

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
NICHOLAS A. KOFFROTH (Bar No. 287854)
nicholas.koffroth@dentons.com
DENTONS US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924

Attorneys for the Chapter 11 Debtors and
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. Ernest M. Robles

**NOTICE REGARDING PROPOSED ORDER
RESOLVING DEBTORS' EMERGENCY
MOTION FOR THE ENTRY OF AN ORDER
ENFORCING THE SALE ORDER AND
REQUESTING RELATED RELIEF**

[RELATED DOCKET NOS. 3188, 3446, 3572]

Hearing:

Date: October 15, 2019

Time: 10:00 a.m. (Pacific Time)

Place: 255 East Temple Street, Courtroom 1568
Los Angeles, California 90012

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300



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DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Verity Health System of California, Inc. and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the “Debtors”), hereby file this notice regarding the proposed order (the “Proposed Order”), attached as Exhibit “A,” granting the *Debtors’ Emergency Motion for the Entry of an Order: (I) Enforcing the Order Authorizing the Sale to Strategic Global Management, Inc.; (II) Finding That the Sale Is Free and Clear of Conditions Materially Different Than Those Approved by the Court; (III) Finding That the Attorney General Abused His Discretion in Imposing Conditions on the Sale; and (IV) Granting Related Relief* [Docket No. 3188] (the “Motion”) and the related stipulation [Docket No. 3572] (the “Stipulation”) and order thereon, lodged by the Debtors concurrently herewith.

GENERAL BACKGROUND

On September 30, 2019, the Debtors filed the *Debtors’ Emergency Motion for the Entry of an Order: (I) Enforcing the Order Authorizing the Sale to Strategic Global Management, Inc.; (II) Finding That the Sale Is Free and Clear of Conditions Materially Different Than Those Approved by the Court; (III) Finding That the Attorney General Abused His Discretion in Imposing Conditions on the Sale; and (IV) Granting Related Relief* [Docket No. 3188] (the “Motion”). On October 23, 2019, the Court entered the *Memorandum of Decision Granting Debtors’ Emergency Motion to Enforce the Sale Order* [Doc. No. 3188] (the “Memorandum Decision”). The Memorandum Decision sets forth the Court’s findings and conclusions concerning the Motion, grants the relief requested in the Motion, and requires that the Debtors submit an order granting the Motion. *See* Mem. Dec. at 24.

PROPOSED ORDER GRANTING MOTION

The Debtors and the California Attorney General (the “Attorney General”) have reached a consensual resolution, on the terms set forth in the Stipulation and the Proposed Order. Entry of the Proposed Order, and of the order approving the Stipulation, will result in, among other things: granting of the Motion; vacation and withdrawal of the Memorandum Decision; the Attorney General’s agreement not to appeal from the Proposed Order; and, in the Debtors’ view,

1 satisfaction of section 8.6 of that certain asset purchase agreement [Docket No. 2305-1] between
2 the Debtors and Strategic Global Management, Inc. (respectively the “SGM APA” and “SGM”).

3 The reasons for entering into the Stipulation with the Attorney General, and seeking entry
4 of the Proposed Order, are compelling: closing of the sale to SGM will be expedited (a critical
5 consideration, given the Debtors’ liquidity issues, including ongoing operational losses of
6 approximately \$450,000 per day); and the time, expense, and uncertainty, associated with an
7 appeal by the Attorney General of any order granting the Motion, will be avoided.

8 The Debtors and the Attorney General have worked diligently over the past 10 days to
9 satisfy SGM’s concerns and thus obtain its joinder in the Stipulation, but have been unable to do
10 so. Therefore, after careful consideration by the Debtors and their constituents, the Debtors
11 respectfully request that the Court enter both (a) the Proposed Order and (b) the order approving
12 the Stipulation, as agreed to by the Debtors and the Attorney General.

13 **EXPEDITED ENTRY OF PROPOSED ORDER**

14 The entry of the Proposed Order, and the order granting the Stipulation, on an expedited
15 basis is necessary and appropriate given (i) the Debtors’ liquidity issues [*see, e.g.*, Docket No.
16 3238 (Adcock Decl. ¶ 6)], (ii) the December 31, 2019 deadlines and milestones in the SGM APA
17 and cash collateral agreement [*see*, SGM APA § 9.1(3); Docket No. 2968 (Cash Collateral Mot. at
18 24)], and (iii) that it will further the closing of the SGM sale (*see* SGM APA § 8.6). Accordingly,
19 the Debtors respectfully request entry of the Proposed Order, and the order granting the
20 Stipulation, on an expedited basis.

21 Dated: November 8, 2019

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON
NICHOLAS A. KOFFROTH

24 By /s/ Tania M. Moyron
Tania M. Moyron

26 Attorneys for the Chapter 11 Debtors and
Debtors In Possession

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Exhibit A

Proposed Order

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
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DENTONS US LLP
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Attorneys for the Chapter 11 Debtors and
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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.*,

Debtor and Debtor In
Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
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☐ 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
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Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**ORDER GRANTING "DEBTORS' EMERGENCY
MOTION FOR THE ENTRY OF AN ORDER: (I)
ENFORCING THE ORDER AUTHORIZING THE
SALE TO STRATEGIC GLOBAL MANAGEMENT,
INC.; (II) FINDING THAT THE SALE IS FREE
AND CLEAR OF CONDITIONS MATERIALLY
DIFFERENT THAN THOSE APPROVED BY THE
COURT; (III) FINDING THAT THE ATTORNEY
GENERAL ABUSED HIS DISCRETION IN
IMPOSING CONDITIONS ON THAT SALE; AND
(IV) GRANTING RELATED RELIEF" [DOC. 3188]**

Hearing Date and Time:

Date: October 15, 2019
Time: 10:00 a.m. (Pacific Time)
Location: Courtroom 1568
255 E. Temple Street
Los Angeles, CA

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

The Court, having considered the motion [Docket No. 3188] (the “Motion”)¹ filed by Verity Health System of California, Inc. and the above-referenced affiliated debtors and debtors in possession in the above captioned chapter 11 bankruptcy cases (collectively, the “Debtors”), the response [Docket No. 3333] of the California Attorney General (the “Attorney General”), the statement [Docket No. 3356] filed by Strategic Global Management, Inc. (collectively with its affiliates, “SGM”), the reply [Docket No. 3382] filed by the Debtors, the stipulation [Docket No. 3572] by and among the Debtors and the Attorney General, and good cause appearing,

HEREBY ORDERS AS FOLLOWS:

1. The Motion is GRANTED.
2. The Court’s memorandum decision [Docket No. 3446] is hereby vacated and withdrawn.
3. Solely and exclusively for purposes of the APA (as defined below) and the Motion, the Additional Conditions (as defined in section 8.6 of that certain asset purchase agreement [Docket No. 2305-1] (the “APA”)) are an “interest in property” for purposes of 11 U.S.C. § 363(f), and the Assets (as defined in the APA) can be sold free and clear of the Additional Conditions without the imposition of any other conditions which would adversely affect the Purchaser (as defined in the APA).
4. This Court shall retain exclusive jurisdiction to adjudicate any disputes or controversies regarding the interpretation or enforcement of this Order. Notwithstanding the preceding sentence, nothing contained in this Order shall prohibit or limit the authority of the Attorney General to enforce, in the California state courts and pursuant to section 5926 of the California Corporations Code, the Purchaser Approved Conditions set forth on Schedule 8.6 to the APA.

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¹ Unless otherwise defined herein, all capitalized terms have the definitions set forth in the Motion.

1 5. The Attorney General waives any right to appeal this Order.

2
3 **IT IS SO ORDERED.**

4 ###

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