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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.*,

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 ASC, 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

**SUPPLEMENT TO DEBTORS' RESPONSE TO
OBJECTION OF THE CHUBB COMPANIES
TO THE DEBTORS' DISCLOSURE
STATEMENT DESCRIBING DEBTORS'
CHAPTER 11 PLAN OF LIQUIDATION;
DECLARATION OF LAWRENCE B. GILL IN
SUPPORT THEREOF**

[RELATED DOCKET NOS. 3659, 3609]

HEARING:

Date: November 26, 2019

Time: 10:00 a.m.

Place: Courtroom 1568



1 **PLEASE TAKE NOTICE** that Verity Health System of California, Inc. (“VHS”) and the
2 above-referenced affiliated debtors and debtors in possession in the above-captioned chapter 11
3 bankruptcy cases (collectively, the “Debtors”), hereby supplement (the “Supplement”) the *Debtors’*
4 *Response to Objection of the Chubb Companies to the Debtors’ Disclosure Statement Describing*
5 *Debtors’ Chapter 11 Plan of Liquidation; Declaration of Lawrence B. Gill in Support Thereof* [Dkt.
6 No. 3659] (the “Response”).¹

7 **PLEASE TAKE FURTHER NOTICE** that included in the Response was the Gill
8 Declaration.

9 **PLEASE TAKE FURTHER NOTICE** that Exhibit A to the Gill Declaration sets forth
10 additional language (the “Proposed Revisions”) which the Debtors propose to add to or modify in
11 certain sections of the Plan and Disclosure Statement in response to the *Objection of the Chubb*
12 *Companies to the Debtors’ Disclosure Statement Describing Debtors’ Chapter 11 Plan of*
13 *Liquidation (Dated September 3, 2019)* [Dkt. No. 3609] (the “Chubb Objection”) filed by the Chubb
14 Companies.

15 **PLEASE TAKE FURTHER NOTICE** that attached hereto as **Exhibit 1** is a redline of the
16 Proposed Revisions against the current language in the Plan and Disclosure Statement, to facilitate
17 the Court’s and Chubb’s review of the Proposed Revisions.

18
19 Dated: November 22, 2019

NELSON HARDIMAN, LLP

20 By: /s/ Lawrence B. Gill, Esq.
21 Lawrence B. Gill, Esq.

22 Attorneys for the Debtors and Debtors in Possession
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28 _____
¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Response.

EXHIBIT 1

EXHIBIT 1

Redline Reflecting Proposed Additions and Modifications to the Plan and Disclosure Statement

ADD NEW DEFINITION TO THE PLAN:

Insurer means any entity that issued an Insurance Policy, including a successor.

REVISE THIS DEFINITION IN THE PLAN AS FOLLOWS:

1.1 Insured Claims means a Claim against any of the Debtors, their respective Estates, Assets or properties arising from any incident or occurrence that is covered by an applicable and available Insurance Policy ~~maintained by or for the benefit of any of the Debtors.~~

REVISE SECTION 4.13 OF THE PLAN AND PARAGRAPH V(C)(13) OF THE DISCLOSURE STATEMENT AS FOLLOWS:

4.13 Class 12: Insured Claims. Classification. Class 12 consists of Allowed Insured Claims.

(b) *Treatment.* Each Insured Claim shall be deemed objected to and disputed and shall be resolved in accordance with this Section, notwithstanding any other Plan provision.

Except to the extent that a Holder of an Insured Claim agrees to different treatment, or unless otherwise provided by an order of the Bankruptcy Court directing such Holder's participation in any alternative dispute resolution process, on the Effective Date, or as soon thereafter as is reasonably practicable, each Holder of an Insured Claim will have received or shall receive on account of its Insured Claim relief from the automatic stay under § 362 and the injunctions provided under this Plan for the sole and limited purpose of permitting such Holder to seek recovery, if any, as determined and Allowed by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Insured Claim from the applicable and available Insurance Policies maintained by or for the benefit of any of the Debtors. A Holder's recovery of insurance proceeds under the applicable Insurance Policy(ies) shall be the sole and exclusive recovery on an Insured Claim, subject to recovery of an Insured Deficiency Claim, as described in the next paragraph. Any settlement of an Insured Claim within a self-insured retention or deductible must be approved by the Liquidating Trustee.

In the event the applicable insurer denies the tender of defense or there are no applicable or available insurance policies, or proceeds from applicable and available insurance policies have been exhausted or are otherwise insufficient to pay in full a Holder's recovery, if any, as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Insured Claim, on account of its Insured Claim, then such Holder shall be entitled to an Allowed Claim equal to the amount of the Allowed Insured Claim less the amount of available proceeds paid such Allowed Insured Claim from the applicable and available Insurance Policies (the "Insured Deficiency Claim"). Such Holders' Insured Deficiency Claim shall be treated as an Allowed General Unsecured Claim in Class 10 of the Plan and shall be entitled to receive its Pro Rata Share of the distributions from the Liquidating Trust Distributions

as set forth in the Plan in the same manner as other Holders of Allowed General Unsecured Claims in Class 10 of the Plan. In no event shall any Holder of an Allowed Insured Deficiency Claim be entitled to receive more than one hundred percent (100%) of the Allowed Amount of their respective Allowed Insured Deficiency Claim.

Any amount of an Allowed Insurance Claim within a deductible or self-insured retention shall be paid by the applicable insurance, in accordance with the applicable Insurance Policy, to the Claim Holder and such insurer shall have a General Unsecured Claim (or Secured Claim, if it holds collateral) for the amount of the deductible or retention paid, provided that it has timely filed an otherwise not objectionable proof of claim encompassing such amounts. For purposes of retentions and deductibles in any Insurance Policy, including, but not limited to, an Insurance Policy insuring officers, directors, consultants or others against claims based upon prepetition occurrences, the Confirmation Order shall constitute a finding that the Debtors are insolvent and unable to advance or indemnify Insured Claims, from Estate or Debtor Funds, for any loss, claim, damage, settlement or judgment of Debtors within the applicable retention or deductible amount. However, the foregoing sentence does not modify the Insurer's right to a claim described in the first sentence of this paragraph or limit reimbursement due Old Republic for deductibles from proceeds of other insurance. Notwithstanding any other provision of this Section, Old Republic Insurance Company shall be entitled to all accommodations that it requested in connection with renewal of Debtors' workers' compensation policy, as approved by order of the Bankruptcy Court [Docket No. 2803].

(c) *Voting.* Class 12 is Impaired. Holders of Insured Claims are entitled to vote to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy Court, each Holder of a Class 12 Insured Claim shall have a \$1.00 vote for each filed Insured Claim.

REVISE SECTION 7.12 OF THE PLAN AS FOLLOWS:

7.12 *Destruction and Abandonment of Books and Records.* Subject to the terms of the Records Retention Order with respect to the records covered thereby, on or after the Effective Date, pursuant to § 554(a), the Liquidating Trustee and Responsible Officer (as applicable) are each authorized, from time to time, without further application to the Bankruptcy Court or notice to any party, to abandon or otherwise destroy documents and records (whether in electronic or paper format) that he or she determine, in his/her reasonable business judgment, are no longer necessary to the administration of either the Chapter 11 Cases or the Plan, notwithstanding any federal, state, or local law or requirement requiring the retention of the applicable documents or records; provided that, 60 days prior to any abandonment or destruction, the Liquidating Trustee or Responsible Officer will give notice to any Insurer requesting notice prior to the Confirmation Date and a general description of the documents to be abandoned or destroyed, and the Insurer shall have 30 days thereafter to request, at its expense, copies of the documents relevant to the defense or indemnity claims covered by that Insurer. The Insurer and the Liquidating Trustee or Responsible Officer (as applicable) shall cooperate in limiting the request to document relevant to defense or indemnity of claims covered by that Insurer. The Liquidating Trustee or Responsible Officer (as applicable) shall comply with and shall not modify the Records Retention Order

without (i) the prior consent of the Post-Effective Date Committee or (ii) upon motion to the Bankruptcy Court with notice and an opportunity to be heard.

REVISE SECTION 11.3 OF THE PLAN AS FOLLOWS:

11.3 Insurance Policies. For the avoidance of doubt, the Debtors' rights with respect to all Insurance Policies under which Debtors may be an insured beneficiary or assignee (including all Insurance Policies that may have expired prior to the Petition Date, all Insurance Policies in existence on the Petition Date, all Insurance Policies entered into by the Debtors after the Petition Date, and all Insurance Policies under which the Debtors hold rights to make, amend, prosecute, and benefit from claims) shall be transferred to the Liquidating Trust (including, without limitation, for the Liquidating Trustee to pursue and prosecute any Causes of Action) from the Effective Date until its dissolution, unless any such Insurance Policy is otherwise cancelled by the Liquidating Trustee in its discretion. Notwithstanding any provision providing for the rejection of Executory Agreements, any Insurance Policy that is deemed to be an Executory Agreements shall neither be rejected nor assumed by operation of this Plan and shall be the subject of a specific motion by the Liquidating Trust, which shall retain the right to assume or reject any such Executory Agreements pursuant to and subject to the provisions of § 365 following the Effective Date, provided, that, the Liquidating Trustee may not reject (a) any extended reporting period (tail) coverage purchased by the Debtors and (b) any Insurance Policies assumed by the Debtors pursuant to an order of the Bankruptcy Court.

The Confirmation Order shall constitute a determination that no default by the Debtors exists with respect to any of the Insurance Policies requiring a cure payment and that nothing in a Sale Order, any underlying agreements or this Plan shall be construed or applied to modify, impair, or otherwise affect the enforceability of the Insurance Policies or any coverage thereunder with regard to any Claims or Causes of Action. Notwithstanding any other provision of this Section, Old Republic Insurance Company is entitled to all accommodations that it requested in connection with renewal of the Debtors' workers' compensation policy as approved by the Bankruptcy Court [Docket No. 2803].

Notwithstanding anything to the contrary in the Confirmation Order or the Plan, nothing in the Confirmation Order or the Plan (including any other provision that purports to be preemptory or supervening), shall in any way operate to, or have the effect of, impairing the insurers' legal, equitable or contractual rights, if any, in respect of any Claims (as defined by section 101(5) of the Bankruptcy Code), and the rights of insurers shall be determined under the Insurance Policies, and under applicable non-bankruptcy law; provided that any Claim by an Insurer against a Debtor or the Liquidating Trust shall also be determined under applicable bankruptcy law, and Plan and Confirmation Order provisions.

Nothing in the Plan or in the Confirmation Order shall preclude any Person from asserting in any proceeding any and all Claims, defenses, rights or causes of action that it has or may have under or in connection with any Insurance Policy, and nothing in the Plan or the Confirmation Order shall be deemed to waive any claims, defenses, rights or causes of action that any Person has or may have under the provisions, terms, conditions, defenses and/or exclusions contained in

the subject Insurance Policies; provided that any Claims by an Insurer against a Debtor or the Liquidating Trust shall also be determined under applicable bankruptcy law, and Plan and Confirmation Order provisions.