am one of the attorneys primarily responsible for representing Verity Health System of California, Inc., a California nonprofit benefit corporation and the Debtor herein ("VHS"), and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors").

2. On August 31, 2018 ("Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The cases are currently being jointly administered before the Bankruptcy Court [Docket No. 17]. Since the commencement of their cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§1107 and 1108.

3. The Debtors' corporate structure is complex, and there also are many issues that arise in simply maintaining the Debtors' operations pending resolution of these bankruptcy cases. Among other issues, there are existing labor contracts which are being addressed, numerous pending medical malpractice, personal injury and employment law related cases which the Court has allowed to proceed through relief from the automatic stay, and vendors which are requiring substantial negotiations to maintain relationships.

4. On October 31, 2018, the Court entered the *Order (I) Approving Form Of Asset Purchase Agreement For Stalking Horse Bidder And For Prospective Overbidders To Use, (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. 724], approving the sale of all assets (excluding cash, accounts receivables and causes of action) of O'Connor Hospital and Saint Louise Regional Hospital to the

County of Santa Clara, a political subdivision of the State of California (the “SCC Sale”).

5. On December 27, 2018, the Court entered an *Order (A) Authorizing the Sale of Certain of the Debtors’ Assets to Santa Clara County Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of an Unexpired Lease Related Thereto; and (C) Granting Related Relief* [Docket No. 1153].

6. The SCC Sale closed on February 28, 2019.

7. On April 17, 2019, the Court held a hearing to approve the sale of substantially all assets of St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center and Seton Medical Center, including Seton Coastside, to Strategic Global Management, Inc. (“SGM” and the “SGM Sale,” respectively). On May 2, 2019, the Court entered its *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 Thereto; and (C) Granting Related Relief* [Docket No. 2306], which approved the SGM Sale.

8. The SGM Sale is subject to review by the California Attorney General (the “AG”) under applicable non-bankruptcy law (the “AG Review”). If AG Review takes the entire allotted time under the applicable state statute, the AG would issue a decision in late September 2019. However, the Debtors and the Official Committee of Unsecured Creditors have requested a more expedited review of the transaction from the AG.

9. Given that the SCC Sale closed and the Court approved the SGM Sale, the Debtors have been focused on formulating and drafting a plan of liquidation (the “Plan”).

10. The Debtors currently have the exclusive right to file a Plan and solicit acceptances. On December 28, 2018, the Court entered an order extending the exclusive period within which the Debtors can file and solicit votes on a plan of reorganization from December 29, 2018 and February 27, 2019, to April 28, 2019 and June 27, 2019, respectively [Docket No. 899]. On June 7, 2019, this Court entered an order further extending the exclusive period within which the Debtors can file and solicit votes on a plan of reorganization to August 26, 2019 and October 25, 2019, respectively [Docket No. 2520].

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11. The Debtors have made significant progress in these cases leading up and including their Plan formulation. The Debtors continued to operate their hospitals and related entities, and also (i) negotiated and closed the SCC Sale, (ii) negotiated and obtained Court approval of the sale of the remaining four Debtor Hospitals to SGM, (iii) submitted an application to the Office of the Attorney General to approve the SGM Sale and responded to any inquiries related thereto, (iv) worked and continue to work with SGM with respect to interim agreements that will be entered into after the sale closing during the sale leaseback period, (v) resolved many cure issues related to executory contracts and leases in connection with the SCC and SGM Sales, (vi) sold other assets approved by various orders entered by the Court, (vii) made progress to formulate a Plan, and (viii) attended to administrative compliance materials such as the Monthly Operating Reports. In connection therewith, the Debtors have dedicated a substantial amount of time to preparing and filing motions, other pleadings, documents and orders.

12. Having resolved a number of matters that directly impact the formulation of the Plan, the Debtors have prepared drafts of a Plan and a disclosure statement, and began discussions with the Official Committee of Unsecured Creditors and various lenders regarding the Plan and related issues. The discussions are ongoing, but the Debtors anticipate they will soon be in a position to file a Plan and the related disclosure statement.

13. The Debtors are paying their ordinary course administrative expenses as they come due. The Debtors have paid over \$15 million in critical vendor payments to prepetition creditors, and they have access to ~\$120 million of post-petition borrowing ability, which ensures that the Debtors have sufficient liquidity to continue paying postpetition obligations when and as they come due. Further, the Debtors are current with respect to their reporting and payment requirements to the Office of the United States Trustee.

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

Executed this 14th day of August, 2019, in Los Angeles, California.

/s/ Tania M. Moyron  
TANIA M. MOYRON