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Debtors In Possession

FILED & ENTERED

JAN 23 2020

CLERK U.S. BANKRUPTCY COURT  
Central District of California  
BY gonzalez DEPUTY CLERK

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

☒ 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.

Hon. Judge Ernest M. Robles  
Chapter 11 Cases

**ORDER GRANTING DEBTOR'S FIFTH  
MOTION FOR ENTRY OF AN ORDER  
PURSUANT TO § 365(d)(4) OF THE  
BANKRUPTCY CODE EXTENDING THE  
TIME TO ASSUME OR REJECT UNEXPIRED  
LEASES**

**[Relates to Docket Nos. 3851]**

Hearing:

Date: January 15, 2020

Time: 10:00 a.m.

Place: Courtroom 1568

225 E. Temple Street

Los Angeles, CA 90012

DENTONS US LLP  
601 SOUTH FIGUEROA STREET, SUITE 2500  
LOS ANGELES, CALIFORNIA 90017-5704  
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1 Upon consideration of the *Debtors' Fifth Motion for Entry of an Order Pursuant to §*  
2 *365(d)(4) of the Bankruptcy Code Extending the Time to Assume or Reject Unexpired* (the  
3 "Motion") [Docket No. 3851] filed by Verity Health System of California, Inc., and the above-  
4 referenced affiliated debtors and debtors in possession in the above-captioned chapter 11  
5 bankruptcy cases (the "Debtors"), and no objections or oppositions having been filed, it further  
6 appearing that notice of the Motion was proper; and for the reasons set forth in the Court's  
7 tentative ruling on the Motion issued on January 14, 2020 (the "Tentative Ruling") and attached  
8 hereto as Exhibit "A," which the Court adopts as its final ruling and which is incorporated herein  
9 by reference; and good and sufficient cause having been shown,

10 IT IS HEREBY ORDERED:

- 11 1. The Motion is granted in its entirety.
- 12 2. The Debtors' Assumption/Rejection Deadline (as defined in the Tentative Ruling)
- 13 shall be March 23, 2020.

14 IT IS SO ORDERED.

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24 Date: January 23, 2020



Ernest M. Robles  
United States Bankruptcy Judge

**Exhibit A**

**Tentative Ruling**

**United States Bankruptcy Court  
Central District of California  
Los Angeles  
Judge Ernest Robles, Presiding  
Courtroom 1568 Calendar**

**Wednesday, January 15, 2020**

**Hearing Room 1568**

10:00 AM

**2:18-20151 Verity Health System of California, Inc.**

**Chapter 11**

**#15.00** HearingRE: [3851] Motion to Extend Time Debtors' Notice of Motion and Fifth Motion for Entry of an Order Pursuant to Section 365(d)(4) of the Bankruptcy Code Extending the Time to Assume or Reject Unexpired Leases; Memorandum of Points and Authorities and Declaration of Richard Adcock in Support Thereof

Docket 3851

**Tentative Ruling:**

1/14/2020

For the reasons set forth below, the Motion is GRANTED and the Assumption/Rejection Deadline is extended to and including March 23, 2020.

**Pleadings Filed and Reviewed:**

- 1) Debtor's Notice of Motion and Fifth Motion for Entry of an Order Pursuant to § 365(d)(4) of the Bankruptcy Code Extending the Time to Assume or Reject Unexpired Leases (the "Motion") [Doc. No. 3851]
  - a) Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 3846, 3847, 3851, 3852, and 3853 [Doc. No. 3895]
- 2) No opposition to the Motion is on file

**I. Facts and Summary of Pleadings**

On August 31, 2018 (the "Petition Date"), Verity Health System of California ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On August 31, 2018, the Court entered an order granting the Debtors' motion for joint administration of the Debtors' Chapter 11 cases. Doc. No. 17.

Individual Debtors are parties to multiple real-property, non-residential leases necessary for the operation of the Debtors' business, including office and operational space (the "Leases"). On February 19, 2019, the Court extended the Debtors' deadline to assume or reject these unexpired leases (such deadline, the "Assumption/Rejection Deadline") by 90 days, to and including March 29, 2019. Doc. No. 1579. The Court subsequently granted additional motions to extend the Assumption/Rejection Deadline. *See* Doc. Nos. 2383, 2838, and 3566.

**United States Bankruptcy Court  
Central District of California  
Los Angeles  
Judge Ernest Robles, Presiding  
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**Wednesday, January 15, 2020**

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10:00 AM

**CONT... Verity Health System of California, Inc.**

**Chapter 11**

Debtors now move for an extension of the Assumption/Rejection Deadline from December 24, 2019, to and including March 23, 2020. Debtors state that the extension is necessary because the contemplated sale of the Debtors' remaining hospitals to Strategic Global Management did not close. Debtors state that they have not made a final determination regarding assumption or rejection of specific leases given the uncertainty surrounding the disposition of their remaining hospitals.

**II. Findings and Conclusions**

Section 365(d)(4) provides:

(A) Subject to subparagraph (B), an unexpired lease of nonresidential real property under which the debtor is the lessee shall be deemed rejected, and the trustee shall immediately surrender that nonresidential real property to the lessor, if the trustee does not assume or reject the unexpired lease by the earlier of—

- (i) the date that is 120 days after the date of the order for relief; or
- (ii) the date of the entry of an order confirming a plan.

(B)

- (i) The court may extend the period determined under subparagraph (A), prior to the expiration of the 120-day period, for 90 days on the motion of the trustee or lessor for cause.
- (ii) If the court grants an extension under clause (i), the court may grant a subsequent extension only upon prior written consent of the lessor in each instance.

"[T]he legislative purpose behind §365(d)(4) was to protect lessors from extended periods where the premises remained vacant and no rental payments made."

*Willamette Water Front Ltd. v. Victoria Station, Inc. (In re Victoria Station Inc.)*, 88 B.R. 231, 237 (B.A.P. 9th Cir. 1988), *aff'd*, 875 F.2d 1380 (9th Cir. 1989).

In its prior rulings extending the Assumption/Rejection deadline, the Court has deemed a Lessor's non-opposition to constitute "consent" for purposes of § 365(d)(4) (B)(ii). *See, e.g.*, Doc. No. 2760-1. The Court finds it appropriate to continue to deem the Lessor's non-opposition to constitute consent. Because the Debtors remain current on lease payments, this approach does not prejudice the Lessors. In addition, absent extension of the deadline, the Debtors will lack the flexibility necessary to allow them to assume and assign the leases to a future purchaser of one or more of the remaining

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**CONT... Verity Health System of California, Inc.**

**Chapter 11**

hospitals. This would harm the estates by reducing the purchase price realized in connection with the disposition of the Debtors' assets.

The Lessors have received notice of the Motion and have not objected to the relief requested. The Assumption/Rejection Deadline is extended to and including **March 23, 2020**.

The Debtors shall submit an order incorporating this tentative ruling by reference within seven days of the hearing.

No appearance is required if submitting on the court's tentative ruling. If you intend to submit on the tentative ruling, please contact Carlos Nevarez or Daniel Koontz at 213-894-1522. **If you intend to contest the tentative ruling and appear, please first contact opposing counsel to inform them of your intention to do so.** Should an opposing party file a late opposition or appear at the hearing, the court will determine whether further hearing is required. If you wish to make a telephonic appearance, contact Court Call at 888-882-6878, no later than one hour before the hearing.

<b>Party Information</b>
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**Debtor(s):**

Verity Health System of California,

Represented By

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John A Moe II

Tania M Moyron

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Sam J Alberts

Shirley Cho

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Nicholas A Koffroth

Rosa A Shirley