Case 2:18-bk-20151-ER	Doc 3521	Filed 10	1/2N/1Q	Entered 10/20/10 10:18:22
	Main Do		raye 1	Docket #3521 Date Filed: 10/30/2019

- 1 SAMUEL R. MAIZEL (Bar No. 189301) samuel.maizel@dentons.com
- <sup>2</sup> TANIA M. MOYRON (Bar No. 235736) tania.moyron@dentons.com
- 3 PATRICK C. MAXCY (*Pro Hac Vice*)
- 4 patrick.maxcy@dentons.com DENTONS US LLP

Π

9

- 5 601 South Figueroa Street, Suite 2500 Los Angeles, California 90017-5704
- 6 || Tel: (213) 623-9300 / Fax: (213) 623-9924
- 7 Attorneys for the Chapter 11 Debtors and Debtors In Possession

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

10 Lead Case No. 2:18-bk-20151-ER In re 11 VERITY HEALTH **SYSTEM** OF Jointly Administered With: CALIFORNIA, INC., et al., CASE NO.: 2:18-bk-20162-ER 12 CASE NO.: 2:18-bk-20163-ER Debtors and Debtors In Possession. CASE NO.: 2:18-bk-20164-ER 13 CASE NO.: 2:18-bk-20165-ER CASE NO.: 2:18-bk-20167-ER 14 ⊠ Affects All Debtors CASE NO.: 2:18-bk-20168-ER CASE NO.: 2:18-bk-20169-ER 15 Affects Verity Health System of CASE NO.: 2:18-bk-20171-ER California, Inc. CASE NO.: 2:18-bk-20172-ER 16 □ Affects O'Connor Hospital CASE NO.: 2:18-bk-20173-ER □ Affects Saint Louise Regional Hospital CASE NO.: 2:18-bk-20175-ER 17 □ Affects St. Francis Medical Center CASE NO.: 2:18-bk-20176-ER □ Affects St. Vincent Medical Center CASE NO.: 2:18-bk-20178-ER 18 □ Affects Seton Medical Center CASE NO.: 2:18-bk-20179-ER □ Affects O'Connor Hospital Foundation 19 CASE NO.: 2:18-bk-20180-ER □ Affects Saint Louise Regional Hospital CASE NO.: 2:18-bk-20181-ER Foundation 20 Chapter 11 Cases □ Affects St. Francis Medical Center of Hon. Judge Ernest M. Robles Lynwood Foundation 21 □ Affects St. Vincent Foundation **DEBTORS' NOTICE AND MOTION TO** □ Affects St. Vincent Dialysis Center, Inc. **APPROVE ASSUMPTION AND ASSIGNMENT** 22 □ Affects Seton Medical Center Foundation **OF A CERTAIN EXECUTORY CONTRACT TO** □ Affects Verity Business Services SILICON VALLEY MEDICAL 23 □ Affects Verity Medical Foundation **DEVELOPMENT; DECLARATION OF** □ Affects Verity Holdings, LLC **RICHARD G. ADCOCK IN SUPPORT** 24 □ Affects De Paul Ventures, LLC THEREOF □ Affects De Paul Ventures - San Jose ASC, 25 **HEARING:** LLC Date: November 20, 2019 26 Time: 10:00 a.m. Debtors and Debtors In Possession. Place: Courtroom 1568 27 28 182015119103100000000002 1 US\_Active\113526500\V-3

DENTONS US LLP 601 South Figueroa Street, Suite 2500 Los Angeles, California 90017-5704 (213) 623-9300

PLEASE TAKE NOTICE that, at 10:00 am (prevailing Pacific Time), on November 20, 1 2 **2019**, before the Honorable Ernest M. Robles, in Courtroom 1568 of the United States Bankruptcy 3 Court for the Central District of California, Roybal Federal Building, 255 E. Temple Street, Los Angeles, CA 90012, Verity Health System Of California, Inc. ("VHS") and the above-referenced 4 5 affiliated debtors and debtors in possession in the above captioned chapter 11 bankruptcy cases 6 (collectively, the "Debtors"), shall move for the entry of an order (the "Motion"), pursuant to 11 7 U.S.C. § 365(a) authorizing the assignment of the System Implementation Agreement between 8 Verity Medical Foundation and IDX Information Systems Corporation (now known as VVC 9 Holding Corp.) (the "IDX Contract") to Silicon Valley Medical Development, LLC ("SVMD"). 10 The assignment of the IDX Contract to SVMD is in furtherance of the asset sale transaction between the Debtors, SVMD and San Jose Medical Group (the "SVMD Sale"), which was approved by order 11 12 of this Court on March 27, 2019 [Docket No. 1919].

PLEASE TAKE FURTHER NOTICE that the Motion is based on this Notice of Motion
 and Motion and the attached Memorandum of Points and Authorities, the *Declaration of Richard G. Adcock in Support of First-Day Motions*, filed August 31, 2018 [Docket No. 8] and the
 Declaration of Richard G. Adcock in support of this Motion attached hereto.

PLEASE TAKE FURTHER NOTICE that, pursuant to Local Bankruptcy Rule 9013-1(f), any party opposing or responding to the Motion must file a response (the "<u>Response</u>") with the Bankruptcy Court and serve a copy of it upon the moving party and the United States Trustee not later than 14 days before the date designated for the hearing. A Response must be a complete written statement of all reasons in opposition to the Motion or in support, declarations and copies of all evidence on which the responding party intends to rely, and any responding memorandum of points and authorities.

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

- 27
- 28

	Case	2:18-bk-20151-ER	Doc 3521 Main Doc	Filed 10/30/ cument Pa	19 Entered 10/30/19 19:48:32 age 3 of 13	Desc
	1 2 3	Dated: October 30, 2	2019		DENTONS US LLP SAMUEL R. MAIZEL TANIA M. MOYRON PATRICK C. MAXCY	
	4				By <u>/s/ Tania M. Moyron</u> Tania M. Moyron	
	6 7				Attorneys for the Chapter 11 Debto Debtors In Possession	rs and
	8 9					
	10 11					
3-9300	12					
(213) 623 - 9300	13 14					
	15					
	16					
	17					
	18					
	19					
	20					
	21					
	22					
	23					
	24					
	25					
	26					
	27					
	28					
		US_Active\113526500\V-3		3	3	

DENTONS US LLP 601 South Figueroa Street, Suite 2500 Los Angeles, California 90017-5704 (213) 623-9300

1

2

3

#### **MEMORANDUM OF POINTS AND AUTHORITIES**

#### I.

# **INTRODUCTION**

4 Verity Health System Of California, Inc. ("VHS"), Verity Medical Foundation ("VMF") and 5 the above-referenced affiliated debtors and debtors in possession in the above captioned chapter 11 6 bankruptcy cases (collectively, the "Debtors"), hereby file this Memorandum of Points and 7 Authorities in support of their motion (the "Motion") to assume and assign the IDX Contract (as 8 further defined herein) to Silicon Valley Medical Development, LLC ("SVMD") pursuant to § 365 9 of title 11 of the United States Code, §§ 101 *et seq*. (the "Bankruptcy Code").<sup>1</sup> The assignment of 10 the IDX Contract to SVMD is in furtherance of the sale of certain medical clinics (the "Clinics," as further defined herein) to SVMD (the "SVMD Sale"), which was approved by order of this Court 11 on March 27, 2019 [Docket No. 1919]. The IDX Contract provides for the use of various IDX 12 13 applications, systems, and infrastructure (the "IDX Applications") used in the operation of the 14 Clinics. However, because the IDX Contract also served other health clinics operated by the VMF, the IDX Contract was not assigned to SVMD under the SVMD Sale. Instead, since the closing of 15 16 the SVMD Sale, SVMD has been granted access to and use of the IDX Applications pursuant to 17 under the terms of a TSA and TSA Extension Agreement (defined herein) which is set to expire on 18 October 31, 2019. As its wind-down progresses, VMF no longer needs the IDX Contract. 19 Accordingly, the assumption and assignment of the IDX Contract to SVMD at this time is in the 20 best interest of the estates and is a proper and legitimate exercise of the Debtors' business judgment 21 pursuant to § 365(a) as it allows SVMD to continue to utilize the IDX Contract in the operation of 22 the Clinics that it purchased in the SVMD Sale while relieving the Debtor of further burdens 23 associated with the IDX Contract.

- 24 25
- 26

All references to § herein are to sections of the Bankruptcy Code. All references to "<u>Bankruptcy</u> <u>Rules</u>" are to provisions of the Federal Rules of Bankruptcy Procedure. All references to "<u>LBR</u>" are to provisions of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California (the "<u>Bankruptcy Court</u>").

#### II.

#### JURISDICTION AND VENUE

This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is
a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(B). Venue is proper in this Court pursuant to
28 U.S.C. §§ 1408 and 1409. The statutory predicate for this Motion is § 365(a).

#### III.

#### **BACKGROUND**

#### A. <u>General Background</u>

1. On August 31, 2018, ("<u>Petition Date</u>"), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "<u>Cases</u>"). By entry of an order, 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.

Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate
 member of five Debtor California nonprofit public benefit corporations that operated O'Connor
 Hospital and Saint Louise Regional Hospital, and currently operates St. Francis Medical Center, St.
 Vincent Medical Center and Seton Medical Center, including Seton Medical Center Coastside
 Campus (collectively, the "<u>Hospitals</u>").

On the Petition Date, VHS, the Hospitals, and their affiliated entities operated as a
 nonprofit health care system, with approximately 1,680 inpatient beds, six active emergency rooms,
 a trauma center, eleven medical office buildings, and a host of medical specialties, including tertiary
 and quaternary care. *Declaration Of Richard G. Adcock In Support of Emergency First Day Motions*, at 4, ¶ 12 (the "First Day Declaration") [Docket No. 8]. The scope of the services provided
 by the Verity Health System is exemplified by the fact that in 2017, the Hospitals provided medical
 services to over 50,000 inpatients and approximately 480,000 outpatients. *Id.*, at 4, ¶ 12.

26 4. Debtor VMF, incorporated in 2011, is a medical foundation, exempt from (a)
27 licensure under California Health & Safety Code § 1206(1), and (b) federal income taxation as an
28 organization described in section 501(c)(3) of the IRC. First Day Declaration, at 5, ¶ 14. VMF

1

2

6

7

8

9

10

11

12

### Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 6 of 13

contracts with physicians and other healthcare professionals to provide high quality, compassionate,
 patient-centered care to individuals and families throughout California. *Id.* VMF offers medical,
 surgical and related healthcare services for people of all ages at community-based, multi-specialty
 clinics conveniently located in areas served by the Hospitals. *Id.*

- 5 5. A detailed description of the Debtors' businesses, capital structure, and the events
  6 leading to the commencement of these Cases is contained in the First Day Declaration.
- 7 6. On September 17, 2018, the U.S. Trustee appointed the Committee pursuant to
  8 § 1102. Docket No. 197.
- 9 7. On December 27, 2018, the Court entered an order [Docket No. 1153] approving the
  10 sale of two of the Debtors hospitals to Santa Clara County—Saint Louise Regional Hospital and
  11 O'Connor Hospital. The sale closed on February 28, 2019.
- 8. 12 On May 2, 2019, the Bankruptcy Court entered the Order (A) Authorizing The Sale 13 Of Certain Of The Debtors' Assets To Strategic Global Management, Inc. Free And Clear Of Liens, 14 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 15 16 authorized the sale of the Debtors' four remaining Hospitals to Strategic Global Management, Inc. 9. 17 On February 15, 2019, the Debtors, SVMD, and San Jose Medical Group ("SJMG") 18 entered into a Settlement and Asset Purchase Agreement, effective as of April 1, 2019 (the "Asset 19 Purchase Agreement"), pursuant to which VMF sold certain clinical assets to SVMD (the "SVMD 20 <u>Sale</u>").
- 21 10. On February 26, 2019, to effectuate the Asset Purchase Agreement, the Debtors filed 22 a Motion To Approve (I) Settlement And Asset Purchase Agreement By And Between Debtors Verity 23 Medical Foundation And Verity Health Services Of California, Inc., Silicon Valley Medical 24 Development, LLC And San Jose Medical Group (II) Assumption And Assignment Of Certain 25 Contracts And Leases To Silicon Valley Medical Development, LLC, And (III) Rejection Of Certain Leases [Docket No. 1636] (the "SVMD Sale Motion"). The SVMD Sale Motion was granted by 26 27 order of this Court on March 27, 2019 [see Docket No. 1919], and the SMVD Sale closed on April 1, 2019. 28

### Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 7 of 13

- 1 11. Pursuant to the Asset Purchase Agreement and upon the closing of the SVMD Sale,
   2 SVMD now owns and operates certain outpatient medical clinic sites within the State of California
   3 (as identified and defined in the Asset Purchase Agreement, the "<u>Clinics</u>").
- 4 12. On September 3, 2019, the Debtors filed the *Debtors' Chapter 11 Plan of Liquidation*5 [Docket No. 2993] and the *Disclosure Statement Describing Debtors' Chapter 11 Plan of*6 [Liquidation [Docket No. 2994].

7

12

13

14

15

16

17

18

19

20

21

22

# B. <u>Relevant Facts Related to the IDX Contract</u>

8 13. As of the Petition Date, the VMF was party to the following agreements with IDX
9 Information Systems Corporation (now known as VVC Holding Corp. (f/k/a IDX Information
10 Development Systems) ("<u>IDX</u>")), which form the IDX Contract and which it seeks to assign to
11 SVMD:

- a) System Implementation Agreement, dated December 31, 2000, between IDX, on its own behalf and as successor in interest to GE Healthcare and one of GE Healthcare's affiliated entities, including GE Medical Systems Information Technologies, Inc., GE Healthcare IITS USA Corp., and San Jose Medical Management, Inc.;<sup>2</sup>
- b) Change Order between VMF and IDX, dated September 6, 2018, amending the System Implementation Agreement, which was renewed and extended for a term continuing until September 6, 2019, and which automatically renewed for an additional one-year period, set to expire on September 3, 2020;
- c) Business Associate Agreement dated October 7, 2013 (as amended by that certain First Amendment to the Business Associate Agreement, dated September 5, 2019); and
  - d) Change Order executed on September 5, 2019, further amending the System Implementation Agreement.
- 14. The IDX Contract is among certain vendor and IT agreements that were not assigned

23 by VMF to SVMD under the Asset Purchase Agreement and SVMD Sale, in part because those

24 contracts were utilized by VMF in its operation of clinics that are not subject to the Asset Purchase

 <sup>27
 &</sup>lt;sup>2</sup> The IDX Contract was assigned to Daughters of Charity Health System Medical Foundation pursuant to a March 20, 2012, Asset Purchase Agreement between San Jose Medical Management,
 28
 <sup>20</sup> Inc. and Daughters of Charity Health System Medical Foundation. VMF is a successor to Daughters of Charity Health System Medical Foundation.

#### Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Page 8 of 13 Main Document

1 Agreement. To permit SVMD to temporarily use those contracts during a transition period 2 following the closing of the SVMD Sale, VMF and SVMD entered into a Transition Services 3 Agreement, dated as of April 1, 2019, as amended by that First Amendment, dated April 30, 2019, and Second Amendment, dated July 1, 2019 (collectively, the "TSA"). The TSA provided for 4 5 SVMD's continued use the IDX Applications pursuant to the IDX Contact on the terms set forth in 6 the TSA.

7 15. Although the TSA expired for most other services on September 1, 2019, SVMD and 8 VMF executed that certain Agreement to Extend Certain Services Upon Expiration of Transition Services Agreement dated September 1, 2019 (as amended and extended from time to time, the 10 "TSA Extension Agreement"), which provides for the continued use of the IDX Applications through October 31, 2019.

12 16. In order to provide SVMD continued use of the IDX Applications after October 31, 13 2019, VMF and SVMD have agreed to assign the IDX Contract to SVMD.

14 17. The Debtors, SVMD and IDX have engaged in discussions regarding the assignment of the IDX Contract to SVMD and, upon information and belief, IDX will agree to the assignment 15 16 of the IDX Contract, as amended. SVMD agrees to pay a cure amount of up to \$69,187.74 to IDX 17 or such lesser amount as may be agreed between IDX and SVMD, as a condition to assumption and 18 assignment of the IDX Contract to SVMD.

19 18. The Debtors believe that the assumption and assignment of the IDX Contract to 20 SVMD is fair and equitable and in the best interests of the estates as it will complete the SVMD 21 Sale as originally contemplated in the SVMD Sale Motion and allow SVMD to continue to operate 22 the Clinics.

23 IV. 24 **ARGUMENT** 25 THE COURT SHOULD APPROVE THE ASSUMPTION AND ASSIGNMENT OF THE **IDX CONTRACT** 26 Barring exceptions not relevant here, § 365(a) authorizes a debtor in possession, "subject to 27 the Court's approval, ... [to] assume or reject any executory contract or unexpired lease of the 28 debtor." A debtor in possession may assume or reject executory contracts and unexpired leases for 5

9

### Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 9 of 13

1 the benefit of the estate. Agarwal v. Pomona Valley Med. Grp., Inc. (In re Pomona Valley Med. 2 *Grp., Inc.*), 476 F.3d 665, 671 (9th Cir. 2007); *In re Chi-Feng Huang*, 23 B.R. 798, 801 (B.A.P. 9th 3 Cir. 1982) ("The primary issue is whether rejection would benefit the general unsecured creditors."). 4 In reviewing a debtor in possession's decision to assume or reject an executory contract or unexpired 5 lease, a bankruptcy court should apply the "business judgment test" to determine whether it would be beneficial to the estate to assume it. See In re Hertz, 536 B.R. 434, 442 (Bankr. C.D. Cal. 2015); 6 7 Pomona Valley Med. Grp., 476 F.3d at 670. The business judgment standard requires that the Court 8 follow the business judgment of the debtor unless that judgment is the product of "bad faith, whim, 9 or caprice." Pomona Valley Med. Grp., 476 F.3d at 670 (quoting Lubrizol Enters. v. Richmond Metal 10 Finishers, 756 F.2d 1043, 1047 (4th Cir. 1985), cert. denied, 475 U.S. 1057 (1986)).

Pursuant to \$ 365(f)(2), a debtor may assign its executory contracts and unexpired leases, 11 provided the debtor first assumes such executory contracts and unexpired leases in accordance with 12 13 § 365(b)(1), and provides adequate assurance of future performance by the assignee. Pursuant to 14 § 365(b)(1), assumption of executory contracts and unexpired leases requires a debtor to: (a) cure 15 any existing defaults under such agreements; (b) compensate all non-debtor parties to such 16 agreements for any actual pecuniary loss resulting from the defaults; and (c) provide adequate 17 assurance of future performance under the contract or lease. 11 U.S.C. § 365(b)(1); see also In re 18 Bowman, 194 B.R. 227, 230 (Bankr. D. Ariz. 1995); In re AEG Acquisition Corp., 127 B.R. 34, 44 19 (Bankr. C.D. Cal. 1991), aff'd, 161 B.R. 50 (B.A.P. 9th Cir. 1993). Pursuant to § 365(f)(1), a debtor 20 may assign an executory contract or unexpired lease pursuant to \$ 365(f)(2) notwithstanding any 21 provision in such executory contract or unexpired lease that prohibits, restricts or conditions the 22 assignment of such executory contract or unexpired lease.

The assumption and assignment of executory contracts and unexpired leases furthers the goals of chapter 11 of promoting reorganization by balancing the debtor's interest in maximizing the value of its estate against the contracting party's interest in receiving the benefit of its bargain and being protected against default by the debtor after assumption has occurred. *In re Embers 86th Street. Inc.*, 184 B.R. 892, 896 (Bankr. S.D.N.Y. 1995).

# Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 10 of 13

1	Here, the Debtors seek the Court's authority to assume and assign the IDX Contract to						
2	SVMD. SVMD shall pay IDX a cure amount of up to \$69,187.74 or such lesser amount as agreed						
3	with IDX in connection with the assumption and assignment of the IDX Contract. The assumption						
4	and assignment of the Contract permits the completion of the SVMD Sale as proposed in the SVMD						
5	Sale Motion and allows SVMD to continue to operate the Clinics it purchased from the Debtors.						
6	The IDX Applications are necessary for the operation of the Clinics, but the TSA Extension						
7	Agreement, which allows SVMD to use the IDX Applications under the terms of the IDX Contract,						
8	will expire on October 31, 2019. VMF no longer needs to utilize the IDX Contract and has made						
9	other arrangements with IDX for the removal of or access to data being stored by IDX. Absent the						
10	assignment requested herein, the Debtors would reject the IDX Contract, creating additional						
11	rejection damages costs to the estates. Accordingly, approval of the Motion to assign the IDX						
12	Contract to SVMD is in the best interests of the Debtors' estates and reasonable exercise of their						
13	business judgment because it furthers the goals of the SVMD Asset Purchase Agreement and						
14	relieves the Debtors of any further administrative burden of carrying the IDX Contract and potential						
15	damages from rejection of the IDX Contract.						
16	V.						
17	CONCLUSION						
18	For all the reasons set forth herein, the Debtors request the Court enter an order approving						
19	the assumption and assignment of the IDX Contract to SVMD.						
20							
21	Dated: October 30, 2019 DENTONS US LLP SAMUEL R. MAIZEL						
22	TANIA M. MOYRON PATRICK C. MAXCY						
23	TATRICK C. WAACT						
24	By/s/ Tania M. Moyron						
25	Tania M. Moyron						
26	Attorneys for the Chapter 11 Debtors and Debtors In Possession						
27							
28							
	7						

Main Document Page 11 of 13

# 1 2

3

7

8

9

10

11

12

13

14

19

20

21

22

23

24

# **DECLARATION OF RICHARD G. ADCOCK**

I, Richard G. Adcock, declare, that if called as a witness, I would and could competently testify thereto, of my own personal knowledge, as follows:

I am the Chief Executive Officer of Verity Health System of California, Inc.
("<u>VHS</u>"). I became the Debtors' Chief Executive Officer effective January 2018. Prior thereto, I
served as VHS's Chief Operating Officer since August 2017.

2. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors or the Debtors' legal and financial advisors, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and the healthcare industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. This Declaration is in support of the *Debtors' Notice And Motion To Approve Assumption and Assignment of a Certain Executory Contract To Silicon Valley Medical Development* (the "<u>Motion</u>") and for all other purposes permitted by law.

4. As of the Petition Date, the Verity Medical Foundation ("<u>VMF</u>") was party to the
following agreements with IDX Information Systems Corporation (now known as VVC Holding
Corp. (f/k/a IDX Information Development Systems) ("<u>IDX</u>")), which form the IDX Contract and
which it seeks to assign to Silicon Valley Medical Development, LLC ("<u>SVMD</u>"):

- a) System Implementation Agreement, dated December 31, 2000, between IDX, on its own behalf and as successor in interest to GE Healthcare and one of GE Healthcare's affiliated entities, including GE Medical Systems Information Technologies, Inc., GE Healthcare IITS USA Corp., and San Jose Medical Management, Inc.;<sup>3</sup>
- b) Change Order between VMF and IDX, dated September 6, 2018, amending the System Implementation Agreement, which was renewed and extended for a term continuing until September 6, 2019, and which automatically renewed for an additional one-year period, set to expire on September 3, 2020;
- 25 26

The IDX Contract was assigned to Daughters of Charity Health System Medical Foundation pursuant to a March 20, 2012, Asset Purchase Agreement between San Jose Medical Management, Inc. and Daughters of Charity Health System Medical Foundation. VMF is a successor to Daughters of Charity Health System Medical Foundation.

Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 12 of 13

- c) Business Associate Agreement dated October 7, 2013 (as amended by that certain First Amendment to the Business Associate Agreement, dated September 5, 2019); and
  - d) Change Order executed on September 5, 2019, further amending the System Implementation Agreement.

55. The IDX Contract provides for the use of various IDX applications, systems, and6infrastructure (the "IDX Applications") used in the operation of the Clinics.

6. The IDX Contract is among certain vendor and IT agreements that were not assigned by VMF to SVMD under the Asset Purchase Agreement<sup>4</sup> and SVMD Sale, in part because those contracts were utilized by VMF in its operation of clinics that are not subject to the Asset Purchase Agreement. To permit SVMD to temporarily use those contracts during a transition period following the closing of the SVMD Sale, VMF and SVMD entered into a Transition Services Agreement, dated as of April 1, 2019, as amended by that First Amendment, dated April 30, 2019, and Second Amendment, dated July 1, 2019 (collectively, the "<u>TSA</u>"). The TSA provided for SVMD's continued use the IDX Applications pursuant to the IDX Contact on the terms set forth in the TSA.

7. Although the TSA expired for most other services on September 1, 2019, SVMD and
VMF executed that certain Agreement to Extend Certain Services Upon Expiration of Transition
Services Agreement dated September 1, 2019 (as amended and extended from time to time, the
"<u>TSA Extension Agreement</u>"), which provides for the continued use of the IDX Applications
through October 31, 2019.

8. In order to provide SVMD continued use of the IDX Applications after October 31,
2019, VMF and SVMD have agreed to assign the IDX Contract to SVMD.

9. The Debtors, SVMD and IDX have engaged in discussions regarding the assignment
of the IDX Contract to SVMD and, upon information and belief, IDX will agree to the assignment
of the IDX Contract, as amended. SVMD agrees to pay a cure amount of up to \$69,187.74 to IDX

- 27
- 28

1

2

3

4

7

8

9

10

11

12

13

14

<sup>&</sup>lt;sup>4</sup> All capitalized terms not otherwise defined herein shall have the meaning afforded in the Motion.

#### Case 2:18-bk-20151-ER Doc 3521 Filed 10/30/19 Entered 10/30/19 19:48:32 Desc Main Document Page 13 of 13

or such lesser amount as may be agreed between IDX and SVMD, as a condition to assumption and
 assignment of the IDX Contract to SVMD.

3 10. The IDX Applications are necessary for the operation of the Clinics. VMF no longer
4 needs to utilize the IDX Contract and has made other arrangements with IDX for the removal of or
5 access to data being stored by IDX. Absent the assignment requested in the Motion, the Debtors
6 would reject the IDX Contract, creating additional rejection damages costs to the estates.

7 11. I believe that the assumption and assignment of the IDX Contract to SVMD is fair
8 and equitable and in the best interests of the estates as it will complete the SVMD Sale as originally
9 contemplated in the SVMD Sale Motion and allow SVMD to continue to operate the Clinics.

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

Executed this 30th day of October, at Los Angeles, California.

[TO BE SUBMITTED] RICHARD G. ADCOCK