2:19-cv-10352-DSF[1]

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re: VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession	On Appeal from the United States Bankruptcy Court for the Central District of California
STRATEGIC GLOBAL MANAGEMENT, INC.[2] Appellant v. VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.* Appellees	Bankruptcy Court Lead Case No.: 2:18-bk-20151-ER Chapter 11 Judge: Hon. Dale S. Fischer Courtroom: 7D Location: 350 W. First Street Los Angeles, CA 90012

APPELLEES' REQUEST FOR JUDICIAL NOTICE IN SUPPORT OF JOINT BRIEF

[1] This appeal (2:19-cv-10352-DSF) has been consolidated with the following related appeals: 2:19-cv-10354-DSF and 2:19-cv-10356-DSF.

[2] The other Debtors in the chapter 11 cases, being jointly administered under Lead Case No. 2:18-bk-20151-ER, are O'Connor Hospital 2:18-bk-20168-ER, Saint Louise Regional Hospital 2:18-bk-20162-ER, St. Francis Medical Center 2:18-cv-20165-ER, St. Vincent Medical Center 2:18-bk-20164-ER, Seton Medical Center 2:18-cv-20167-ER, O'Connor Hospital Foundation 2:18-bk-20179-ER, Saint Louise Regional Hospital Foundation 2:18-cv-20172-ER, St. Francis Medical Center of Lynwood Foundation 2:18-cv-20178-ER, St. Vincent Foundation 2:18-cv-20180-ER, St. Vincent Dialysis Center, Inc. 2:18-cv-20171- ER Seton Medical Center Foundation 12:8-cv-20175-ER, Verity Business Services 2:18-cv-20173-ER, Verity Medical Foundation 2:18-cv-20169-ER, Verity Holdings, LLC 2:18-cv-20163-ER, DePaul Ventures, LLC 2:18-cv-20176-ER, and DePaul Ventures - San Jose Dialysis, LLC 2:18-cv-20181-ER.

Case 2:19-cv-10352-DSF Document 57 Filed 04/14/20 Page 1 of 10 Page ID #:6224

18201512004140000000000005

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
Telephone: (213) 623-9300
Facsimile: (213) 623-9924

Attorneys for Appellees
Verity Health System of California, Inc., *et al*.

DAVID K. ELDAN (Bar No. 163592)
david.eldan@doj.ca.gov
JAMES M. TOMA (Bar No. 217016)
james.toma@doj.ca.gov
OFFICE OF THE ATTORNEY GENERAL
California Department of Justice
300 South Spring Street Suite 1702
Los Angeles, California 90013
Telephone: (213) 269-6041
Facsimile: (916) 731-2145

Attorneys for Appellee
Xavier Becerra, California Attorney General

GREGORY A. BRAY (Bar No. 115367)
gbray@milbank.com
MARK SHINDERMAN (Bar No. 136644)
mshinderman@milbank.com
JAMES C. BEHRENS (Bar No. 280365)
jbehrens@milbank.com
MILBANK LLP
2029 Century Park East 33rd Floor
Los Angeles, California 90067
Telephone: (424) 386-4000
Facsimile: (424) 629-5063

Attorneys for Appellee
Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al.*

Case 2:19-cv-10323-PA-PJW Document 40 Filed 04/14/20 Page 5 of 10 Page ID #:2222

Appellees (i) Verity Health System of California, Inc. ("VHS"), and its affiliated debtors and debtors in possession (the "Debtors") in their chapter 11 cases (the "Bankruptcy Cases") pending in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"); (ii) the Official Committee of Unsecured Creditors (the "Committee") appointed by the Office of the United States Trustee (the "UST") in the Bankruptcy Cases; and (iii) Xavier Becerra, the Attorney General for the State of California (the "AG"), collectively the appellees herein (the "Appellees"), hereby request that the Court take judicial notice of the following documents filed and entered in the Bankruptcy Cases, the adversary proceeding (the "Adversary Proceeding"), and the related Appeals,[3] pursuant to Rule 201 of the Federal Rules of Evidence,[4] in support of the Appellees' Joint Opening Brief (the "Brief") filed concurrently herewith.

The Court "must take judicial notice if a party requests it and the court is supplied with the necessary information." Fed. R. Evid. 201(c); *U.S. ex rel. Robinson*

[3] Capitalized terms not otherwise defined herein shall have the definitions set forth in the Responsive Brief. As used herein, "Docket No." refers to the docket of the jointly administered bankruptcy cases, Lead Case No. 2:18-bk-20151-ER (the "Cases").

[4] Rule 201 of the Federal Rules of Evidence provides that the Court "may take judicial notice at any stage of the proceeding." *See* FED. R. EVID. 201(d). "Any stage of the proceedings" includes appeal. *See In re Indian Palms Assocs., Ltd.*, 61 F.3d 197, 205 (3d Cir. 1995) ("'Judicial notice may be taken at any stage of the proceeding,' including on appeal, as long as it is not unfair to a party to do so and does not undermine the trial court's factfinding authority.") (citations omitted).

Rancheria Citizens Council v. Borneo, 971 F.2d 244, 248 (9th Cir. 1992). The documents attached reflect proceedings in the bankruptcy cases, the Adversary Proceeding, or the Appeals. A true and correct copy of each of the following documents is attached.

1. *Notice That No Auction Shall Be Held re Debtors' Sale and Bidding Procedures Motion* [Docket No. 2053] filed in the Bankruptcy Cases on April 4, 2019. A true and correct copy is attached hereto as Exhibit "A."

2. *Disclosure Statement Describing Debtors' Chapter 11 Plan of Liquidation (Dated September 3, 2019)* [Docket No. 2994] filed in the Bankruptcy Cases on September 3, 2019. A true and correct copy is attached hereto as Exhibit "B."

3. *Order Granting Debtors' Emergency Motion For Authorization To Close St. Vincent Medical Center* [Docket No. 3934] entered in the Bankruptcy Cases on January 9, 2019. A true and correct copy is attached hereto as Exhibit "C."

4. *Debtors' Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format*

and Bidding Procedures, (3) Approving Process for Discretionary Selection of Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures

Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities in Support Thereof [Docket No. 4069] filed in the Bankruptcy Cases on February 10, 2020. A true and correct copy is attached hereto as Exhibit "D."

5. *Order (1) Approving Auction Sale Format and Bidding Procedures; (2) Approving Process for Discretionary Selection of Stalking Horse Bidder and 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 and Best Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases* [Docket No. 4165] entered in the Bankruptcy Cases on February 26, 2020. A true and correct copy is attached hereto as Exhibit "E."

6. *Order Granting Debtors' Emergency Motion to Approve Agreements with the State of California in Response to the COVID-19 Healthcare Emergency to (I) Provide Certain Healthcare Services at Seton Medical Center and (II) Lease St. Vincent Medical Center* [Docket No. 4315] entered in the Bankruptcy Cases on March 20, 2020 by the Bankruptcy Court. A true and correct copy is attached hereto as Exhibit "F."

Case 2:19-cv-10325-DSF Document 27 Filed 04/14/20 Page 2 of 10 Page ID #:8228

7. *Debtors' Notice of Motion and Motion to Approve Terms and*

Conditions of a Private Sale of Certain of the Debtors' Assets Related to Seton Medical Center to AHMC Healthcare Inc.; Memorandum of Points and Authorities and Declarations in Support Thereof [Docket No. 4360] filed in the Bankruptcy Cases on March 29, 2020. A true and correct copy is attached hereto as Exhibit "G."

8. *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum of Points and Authorities and Declarations in Support Thereof* [Docket No. 4365] filed in the Bankruptcy Cases on March 30, 2020. A true and correct copy is attached hereto as Exhibit "H."

9. *Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the*

Case 2:19-cv-10325-DSF Document 27 Filed 04/14/20 Page 6 of 10 Page ID #:6559

Assumption of Certain Executory Contracts and Unexpired Leases [Docket No. 4398] entered in the Bankruptcy Cases on April 1, 2020. A true and correct copy of is attached hereto as Exhibit "I."

10. December 17, 2019 Termination Letter [Case No. 2:19-cv-10354, Docket No. 14-28] filed in this Court on December 19, 2019. A true and correct copy is attached hereto as Exhibit "J."

11. *Complaint for Breach of Contract, Promissory Fraud, and Tortious Breach of Contract (Breach of Implied Covenant of Good Faith)* [Adversary Case No. 20-01001, Docket No. 1] filed in the Adversary Proceeding on January 3, 2020. A true and correct copy is attached hereto as Exhibit "K."

12. *Hearing Held on February 11, 2020 at 10:00 a.m. re: Order (1) Denying SGM's Request for a Hearing on its Motion on 48 Hours' Notice, (2) Setting SGM's Motion for Hearing on February 11, 2020, at 10:00 a.m., and (3) Sua Sponte Extending Defendants' Deadline to Respond to the Complaint* [Adversary Case No. 20-01001, Docket No. 29] entered in the Adversary Proceeding on February 11, 2020. A true and correct copy is attached hereto as Exhibit "L."

13. *Order (A) Authorizing the Sale of Certain of the Debtors' Assets to the Chan Soon-Shiong Family Foundation or its Designee(s) Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of Certain Assigned Contracts Related Thereto; and (C) Granting*

Related Relief [Docket No. 4530] entered in the Bankruptcy Cases on April 10, 2020. A true and correct copy is attached hereto as Exhibit "M."

14. *Order (A) Authorizing the Sale of Certain of the Debtors' Assets to Prime Healthcare Services, Inc. Pursuant to the APA Attached Hereto Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of Certain Assigned Contracts Related Thereto; and (C) Granting Related Relief* [Docket No. 4550] entered in the Bankruptcy Cases on April 11, 2020. A true and correct copy is attached hereto as Exhibit "N."

15. *Order Granting Motion to Withdraw Reference* [Case 2:20-cv-00613, Docket No. 23] entered on March 4, 2020. A true and correct copy is attached hereto as Exhibit "O."

Respectfully submitted,

Dated: April 13, 2020

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

By: /s/ Tania M. Moyron
Tania M. Moyron

Attorneys for Appellees
Verity Health System of California, Inc., *et al.*

Case 2:20-cv-03252-DSF Document 27 Filed 04/13/20 Page 8 of 10 Page ID #:2027

MILBANK LLP
GREGORY A. BRAY (Bar No. 115367)
MARK SHINDERMAN (Bar No. 136644)
JAMES C. BEHRENS (Bar No. 280365)

By: /s/ Mark Shinderman
Mark Shinderman

Attorneys for Appellee
Official Committee of Unsecured Creditors of
Verity Health System of California, Inc., *et al.*

OFFICE OF THE ATTORNEY GENERAL
DAVID K. ELDAN (Bar No. 163592)
JAMES M. TOMA (Bar No. 217016)

By: /s/ David K. Eldan
David K. Eldan

Attorneys for Appellee
Xavier Becerra, California Attorney General

Case 2:19-cv-10325-DSF Document 27 Filed 04/14/20 Page 8 of 10 Page ID #:6565

CERTIFICATE OF SERVICE

I hereby certify that on April 13, 2020, I electronically filed the foregoing document with the Clerk of the Court for the United States District Court for the Central District of California by using the CM/ECF system.

I further certify that parties of record to this appeal who either are registered CM/ECF users, or who have registered for electronic notice, or who have consented in writing to electronic service, will be served through the CM/ECF system.

I further certify that some of the parties of record to this appeal have not consented to electronic service. I have served the foregoing document by the means set forth below:

Served Via Email

David K. Eldan
Deputy Attorney General
300 South Spring Street, Suite 1702
Los Angeles, CA 90013
David.Eldan@doj.ca.gov

Gary E. Klausner
Levene, Neale, Bender, Yoo & Brill L.L.P
10250 Constellation Blvd., Ste. 1700
Los Angeles, CA 90067
gek@lnbyb.com

Case 2:19-cv-10325-DSF Document 21 Filed 04/14/20 Page 10 of 10 Page ID #:6203

/s/ Tania M. Moyron
Tania M. Moyron

EXHIBIT "A"

Docket #2053 Date Filed: 4/4/2019

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
JOHN A. MOE, II (Bar No. 066893)
john.moe@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.	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 Hon. Judge Ernest M. Robles
☒ 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.	**NOTICE THAT NO AUCTION SHALL BE HELD RE DEBTORS' MOTION AND MOTION FOR THE ENTRY OF (I) AN ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT FOR STALKING HORSE BIDDER AND FOR PROSPECTIVE OVERBIDDERS; (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; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF [RELATES TO DOCKET NO. 1279]**

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

1820151190404000000000045

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

PLEASE TAKE NOTICE that, pursuant to the *Debtors' Motion For The Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement For Stalking Horse Bidder and For Prospective Overbidders; (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; Memorandum of Points and Authorities In Support Thereof* (the "Bid Procedures Motion")[1] [Docket No. 1279], and the Order entered by the Court approving the Bid Procedures Motion (the "Bid Procedures Order") [Docket No. 1572], the Court set the Partial Bid Deadline of March 28, 2019, and the Bid Deadline of April 3, 2019 (collectively, the "Bid Deadline"), whereby parties could submit bids to purchase some or all of the assets set forth in the Stalking Horse APA, in accordance with certain bidding procedures.

PLEASE TAKE NOTICE that the Debtors shall not conduct the Partial Bid Auction or the Full Bid Auction, previously scheduled for April 8, 2019, and April 9, 2019, respectively. The winning bidder is the stalking horse bidder, Strategic Global Management. As previously noticed and as set forth in the Bid Procedures Order, the sale hearing shall be held on April 17, 2019, at 10:00 a.m. (prevailing Pacific Time), at the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple Street, Courtroom 1568, Los Angeles, California 90012.

Dated: April 4, 2019

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By: */s/ Tania M. Moyron*
Tania M. Moyron

Attorneys for the Chapter 11 Debtors and Debtors In Possession

[1] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Bidding Procedures Motion.

EXHIBIT "B"

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

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

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 Chapter 11 Cases Hon. Judge Ernest M. Robles
☒ 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.	**DISCLOSURE STATEMENT DESCRIBING DEBTORS' CHAPTER 11 PLAN OF LIQUIDATION (DATED SEPTEMBER 3, 2019)** Disclosure Statement Hearing: Date: _____, 2019 Time: __:__ _.m. (Pacific Time) Plan Confirmation Hearing: Date: [To Be Scheduled] Time: [To Be Scheduled] (Pacific Time) Place: Courtroom 1568 255 E. Temple Street Los Angeles, CA 90012

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

TABLE OF CONTENTS

Page

I. Introduction 1
A. Disclaimer 1
B. Purpose of this Disclosure Statement 3
C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing 4
1. Time and Place of the Confirmation Hearing 4
2. Deadline For Voting For or Against the Plan 4
3. Deadline for Objecting to the Confirmation of the Plan 4
D. Identify of Person to Contact for Copies of the Plan and Related Documents 5
II. Overview of the Debtors and the Non-Debtor Affiliates 5
A. The Debtors 5
B. The Non-Debtor Affiliates 7
C. Corporate Structure 7
III. Events Leading to the Commencement of These Chapter 11 Cases 9
A. Overview of the Debtors' Prepetition Business Operations 9
B. The Debtors' Prepetition Capital Structure 12
C. The Debtors' Prepetition Unsecured Claims 15
D. The Debtors' Retirement Related Benefit Plans 15
E. Fiscal Crisis on the Petition Date 17
1. Payor Rates 17
2. Labor Rates 17
3. Pension Plan Obligations 17
4. IT Investment 18
5. Seismic and Energy Requirements 19
6. Insurance Obligations 19
7. Medical Equipment 20
F. Working Capital Shortfalls 20
G. The Attorney General Conditions 21
IV. Significant Events During the Chapter 11 Cases 22
A. Material First-Day Motions and Related Adversary Proceeding Filed on the Petition Date 22
1. Emergency Motion to Pay the Debtors' Prepetition Priority Wages 22
2. Emergency Motion to Provide Adequate Assurance of Payment to the Debtors' Utilities 22

3. Emergency Motion for Joint Administration of these Chapter 11 Bankruptcy Cases 22

4. Emergency Motion for Authority to Honor Prepetition Claims of Critical Vendors 23

5. Emergency Motion to Maintain Cash Management Systems 23

6. Emergency Motion to Maintain Insurance Programs and Related Adversary Proceeding 23

7. DIP Financing/Cash Collateral 24

B. Motion to Implement Key Employee Incentive Plan and Key Employee Retention Plan 26

C. Motion to Reject Integrity Management Agreement 26

D. Estate Professionals, the Committee, and the Patient Care Ombudsman 27

E. Administrative Matters, Reporting and Disclosures 28

F. The SCC Sale 28

G. Motions Related to Verity Medical Foundation 31

H. The SGM Sale 32

I. Old Republic Accommodations 35

J. Motions for Relief From the Automatic Stay 35

K. Motions to Approve Settlements 36

L. Other Motions 37

1. St. Vincent IPA Expedited Relief Motion 37

2. Seoul Medical Group Expedited Relief Motion 38

M. Debtors' Adversary Proceedings 38

N. Committee's Adversary Proceedings 39

V. Plan Summary 39

A. Administrative Expense and Priority Claims 39

1. Administrative Claims 39

2. Professional Claims 40

3. Statutory Fees 40

4. Priority Tax Claims 40

5. Administrative DIP Lender Claims 41

B. Classification of Claims 41

1. Classification in General 41

2. Grouping of Debtors for Deemed Substantive Consolidation 41

3. Summary of Classification. 42

4. Special Provision Governing Unimpaired Claims 42

5. Elimination of Vacant Classes 43

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

C. Treatment of Claims 43
1. Class 1A: Priority Non-Tax Claims 44
a. *Classification* 44
b. *Treatment* 44
c. *Voting* 44
2. Class 1B: Secured PACE Tax Financing Claims 44
a. *Classification* 44
b. *Treatment* 44
c. *Voting* 44
3. Class 2: Secured 2005 Revenue Bond Claims 44
a. *Classification* 44
b. *Treatment* 44
c. *Subordination* 45
d. *Voting* 45
4. Class 3: Secured 2015 Notes Claims 45
a. *Classification* 45
b. *Treatment* 45
c. *Subordination* 45
d. *Voting* 46
5. Class 4: Secured 2017 Revenue Note Claims 46
a. *Classification* 46
b. *Treatment* 46
c. *Subordination* 46
d. *Voting* 46
6. Class 5: Secured MOB I Financing Claims 46
a. *Classification* 46
b. *Treatment* 46
c. *Voting* 47
7. Class 6: Secured MOB II Financing Claims 47
a. *Classification* 47
b. *Treatment* 47
c. *Voting* 47
8. Class 7: Secured Mechanics Lien Claims 47
a. *Classification* 47
b. *Treatment* 47
c. *Voting* 47
9. Class 8: PBGC Claims 47

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

a. *Classification* 47
b. *Treatment* 47
c. *Voting* 48
10. Class 9: RPHE Claims 48
a. *Classification* 48
b. *Treatment* 48
c. *Voting* 48
11. Class 10: General Unsecured Claims 48
a. *Classification* 48
b. *Treatment* 48
c. *Voting* 48
12. Class 11: Convenience Claims 48
a. *Classification* 48
b. *Treatment* 48
c. *Voting* 49
13. Class 12: Insured Claims 49
a. *Classification* 49
b. *Treatment* 49
c. *Voting* 49
14. Class 13: 2016 Data Breach Claims 49
a. *Classification* 49
b. *Treatment* 50
c. *Voting* 50
15. Class 14: Subordinated General Unsecured Claims 50
a. *Classification* 50
b. *Treatment* 50
c. *Voting* 50
16. Class 15: Interests 50
a. *Classification* 50
b. *Treatment* 50
c. *Voting* 50

VI. Means of Effectuation and Implementation of the Plan 50
A. Conditions to Effective Date 50
B. Deemed Substantive Consolidation 51
C. Post-Effective Date Governance of Certain Entities 52
1. Post-Effective Date Board of Directors 52
2. Post-Effective Date Committee 53

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

3. Liquidating Trust 53
4. Insurance Captive 54
5. Coordination Between Post-Effective Date Debtors and the Liquidating Trust 54
6. Dissolution of Certain Non-Debtor Entities on the Effective Date 55
7. Termination of Responsibilities of the Patient Care Ombudsman 55
8. Retention and Payment of Professionals Post-Effective Date 55
9. Creditor Settlement Agreements 56

VII. Distributions 56
A. Funding for the Distributions to Creditors 56
B. Distribution Mechanisms 56
C. Unsecured Claims Fund 56
D. Claims Administration 57
E. Preservation of Insurance 58
F. Executory Contracts and Unexpired Leases 58
G. Causes of Action Including Avoidance Actions 58

VIII. Effect of Confirmation 61
A. Discharge 61
B. Injunctions and Stays 61
a. *General Injunction* 61
b. *Other Injunctions* 61
C. Releases 62
a. *Releases* 62
b. *Limitations of Claims Against the Liquidating Trust* 62
c. *Debtors' Releases* 62
D. Exculpations 63
E. Termination of All Employee, Retiree and Workers Compensation Benefits 64
F. U.S. Trustee Quarterly Fees and Post-Confirmation Status Report 64
G. Retention of Jurisdiction 64

IX. Tax Consequences of the Plan 66

X. Certain Federal Income Tax Consequences of the Plan 67
A. Generally 67
B. Certain Tax Consequences to the Debtors 69
1. Generally 69
2. Gain or Loss on Sale or Exchange 70
3. Cancellation of Debt Income 70

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

C. Certain Tax Consequences to the U.S. Holders of Claims 71

1. Gain or Loss 71

2. Distributions in Discharge of Accrued Interest or OID 73

3. Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests 74

a. General Tax Reporting by the Liquidating Trustee and Beneficiaries of the Liquidating Trust 75

b. Tax Treatment of the Disputed Claims Reserve and Reserve for Disputed Unsecured Claims 77

D. Information Reporting and Withholding 78

E. Importance of Obtaining Professional Tax Assistance 78

XI. Securities Law Discussion Related to Trust Beneficial Interests 79

XII. Confirmation Requirements and procedures 80

A. Who May Vote or Object 81

B. Who May Vote to Accept or Reject the Plan 81

C. What Is an Allowed Claim or Interest 81

D. What Is an Impaired Claim or Interest 81

E. Who Is Not Entitled to Vote 82

F. Who Can Vote in More Than One Class 82

G. Votes Necessary to Confirm the Plan 82

H. Votes Necessary for a Class to Accept the Plan 82

I. Treatment of Non-Accepting Classes 83

J. Request for Confirmation Despite Non-Acceptance by Impaired Class(es) 83

K. Liquidation Analysis 83

L. Feasibility 85

XIII. Risk Factors Regarding the Plan 86

XIV. Deemed Substantive Consolidation 87

A. The Effect of Deemed Substantive Consolidation 88

B. The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for Deemed Substantive Consolidation 89

1. Creditors Dealt with the Debtors as a Single, Economic Unit. 90

a. The Conditions Addressed the Debtors as a Single Economic Unit. 90

b. The Debtors Obtained Secured Financing as a Single Economic Unit. 90

c. The Debtors Negotiated Major Contracts and Agreements as a Single Economic Unit. 92

2. The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors 92

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

XV. Post-Confirmation Issues 96
A. Modification of the Plan 96
B. Post-Confirmation Status Reports 96
C. Post-Confirmation Conversion or Dismissal 96
D. Final Decree 97

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

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

I.

INTRODUCTION

Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated entities, the chapter 11 debtors and debtors in possession (collectively, the "Debtors"), each filed a voluntary petition under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended (the "Bankruptcy Code")[1] on August 31, 2018 (the "Petition Date"). The Debtors' chapter 11 bankruptcy cases (the "Chapter 11 Cases") are pending in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court") and jointly administered under *In re Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER.

This document is the disclosure statement (the "Disclosure Statement"), which describes the *Debtors' Chapter 11 Plan of Liquidation (Dated September 3, 2019)* (the "Plan").[2] The Plan sets forth a proposal for the resolution of Claims and the distribution of proceeds to Holders of Allowed Claims. The Plan provides that (i) a Liquidating Trustee will continue the wind-down and liquidation of the Debtors, and (ii) a Responsible Officer will oversee the operations of the Post-Effective Date Debtors during the Sale Leaseback Period in accordance with the Interim Agreements and the Transition Services Agreement. The Plan also requests the Bankruptcy Court approve and implement the terms of (i) the Creditor Settlement Agreements, if any, and (ii) documents necessary to effectuate the Plan.

A. Disclaimer

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN IS INCLUDED HEREIN AND THEREIN FOR PURPOSES OF SOLICITING

[1] All references to "§" herein are to the Bankruptcy Code, unless otherwise noted. All references to "Bankruptcy Rules" are to provisions of the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as may be amended from time to time. All references to "Local Bankruptcy Rules" are to provisions of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California.

[2] Capitalized terms not otherwise defined in this Disclosure Statement have the definitions set forth in the Plan.

ACCEPTANCES OF THE PLAN AND DESCRIBING TREATMENT UNDER THE PLAN. THE INFORMATION CONTAINED HEREIN AND THEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN (I) TO DETERMINE HOW TO VOTE ON THE PLAN AND (II) TO DESCRIBE TREATMENT UNDER AND TERMS OF THE PLAN. ALL CREDITORS AND PARTIES IN INTEREST ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

READ THIS DISCLOSURE STATEMENT CAREFULLY FOR INFORMATION CONCERNING:

1. WHO CAN VOTE FOR, OR OBJECT TO, CONFIRMATION OF THE PLAN;

2. THE TREATMENT OF YOUR CLAIM (I.E., WHAT YOU WILL RECEIVE ON ACCOUNT OF YOUR CLAIM IF THE PLAN IS CONFIRMED) AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION;

3. THE HISTORY OF THE DEBTORS AND SIGNIFICANT EVENTS DURING THEIR BANKRUPTCY CASES;

4. WHAT THE BANKRUPTCY COURT WILL CONSIDER TO DECIDE WHETHER TO CONFIRM THE PLAN;

5. THE EFFECT OF CONFIRMATION; AND

6. WHETHER THE PLAN IS FEASIBLE.

THE PLAN WILL CONTROL IF THERE IS AN INCONSISTENCY BETWEEN THE TERMS OF THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THIS DISCLOSURE STATEMENT, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT.

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

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

NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE PLAN. THE COURT HAS NOT YET DETERMINED WHETHER OR NOT THE PLAN IS CONFIRMABLE AND THE COURT HAS NO RECOMMENDATION AS WHETHER OR NOT YOU SHOULD SUPPORT OR OPPOSE THE PLAN.

THE FINANCIAL DATA RELIED UPON IN FORMULATING THE PLAN IS BASED ON THE DEBTORS' BOOKS AND RECORDS, WHICH ARE UNAUDITED UNLESS OTHERWISE INDICATED. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS PROVIDED BY THE DEBTORS. FURTHER, THE DEBTORS ARE THE SOLE SOURCE OF THE INFORMATION AND THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING, WITHOUT LIMITATION, INFORMATION ABOUT THE DEBTORS, THEIR BUSINESSES, AND THE ESTATES' ASSETS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. ANY ESTIMATES OF CLAIMS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT.

B. Purpose of this Disclosure Statement

This Disclosure Statement (i) summarizes the contents of the Plan, and (ii) provides certain information related to the Plan and the process the Bankruptcy Court will follow to determine whether or not to confirm the Plan.

You should read the Disclosure Statement and the Plan. This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain

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

more specific advice on how the Plan will affect you and your best course of action with respect to the Plan.

The Bankruptcy Code requires that a Disclosure Statement contain "adequate information" concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure Statement, which means that this Disclosure Statement contains adequate information to enable parties affected by the Plan to make an informed judgment about the Plan.

C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS IN THESE CHAPTER 11 CASES.

1. Time and Place of the Confirmation Hearing

The hearing where the Bankruptcy Court will determine whether or not to confirm the Plan (the "Confirmation Hearing") will take place on _____, 2019, at __:__ __.m. (Pacific Time), in Courtroom 1568 of the Edward R. Roybal Federal Building and United States Courthouse, located at 255 East Temple Street, Los Angeles, California 90012, before the Honorable Ernest M. Robles, United States Bankruptcy Judge for the Bankruptcy Court.

2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to Verity Vote Plan Tabulation c/o KCC, LLC, 222 North Pacific Coast Highway, Suite 300, El Segundo, California 90245. Your ballot must be received by KCC by 4:00 p.m. (Pacific Time), on _____, 2019 or it will not be counted.

3. Deadline for Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Bankruptcy Court and served so that they are actually received by the following parties no later than _____, 2019 at 4:00 p.m. (Pacific Time) (i) counsel to the Debtors, Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, CA 90017, Attn: Tania M. Moyron, email:

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

tania.moyron@dentons.com; (ii) counsel to the Committee, Milbank LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067, Attn: Mark Shinderman, mshinderman@milbank.com; (iii) counsel to the 2005 Revenue Bonds Trustee, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, Attn: Daniel S. Bleck and Paul Ricotta, dsblek@mintz.com, pricotta@mintz.com; (iv) counsel to the 2015 Notes Trustee, McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, Illinois 60606, Attn: Nathan F. Coco, ncoco@mwe.com; (v) counsel to the 2017 Notes Trustee, Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402, Attn: Clark Whitmore, clark.whitmore@maslon.com; and (vi) counsel to the U.S. Trustee, Office of the United States Trustee, 915 Wilshire Boulevard, Suite 1850, Los Angeles, California 90017, Attn: Hatty K. Yip, hatty.yip@usdoj.gov.

D. Identify of Person to Contact for Copies of the Plan and Related Documents

Any interested party desiring further information about the Plan should contact KCC by (i) mail at KCC, LLC, 222 North Pacific Coast Highway, Suite 300, El Segundo, California 90245; or (ii) by phone at (310) 823-9000. You may also review the Debtors' Chapter 11 Case website maintained by KCC at https://www.kccllc.net/verityhealth.

II.

OVERVIEW OF THE DEBTORS AND THE NON-DEBTOR AFFILIATES

A. The Debtors

Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of the following five Debtor California nonprofit public benefit corporations that, on the Petition Date, operated six acute care hospitals: O'Connor Hospital ("OCH"), Saint Louise Regional Hospital ("SLRH"), St. Francis Medical Center ("SFMC"), St. Vincent Medical Center ("SVMC"), Seton Medical Center ("SMC"), and Seton Medical Center Coastside ("Seton Coastside" and, together with OCH, SLRH, SFMC, and SVMC, the "Hospitals"). SMC and Seton Coastside (collectively, "Seton") operated under one consolidated acute care hospital license. All of the Hospitals were licensed as general acute care hospitals by the California Department of Public Health.

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

As of the Petition Date, VHS, the Hospitals, and their affiliated entities (collectively, "Verity Health System") operated as a nonprofit health care system in California, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, and a host of medical specialties, including tertiary and quaternary care. 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. The Hospitals were certified to participate in the Medicare and Medi-Cal programs. In furtherance of its mission to serve the community, Verity Health System provided care to patients even though they lacked adequate insurance or participated in programs that did not pay full charges. Further information concerning each of the Debtor's operations are discussed in the *Declaration of Richard G. Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Declaration").

The Debtors are as follows:

- Verity Health System of California, Inc.
- O'Connor Hospital
- Saint Louise Regional Hospital
- St. Francis Medical Center
- St. Vincent Medical Center
- Seton Medical Center (which includes Seton Medical Center Coastside campus)
- Verity Business Services
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center of Lynwood Foundation
- St. Vincent Medical Center Foundation
- Seton Medical Center Foundation
- Verity Medical Foundation
- Verity Holdings, LLC
- De Paul Ventures, LLC
- De Paul Ventures - San Jose Dialysis, LLC
- St. Vincent Dialysis Center

The Debtors employed approximately 7,385 employees (the "Employees") in the aggregate. Almost three-quarters of the Debtors' Employees, approximately 5,500 people in total, were represented by one of the following unions (the "Unions") pursuant to collective bargaining agreements between the Unions and the respective Debtors: California Nurses Association ("CNA"); Service Employees International Union ("SEIU"); California Licensed Vocational Nurses' Association ("CLVNA"); United Nurses Associations of California/Union of Health Care

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

Professionals ("UNAC"); the American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO"); International Operating Engineers, Stationary Engineers, Local No. 39 ("Local 39"); and the International Federation of Professional and Technical Engineers, Local 20 ("Local 20").

B. The Non-Debtor Affiliates

Certain of the Debtors have interests in the entities listed below that did not file voluntary petitions for relief (collectively, the "Non-Debtor Affiliates"). The Non-Debtor Affiliates are as follows:

- De Paul Ventures - San Jose ASC, LLC
- Marillac Insurance Company, Ltd.
- O'Connor Health Center I
- Sports Medicine Management, Inc.
- St. Vincent de Paul Ethics Corporation
- VHoldings MOB, LLC
- Robert F. Kennedy Medical Center
- Robert F. Kennedy Medical Center Foundation

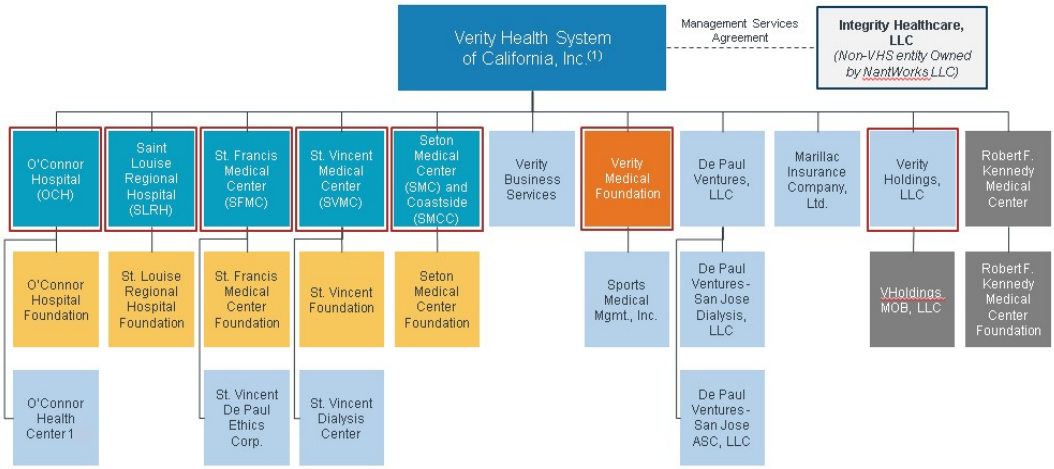
Further information concerning each of the Non-Debtor Affiliate's operations are discussed in the First-Day Declaration. The Non-Debtor Affiliates do not have material assets or value except for Marillac Insurance Company, Ltd. ("Marillac") and O'Connor Health Center I ("OCH1").

Marillac, a wholly-owned subsidiary of VHS, provides insurance coverage to the Debtors. Marillac was incorporated in the Cayman Islands on December 9, 2003, and holds a Class B(i) Insurer's License pursuant to the Cayman Islands Insurance Law, 2010. This class of licensure applies to insurers writing at least 95% of net premiums with their related business (in this case VHS). Marillac was granted a Class B(i) license effective April 2, 2015.

OCH1 is a California limited partnership, formed in January 1996. OCH Forest 1, LP is the general partner in OCH1 and OCH is a limited partner. OCH1 owns certain real property at 455 O'Connor Drive, San Jose, California, which is leased by OCH.

C. Corporate Structure

The following graphic depicts the Debtors' prepetition organizational structure:



The Debtors' senior management is as follows:

Name	Position
Chief Executive Officer	Richard Adcock
Chief Financial Officer	Anita Chou
Chief Operating Officer	Anthony Armada
Chief Medical Officer	Tirso del Junco, Jr. M.D.

VHS is governed by the following seven-member board of directors:

Name	Position
Dr. Ernest Agatstein	Director
James Barber	Director
Terry Belmont	Secretary
Jack Krouskup	Chairman
Charles B. Patton	Director
Christobel Selecky	Director
Andrew Pines	Vice Chair

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

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

III.

EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

A. Overview of the Debtors' Prepetition Business Operations

The Daughters of Charity of St. Vincent de Paul, Province of the West, (the "Daughters of Charity") originally owned and operated the Hospitals and VMF. The Daughters of Charity began their healthcare mission in California in 1858 with the opening of Los Angeles Infirmary, now known as St. Vincent Medical Center. The Daughters of Charity expanded its hospitals to San Jose in 1889 and San Francisco in 1893. The Daughters of Charity ministered to the poor and sick for more than 150 years.

In March 1995, the Daughters of Charity merged with Catholic Healthcare West ("CHW"). In June 2001, the Daughters of Charity Health System was formed. In October 2001, the Daughters of Charity withdrew from CHW. In 2002, the Daughters of Charity Health System commenced operations and was the sole corporate member of the Hospitals, which at that time were California nonprofit religious corporations.

Between 1995 and 2015, the Daughters of Charity and Daughters of Charity Health System struggled to find a solution to continuing operating losses, either through a sale of some or all of the hospitals or a merger with a more financially-sound partner. All these efforts failed, and the health system's losses continued to mount. In 2005, Daughters of Charity Health System issued $364 million in bonds to refinance existing debt and to fund future capital expenditures. Three years later, in 2008, they issued another $143 million in bonds to refinance existing debt (the "2008 Bonds").

Between 2012 and 2014, Daughters of Charity Health System participated in an affiliation with Ascension Health Alliance ("Ascension") in an effort to create greater operating efficiencies. Previously, Ascension was the largest Catholic health system in the world and the largest non-profit health system in the United States with facilities in 23 states and the District of Columbia. The affiliation between Daughters of Charity Health System and Ascension failed.

Despite continuous efforts to improve operations, operating losses continued to plague the health system due to, among other things, mounting labor costs, low reimbursement rates and the

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

ever-changing healthcare landscape. In 2013, Daughters of Charity Health System actively solicited offers for OCH, SLRH, and Seton. In 2013, to avoid failing debt covenants, the Daughters of Charity Foundation, an organization separate and distinct from the Daughters of Charity Health System, donated $130 million to the health system to allow it to retire the 2008 Bonds in the total amount of $143.7 million.

In early 2014, Daughters of Charity Health System announced that they were beginning a process to evaluate strategic alternatives for the health system. Throughout 2014, Daughters of Charity Health System explored offers to sell the health system and, in October of 2014, they entered into a purchase agreement with Prime Healthcare Services and Prime Healthcare Foundation (collectively, "Prime"). However, to keep the Hospitals open during the sale process, Daughters of Charity Health System borrowed another $125 million to mitigate immediate cash needs until the sale could be consummated. Notably, the goal of the transaction was to maintain the status quo. The guiding principles for the sale included protecting existing pensions, repaying all bond debt, continuation of all collective bargaining agreements, maintenance of existing contracts for patient services, and obtaining promises for substantial capital expenditures. In early 2015, the Attorney General of California (the "Attorney General") consented to the sale to Prime, subject to certain conditions. Prime terminated the transaction in light of the "onerous conditions" on the continued operation of the Hospitals imposed by the Attorney General.

In 2015, Daughters of Charity Health System again marketed their health system for sale, and, again, focused on offers that maintained the health system as a whole and assumed all the obligations. In July 2015, the Daughters of Charity Health System board of directors selected BlueMountain Capital Management LLC ("BlueMountain"), a private investment firm, to recapitalize operations and transition leadership of the health system to the new Verity Health System (the "BlueMountain Transaction").

In connection with the BlueMountain Transaction, BlueMountain agreed to make a capital infusion of $100 million to the Verity Health System, arrange loans for another $160 million to the Verity Health System, and manage operations of the Verity Health System, with an option to buy Verity Health System at a future time. In addition, the parties entered into a System Restructuring

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

and Support Agreement (the "Restructuring Agreement") that, among other things, changed the Daughters of Charity Health System name to Verity Health System. The Restructuring Agreement also provided that VHS and the Hospitals would be converted from religious corporations to nonprofit public benefit corporations.

The Daughters of Charity Health System requested the Attorney General's consent to enter into the Restructuring Agreement and the BlueMountain Transaction. The Attorney General retained MDS Consulting, an expert consulting firm, to prepare healthcare impact reports for the Attorney General concerning the proposed transactions. According to the expert's healthcare impact reports, Daughters of Charity Health System outlined the following reasons why the BlueMountain Transaction was either necessary or desirable:

- The current structure and sponsorship of Daughters of Charity Health System was no longer possible as a result of cash flow projections and dire financial conditions.
- In July and August of 2014, Daughters of Charity Health System obtained a short-term financing bridge loan in the amount of $125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. Repayment of the funds was due on December 15, 2015, at which time if the full amount was not repaid, Daughters of Charity Health System would be at risk of defaulting on both their outstanding 2014 and 2005 revenue bonds.
- Without bankruptcy protection or additional financial support, Daughters of Charity Health System could not continue hospital operations if there is a default.

On December 3, 2015, the Attorney General approved the BlueMountain Transaction, subject to certain conditions (the "Conditions"). The Conditions were imposed for periods ranging from 5 to 15 years and generally included: (1) limits on transfers of control; (2) maintenance of specific health services and specific bed counts; (3) required participation in Medicare and Medi-Cal programs; (4) required levels of community benefit programs; (5) required levels of charity care; (6) maintenance of certain county payor contracts; (7) requirements for local governing boards; (8) requirements for medical staff compliance; and (9) an annual attestation of compliance with the Conditions.

In 2015, BlueMountain formed Integrity Healthcare, LLC ("Integrity") to carry out management services for Verity Health System. The Integrity management services were provided pursuant to 15-year term Health System Management Agreement by and between Integrity and

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

VHS (the "Management Agreement"). Integrity received a monthly management fee pursuant to the Management Agreement, which was calculated based on a specified percentage of trailing 12-month operating revenues for VHS and provided that VHS could defer a portion of the fee payments with such deferments subject to interest accruing at 2.82% per annum. Integrity was wholly owned by BlueMountain through June 30, 2017.

Verity Health System did not prosper despite BlueMountain's infusion of cash and retention of various consultants and experts to assist in improving cash flow and operations.

In July 2017, NantWorks, LLC ("Nantworks") acquired a controlling stake in Integrity. NantWorks brought in new officers and NantWorks loaned another $148 million to the Debtors. The NantWorks transaction did not result in significant changes to the terms of the Restructuring Agreement or the Conditions.

Once again, Verity Health System did not achieve expected success despite the infusion of capital and new management. Losses continued at approximately $175 million annually on a cash flow basis.

VHS's great efforts to revitalize its Hospitals and improvements in performance and cash flow proved insufficient to overcome the legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities, an inability to renegotiate collective bargaining agreements or payor contracts, the continuing need for significant capital expenditures for seismic obligations and aging infrastructure, and the general headwinds facing the hospital industry. It became apparent that the problems facing the Verity Health System were too large to solve without a formal court supervised restructuring.

B. The Debtors' Prepetition Capital Structure[3]

VHS, Verity Business Services ("VBS"), and the Hospitals are jointly obligated parties on approximately $461.4 million of outstanding secured debt consisting of: (a) $259.4 million

[3] For additional information concerning the Debtors' prepetition capital structure, the Debtors refer to the *Declaration of Anita Chou, Chief Financial Officer, in Support of Motion Of Debtors For Interim And Final Orders (A) Authorizing The Debtors To Obtain Post Petition Financing (B) Authorizing The Debtors To Use Cash Collateral And (C) Granting Adequate*

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

outstanding tax exempt revenue bonds, the 2005 Series A, G and H Revenue Bonds, issued by the California Statewide Communities Development Authority ("CSCDA"), which loaned the bond proceeds to VHS to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the Daughters of Charity Health System; and (b) $202 million outstanding tax exempt revenue notes, the 2015 Revenue Notes and the 2017 Revenue Notes issued by the California Public Finance Authority (the "CPFA"), which loaned the proceeds to VHS to provide working capital. Wells Fargo Bank, National Association, is the 2005 Revenue Bonds Trustee, and U.S. Bank, National Association, is the 2015 Notes Trustee and 2017 Notes Trustee.

Except for the taxable Series 2015C of the 2015 Revenue Notes, the 2005 Series A, G and H Revenue Bonds, 2015 Revenue Notes, and 2017 Revenue Notes are all tax exempt, meaning interest on the bonds is not taxable to the holders, so long as the obligors maintains their qualified tax exempt status and the proceeds of the bonds are used for the tax exempt purposes for which they were originally intended. The Series 2005 A Bonds are comprised of four term bonds maturing on July 1, 2024, 2030 and 2035, bearing interest at 5.75% (Series 2005A-2024), (Series 2005A-2030), (Series 2005A-2035) and one maturing July 1, 2039 bearing interest at 5.50% (Series 2005A-2039). The Series 2005G term bond matures on July 1, 2022 and bears interest at 5.50%. The Series 2005H- term bond matures on July 1, 2025 and bears interest at 5.75%. The 2015 Revenue Notes matured on June 10, 2019 (Series 2015A, Series 2015B, Series 2015C and Series 2015D) and the 2017 Revenue Notes mature on December 10, 2020 (Series 2017A, 2017B). Series 2015A and B and Series 2017 and 2017B bear interest at 7.25%, while the Series 2015D carries an 8.75% interest rate and the taxable Series 2015C accrues interest at 9.5%.

Holdings, a direct subsidiary of its sole member VHS, was created in 2016 to hold and finance the Debtors' interests in six medical office buildings whose tenants are primarily physicians and other practicing medical groups and certain of the Hospitals. Holdings is the borrower of approximately $66 million through two series of non-recourse financing secured by separate deeds of trust and revenue and accounts pledges, including lease rents on each medical building, pursuant

---

Protection To Prepetition Secured Creditors Pursuant To 11 U.S.C. §§ 105, 363, 364, 1107 And 1108 [Docket No. 32].

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

to the MOB I Loan Agreement and MOB II Loan Agreement (collectively, the "MOB Financings"). The MOB Financings bear interest at a variable interest rate equal to One Month LIBOR, plus a spread of 5.0% with a floor of 6.23% for the first series and a floor of 6.92% for the second series. The secured lenders for the MOB Financings are affiliates of NantWorks, which is an affiliate of Integrity.

During May 2017, the CSCDA issued $20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Clean Fund Program in five series all with the same maturity date of September 2, 2047 (the "Clean Fund Bonds") as the conduit issuer for the benefit and obligation of Verity. The purpose of the bond funding was to assist with clean energy construction efforts of the SMC and are secured by SMC's voluntary agreement to special tax assessments by Daly City. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association ("WTNA") is the Trustee holding the construction funds, and a prefunded capitalized interest fund and is the collateral agent for collection of the special tax assessments for use in paying interest and principal on the Clean Fund Bonds. Interest on the Clean Fund Bonds accrues at 6.4%. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds.

In September 2017, the CSCDA issued $20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Program for the purpose of assisting with clean energy and seismic improvement construction at SMC ("NR2 Petros Bonds"). The NR2 Petros Bonds also mature on September 2, 2047, and carry an interest rate of 6.45%. The NR2 Petros Bonds are also California tax exempt and are secured by a special Daly City tax assessment on SMC property. No other Debtor is liable for repayment of the NR2 Petros Bonds. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds. WTNA is the Trustee holding the seismic improvement funds, as well as a pre-funded interest payment fund.

NantCapital also provided $40 million of unsecured debt financing for Holdings as reflected in two $20 million unsecured notes (the "Nant Unsecured Notes"). The Nant Unsecured Notes are balloon notes with interest and principal payable at maturity in 2020 and carry annual compounded interest rates of 7.25%.

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

C. The Debtors' Prepetition Unsecured Claims

The unsecured claims against the Debtors on the Petition Date include claims made by vendors of goods and services, cost report payables, pension obligations, management fees, incurred but not reported third party claims and other claims as discussed in Section VI of this Disclosure Statement below.

D. The Debtors' Retirement Related Benefit Plans

The Debtors maintain several retiree-related benefit plans that include pension benefits and healthcare benefits. With respect to pensions, there are two single employer defined benefits plans, two multi-employer defined benefit plans (collectively, the "Defined Benefits Pension Plans") and several defined contribution plans (collectively, the "Defined Contribution Pension Plans" and, referred to along with the Defined Benefits Plans as the "Pension Plans"). In addition, the Debtors maintain a retiree health benefit plan that provides a supplement for retirees who timely select into the program (the "Retiree Health Benefit"). At present, there are only approximately 12 retirees who utilize the Retiree Health Benefit.

The Defined Benefits Pension Plans originated with or otherwise arose out of defined benefits pension plans that were maintained by, or otherwise contributed into, by Daughters of Charity. In connection with the BlueMountain Transaction, VHS retained liabilities with respect to certain of these Defined Benefits Pension Plans, including a single employer non-ERISA compliant, non-PBGC-insured "Church Plan." At the time of the BlueMountain Transaction, the Church Plan was significantly underfunded. As a provision of the BlueMountain Transaction, VHS agreed to convert the Church Plan to an ERISA-compliant, PBGC-insurable defined benefit plan, which was called the Verity Health System Retirement Plan (the "VHS Plan"). Subsequently, in an effort to enhance its ability to meet contribution requirements, the Board of Directors of VHS converted the VHS Plan into Verity Plan A and, using approximately $7,966,440 from the corpus of Plan A, created Verity Plan B (collectively, the "Single-Employer Plans"). The creation of Plan B permitted the largest number of beneficiaries with the lowest account balances to be shifted into Plan B, thereby reducing insurance costs of Plan A. The Debtor entities that participate in the Single-Employer Plans include OCH, SLRH, SFMC, and SVMC. In addition, certain systems

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

office employees participate in Plan A. The Single-Employer Plans are frozen as to all employees, other than with respect to Plan A for active CNA members. Since its creation and up to the Petition Date, Verity made all required contributions to Plan A. Based upon those contributions, Plan A became insured up to 40% of the maximum insurable level provided by PBGC. Since the Petition Date, and pursuant to Bankruptcy Court authorization, contributions have been made to Plan A with respect to active CNA members. Because Plan B was and remains fully funded, no contributions have been made to Plan B since its creation. The PBGC has informed the Debtors that it intends to terminate the Single-Employer Plans, which the Debtors' expect will be effective upon or before the closing of the SGM Sale.

In addition to the Church Plan, Verity inherited obligations with respect to two multiemployer defined benefit pension plans, referred to as the Retirement Plan for Hospital Employees ("RPHE") and the Stationary Engineers Local 39 Pension Plan ("Local 39 Plan" and ,collectively referred to with the RPHE as the "Multi-Employer Plans"). The Debtor entities that participate in the RPHE are Seton (defined herein to include both Seton Medical Center and Seton Medical Center Coastside), OCH, SLRH, and Caritas Business Services. The RPHE was frozen as to these facilities, other than with respect to CNA members at OCH, SLRH and Seton Medical Center. Benefits under the RPHE are generally based on years of service and employee compensation. Contributions to the RPHE are based on actuarially determined amounts established by the RPHE Board of Trustees to meet benefits to be paid to plan participants and satisfy IRS funding requirements. Similar to the Church Plan, the RPHE was significantly underfunded. After the BlueMountain transaction and up through July 31, 2018, the Debtors made all requisite contributions to the RPHE.

In addition to the Defined Benefits Pension Plans, VHS and VMF maintain several Defined Contribution Plans for employees, which include employer matching contributions and cover union represented employees. The Defined Contribution Plans include the Verity Health System Supplemental Retirement Plan (TSA), the Verity Health System Supplemental Retirement Plan (401(a)), the Verity Health System Retirement Plan Account (RPA), the Verity Medical Foundation 401(k) Plan, the Verity Medical Foundation Management Bargaining Unit Employees 401(k) Plan

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

for represented employees and the Verity Health System Executive Long-Term Savings Plan s 457(b) (or "Rabbi Trust Plan") for nonrepresented employees. The Defined Contribution Plans are funded from employee and/or employer contributions generally on a payroll by payroll basis. In addition to the above active defined contribution plans, there are several small, frozen ancillary retirement plans. During the fiscal years ended June 30, 2017 and 2016, the employer's contribution expense for DC Plans was approximately $18.48 million and $21.75 million, respectively. The Defined Contribution Pension Plans are fully funded and contributions have continued throughout the Chapter 11 Cases.

E. Fiscal Crisis on the Petition Date

As described above, the fiscal crisis which faced the Debtors on the Petition Date was the consequence of multiple historical challenges. Below are a few of the most significant financial issues the Debtors faced when they filed the Chapter 11 Cases.

1. Payor Rates

The Debtors' payor contracts with health plans were 20-43% below market. The Conditions imposed by the Attorney General required that the Debtors maintain certain payor contracts, which severely limited the Debtors' negotiating power. These below market rates made it impossible for the Hospitals to generate sufficient cash flow to maintain liquidity.

2. Labor Rates

Payroll costs in the twelve months before the Petition Date increased by nearly $65 million. The increase was partially related to Union contracts, which, prepetition, increased the Debtors' labor costs by approximately 5% year-over-year.

3. Pension Plan Obligations

The Debtors incurred, and anticipated, significant expenses on account of Pension Plan and other postretirement benefit liabilities, many of which are related to underfunded legacy obligations dating back to the Daughters of Charity Health System.

For example, as of the Petition Date, the RPHE was frozen to ongoing benefit accruals, except with respect to CNA members at OCH, SLRH, and SMC. However, prepetition, VHS had recorded benefit expenses of $16.72 million and $20.46 million in cash contributions to the RPHE

for fiscal years ended June 30, 2018 and 2017, respectively, and $12.36 million to the RPHE for the period from December 2015 through June 2016. Further, on the Petition Date, VHS was scheduled to make contributions to the RPHE totaling $13.61 million in fiscal year 2019. A significant amount of those scheduled contributions in fiscal year 2019—$8.54 million—represented make-up contributions for unfunded amounts that arose during the Daughters of Charity Health System time period.

Similarly, as of the Petition Date, Verity Plans A & B were frozen with respect to ongoing benefit accruals, except with respect to CNA members at SVMC participating in Verity Plan A. VHS contributed $45.40 million and $41.68 million to Verity Plan A & B for fiscal years ended June 30, 2018 and 2017, respectively, and $7.73 million to Verity Plan A for the period from December 2015 through June 2016. Further, on the Petition Date, VHS was scheduled to make contributions to Verity Plan A totaling $25.50 million in fiscal year 2019, of which $20.26 million represented make-up contributions for underfunded amounts that arose during the Daughters of Charity Health System time period.

4. IT Investment

VHS's information technology ("IT") system required investments of nearly $50 million over the coming year. The Debtors IT systems relied on outdated electronic health records and enterprise resource planning (i.e., human resources, supply chain management, inventory management, etc.). Further, significant IT asset upgrades were required to modernize the Hospitals and continue providing quality patient care services. For example, VHS needed to (i) immediately replace its outdated local area and wireless networking equipment with modern equipment to enable reliable access by all VHS system users (a $15 million estimated cost over a one-year implementation period), and (ii) replace VHS's obsolete clinical systems, including medical record systems and financial systems, to provide up-to-date patient records, improved clinical planning, care management, and better charge control (a $220 million estimated cost over a period of two years).

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

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

5. Seismic and Energy Requirements

VHS faced required seismic and energy expenditures of over $150 million over the coming years. The forecasted expenses included building improvements and demolitions at SVMC, SMC, and OCH that must be completed by 2020, and another round of improvement obligations at SVMC, SMC, OCH, and SLRH required by 2030. These seismic improvement deadlines are mandated by the California Office of Statewide Health Planning and Development and the Attorney General pursuant to the Conditions imposed on the BlueMountain Transaction.

6. Insurance Obligations

As set forth in the First-Day Declaration, the Debtors maintain various insurance policies issued by several insurance carriers (collectively, the "Insurance Carriers"). Collectively, these policies provide for coverage for, among other things: storage tank liability, commercial property, workers' compensation and employers liability, commercial automobile, helipad liability & non-owned aircraft liability, sexual misconduct and molestation liability, D&O liability, general liability, and professional liability (collectively, the "Insurance Policies").[4]

Significant insurance is issued to the Debtors by its captive insurer Marillac. The policies issued by Marillac cover professional and general liability (both at the primary and excess level) and additional excess coverage as to automobile liability, heliport and non-owned aircraft liability, employer's liability and certain other general liability.

The Debtors maintain a workers' compensation insurance policy with Old Republic Insurance Company ("Old Republic") with a $500,000 deductible for each claim. Old Republic provides coverage under the policy up to $1 million for each claim. Marillac issued a Deductible Liability Protection Policy which provides coverage for the deductible obligations on the Debtors' workers' compensation policy issued by Old Republic. On average, the monthly invoice amounts for deductibles (including allocated loss adjustment expenses) incurred under the workers' compensation policy is between $400,000 and $650,000, which are timely paid by Marillac under the Deductible Liability Protection Policy.

[4] The Insurance Policies include six CA DHS Patient Trust Bonds, which will not come due for renewal until December 2019.

The Debtors also maintain self-insured retentions of $250,000 per claim under their D&O liability coverage, $350,000 per claim under their employment practices coverage, $50,000 per claim under their fiduciary liability coverage, $100,000 per claim under their crime coverage, and $50,000 per claim under their sexual misconduct and molestation liability coverage (the "Self-Insured Retentions" or "SIRs"). A SIR is a loss amount that the insured is obligated to pay before the insurer's coverage obligation is triggered.

The Debtors' Self-Insured Retentions are administered, so that the Debtors pay directly for the losses under each policy as they are incurred up to the amounts of the Self-Insured Retentions. Such SIRs due prepetition have been paid pursuant to the Insurance Motion (as defined below).

7. Medical Equipment

On the Petition Date, VHS required over $100 million in medical equipment expenditures over a period of several years. The Debtors delayed these investments because significant debt, pension, seismic and operating losses limited the Debtors' liquidity.

F. Working Capital Shortfalls

The Debtors, like other hospitals serving similar communities, rely on government support to help bridge the gap between what they get reimbursed by private insurance companies, Medicare and Medi-Cal and their cost of providing care. The Quality Assurance Fee program, established in 2010, provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. The program is successful, providing billions of dollars in supplemental payments to California hospitals. The Medicare and Medi-Cal programs also provide funding to hospitals that treat indigent patients through the Disproportionate Share Hospital ("DSH") programs, under which facilities are able to receive at least partial compensation. Under the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148, as amended) (the "ACA"), Congress would have reduced federal DSH allotments beginning in 2014, to account for the decrease in uncompensated care anticipated under health insurance coverage expansion. However, several pieces of legislation enacted since 2010 have since delayed the ACA's Medicaid DSH reduction schedule. Unfortunately, the Quality Assurance Payments and DSH program payments are

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

unreliable sources of cash flow as the Debtors regularly experienced payment reductions and delays.

The Debtors' reliance on Quality Assurance Payments led to working capital shortages due to delays in approval and lower than expected payments. For example, on the Petition Date:

- *14-Month Delay*: QAF V FFS program (service period 1/1/17 - 6/30/19) was not approved until December 2017, and the Debtors did not start receiving payments until the end of February 2018 (14-month delay);
- *29-Month Delay*: QAF V HMO program's first payment was not funded until May 2019 (a 29-month delay on receiving funds);
- *Receiving less than Expected*: Through all 10 QAF V FFS cycles, the Debtors received anywhere from 70% to 100% of expected payments.

G. The Attorney General Conditions

As set forth above, as part of approving the Restructuring Agreement, the Attorney General placed certain operational restrictions on VHS and each of the Hospitals, which include certain minimum annual spending for charity care, community benefits, and capital expenditures among other mandates. The Conditions had the cumulative effect of locking the Debtors into a failing business model, dictating minute details of business operations, and denying the Debtors the ability to repurpose facilities. For example, SMC could potentially better serve its community by operating as a much-needed long-term post-acute care facility, rather than as one of the many acute care hospitals in a saturated service area. The Conditions foreclose this option.

The Conditions also compelled the Debtors to expend millions of dollars to provide charity care even though the number of uninsured people in California steadily decreased since passage of the ACA. In October 2017, VHS was also required to make an additional contribution to the Retirement Plans of $7.62 million as a result of a shortfall in the fiscal year 2017 charity care requirement for certain hospitals.

The Conditions denied the Debtors the benefits of the marketplace. For example, as discussed above, the Conditions require the Debtors to enter into payor contracts with specific entities regardless of whether more economically advantageous contract terms are offered elsewhere. Because those payors were well aware of this obligation, VHS lost all bargaining power with those payors.

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

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

The Debtors commenced these Chapter 11 Cases as a result of the issues discussed in this Section III with the objective of protecting the original legacy of the Daughters of Charity to the maximum extent possible. The Debtors pursued a strategy to retire debt incurred over the past 18 years so the Hospital facilities and work force can continue their critical operations under new ownership and leadership without the accumulated crisis of the past.

IV.

SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES

Below is a discussion of the material pleadings and events to date during the Chapter 11 Cases.

A. Material First-Day Motions and Related Adversary Proceeding Filed on the Petition Date

1. Emergency Motion to Pay the Debtors' Prepetition Priority Wages

The Debtors filed an emergency motion [Docket No. 22] (the "Wage Motion") for authority to pay the Debtors' prepetition priority wages and related benefits in the ordinary course of business to avoid the disruption to the Debtors' business from failing to do so. The Bankruptcy Court granted the Wage Motion. *See* Docket No. 612.

2. Emergency Motion to Provide Adequate Assurance of Payment to the Debtors' Utilities

The Debtors filed an emergency motion [Docket No. 28] (the "Utilities Motion") for an order authorizing the Debtors to provide adequate assurance of future payment to certain utility companies pursuant to § 366(c). The Bankruptcy Court granted the Utilities Motion. *See* Docket No. 133.

3. Emergency Motion for Joint Administration of these Chapter 11 Bankruptcy Cases

The Debtors filed an emergency motion [Docket Nos. 3-5] (the "Joint Administration Motion") for authority to jointly administer all of the Debtors' Chapter 11 Cases. The Bankruptcy Court granted the Joint Administration Motion. *See* Docket No. 17.

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

4. Emergency Motion for Authority to Honor Prepetition Claims of Critical Vendors

The Debtors filed an emergency motion[Docket No. 29] (the "Critical Vendor Motion") for authority to honor the prepetition obligations to certain critical vendors. The Bankruptcy Court granted the Critical Vendor Motion. *See* Docket Nos. 134, 436].

5. Emergency Motion to Maintain Cash Management Systems

The Debtors filed an emergency motion [Docket No. 23] (the "Cash Management Motion") for authority to maintain their cash management systems, which was imperative to avoid significant disruption to the Debtors' business operations. The U.S. Trustee provided the Debtors with informal comments to the Cash Management Motion. *See* Docket No. 70 at 1. Based on the comments, the Debtors supplemented the Cash Management Motion [Docket No. 70] and agreed to a mutually acceptable postpetition cash management system with the U.S. Trustee. Accordingly, the Bankruptcy Court granted the Cash Management Motion on an interim basis as modified and supplemented. *See* Docket. No. 76.

On September 27, 2018, the Committee filed a response [Docket No. 313] to the Cash Management Motion. On October 1, 2018, the Debtors filed their reply [Docket No. 357]. The Bankruptcy Court overruled the objections raised in the Committee's response and entered an order granting the Cash Management Motion on a final basis. *See* Docket Nos. 384, 728.

6. Emergency Motion to Maintain Insurance Programs and Related Adversary Proceeding

The Debtors filed an emergency motion [Docket No. 24] (the "Insurance Motion") for authority to maintain insurance programs, pay premiums and other obligations in the ordinary course, and prevent insurance companies from enforcing *ipso facto* provisions or otherwise terminating insurance policies without first seeking relief from the automatic stay. The Bankruptcy Court granted the Insurance Motion. *See* Docket No. 131.

The Debtors filed an adversary proceeding against Old Republic requesting injunctive relief to prevent Old Republic from drawing down the Letter of Credit due to the bankruptcy filing. *See* Adv. Pro. No. 2-18-ap-01277-ER, Docket No. 1. That same day, the Bankruptcy Court entered an

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

order issuing a temporary restraining order, enjoining Old Republic from drawing down the Letter of Credit in full based upon the Debtors' insolvency or bankruptcy filing. *See id.*, Docket No. 4. On September 11, 2018, the Debtors and Old Republic entered into a stipulation whereby Old Republic agreed not to draw on the Letter of Credit based upon the Debtors' insolvency or bankruptcy filing which was approved in an order of the Bankruptcy Court. *See id.*, Docket Nos. 24, 25. On November 19, 2018, the Debtors voluntarily dismissed the adversary proceeding against Old Republic. *See id.*, Docket No. 27.

7. DIP Financing/Cash Collateral

On August 31, 2018, the Debtors filed the *Emergency Motion Of Debtors For Interim And Final Orders (A) Authorizing The Debtors To Obtain Post Petition Financing (B)* Authorizing *The Debtors To Use Cash Collateral And (C) Granting Adequate Protection To Prepetition Secured Creditors Pursuant To 11 U.S.C. §§ 105, 363, 364, 1107 and 1108* [Docket No. 31] (the "DIP Motion"). Under the DIP Motion, the Debtors sought debtor-in-possession financing (the "DIP Financing") from Ally Bank, as agent and lender under the DIP Credit Agreement (the "DIP Lender"), and permission to use the cash-collateral. On October 4, 2018, the Court entered an order (the "DIP Order") granting the DIP Motion [Docket No. 409], which authorized, among other things, DIP Financing up to $185 million and adequate protection to the Debtors' prepetition secured creditors.

On December 27, 2018, the Committee appealed the DIP Order to the United States District Court for the Central District of California (the "DIP Appeal"). *See* Case No. 2:18-cv-10675-RGK, Docket No. 1 (C.D. Cal. Dec. 27, 2018). The Committee did not seek a stay pending appeal of the DIP Order. On April 8, 2019, the District Court granted motions to intervene filed by UMB Bank, N.A. ("UMB Bank"), Wells Fargo Bank, National Association ("Wells Fargo"), and U.S. Bank, National Association ("U.S. Bank"). *See id.*, Docket Nos. 29, 30.

On March 14, 2019, the Committee filed its opening brief. *See id.*, Docket No. 22. On April 15, 2019, VHS filed a reply brief, and U.S. Bank, UMB Bank, and Wells Fargo filed a separate reply brief. *See id.*, Docket Nos. 31, 32. The Committee filed its reply brief on April 29, 2019, and the Court took the matter under submission. *See id.*, Docket Nos., 34, 36. On June 7,

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

2019, the parties requested expedited disposition of the DIP Appeal, which the District Court granted by order entered June 11, 2019. *See id.*, Docket Nos. 38, 39.

On August 2, 2019, the District Court issued an order dismissing the DIP Appeal as moot. *See id.*, Docket No. 40. On August 26, 2019, the Committee appealed the District Court order to the Ninth Circuit [Docket No. 2961].

Approximately $37.3 million of adequate protection payments have been made as follows:

Verity Health System Post-Petition Adequate Protection		$ in 000's Amount
Total Adequate Protection Payments	**$**	**(37,304)**
Adequate Protection Debt Service	**$**	**(32,437)**
Series 2017	**$**	**(2,791)**
Series 2017A		*(1,396)*
Series 2017B		*(1,396)*
Series 2015	**$**	**(11,481)**
Series 2015A		*(3,988)*
Series 2015B		*(2,991)*
Series 2015C		*(871)*
Series 2015D		*(3,632)*
Series 2005	**$**	**(13,493)**
Series 2005A		*(12,626)*
Series 2005G		*(445)*
Series 2005H		*(422)*
MOB Notes	**$**	**(4,671)**
Series 2018		*(1,411)*
Series 2017		*(3,260)*
Adequate Protection Professional Fees	**$**	**(4,867)**
Series 2017		*(721)*
Series 2015		*(905)*
Series 2005		*(2,070)*
Master Trustee		*(1,131)*
MOB Notes		*(40)*

These payments will be credited against the applicable Claims as provided in the Plan.

The DIP facility is secured by substantially all of the Debtors' assets and also provides for superpriority administrative priority status for all obligations under the facility. The Debtors have a debtor in possession financing facility with up to $185 million of availability from the DIP Lender subject to a borrowing base which was approved on a final basis. [Docket No. 409]. As of August 23, 2019, the outstanding balance of the DIP facility was approximately $67 million.

Pursuant to the DIP Credit Agreement, the DIP Financing is due to expire and mature in accordance with its terms on September 7, 2019. On August 28, 2019, the Debtors filed a motion

[Docket Nos. 2962, 2968] (the "Cash Collateral Motion") for use of cash collateral and payoff of outstanding DIP Financing amounts. The Bankruptcy Court set the Cash Collateral Motion for hearing on September 6, 2019 at 10:00 a.m.

B. Motion to Implement Key Employee Incentive Plan and Key Employee Retention Plan

On October 23, 2018, the Debtors filed a motion [Docket No. 631] (the "KEIP/KERP Motion") to implement a key employee incentive plan [Docket No. 631-1] (the "KEIP") and a key employee retention plan [Docket No. 631-2] (the "KERP"). The KEIP and KERP are designed to incentivize performance and ensure that the Debtors' key employees remain employed by the Debtors during the Chapter 11 Cases until the Debtors' Hospitals are fully liquidated. On November 28, 2018, the Court granted the KEIP/KERP Motion. *See* Docket No. 893.

The KEIP and KERP participants are only entitled to payments if the Debtors meet certain milestones to ensure that the payments serve the dual purposes of retaining critical employees and appropriately incentivize meeting case goals and objectives. The triggers for payments under the KEIP are tied to the timing and value received from the sales of the Hospitals and performance under the budget set forth in the DIP Credit Agreement. The triggers for the KERP are certain milestones where the applicable employee remains employed. The applicable KEIP participants were paid a 15% salary bonus for meeting the budget goals in the DIP Credit Agreement. The OCH and SLRH KEIP participants were paid an additional 15% bonus because the sale of OCH and SLRH closed before March 31, 2019.

The VHS KEIP participants may receive bonuses tied to the percentage of their salaries based on ranges of sale proceeds of the Debtors' assets, with milestones of $300 million, $500 million, $700 million, and $950 million. Similarly, the Seton, SFMC, and SVMC KEIP participants may earn up to an additional 15% bonus because the sale of those facilities.

C. Motion to Reject Integrity Management Agreement

On September 21, 2018, the Debtors filed a motion [Docket No. 254] to reject the Management Agreement with Integrity. As of July 27, 2018, shortly before the Petition Date, the Debtors estimated that Integrity management fees from fiscal years 2016 through 2019 would total nearly $157 million. The Debtors determined that they could achieve significant cost-savings—

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

approximately $20 million annually—by employing directly the CEO, COO, CFO, and CMO and rejecting the Management Agreement. Pursuant to the Conditions, and following a formal request by the Debtors, the Attorney General approved termination of the Management Agreement. *See* Docket No. 627. On November 8, 2018, the Bankruptcy Court entered an order [Docket No. 794] granting the Debtors' motion to reject the Management Agreement.

D. Estate Professionals, the Committee, and the Patient Care Ombudsman

On October 30, 2018, the Bankruptcy Court entered orders approving the employment of the following professionals to the Debtors: (i) Dentons US LLP, as lead counsel [Docket No. 712]; and (ii) Nelson Hardiman, LLP, as special healthcare regulatory counsel [Docket No. 713]. On November 5, 2018, the Bankruptcy Court entered an order [Docket No. 767] approving the employment of Cain Brothers, a Division of Keybank Capital Markets, Inc. ("Cain"), as investment banker. On November 7, 2018, the Bankruptcy Court entered an order [Docket No. 785] approving the employment of Berkeley Research Group, LLC, as financial advisor to the Debtors. On November 14, 2018, the Bankruptcy Court entered an order [Docket No. 818] approving the employment of Pachulski Stang Ziehl & Jones LLP, as special conflicts counsel to the Debtors. On August 7, 2019, the Bankruptcy Court entered an order [Docket No. 2862] approving the employment of Jeffer Mangles Butler & Mitchell LLP, as special labor counsel to the Debtors.

Additionally, on October 1, 2018, the Debtors filed a motion [Docket No. 364] to employ various ordinary course professionals. On October 29, 2018, the Bankruptcy Court entered an order [Docket No 693] granting the motion. Since the Petition Date, the Debtors have employed, pursuant to various filings, approximately 35 ordinary course professionals that provide an array of important services to the Debtors in the ordinary course of business, including legal, accounting, and consulting services.

On September 17, 2018, the U.S. Trustee appointed [Docket No. 197] an Official Committee of Unsecured Creditors (the "Committee") to represent the interests of general unsecured creditors. The Committee is comprised of nine members consisting of the following: (i) Aetna Life Insurance Company, (ii) Allscripts Healthcare, LLC, (iii) California Nurses Association, (iv) Iris Lara, (v) Medline Industries, Inc., (vi) Pension Benefit Guaranty Corporation ("PBGC"),

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

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

(vii) SEIU United Healthcare Workers West, (viii) Sodexo Operations, LLC and (ix) St. Vincent IPA Medical Corporation. On November 6, 2018, the Bankruptcy Court entered an order [Docket No. 778] approving the employment of Milbank, Tweed, Hadley & McCloy LLP, as lead counsel to the Committee. On November 14, 2018, the Bankruptcy Court entered an order [Docket No. 822] approving the employment of FTI Consulting, Inc., as financial advisor to the Committee. On March 5, 2019, the Bankruptcy Court entered an order [Docket No. 1703] approving the employment of Arent Fox LLP, as special healthcare counsel to the Committee.

The U.S. Trustee appointed Dr. Jacob Nathan Rubin, MD, FACC, (the "Patient Care Ombudsman") to serve as the patient care ombudsman in these Chapter 11 Cases, pursuant to § 333(a), in accordance with the order [Docket No. 430] entered by the Bankruptcy Court on October 9, 2018. On November 2, 2018, the Bankruptcy Court entered orders approving the employment of the following professionals to the Patient Care Ombudsman: Levene, Neale, Bender, Yoo & Brill LLP, as bankruptcy counsel [Docket No. 751]; and Dr. Tim Stacy DNP, ACNP-BC, as consultant [Docket No. 753].

E. Administrative Matters, Reporting and Disclosures

The Debtors were required to address the various administrative matters attendant to the commencement of these bankruptcy cases, which required an extensive amount of work by the Debtors' employees and their professionals. These matters included the preparation of the *Schedules of Assets and Liabilities* and *Statements of Financial Affairs* for each of the Debtors' seventeen Chapter 11 Cases (*see, e.g.*, Docket No. 514), and preparation of the materials required by the U.S. Trustee, including, without limitation, the 7-Day Package.

The Debtors have made every effort to comply with their duties under §§ 521, 1106 and 1107 and all applicable U.S. Trustee guidelines, including the filing of the Debtors' monthly operating reports with the U.S. Trustee. *See* Docket Nos. 771, 945, 1172, 1174, 1453, 1670, 2008, 2287, 2478, 2653, 2825. The Debtors also attended their initial interview with the U.S. Trustee and the meeting of creditors required under § 341(a).

F. The SCC Sale

On October 1, 2018, the Debtors filed a motion [Docket No. 365] (the "SCC Sale Motion")

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

requesting entry of an order (i) authorizing the proposed sale (the "SCC Sale") of OCH and SLRH to the County of Santa Clara, a political subdivision of California ("SCC"), (ii) approving the form of the Asset Purchase Agreement between SCC and certain Debtors (the "SCC APA"), (iii) approving certain procedures governing the SCC Sale process (the "SCC Bid Procedures"), and (iv) approving certain procedures governing assumption and rejection of Executory Agreements in connection with the SCC Sale.

On October 31, 2018, the Bankruptcy Court entered an order [Docket No. 724] approving the SCC Bid Procedures. The order provided that all objections to the proposed SCC Bid Procedures were overruled, remaining objections concerning the proposed SCC Sale were premature, and that the Attorney General's request to continue the hearing on the SCC Bid Procedures was denied. *See* Docket No. 724 at 4-5.

On November 12, 2018, the Debtors filed a notice [Docket No. 810] to counterparties of Executory Agreements that may be assumed and assigned in connection with the SCC Sale. The Debtors filed a supplemental notice [Docket No. 998] on December 6, 2018 and an amended notice [Docket No. 1110] on December 19, 2018. Certain counterparties to executory agreements filed objections (collectively, the "SCC Cure Objections") to the notices concerning assumption and assignment. *See* Docket Nos. 882, 889, 904-05, 913-14, 919, 920-21, 923, 928-29, 931, 946, 970, 986, 1016, 1018, 1043, 1046, 1057-59, 1062, 1068-69, 1070-71, 1080, 1085, 1088-89, 1091-96, 1120-21.

On December 7, 2018, the Debtors filed a notice [Doc. 1005] that the Debtors did not receive any bids pursuant to the SCC Bid Procedures, and, thus, the Debtors would not conduct an auction.

On December 19, 2018, the Bankruptcy Court held a hearing to approve the SCC Sale pursuant to the SCC Sale Motion. At the hearing, the Bankruptcy Court considered the SCC Cure Objections as well as certain objections (collectively, the "SCC Sale Objections") to the SCC Sale as well as any withdrawals thereof. *See* Docket Nos. 437, 447, 562, 613, 463, 599, 605, 608, 619, 450, 458, 460, 465, 597, 439, 460, 452, 561, 444, 561, 592, 500, 906, 1057-62, 1067-71. The Attorney General was among the parties that filed as SCC Sale Objection (the "Attorney General

SCC Objection"). As set forth in further detail, below, the Bankruptcy Court overruled the SCC Sale Objections.

On December 21, 2018, the Bankruptcy Court entered an order [Docket No. 1125] notifying the parties of the Bankruptcy Court's intent to authorize the Debtors to sell OCH and SLRH free and clear of the Conditions and requesting briefing. SCC [Docket No. 1136], the Committee [Docket No. 1137], the Debtors [Docket No. 1139], and the Attorney General [Docket No. 1140] filed responses to the Bankruptcy Court's order.

On December 26, 2018, the Bankruptcy Court entered a memorandum of decision [Docket No. 1146] overruling the Attorney General SCC Objection. On December 27, 2018, the Bankruptcy Court entered an order [Docket No. 1153] granting the SCC Sale Motion and approving the SCC Sale (the "SCC Sale Order").

On January 7, 2019, the Attorney General appealed of the Sale Order and the memorandum decision [Docket No. 1146] overruling the Attorney General SCC Sale Objection to the United States District Court for the Central District of California (the "Attorney General Appeal"). *See* Case No. 2:19-cv-00133-DMG, Docket No. 1 (C.D. Cal. Jan. 7, 2019). On January 9, 2019, the Attorney General filed a motion [Docket No. 1219] for stay pending appeal in the Bankruptcy Court and requested that the Bankruptcy Court hold a hearing on shortened notice [Docket No. 1220]. The Bankruptcy Court denied the request for shortened notice [Docket No. 1226] and set the hearing on the motion for January 30, 2019. The Debtors [Docket No. 1302] and the Committee [Docket Nos. 1303, 1318] filed objections to the motion, and SCC joined in the Debtors' objection [Docket No. 1334]. The Attorney General filed its reply brief [Docket No. 1365] on January 25, 2019. At the hearing on January 30, 2019, the Court denied the motion for stay pending appeal, and entered its order [Docket No. 1464] memorializing the decision on February 5, 2019.

On February 1, 2019, the Attorney General filed a motion in District Court to stay the effectiveness of the Sale Order pending the appeal. *See* Case No. 2:19-cv-00133-DMG, Docket No. 6 (C.D. Cal. Feb. 1, 2019). On February 22, 2019, the District Court entered an order denying the motion for stay pending appeal. *See id.*, Docket No. 32. On March 20, 2019, the parties filed a stipulation to dismiss the appeal, which was approved by order entered April 3, 2019. *See id.*,

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

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

Docket Nos. 40, 41.

On January 2, 2019, the Debtors filed motions under § 1113 to reject, modify, and terminate certain collective bargaining agreements between either OCH or SLRH and Local 20, CNA, CLVNA, and SEIU effective upon the closing of the SCC Sale. *See* Docket Nos. 1181, 1182, 1191, 1192. CNA and SEIU filed objections on January 16, 2019 [Docket Nos. 1269, 1271] and the Debtors filed an omnibus reply brief [Docket No. 1331] on January 23, 2019. As a result of negotiations, two Unions (Local 20 and CLVNA) reached consensual resolutions with the Debtors, and agreed not to oppose the motions subject to certain clarifications of the requested relief. On February 19, 2019, the Bankruptcy Court entered orders granting the rejection motions. *See* Docket Nos. 1575, 1576, 1577, 1578

The SCC Sale closed on February 28, 2019. After payment of certain cure costs, closing costs and other items, the net remaining proceeds were approximately $184.38 million, which are held in four sale proceeds account. An additional $23.35 million is held in escrow (the "Post-Closing Escrow") by First American Title Insurance Company, the escrow agent. The Post-Closing Escrow was established pursuant to the terms of the SCC APA, as security for the Debtors' post-closing obligations and expires in February 2020. In accordance with the SCC APA, the Debtors and SCC entered into a transition services agreement.

G. Motions Related to Verity Medical Foundation

The Debtors have taken certain steps to wind-down the Debtor Verity Medical Foundation ("VMF"). For example, VMF entered into settlements and asset purchase agreements with Union Square Hearing. Inc. [Docket Nos. 2439, 2693], San Jose Medical Group and Silicon Valley Medical Development, LLC [Docket Nos. 1636, 1919], Oncology Technology Associates, LLC [Docket Nos. 1635, 1915], and All Care Medical Group, Inc. [Docket Nos. 1180, 1368]. The Debtors also rejected a professional services agreement with All Care Medical Group, Inc. [Docket Nos. 576, 1622] and filed notices of intent to abandon certain property of VMF which is of inconsequential value or benefit to the estates. *See* Docket Nos. 2590, 2648. The Debtors also obtained approval of an agreement with Centurion Service Group, Inc. ("Centurion") permitting

Centurion to sell, dispose of or move furniture and fixtures, medical equipment and office equipment, including three MRI machines. *See* Docket Nos. 2244, 2429.

H. The SGM Sale

On January 17, 2019, the Debtors filed a motion [Docket No. 1279] (the "SGM Sale Motion") requesting entry of an order (i) authorizing the proposed sale (the "SGM Sale") of SFMC, SVMC, and Seton to Strategic Global Management, Inc. ("SGM"), (ii) approving the form of the Asset Purchase Agreement between SGM and certain Debtors (the "SGM APA"), (iii) approving certain procedures governing the SGM Sale process (the "SGM Bid Procedures"), and (iv) approving certain procedures governing assumption and rejection of Executory Agreements in connection with the SGM Sale. The proposed sale was the product of more than six months of marketing efforts lead by the Debtor's investment banker, Cain, and involved more than 110 potential purchasers.

On February 19, 2019, the Bankruptcy Court entered an order [Docket No. 1572] approving the SGM Bid Procedures. The order provided that all objections to the proposed SGM Bid Procedures were overruled and the remaining objections concerning the proposed SGM Sale were premature. *See* Docket No. 724 at 4-5.

On March 5, 2019, the Debtors filed a notice [Docket No. 1704] to counterparties of Executory Agreements that may be assumed and assigned in connection with the SGM Sale. The Debtors filed a supplemental notice [Docket No. 1836] on March 18, 2019, a second supplemental notice [Docket No. 2065] on April 5, 2019, a notice [Docket No. 2131] of Executory Agreements designated for assumption and assignment on April 11, 2019, and a supplemental notice [Docket No. 2441] of designated contracts on May 24, 2019. Certain counterparties to executory agreements filed objections (collectively, the "SGM Cure Objections") to the notices concerning assumption and assignment. *See* Docket Nos. 1788, 1804, 1819, 1830, 1849, 1850, 1852, 1853, 1856-1858, 1863, 1866, 1869, 1870, 1873-1877, 1881, 1882, 1885, 1890-1892, 1904, 1926, 1930, 1933, 1940, 1946, 1948, 1949, 1953, 1954, 1965, 2058, 2066, 2108, 2113, 2144, 2146, 2148, 2150, 2157, 2161, 2162.

On April 4, 2019, the Debtors filed a notice [Doc. 2053] that no auction would be held and

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

that the stalking horse bid submitted by SGM was the winning bid.

On April 17, 2019, the Bankruptcy Court held a hearing to approve the SGM Sale pursuant to the SGM Sale Motion. At the hearing, the Bankruptcy Court considered certain SGM Cure Objections, and certain other objections (the "SGM Sale Objections") and withdrawals thereof. *See* Docket Nos. 1397, 1352, 1358, 1364, 2130, 2145, 2147, 2155, 2156, 2164, 2168. As set forth in further detail, below, the Bankruptcy Court overruled the SGM Sale Objections and continued the hearings on consideration of the SGM Cure Objections. The Debtors are currently in the process of resolving the SGM Cure Objections.

On May 2, 2019, the Bankruptcy Court entered an order [Docket No. 2306] granting the SGM Sale Motion and approving the SGM Sale.

On May 7, 2019, VHS provided notice to, and requested written consent from, the Attorney General for the proposed SGM Sale. VHS requested that the Attorney General review its submission as both a request for approval of the proposed SGM Sale and a request to amend the existing Conditions. On August 16, 2019, the Attorney General publicly posted the Health Care Impact Statements (the "Impact Statements") for SFMC and SVMC, which were prepared by the Attorney General's expert, JD Healthcare, Inc. ("JD Healthcare"). *See* Docket No. 2946. On August 19, 2019, the Attorney General publicly posted the Impact Statement for Seton. *See id.* The Impact Statements contain certain conditions recommended by JD Healthcare to the Attorney General. *See id.* On August 23, 2019, at the request of the Attorney General, the Debtors submitted a response to the Impact Statements, which addresses whether any of the conditions proposed in the Impact Statements constitute "deal breakers" with respect to consummation of the SGM Sale. *See id.*

The closing of the SGM Sale is contingent on, among other things, the Attorney General's approval, with conditions that are substantially consistent with the conditions approved by SGM, as set forth on Schedule 8.6 to the SGM APA. Additionally, the Debtors continue to negotiate in good faith with the Unions concerning the modification of their collective bargaining agreements, as may be acceptable to SGM.

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

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

The Debtors anticipate the SGM Sale to close in the last quarter of 2019 if the Attorney General imposes conditions that are substantially consistent with those set forth on Schedule 8.6 to the SGM APA. After payment of the estimated amount of certain cure costs, closing costs and other items, the net remaining proceeds from the SGM Sale are estimated to be approximately $532 million, as set forth below:

SGM Sale Transaction	
Cash Consideration	**$ in 000's**
Purchase Price	$ 610,000
Net QAF Reduction	(54,491)
Adj for Trauma earned prior to signing	(5,807)
Total cash consideration at closing	**$ 549,702**
Closing Costs	
Payment of accrued QAF liability (SMC)	(11,613)
Cain transaction fee	(6,100)
Total closing costs	$ (17,713)
SGM net cash consideration at closing	**$ 531,989**

These recovery forecasts are projections that are (i) based on a number of assumptions and estimates and (ii) subject to change.

The SGM APA approved by the Bankruptcy Court provides that the Debtors enter into the Interim Sale-Leaseback Agreement and Interim Management Agreement discussed herein. These Interim Agreements will facilitate the transition of the Hospital operations to SGM during the post-closing period before SGM obtains provider agreements and other licensure necessary to operate the Hospitals.

The Debtors will withdraw from or terminate certain of their retirement related benefit plans upon the SGM Sale closing. First, the Debtors have made postpetition contributions to RPHE with respect to active CNA members, pursuant to authorization from the Bankruptcy Court. Based upon information and belief, all requisite contributions have been made to the Local 39 Plan, including through the Chapter 11 Cases and no amounts are currently due and owing. The Debtors are in the process of withdrawing from the Multi-Employer Plans, which is intended to be effective upon the closing of the SGM Sale. Second, the Debtors are in the process of terminating the Defined Contribution Plans and will cease making employer contributions upon the closing of the SGM

Sale. Third, the Debtors expect to terminate the Retiree Health Benefit effective at the Closing of the SGM Sale. Retirees who utilize the Retiree Health Benefit will receive treatment as set forth under the Plan or under a separate order from the Bankruptcy Court. Amounts contributed prepetition into the section 457(b) Plan will be returned to the Estates for distribution to creditors in accordance with applicable law.

I. Old Republic Accommodations

The Debtors' workers' compensation policy with Old Republic was set to expire on July 1, 2019. Old Republic agreed to continue to provide coverage through January 1, 2020, following approval Bankruptcy Court approval of certain accommodations requested by Old Republic. *See* Docket Nos. 2654, 2803. Also, to provide sufficient collateral to secure a replacement letter of credit necessary to renew the workers' compensation policy, the Debtors filed a supplemental insurance motion, requesting authority to make a capital contribution to Marillac. [Docket No. 2672]. The Bankruptcy Court entered an order granting the supplemental insurance motion on July 26, 2019. [Docket No. 2802].

J. Motions for Relief From the Automatic Stay

Commencing in December, 2018, the Debtors have responded to 22 Motions For Relief From Automatic Stay, in each of which motions a movant has sought relief in order to resolve the amount of their claim in a forum outside the Bankruptcy Court. The Bankruptcy Court has granted each of those motions, in certain instances in accordance with stipulations reached between the Debtors and the movants. In the vast majority of those motions, the movant sought recovery *only* from applicable insurance, if any, and waived any deficiency or other claim against the Debtors or property of the Debtors' bankruptcy estates. In those few cases where a movant sought a deficiency claim, relief from stay was granted on the basis that the stay would remain in effect as to the enforcement of any resulting judgment against the Debtors or the bankruptcy estates, the movants retaining the right to file a proof of claim and/or an adversary complaint under § 523 or § 727 in the Chapter 11 Cases. No such adversary complaints have been filed.

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

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

K. Motions to Approve Settlements

The Debtors obtained Bankruptcy Court approval of the following settlements and compromises pursuant to Bankruptcy Rule 9019:

On October 4, 2018, the Debtors filed a motion [Docket No. 410] (the "Local 39 Settlement Motion") to approve a compromise between OCH, SLRH, and Seton, on the one hand, and Local 39, on the other hand, that provided for the consensual modification of collective bargaining agreements between the parties. The Bankruptcy Court granted the Local 39 Settlement Motion. *See* Docket No. 410.

On February 20, 2019, the Debtors filed a motion [Docket No. 1591] (the "Medline Settlement Motion") to approve a compromise with Medline Industries, Inc. ("Medline")—one of the Debtors' most important medical supply vendors—resolving Medline's prepetition claims and preserving the parties going-forward business relationship. The Bankruptcy Court granted the Medline Settlement Motion. *See* Docket No. 1887.

On April 8, 2019, the Debtors filed a motion [Docket No. 2084] (the "SIS Settlement Motion") to approve a compromise with Surgical Information Systems, LLC that allowed SCC to assume certain critical software licenses and ensure that the SCC Sale closed without disruption. The Bankruptcy Court granted the SIS Settlement Motion. *See* Docket No. 2097.

On April 10, 2019, the Debtors and the Committee filed a joint motion [Docket No. 2112] (the "St. Vincent IPA Settlement Motion") for authority to enter into a settlement agreement with St. Vincent IPA Medical Corporation ("St. Vincent IPA"). The agreement (i) allowed St. Vincent IPA, a critical vendor, to receive a $596,816 payment for certain prepetition amounts, (ii) allowed continuation of risk sharing between St. Vincent IPA and the Debtors, and (iii) provided for an agreed mechanism to resolve overpayments or underpayments pursuant a Healthcare Services Risk Sharing Agreement (the "St. Vincent IPA Agreement"). The Bankruptcy Court granted the St. Vincent IPA Settlement Motion. *See* Docket No. 2371.

On April 30, 2019, the Debtors filed a motion [Docket No. 2285] (the "Premier Settlement Motion") to approve a compromise with Premier, Inc., Premier Services, LLC, Premier Healthcare Alliance, L.P., Premier Healthcare Solutions, Inc., and each of Premier, Inc.'s other subsidiaries

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

(collectively, "Premier"). The settlement agreement provides (i) for the satisfaction of Premier's claims and the Debtors' counterclaims, (ii) resolves issues regarding Premier's and the Debtors' post-petition relationship, and (iii) enables the Debtors to recover value from the current and future disposition of certain limited partnership interests that may be worth approximately $7.4 million before payment of cure costs. The Bankruptcy Court granted the Premier Settlement Motion. *See* Docket No. 2461.

On June 28, 2019, the Debtors filed a motion [Docket No. 2644] (the "Smith & Nephew Settlement Motion") to approve a compromise with Smith & Nephew, Inc. that resolved disputes regarding ownership of a certain NAVIO surgical system located at OCH and preserved the parties' going-forward business relationship. The Bankruptcy Court granted the Smith & Nephew Settlement Motion. *See* Docket No. 2793.

On July 3, 2019, the Debtors filed a motion [Docket No. 2670] (the "DMH Settlement Motion") to approve a compromise with the County of Los Angeles Department of Mental Health that allowed the County of Los Angeles to dismiss an appeal brought on behalf of the Debtors in exchange for the modification of the parties' Legal Entity Agreement such that the Debtors would receive $215,590 in additional funding. The Bankruptcy Court granted the DMH Settlement Motion. *See* Docket No. 2814.

L. Other Motions

1. St. Vincent IPA Expedited Relief Motion

On September 7, 2018, St. Vincent IPA filed a motion [Docket No. 109] (the "St. Vincent IPA Expedited Relief Motion") to shorten the Debtors' time to assume or reject the St. Vincent IPA Agreement to October 15, 2018. St. Vincent IPA also filed an application [Docket No. 111] to shorten notice of the hearing on the St. Vincent IPA Expedited Relief Motion, which the Debtors opposed [Docket No. 146].

On September 10, 2018, the Bankruptcy Court entered an order [Docket No. 149] denying St. Vincent IPA's application to shorten notice and set the matter for regular briefing. On September 19, 2018, the Debtors filed their opposition [Docket No. 212]. On September 26, 2018, the Committee filed response [Docket No. 301] and St. Vincent IPA filed a reply brief [Docket No.

306]. The parties entered into negotiations and requested that the Bankruptcy Court not rule on the pleadings to allow the parties to reach a mutual settlement. Ultimately, as discussed above, the Debtors filed the St. Vincent IPA Settlement Motion.

2. Seoul Medical Group Expedited Relief Motion

On June 20, 2019, Seoul Medical Group, Inc. ("Seoul Medical Group") filed a motion [Docket No. 2579] (the "Seoul Medical Group Expedited Relief Motion") to shorten the Debtors' time to assume or reject the Seoul Medical Group Capitated Physician Group Services Agreement. On June 26, 2019, the Debtors [Docket Nos. 2627. 2632] and SGM [Docket No. 2625] filed oppositions to the Seoul Medical Group Expedited Relief Motion to which Seoul Medical Group filed separate reply briefs [Docket Nos. 2667, 2668]. The parties continued the hearings on the Seoul Medical Group Expedited Relief Motion to allow SGM and Seoul Medical Group to continue negotiations. *See* Docket Nos. 2706, 2859, 2860, 2863

M. Debtors' Adversary Proceedings

On January 3, 2019, SVMC and SFMC filed an adversary proceeding against Local Initiative Health Authority for Los Angeles dba L.A. Care Health Plan ("L.A. Care"). *See* Adv. Pro. No. 2:19-ap-01002-ER, Docket No. 1. In the Complaint, SVMC and SFMC brought claims for breach of contract, turnover, unjust enrichment, and violations of the automatic stay based on L.A. Care's failure to pay for services provided to L.A. Care members or paying less than the amounts owed for such services. *See id.* SVMC claimed damages in an amount not less than $4,320,335.32, of which $1,895,994.64 constituted systematic underpayments. *See id.* SFMC claimed damages in an amount not less than $21,054,689.63, of which $12,502,651.97 constituted systematic underpayments. *See id.* On April 15, 2019, the Bankruptcy Court entered an order staying the adversary proceeding pending completion of arbitration. *See id.*, Docket No. 43.

On February 5, 2019, VHS, SVMC and SFMC filed an adversary proceeding against Heritage Provider Network and an amended complaint was filed on March 11, 2019. *See* Adv. Pro. No. 2:19-ap-01042-ER, Docket Nos. 1, 13. In the Amended Complaint, the Debtor Plaintiffs seek to recover not less than $4.1 million from defendant for amounts the Debtors allege were improperly deducted by defendant from amounts owing under certain fee for service and capitation

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

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

agreements. *See id.*, Docket No. 13. On April 12, 2019, defendant filed an answer and affirmative defenses and denied Plaintiffs were entitled to any recovery. *See id.*, Docket No. 22. The parties have requested that the matter be assigned to mediation and are in the process of setting a mutually agreeable mediation date between October 28, 2019 an November 15, 2019. *See id.*, Docket Nos. 27, 33, 34. The adversary proceeding is set for trial starting the week of February 24, 2020. *See id.*, Docket No. 31.

N. Committee's Adversary Proceedings

On June 13, 2019, the Committee filed adversary proceedings against U.S. Bank (Adv. Pro. No. 2-19-ap-01165-ER) and UMB Bank (Adv. Pro. No. 2-19-ap-01166-ER). In both adversary proceedings, the Committee seeks a determination that the applicable Trustee does not have a perfected security interest in deposit accounts, future Quality Assurance Payments and certain other assets. Both Defendants' dates to answer or otherwise plead have been extended by stipulation and the matters are both set for mediation in September 2019. Both adversary proceedings are currently set for trial beginning January 27, 2020.

V.

PLAN SUMMARY

The following is a summary of the key provisions of the Plan.

A. Administrative Expense and Priority Claims

In accordance with § 1123(a)(1), the following Claims are not classified and are excluded from the Classes set forth in Section 3 hereof and shall receive the treatment discussed below:

1. Administrative Claims

Except to the extent that the Debtors (or the Liquidating Trust) and a Holder of an Allowed Administrative Claim agree to less favorable treatment, a Holder of an Allowed Administrative Claim (other than a Professional Claim, which shall be subject to Section 2.2 of the Plan) shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim either (a) on the Effective Date, (b) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their businesses after the Petition Date, in the

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

ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holder of such Allowed Administrative Claim, or (c) on such other date as agreed between the Debtors (or the Post-Effective Date Debtors) and such Holder of an Allowed Administrative Claim.

2. Professional Claims

All Professionals seeking an award by the Bankruptcy Court of a Professional Claim (other than the Ordinary Course Professionals) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is sixty (60) days after the Effective Date, and shall receive, in full satisfaction of such Claim, Cash in an amount equal to 100% of such Allowed Professional Claim promptly after entry of an order of the Bankruptcy Court allowing such Claim or upon such other terms as may be mutually agreed-upon between the Holder of such Professional Claim and the Debtors. Objections to any final applications covering Professional Claims must be filed and served on the Post-Effective Date Debtors, the Liquidating Trustee, and the requesting Professional no later than ninety (90) days after the Effective Date (unless otherwise agreed by the requesting Professional).

3. Statutory Fees

All fees required to be paid by 28 U.S.C. § 1930(a)(6) and any interest thereon ("U.S. Trustee Fees") shall be paid by the Liquidating Trustee in the ordinary course of business until the closing, dismissal or conversion of these Chapter 11 Cases to another chapter of the Bankruptcy Code. Any unpaid U.S. Trustee Fees that accrued before the Effective Date shall be paid no later than thirty (30) days after the Effective Date.

4. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction of such Allowed Priority Tax Claim, at the option of the Debtors or the Liquidating Trustee, as applicable: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of (i) the Effective Date, to the extent such Claim is an Allowed Priority Tax Claim on the Effective Date, and (ii) the first Business Day after the

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

date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim; or (b) equal annual Cash payments in an aggregate amount equal to the amount of such Allowed Priority Tax Claim, together with interest at the applicable rate pursuant to § 511, over a period not exceeding five (5) years from and after the Petition Date; provided, however, the Debtors and the Liquidating Trustee, as applicable, reserve the right to prepay all or a portion of any such amounts at any time under this option at their discretion.

5. Administrative DIP Lender Claims

Holders of Allowed DIP Lender Claims shall be paid in full in cash on the Effective Date, with such payments to be distributed to the DIP Agent for the ratable benefit of the Holders of DIP Lender Claims.

B. Classification of Claims

1. Classification in General

A Claim is placed in a particular Class for all purposes, including voting, confirmation, and distribution under the Plan and under §§ 1122 and 1123(a)(1); provided that a Claim is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Allowed Claim has not been satisfied, released, or otherwise settled prior to the Effective Date.

2. Grouping of Debtors for Deemed Substantive Consolidation

Consistent with the deemed substantive consolidation of the Debtors, as set forth more fully in Section 7.1 of the Plan, the Plan groups the Debtors together for purposes of describing treatment under the Plan, confirmation of the Plan, and making distributions in accordance with the Plan with respect to Claims against and Interests in the Debtors under the Plan. Accordingly, pursuant to the Plan, the Assets of the Debtors and their Estates, and the Claims against and Interests in the Debtors, will be treated as if the Debtors and their Estates are substantively consolidated on the Effective Date. Notwithstanding the foregoing, such groupings shall not affect any Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of

any legal entities, or cause the transfer of any Assets. Except as otherwise provided by or permitted under the Plan, all Debtors shall continue to exist as separate legal entities after the Effective Date.

3. Summary of Classification.

The following table designates the Classes of Claims against each of the Debtors and specifies which of those Classes are (a) Not Impaired by the Plan, (b) Impaired by the Plan, and (c) entitled to vote to accept or reject the Plan in accordance with § 1126. In accordance with § 1123(a)(1), Administrative Claims, Professional Claims, Statutory Fees, Priority Tax Claims, and Administrative DIP Lender Claims, have not been classified. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have holders of Claims in a particular Class or Classes, and such Classes shall be treated as set forth in Section 3.5 of the Plan.

All Debtors			
Class	**Designation**	**Impairment**	**Entitled to Vote**
1A	Other Priority Claims	Not Impaired	No (deemed to accept)
1B	Secured PACE Tax Financing Claims	Not Impaired	No (deemed to accept)
2	Secured 2005 Revenue Bond Claims	Impaired	Yes
3	Secured 2015 Notes Claims	Impaired	Yes
4	Secured Series 2017 Revenue Note Claims	Impaired	Yes
5	Secured MOB I Financing Claims	Impaired	Yes
6	Secured MOB II Financing Claims	Impaired	Yes
7	Secured Mechanics Lien Claims	Impaired	Yes
8	PBGC Claims	Impaired	Yes
9	RPHE Claims	Impaired	Yes
10	General Unsecured Claims	Impaired	Yes
11	Convenience Claims	Impaired	Yes
12	Insured Claims	Impaired	Yes
13	2016 Data Breach Claims	Impaired	Yes
14	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
15	Interests	Impaired	No (deemed to reject)

4. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Liquidating Trust, with respect to any Unimpaired Claims, including legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

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

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

5. Elimination of Vacant Classes

Any Class of Claims that, as of the commencement of the Confirmation Hearing, does not have at least one (1) Holder of a Claim in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies § 1129(a)(8) with respect to that Class.

C. Treatment of Claims

In full and final satisfaction of all of the Claims against the Debtors (except with respect to Unclassified Claims that are satisfied as noted above), the Claims shall receive the treatment described below. Except to the extent expressly provided in Section 4 of the Plan, the timing of distributions is addressed in Section 8.3 of the Plan. A chart summarizing the current asserted Claims in each class and the current estimate of the amount of Claims that will ultimately become Allowed Claims is set forth below, although the ultimate amount of Claims which become Allowed Claims could be higher or lower than the estimates below:

Summary of Classification

Class	Designation	Asserted Claims (Per KCC)	Estimated Allowed Claims
1A	Priority Non-Tax Claims (1)	$ 155,384,184	$ 4,000,000
1B	Secured PACE Tax Financing Claims	$ 43,013,555	$ 40,000,000
2	Secured 2005 Revenue Bond Claims	$ 261,897,375	$ 259,445,000
3	Secured 2015 Notes Claims	$ 161,041,177	$ 160,000,000
4	Secured Series 2017 Revenue Note Claims	$ 42,253,750	$ 42,000,000
5	Secured MOB I Financing Claims	$ 46,363,096	$ 46,363,096
6	Secured MOB II Financing Claims	$ 20,061,919	$ 20,061,919
7	Secured Mechanics Lien Claims	$ 2,187,017	$ 2,187,017
8	PBGC Claims (2)	$ 364,912,587	$ [_____]
9	RPHE Claims (2)	$ 353,102,772	$ [_____]
10	General Unsecured Claims	$ 5,831,000,000	$ 710,000,000
11	Convenience Claims	N/A	$ 50,000,000
12	Insured Claims	N/A	N/A
13	2016 Data Breach Claims	N/A	N/A
14	Subordinated General Unsecured Claims	N/A	N/A
15	Interests	N/A	N/A

(1) Excludes PBGC, RPHE, Trade and Tax claims

(2) Asserted claim includes priority and general unsecured claims

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

1. Class 1A: Priority Non-Tax Claims

a. *Classification*. Class 1A consists of Priority Non-Tax Claims.

b. *Treatment*. Except to the extent that a Holder of a Priority Non-Tax Claim agrees to a less favorable treatment of such Claim, each such Holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is fourteen (14) Days after the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, in each case, or as soon as reasonably practicable thereafter.

c. *Voting*. Class 1A is Unimpaired. Holders of Priority Non-Tax Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

2. Class 1B: Secured PACE Tax Financing Claims

a. *Classification.* Class 1B consists of the Secured PACE Financing Claims.

b. *Treatment.* Each Allowed Secured PACE Tax Financing Claim shall be assumed pursuant to the SGM Sale and shall not receive any distributions under the Plan.

c. *Voting*. Class 1B is Unimpaired. Holders of Secured PACE Tax Financing Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

3. Class 2: Secured 2005 Revenue Bond Claims

a. *Classification.* Class 2 consists of the Secured 2005 Series A, G and H Revenue Bonds Claims against each Obligated Group Member.

b. *Treatment*. The Secured Series A, G and H Revenue Bonds Claims shall be paid cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of $259,445,000, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures, excluding any interest at the default rate, the Tax Rate, or make whole premium, and (ii) accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee, pursuant to the Final DIP Order through and including the Effective Date, less (a) any amounts held by the Master Trustee and/or the 2005 Revenue Bonds Trustee in a (i) principal or revenue account, (ii) debt service or redemption reserve, or (iii) an escrow or expense reserve account, (b) principal payments since the Petition Date made by the 2005 Revenue Bonds Trustee to Holders of 2005 Revenue Bonds, and (c) any amounts remitted to the Master Trustee and/or 2005 Revenue Bonds Trustee, prior to the Effective Date on account of the Remediation Order. No beneficial Holder of any Secured Series A, G and

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

H Revenue Bonds Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such Holder by the 2005 Revenue Bonds Trustee.

c. *Subordination.* Class 2 shall be permitted to retain the Class 2 distribution in full notwithstanding anything to the contrary in the Intercreditor Agreement and on the Effective Date, and conditioned on respective receipt of all of the Plan payments to the respective the Bond and Notes Trustees on behalf of Classes 2, 3, and 4 due upon the Effective Date, the Intercreditor Agreement shall terminate and be of no further force and effect. Payments by Debtors to the 2005 Revenue Bonds Trustee in the amounts and manner provided herein are sufficient to, and upon transmission by the 2005 Revenue Bonds Trustee to the Holders of the Secured 2005 Revenue Bonds Claims of the principal and accrued interest calculated in the manner provided herein shall be deemed to, have defeased irrevocably the 2005 Series A, G, and H Revenue Bonds for all purposes.

d. *Voting*. Class 2 is Impaired. The beneficial Holders of the Secured 2005 Series 2005 A, G and H Revenue Bond Claims are entitled to vote to accept or reject the Plan.

4. Class 3: Secured 2015 Notes Claims

a. *Classification*. Class 3 consists of the Secured 2015 Notes Claims against each Obligated Group Member.

b. *Treatment*. The Secured 2015 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of $160,000,000, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2015 Revenue Note Indentures for each of 2015 Revenue Notes Series A, B, C and D, excluding any interest at a default rate or any redemption or other premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order through and including the Effective Date, less any amounts held by the Master Trustee and/or the 2015 Notes Trustee in a (x) principal or revenue account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No beneficial Holder of any Secured 2015 Notes Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such holder by the 2015 Notes Trustee.

c. *Subordination*. Class 3 shall be permitted to retain the Class 3 distribution in full notwithstanding anything to the contrary in the Intercreditor Agreement and on the Effective Date, and conditioned on respective receipt of all of the Plan payments to the respective the Bond and Notes Trustees on behalf of Classes 2, 3, and 4 due upon the Effective Date, the Intercreditor Agreement shall terminate and be of no further force and effect. Payments by Debtors to the 2015 Notes Trustee in the amounts and manner provided

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

herein are sufficient to, and upon transmission by the 2015 Notes Trustee to the Holders of the Secured 2015 Revenue Notes Claims of the principal and accrued interest calculated in the manner provided herein shall be deemed to, have defeased irrevocably the 2015 Revenue Notes for all purposes.

d. *Voting*. Class 3 is Impaired, and the beneficial Holders of Secured 2015 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

5. Class 4: Secured 2017 Revenue Note Claims

a. *Classification*. Class 4 consists of the Secured 2017 Revenue Note Claims.

b. *Treatment*. The Secured 2017 Revenue Note Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of $42,000,000, plus (i) any accrued, but unpaid postpetition interest, if any, at the rate specified in the 2017 Revenue Note Indentures, excluding any interest at a default rate, make whole premium or redemption premium, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2017 Notes Trustee and the Master Trustee pursuant to the Final DIP Order through and including the Effective Date, less any amounts held by the Master Trustee and/or the 2017 Notes Trustee in a (x) principal or revenue account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No beneficial Holder of any Secured 2017 Notes Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such holder by the 2017 Notes Trustee.

c. *Subordination*. Class 4 shall be permitted to retain the Class 4 distribution in full notwithstanding anything to the contrary in the Intercreditor Agreement and on the Effective Date, and conditioned on respective receipt of all of the Plan payments to the respective the Bond and Notes Trustees on behalf of Classes 2, 3, and 4 due upon the Effective Date, the Intercreditor Agreement shall terminate and be of no further force and effect. Payments by Debtors to the 2017 Notes Trustee in the amounts and manner provided herein are sufficient to, and upon transmission by the 2017 Notes Trustee to the Holders of the Secured 2017 Revenue Notes Claims of the principal and accrued interest calculated in the manner provided herein shall be deemed to, have defeased irrevocably the 2017 Revenue Notes for all purposes.

d. *Voting*. Class 4 is Impaired. The beneficial Holders of Secured 2017 Revenue Note Claims are entitled to vote to accept or reject the Plan.

6. Class 5: Secured MOB I Financing Claims

a. *Classification.* Class 5 consists of the MOB I Financing Claims.

b. *Treatment.* The Secured MOB I Financing Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of $46,363,095.90, plus (i) accrued but unpaid postpetition interest, if any, at the rate specified in the MOB I

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

Loan Agreement, excluding any interest at the default rate, or make whole premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of Verity MOB Financing LLC, pursuant to the Final DIP Order through and including the Effective Date.

c. *Voting*. Class 5 is Impaired. Holders of MOB I Financing Claims are entitled to vote to accept or reject the Plan.

7. Class 6: Secured MOB II Financing Claims

a. *Classification*. Class 6 consists of the Secured MOB II Financing Claims.

b. *Treatment*. The Secured MOB II Financing Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of $20,061,919.48, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the MOB II Loan Agreements, excluding any interest at the default rate, or make whole premium, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees and expenses of Verity MOB Financing II LLC, pursuant to the Final DIP Order through and including the Effective Date.

c. *Voting*. Class 6 is Impaired. Holders of Secured MOB II Financing Claims are entitled to vote to accept or reject the Plan.

8. Class 7: Secured Mechanics Lien Claims

a. *Classification*. Class 7 consists of the Secured Mechanics Lien Claims.

b. *Treatment*. Each Allowed Secured Mechanics Lien Claim shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of the Allowed Claim, plus (i) accrued but unpaid postpetition interest at the appropriate contract rate, if any, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees and expenses permitted by contract.

c. *Voting*. Class 7 is Impaired. Holders of Secured Mechanics Lien Claims are entitled to vote to accept or reject the Plan.

9. Class 8: PBGC Claims

a. *Classification.* Class 8 consists of the PBGC Claims against all Debtors.

b. *Treatment.* On the Effective Date, the PBGC shall be the Holder of a Claim in an amount equal to 100% of a single Allowed General Unsecured Claim in the aggregate amount of [$_____]. On the Effective Date, or as soon as reasonably practicable thereafter, the PBGC shall receive Trust Beneficial Interests and become a Trust Beneficiary, in satisfaction of its Allowed Class 8 Claim. Except as may be expressly provided in a PBGC Settlement, the PBGC's Trust Beneficial Interests shall be in full and final satisfaction of such Allowed Claim. The foregoing treatment is intended to compensate the PBGC for the impact of the proposed deemed substantive consolidation

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

under the Plan.[5] The Debtors will attempt to reach an agreement with the PBGC concerning the treatment of the PBGC Claim.

c. *Voting.* Class 8 is Impaired. Holders of PBGC Claims are entitled to vote to accept or reject the Plan.

10. Class 9: RPHE Claims

a. *Classification.* Class 9 consists of the RPHE Claims against all Debtors.

b. *Treatment.* On the Effective Date, the RPHE shall be the Holder of a Claim in an amount equal to 100% of a single Allowed General Unsecured Claim in the aggregate amount of [$_____]. On the Effective Date, or as soon as reasonably practicable thereafter, the RPHE shall receive Trust Beneficial Interests and become a Trust Beneficiary in full and final satisfaction of its Allowed Class 9 Claim. The foregoing treatment is intended to compensate the RPHE for the impact of the proposed deemed substantive consolidation under the Plan. The Debtors will attempt to reach an agreement with the RPHE concerning the treatment of the RPHE Claim.

c. *Voting.* Class 9 is Impaired. Holders of RPHE Claims are entitled to vote to accept or reject the Plan.

11. Class 10: General Unsecured Claims

a. *Classification.* Class 10 consists of the General Unsecured Claims against all Debtors.

b. *Treatment*. As soon as practicable after the Effective Date or as soon thereafter as the claim shall have become an Allowed Claim, each holder of an Allowed General Unsecured Claim shall receive a Trust Beneficial Interest and become a Trust Beneficiary in full and final satisfaction of its Allowed Class 10 Claim, except to the extent that such Holder agrees (a) to become a Convenience Claim, (b) to a less favorable treatment of such Claim, or (c) such Claim has been paid before the Effective Date.

c. *Voting*. Class 10 is Impaired. Holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

12. Class 11: Convenience Claims

a. *Classification*. Class 11 consists of the Convenience Claims.

b. *Treatment*. Each Holder of an Allowed Convenience Claim, or an Allowed General Unsecured Claim that has been voluntarily reduced and converted to an Allowed Convenience Claim, shall receive on the Effective Date or as soon thereafter as practical after the Claim has become an Allowed Convenience Claim, in full and final satisfaction of such Allowed Claim,

[5] The Debtors are in negotiations with the PBGC regarding the amount and classification of its claims. The Debtors intend to amend the Disclosure Statement and Plan after further negotiations with respect to the PBGC and RPHE.

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

Cash in an amount equal to four percent (4%) of its Allowed Convenience Claim.

c. *Voting*. Class 11 is Impaired. Holders of Convenience Claims are entitled to vote to accept or reject the Plan.

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 shall receive, on account of its Insured Claim, relief from the automatic stay under § 362 and the injunctions provided under the Plan for the sole and limited purpose of permitting such Holder to seek its 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. Any settlement of an Insured Claim within a self-insured retention or deductible must be approved by the Liquidating Trustee.

Any amount of an Allowed Insurance Claim within a deductible or self-insured retention shall be paid by the applicable insurance 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, the Debtors are insolvent and unable to advance or indemnify any loss, claim, damage, settlement or judgment of Debtors within the applicable retention or deductible amount. 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.

14. Class 13: 2016 Data Breach Claims

a. *Classification*. Class 13 consists of Allowed 2016 Data Breach Claims.

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

b. *Treatment*. Each holder of an Allowed 2016 Data Breach Claim shall receive access to credit monitoring services at the sole cost of the Debtors for a period of two (2) years following the Effective Date.

c. *Voting*. Class 13 is Impaired. Holders of Allowed 2016 Data Breach Claims are entitled to vote to accept or reject the Plan.

15. Class 14: Subordinated General Unsecured Claims

a. *Classification*. Class 14 Claims consists of Subordinated General Unsecured Claims.

b. *Treatment.* Holders of Allowed Subordinated General Unsecured Claims shall not receive any recovery from the Debtors on or after the Effective Date.

c. *Voting*. Class 14 is Impaired. Holders of Subordinated General Unsecured Claims are deemed to reject the Plan and are not entitled to vote.

16. Class 15: Interests

a. *Classification.* Class 15 consists of Allowed Interests against any Debtor.

b. *Treatment*. Holders of Allowed Interests shall not receive any recovery from the Debtors under the Plan.

c. *Voting*. Class 15 is Impaired. The holders of Interests are deemed to reject the Plan and are not entitled to vote.

VI.

MEANS OF EFFECTUATION AND IMPLEMENTATION OF THE PLAN

The key means to effectuation and implementation of the Plan are summarized below, and set forth in more detail in the Plan and the Liquidating Trust Agreement.

A. Conditions to Effective Date. The following are conditions precedent to the Effective Date:

(a) The Confirmation Order shall become a Final Order;

(b) The SGM Sale shall have closed;

(c) The Debtors shall have sufficient Cash to satisfy the Unclassified Claims and the Secured Claims that are payable on the Effective Date;

(d) The Debtors shall have sufficient Cash to fund the Liquidating Trust Reserve;

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

(e) All documents, instruments and agreements provided for under or necessary to implement the Plan (including without limitation, the Interim Agreements, the Transition Services Agreement and the Liquidating Trust Agreement) shall have been executed and delivered by the parties thereto, unless such execution or delivery shall have been waived by the parties benefited thereby.

The Debtors may waive the conditions to effectiveness of the Plan, set forth in Section 12.2 of the Plan, without leave of the Bankruptcy Court and without any formal action other than proceeding with confirmation of the Plan and filing a notice of confirmation with the Bankruptcy Court. To the extent that the Debtors are unable to satisfy the conditions to the effectiveness of the Plan set forth in Section 12 of the Plan, the Debtors reserve the right to amend the Plan at such time (in accordance with the terms of the Plan) to address such inability.

B. Deemed Substantive Consolidation

Section 7.1 of the Plan requests that each of the Debtors' Estates be "deemed" substantively consolidated for the purposes set forth in the Plan described above. Certain facts supporting deemed substantive consolidation are set forth below. This Disclosure Statement provides adequate information regarding the Debtors' request to treat their Estates substantively consolidated; however, the Debtors will not seek approval of deemed substantive consolidation at the hearing to approve this Disclosure Statement. A discussion setting forth the bases for deemed substantive consolidation of the Debtors' Estates is set forth in Section XIV hereof.

The deemed substantive consolidation effected pursuant to the Plan shall not affect, without limitation, (i) the Debtors', the Post-Effective Date Debtors', or the Liquidation Trust's defenses to any Claim or Cause of Action, including the ability to assert any counterclaim, provided that the Liquidating Trust shall neither assert nor preserve Intercompany Claims, except to the extent necessary to preserve claims and defenses against third parties other than the Debtors; (ii) the Debtors', the Post-Effective Date Debtors', or the Liquidation Trust's setoff or recoupment rights; (iii) requirements for any third party to establish mutuality prior to deemed substantive consolidation in order to assert a right of setoff against the Debtors, the Post-Effective Date Debtors, or the Liquidation Trust; (iv) distributions to the Debtors, the Estates, the Post-Effective

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

Date Debtors, or the Liquidation Trust out of any Insurance Policies or proceeds of such policies; (v) distributions to the Debtors, the Estates, the Post-Effective Date Debtors, or the Liquidation Trust from any governmental programs, including, but not limited to, Medicare, and Medi-Cal including any fee for service payments and any payments under the Quality Assurance Fee program; (vi) the applicability and enforceability of any government issued licenses, including, but not limited to, the Hospital Licenses, or (vii) any Avoidance Action or any other Cause of Action held by the Debtors arising under §§ 541 through 550, or state laws of similar effect, against any third party other than the other Debtors, except to the extent any such actions are expressly waived or settled pursuant to the Plan.

C. Post-Effective Date Governance of Certain Entities

The Sale-Leaseback Debtors and SCC Debtors shall continue to exist after the Effective Date of the Plan (i) with the Sale-Leaseback Debtors existing until the expiration of the Interim Agreements so that they may engage in the transition tasks set forth in Section 5.6 of the Plan, (ii) with the SCC Debtors existing until all Quality Assurance Payments are collected, and (iii) with a Responsible Officer, to be identified in the Plan Supplement, will be responsible for the Sale-Leaseback Debtors and the SCC Debtors as discussed in Section 5.8 of the Plan. The primary transaction task (i) for the Sale-Leaseback Debtors involves the Interim Agreements, and (ii) for the SCC Debtors involves remitting Quality Assurance Payments received after the Effective Date to the Liquidating Trust.

1. Post-Effective Date Board of Directors

On the Effective Date, the board members of VHS shall resign and the Post-Effective Date Board of Directors of VHS will be appointed. The members that make up the Post-Effective Date Board of Directors shall also serve and remain as the members of each of the subsidiary boards and any other boards required to be in existence. The Post-Effective Date Board of Directors shall (i) fulfill its duties and obligations under the bylaws and state and federal law and (ii) appoint and oversee the Responsible Officer, consistent with the terms of the Plan. The Post-Effective Date Board of Directors is further discussed in Section 5.8 of the Plan.

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

2. Post-Effective Date Committee

Pursuant to Section 7.10 of the Plan, on the Effective Date, the Committee shall be dissolved (except with respect to any then pending litigation or contested matter to which the Committee is a party and any appeals filed regarding confirmation of the Plan) and the Post-Effective Date Committee shall be appointed. The members that shall serve on the Post-Effective Date Committee shall be selected by the Committee and shall be disclosed in a Plan Supplement. The Post-Effective Date Committee shall have duties in accordance with the Plan and the Liquidating Trust Agreement to: (i) consult and coordinate with the Liquidating Trustee as to the administration of the Liquidating Trust and the Liquidating Trust Assets, including, without limitation, consulting on the Operating Budget and the Liquidating Budget; and (ii) consult and coordinate with the Responsible Officer.

3. Liquidating Trust

As set forth in Section 6 and elsewhere in the Plan and in the Liquidating Trust Agreement, a Liquidating Trust is being established on the Effective Date of the Plan, which will hold and prosecute Causes of Action (including Avoidance Actions) and other Liquidating Trust Assets being contributed to the Liquidating Trust Assets. Allowed Claims in Class 8 (PBGC), Class 9 (RPHE), and Class 10 (General Unsecured Claims) will receive Trust Beneficial Interests, which shall be entitled to receive periodic distribution of net proceeds received by the Liquidating Trust, as set forth in the Plan and the Liquidating Trust Agreement. The Liquidating Trust shall have an initial duration of five (5) years (subject to possible extension).

The primary purpose of the Liquidating Trust shall be the liquidation and distribution of its assets, in accordance with Treasury Regulation (defined below) section 301.7701-4(d). The primary functions of the Liquidating Trust are as follows: (i) to liquidate, sell, or dispose of the Trust Assets; (ii) to cause all net proceeds of the Trust Assets, including proceeds of Causes of Action on behalf of the Trust to be deposited into the Trust; (iii) to initiate actions to resolve any remaining issues regard the allowance and payment of Claims including, as necessary, initiation and/or participation in proceedings before the Court; (iv) to take such actions as are necessary or useful to maximize the value of the Trust; and (v) to make the payments and distributions to

Holders of Allowed Claims, including Trust Beneficiaries, as required by the Plan.

The Liquidating Trustee shall have the other powers and duties set forth in the Plan and the Liquidating Trust Agreement. Certain tax and securities law considerations related to the Trust Beneficial Interests in the Liquidating Trust are discussed below in this Disclosure Statement.

4. Insurance Captive

VHS, in its capacity as a Post-Effective Date Debtor, and/or the Liquidating Trustee shall take such action as reasonably necessary and advisable to effectuate the sale, disposition or other administration of the issued and outstanding equity interest in and assets of Marillac.[6] The net cash proceeds of such sale, disposition or other administration, if any, to the Liquidating Trust shall be used to pay Holders of Claims, as set forth in the Plan and the Liquidating Trust Agreement or as otherwise agreed pursuant to a Creditor Settlement Agreement.

5. Coordination Between Post-Effective Date Debtors and the Liquidating Trust

Notwithstanding anything herein to the contrary, in furtherance of the purposes of the Liquidating Trust, at the request of the Liquidating Trustee, the Post-Effective Date Debtors (including, without limitation, the Responsible Officer and the Post-Effective Date Debtors' employees, agents and/or professionals) shall be authorized to provide assistance and services to, or otherwise act on behalf of, the Liquidating Trustee in the performance of the Liquidating Trustee's duties under the Plan and the Liquidating Trust Agreement. Without limitation on the foregoing, the Post-Effective Date Debtors shall be authorized to assist in the reconciliation and administration of claims, and assist in the liquidation and/or collection of Liquidating Trust Assets (including, without limitation, litigation claims). The Liquidating Trustee shall oversee all such services provided on behalf of the Liquidating Trustee.

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

[6] The Plan will modify this provision in the event VHS sells or otherwise disposes of the issued and outstanding shares in Marillac prior to the Effective Date.

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

6. Dissolution of Certain Non-Debtor Entities on the Effective Date

The following non-debtor entities shall be deemed dissolved under applicable state law as of the Effective Date pursuant to Section 5.2 of the Plan:

- De Paul Ventures - San Jose ASC, LLC
- Sports Medicine Management, Inc.
- St. Vincent de Paul Ethics Corporation
- V Holdings MOB, LLC
- Robert F. Kennedy Medical Center
- Robert F. Kennedy Medical Center Foundation

These entities have no material assets or operations.

7. Termination of Responsibilities of the Patient Care Ombudsman

On the SGM Sale closing date, the duties and responsibilities of the Patient Care Ombudsman shall be terminated and the Patient Care Ombudsman shall be discharged from his duties as Patient Care Ombudsman and shall not be required to file any further reports or perform any additional duties as Patient Care Ombudsman. No person or entity may seek discovery in any form, including, but not limited to, by motion, subpoena, notice of deposition or request or demand for production of documents, from the Patient Care Ombudsman or his agents, professionals, employees, other representatives, designees or assigns (collectively, with the Patient Care Ombudsman, the "Ombudsman Parties") with respect to any matters arising from or relating in any way to the performance of the duties of the Patient Care Ombudsman in these Chapter 11 Cases, including, but not limited to, pleadings, reports or other writings filed by the Patient Care Ombudsman in connection with these Chapter 11 Cases. Nothing herein shall in any way limit or otherwise affect the obligations of the Patient Care Ombudsman under confidentiality agreements, if any, between the Patient Care Ombudsman and any other person or entity or shall in any way limit or otherwise affect the Patient Care Ombudsman's obligation, under §§ 332(c) and 333(c)(1) or other applicable law or Bankruptcy Court Orders, to maintain patient information, including patient records, as confidential, and no such information shall be released by the Patient Care Ombudsman without further order of the Bankruptcy Court.

8. Retention and Payment of Professionals Post-Effective Date

The Post-Effective Date Debtors, the Post-Effective Date Committee and the Liquidating Trust

may retain and pay professionals in connection with their respective roles. Such retentions and payments shall not be subject to Bankruptcy Court approval or fee applications.

9. Creditor Settlement Agreements

Prior to or in connection with the Confirmation Hearing, there are expected to be settlements with creditors and other parties. Such settlements will be filed either as part of a Plan Supplement or a separate pleading, which may be filed for expedited hearing at or before the Confirmation Hearing.

VII.

DISTRIBUTIONS

A. Funding for the Distributions to Creditors

The funding for distributions shall primarily be from the net proceeds from the SCC Sale already received and the anticipated net proceeds from the closing of the SGM Sale, as well as receipt of certain receivables and fees after the Effective Date and the net proceeds of Causes of Action including Avoidance Actions to be pursued by the Liquidating Trust.

B. Distribution Mechanisms

The Liquidating Trust shall be charged with making distributions under the Plan with respect to all Allowed Claims as set forth in Section 8 of the Plan. Unless otherwise provided in the Plan, all distributions on account of Allowed Claims, other than the General Unsecured Claims, shall be made as soon as practicable on or after the Effective Date. Distributions on account of Allowed Claims in Classes 8, 9 and 10 shall be made exclusively on the basis of Trust Beneficial Interests at least annually, provided, however, that distributions need not be made to the extent there is no Cash in one or more reserve accounts to distribute or if the Liquidating Trustee determines that it is reasonably necessary to retain Cash in one or more reserve accounts to maintain the value of the Liquidating Trust Assets or to meet any claims or contingent liabilities against the Liquidating Trust, taking into account the available Cash in the Unsecured Claims Fund and the costs and expenses of each such distribution. Distributions are subject to withholding and setoff.

C. Unsecured Claims Fund

Sections 7.8 and 7.9 of the Plan provides for the establishment of one or more accounts or

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

reserves of Cash established by the Liquidating Trustee for payment of all Allowed Unsecured Claims on or after the Effective Date. As Disputed Unsecured Claims are resolved and become Allowed, Cash in the Disputed Unsecured Claim Reserve shall be transferred into the unreserved portion of the Unsecured Claims Fund and made available for distribution to the Holders of such newly Allowed Unsecured Claims in an amount of their Pro Rata Share in accordance with the Plan.

D. Claims Administration

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided herein, the Liquidating Trustee, in consultation with the Post-Effective Date Committee, shall have the exclusive right to file, prosecute, resolve and otherwise deal with objections to Claims. The Liquidating Trustee shall serve a copy of each Claim objection upon the holder of the Claim to which the objection is made. Objections with respect to all Claims shall be made as soon as reasonably practical but in no event later than the Claims Objection Deadline. If the Liquidating Trustee wishes to extend the Claims Objection Deadline, it may do so pursuant to a motion on notice to the Post-Effective Date Committee, which may be approved without a hearing. The Claims Objection Deadline means the First Business Day that is later of (a) two hundred ten (210) days after the Effective Date, or (b) such other later date as the Bankruptcy Court may establish upon a motion by the Liquidation Trustee in accordance with the Plan.

Section 10 of the Plan sets forth the mechanisms for treatment of Claims which are subject to dispute pending their Allowance or Disallowance. The following Claims shall be automatically Disallowed and expunged, without the need for filing any objections thereto, and shall not be entitled to any distributions under the Plan: (a) Claims for which no Proof of Claim was filed by the applicable Bar Date even though such Claims were listed on the Schedules as disputed, contingent, or unliquidated; and (b) Claims covered by § 502(d) to the extent that the holder of such Claim has not been paid the amount or turned over the property for which such holder is liable under §§ 522(i), 542, 543, 550, or 553, in accordance with § 502(d).

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

E. Preservation of Insurance

Nothing in the Plan shall diminish, impair or otherwise affect distributions from the proceeds or the enforceability of any insurance policies that may cover (a) Claims by any Debtor, or (b) Claims against any Debtor or covered Persons thereunder.

F. Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Agreements to which any Debtor is a party shall be deemed rejected as of the Effective Date, except for those Executory Agreements that (a) have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court (including pursuant to any Sale Order), (b) are the subject of a separate motion to assume, assume and assign, or reject filed under § 365 on or before the Effective Date, (c) are specifically designated as a contract or lease to be assumed on the Schedule of Assumed Contracts and no timely objection to the proposed assumption has been filed, provided, however, that the Debtors reserve the right to amend the Plan Supplement at any time on or before thirty (30) days after the Effective Date to modify the Schedule of Assumed Contracts to include or delete any Executory Agreements. If the party to an Executory Agreement listed to be assumed in the Schedule of Assumed Contracts wishes to object to the proposed assumption (including with respect to the cure amounts), it shall do so within thirty (30) days from the service of the Schedule of Assumed Contracts. Claims arising out of the rejection of an Executory Agreement pursuant to the Plan must be filed with the Bankruptcy Court (or as otherwise provided for in the Debtors' notice of rejection) no later than thirty (30) days after the Effective Date. Any Claims not filed within such time period will be forever barred from assertion against the Debtors and/or their property and/or their Estates.

G. Causes of Action Including Avoidance Actions

Nothing contained in the Plan shall be deemed a waiver or relinquishment of any claims or Causes of Action of the Debtors that are not specifically waived or relinquished by the Plan, which shall vest in the Liquidating Trust, subject to any existing valid and perfected security interest or lien in such Causes of Action. The Causes of Action preserved under the Plan include, without limitation, the pending adversary proceedings discussed above and claims, rights or other causes of action:

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

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

(a) against vendors, suppliers of goods or services (including attorneys, accountants, consultants, physicians or other professional service providers), utilities, contract counterparties, and other parties for, including but not limited to: (A) services rendered; (B) over- and under-payments, back charges, duplicate payments, improper holdbacks, deposits, warranties, guarantees, indemnities, setoff or recoupment; (C) failure to fully perform or to condition performance on additional requirements under contracts with any one or more of the Debtors; (D) wrongful or improper termination, suspension of services or supply of goods, or failure to meet other contractual or regulatory obligations; (E) indemnification and/or warranty claims; or (F) turnover causes of action arising under §§ 542 or 543;

(b) against landlords or lessors, including, without limitation, for erroneous charges, overpayments, returns of security deposits, indemnification, or for environmental claims;

(c) arising against current or former tenants or lessees, including, without limitation, for non-payment of rent, damages, and holdover proceedings;

(d) arising from damage to Debtors' property;

(e) relating to claims, rights, or other causes of action the Debtors may have to interplead third parties in actions commenced against any of the Debtors;

(f) for collection of a debt owed to any of the Debtors;

(g) against insurance carriers, reinsurance carriers, underwriters or surety bond issuers relating to coverage, indemnity, contribution, reimbursement or other matters;

(h) relating to pending litigation, including, without limitation, the suits, administrative proceedings, executions, garnishments, and attachments listed in Attachment 4a to each of the Debtors' Statements of Financial Affairs;

(i) arising from claims against health plans;

(j) that constitute Avoidance Actions;

(k) arising under or relating to any and/or all asset purchase agreements and related sale documents (including, without limitation, any leases) entered into during these Chapter 11 Cases, including, but not limited to, enforcement of such agreements by the Debtors' Estates and/or breaches of any and/or all such agreements by the applicable non-Debtor parties (including,

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

without limitation, the purchasers of the Debtors' assets under such agreements and any and all principals and/or guarantors of the obligations under or relating to such agreements); and

(l) relating to the Operating Assets.

The Liquidating Trustee, the Post-Effective Date Committee, the Responsible Officer and the Post-Effective Date Debtors shall have, retain, reserve and be entitled to assert all such claims, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by the Plan may be asserted by the Liquidating Trustee and the Post-Effective Date Committee on their behalf after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. On and after the Effective Date, in accordance with § 1123(b) and the terms of the Plan, the Liquidating Trustee, the Post-Effective Date Committee, the Responsible Officer and the Post-Effective Date Debtors shall retain and have the exclusive right to prosecute, abandon, settle or release any or all Causes of Action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Post-Effective Date Committee shall analyze potential Causes of Action in consultation with the Liquidating Trustee, to determine whether the pursuit of these actions would be beneficial. The Liquidating Trustee shall also confer and cooperate with the Post-Effective Date Committee in the prosecution and defense of all Causes of Action to be brought under the Plan.

As set forth in the Statement of Financial Affairs filed by each Debtor, an aggregate of over $200 million in gross payments were made by all Debtors to third parties within the 90 days before the Petition Date. Those third parties may assert various defenses to any adversary proceedings seeking to recover those payments as preferences or fraudulent transfers. The Debtors have preliminarily requested ASK LLP to conduct an analysis of the likely amount of avoidance recoveries after defenses and litigation costs. The Debtors are analyzing other litigation against third parties, some of which will be pursued prior to the Effective Date.

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

VIII.

EFFECT OF CONFIRMATION

A. Discharge

The Debtors will not receive a discharge under the Plan because the requirements of § 1141 necessary for the Debtors to receive a discharge are not present.

B. Injunctions and Stays

Existing injunctions, stays and orders in the Bankruptcy Case are generally being extended pursuant to Section 13.4 of the Plan. In addition, Section 13.6 of the Plan provides for injunctive relief as follows:

a. *General Injunction*. Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of the Plan; provided, however, that nothing in this injunction shall (i) limit the Holder of an Insured Claim from receiving the treatment set forth in Class 12; or (ii) preclude the Holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, the Responsible Officer, or the Liquidating Trustee under the Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to the Plan, each Holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

b. *Other Injunctions*. The Responsible Officer, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or

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

employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Responsible Officer, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to be arising out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Responsible Officer, the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Responsible Officer, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

C. Releases

Section 13.5 of the Plan contains the following releases and related provisions, which are an integral part of the Plan:

a. *Releases*. As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each Holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in the Plan or the Confirmation Order.

b. *Limitations of Claims Against the Liquidating Trust*. As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

c. *Debtors' Releases*. Pursuant to § 1123(b), and except as otherwise specifically provided in the Plan, for good and valuable consideration,

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

including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharge by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in the Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of the Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity.

WAIVER OF LIMITATIONS ON RELEASES. THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

D. Exculpations

To the maximum extent permitted by applicable law, each Released Party and Bond and Notes Trustee shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's or Bond and Notes Trustee's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party

and Bond and Notes Trustee shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party and Bond and Notes Trustee shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of Section 13.7 of the Plan.

E. Termination of All Employee, Retiree and Workers Compensation Benefits

All ongoing employee benefits, retiree benefits and workers' compensation benefits will be deemed rejected pursuant to § 365 as of the Effective Date.

F. U.S. Trustee Quarterly Fees and Post-Confirmation Status Report

All fees payable under 28 U.S.C. § 1930(a)(6) shall be paid by each Debtor in the amounts and at the times such fees may become due up to and including the Effective Date. The Liquidating Trust shall pay all fees payable by each Debtor under 28 U.S.C. § 1930(a)(6) until the Chapter 11 Cases are closed, dismissed or converted; provided, however, that the Sale-Leaseback Debtors will pay all fees payable under 28 U.S.C. § 1930(a)(6) in their respective Chapter 11 Cases in accordance with the Operating Budget and until the expiration of the Interim Agreements. Upon the Effective Date, the Liquidating Trust and the Post-Effective Date Debtors shall be relieved from the duty to make the reports and summaries required under Bankruptcy Rule 2015(a). Notwithstanding the foregoing, the Liquidating Trust and Post-Effective Date Debtors shall file and serve the status reports required by Local Bankruptcy Rule 3020-1(b) at such times and for such period as may be set forth in the Confirmation Order.

G. Retention of Jurisdiction

Unless otherwise provided in the Plan or the Confirmation Order, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, or related to the Chapter 11 Cases. Without limiting the foregoing, the Bankruptcy Court shall retain jurisdiction to:

(a) allow, disallow determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of

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

Claims, and the resolution of any claim objections brought by the Debtors or by the Liquidating Trustee on behalf of the Liquidating Trust;

(b) resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Agreement to which a Debtor(s) is a party and to hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption or rejection;

(c) determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Effective Date, including, without limitation, any and all Causes of Action preserved under the Plan commenced prior to, on, or after the Effective Date;

(d) ensure that distributions to holders of Allowed Claims are accomplished in accordance with the Plan;

(e) hear and determine matters relating to claims with respect to the Debtors' director and officer insurance;

(f) enter, implement or enforce such orders as may be appropriate in the event that the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(g) issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court, including, without limitation, any actions relating to the Nonprofit Status of the Post-Effective Date Debtors;

(h) resolve a dispute with respect to and/or otherwise appoint a replacement of the Responsible Officer or the Liquidating Trustee, or replacement members of the Post-Effective Date Committee;

(i) hear and determine any application to modify the Plan in accordance with § 1127, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, any contract, instrument, release, or other agreement or document created in connection therewith, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(j) hear and determine all applications under §§ 330, 331, and 503(b) for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(k) hear and determine disputes arising in connection with the interpretation, implementation, obligation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated in the Plan, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(l) take any action and issue such orders as may be necessary to construe, enforce, implement, execute and consummate the Plan, including all contracts, instruments, releases, and

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

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

other agreements or documents created in connection therewith, or to maintain the integrity of the Plan following consummation;

(m) determine such other matters and for such other purposes as may be provided in the Plan and/or the Confirmation Order;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146, including without limitation, (i) any requests for expedited determinations under § 505(b) filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the date of final distribution under the Plan, and (ii) any other matters relating to the Nonprofit Status of the Post-Effective Date Debtors;

(o) hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and Title 28 of the United States Code;

(p) authorize recovery of all assets of any of the Debtors and property of the applicable Debtor's Estate, wherever located;

(q) consider any and all claims against each Released Party involving or relating to the administration of the Chapter 11 Cases, any rulings, orders, or decisions in the Chapter 11 Cases or any aspects of the Debtors' Chapter 11 Cases and the events leading up to the commencement of the Chapter 11 Cases, including the decision to commence the Chapter 11 Cases, the development and implementation of the Plan, the decisions and actions taken prior to or during the Chapter 11 Cases and any asserted claims based upon or related to prepetition obligations of the Debtors for the purpose of determining whether such claims belong to the Estates or third parties. In the event it is determined that any such claims belong to third parties, then, subject to any applicable subject matter jurisdiction limitations, the Bankruptcy Court shall have exclusive jurisdiction with respect to any such litigation, subject to any determination by the Bankruptcy Court to abstain and consider whether such litigation should more appropriately proceed in another forum;

(r) hear and resolve any disputes regarding the reserves required hereunder, including without limitation, disputes regarding the amounts of such reserves or the amount, allocation and timing of any releases of such reserved funds; and

(s) enter final decrees closing the Chapter 11 Cases.

IX.

TAX CONSEQUENCES OF THE PLAN

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the

Plan may present to these estates. The Debtors CANNOT and DO NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all of the tax implications of any action.

X.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Generally

The following discussion summarizes certain federal[7] income tax consequences of the implementation of the Plan to the Debtors and to U.S. Holders (as defined below) of Claims. The following summary does not address the federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in Cash under the Plan, or to holders of Claims or Interests who are deemed to reject the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), existing and proposed Treasury regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. Changes or new interpretations of these rules may have retroactive effect and could significantly affect the federal income tax consequences described below. In December 2017, the federal government enacted broad tax legislation that included significant changes to the taxation of business entities (including entities exempt from taxation under section 501(c)(3) of the IRC) affecting, among other things, the treatment of net operating losses and limitations on the deductibility of "business interest." Some aspects of this new law are not clear, and, as a result, we cannot assure you that such change in law does not impact the tax considerations that we describe in this summary.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested an opinion of counsel with respect to any of the tax aspects of the Plan. In addition, the Debtors have not requested a ruling from the IRS concerning

[7] All references to "federal" taxes refer to tax obligations imposed by the United States of America.

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

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

the federal income tax consequences of the Plan, and the consummation of the Plan is not conditioned upon the issuance of any such ruling. Thus, no assurance can be given as to the interpretation that the IRS or a court of law will adopt.

This summary does not address state, local or non-United States income or other tax consequences of the Plan, nor does it address the federal income tax consequences of any transaction that may be entered into prior to, concurrently with or subsequent to the Plan (regardless of whether any such transaction is undertaken in connection with the Plan). In addition, this summary does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as former citizens or long-term residents of the United States pursuant to sections 877 or 877A of the IRC, governmental entities, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, real estate investment trusts, tax-exempt entities other than the Debtors, as applicable, persons whose functional currency is not the U.S. dollar or persons holding a Claim as part of a hedging, straddle, conversion or constructive sale transaction or other integrated investments, persons subject to section 451(b) of the IRC, traders in securities that elect to use a mark-to-market method of accounting for their security holding, pass-through entities (or arrangements classified as pass-through entities) or investors in pass-through entities). **Accordingly, the following summary is for informational purposes only and is not a substitute for careful tax planning and professional advice based upon the particular circumstances pertaining to a holder of a Claim or Interest.**

As used in this section, the term "U.S. Holder" means a beneficial owner of a Claim (as determined for federal income tax purposes) that is: (a) a citizen or an individual resident of the United States; (b) a corporation (or an entity taxable as a corporation for federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision of the United States; (c) an estate the income of which is subject to federal income taxation regardless of its source; or (d) a trust which (i) is subject to the primary supervision of a court within the United States and the control of a United States fiduciary as described in section 7701(a)(30)(E)

of the IRC or (ii) has properly elected under applicable Treasury Regulations to be treated as a United States person.

B. Certain Tax Consequences to the Debtors

1. Generally

Each Debtor is a nonprofit corporation that is exempt from federal income taxation under section 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect, or be interpreted inconsistently with, the tax-exempt status of Post-Effective Date Debtors, and the Plan provides that each Post-Effective Date Debtors will retain its tax-exempt status to the same extent such status existed immediately prior to the Petition Date. Accordingly, the Debtors do not expect the implementation of the Plan to have any adverse federal income tax consequences to the tax-exempt status of Post-Effective Date Debtors. If the tax-exempt status of a Post-Effective Date Debtors were to terminate, the Post-Effective Date Debtors would be subject to tax on its income, which would reduce the amount of distributions payable to the Liquidating Trust. This summary assumes that that the Debtors are and will continue to be exempt from federal income tax under section 501 of the IRC.

Organizations that are otherwise exempt from federal income tax under section 501 of the IRC are nevertheless subject to tax on their "unrelated business taxable income" ("UBTI"). UBTI is generally defined as gross income from any unrelated trade or business regularly carried on by a tax-exempt entity less any deductions attributable thereto. An unrelated trade or business consists of any trade or business the conduct of which is not substantially related to the organization's exempt purpose or function.

UBTI includes unrelated debt-financed income ("UDFI"). UDFI includes income derived from debt-financed property during the taxable year and may include income derived from a sale or other disposition of debt-financed property if there was acquisition indebtedness outstanding with respect to such property during the 12-month period ending with the date of sale or other disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to purchase such property. Thus, to the extent that a tax-exempt directly or indirectly (including through an investment in a partnership or other entity (or arrangement) which is treated as a pass-

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

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

through entity for federal income tax purposes) has income from a trade or business, or earns income in respect of certain leveraged investments, a tax-exempt partner's allocable share of such income generally will be treated as UBTI.

If the Debtors retain their tax-exempt status and any of their assets are regarded as UDFI (which generally would not include property substantially all the use of which is substantially related to the exercise or performance by Post-Effective Date Debtors of the purpose or function constituting the basis for its tax-exempt status), Post-Effective Date Debtors may be subject to tax on a percentage of the income (including gain) derived from such assets.

2. Gain or Loss on Sale or Exchange

Under the IRC, a taxpayer must recognize and include in gross income gain on the sale or exchange of assets equal to the excess of the amount realized therefrom over the adjusted basis of the assets. The transfer of assets, in payment and discharge of recourse indebtedness is treated as a sale or exchange of such assets.

Each Debtor is exempt from U.S. federal income taxation under section 501(c)(3) of the IRC. Gain realized and recognized in a transfer of assets in payment and discharge of recourse indebtedness would be exempt from U.S. federal income taxation.

Each Debtor is also subject to tax on UBTI. Gain on the sale of assets other than property includable in inventory or held primarily for sale to customers in the ordinary course of business is excluded from UBTI under the IRC. Gain on the sale of assets includable in inventory or held primarily for sale to customers is included in UBTI, and is subject to tax.

In addition, gain on the sale or exchange of debt-financed property is included in UDFI, and so includable in UBTI, and subject to tax.

3. Cancellation of Debt Income

Under the IRC, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness ("COD") income recognized during the taxable year. COD income generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any other property transferred by the debtor in satisfaction of such discharged indebtedness (including

stock). COD income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged.

The IRC permits a debtor in bankruptcy to exclude its COD income from gross income if the discharge occurs in a bankruptcy case ("Bankruptcy Exception") or to the extent that the debtor is insolvent at the time of the discharge ("Insolvency Exception"), either of which should apply to exclude any COD income from taxation in these Chapter 11 Cases.

The same analysis applies to UBTI and UDFI. Income excluded from gross income under the Bankruptcy Exception or Insolvency Exception for income tax purposes is also excluded from gross income for UBTI and UDFI purposes. Accordingly, either the Bankruptcy Exception or the Insolvency Exception should apply to exclude any UBTI or UDFI from taxation.

C. Certain Tax Consequences to the U.S. Holders of Claims

1. Gain or Loss

In general, each U.S. Holder of a Claim will recognize gain or loss equal to the difference, if any, between (i) the "amount realized" by such holder in satisfaction of its Claim (other than amounts, if any, paid in respect of any Claim for accrued but unpaid interest and other than any amounts treated as imputed interest as further described below), and (ii) such holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). A U.S. Holder's "amount realized" generally will equal the sum of Cash (including, for the avoidance of doubt Cash received, if any, in lieu of credit monitoring services) and fair market value of the undivided interest in the Liquidating Trust Assets received by such holder. Pursuant to an IRS Announcement, the value of the receipt of credit monitoring services at the sole cost of the Debtors shall not be included in the gross income of such recipients. For a discussion of the federal income tax consequences to U.S. Holders of any Claim for accrued but unpaid interest, see below. A U.S. Holder's tax basis in a Claim should generally equal the amount advanced to the applicable Debtor(s) or an amount included in income as a result of provision of goods or services to the applicable Debtor(s), except to the extent that a bad debt loss had been previously taken.

As discussed below (*see* "Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests"), the Liquidating Trust is intended to be treated as a "grantor trust" for federal

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

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

income tax purposes, of which the holders of Allowed Claims, whether Allowed on or after the Effective Date, are the grantors. Accordingly, each holder of an Allowed Claim is intended to be treated and, pursuant to the Plan and the Liquidating Trust Agreement, is required to report for federal income tax purposes, as directly receiving, and as a direct owner of, its respective share of the Liquidating Trust Assets, except as otherwise discussed below (*see* "Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests"). Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets, and all parties must consistently use such valuation for all federal income tax purposes.

It is possible that a U.S. Holder of an Allowed Claim may be treated for tax purposes as receiving additional distributions subsequent to the Effective Date as a result of (i) additional contributions made by Post-Effective Date Debtors to the Liquidating Trust and/or (ii) any subsequently disallowed Disputed Claims or unclaimed distributions. In that event, the U.S. Holder may be treated as having received additional amounts in respect of its Allowed Claim, and the imputed interest provisions of the IRC may apply to treat a portion of such later distributions to a U.S. Holder as imputed interest. In addition, it is possible that any loss realized by a U.S. Holder in satisfaction of an Allowed Claim may be deferred until all subsequent distributions are determinable.

Except as otherwise noted above, after the Effective Date, any amount a U.S. Holder of an Allowed Claim receives as a distribution from the Liquidating Trust in respect of its beneficial interest in the Liquidating Trust should not be included, for federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim since such holder would already be regarded for federal income tax purposes as owning the underlying assets (and would already have realized any associated income). *See* "Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests" *infra*.

Where gain or loss is recognized by a U.S. Holder in respect of its Allowed Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the nature and origin of the Claim, the tax status of the U.S. Holder, whether the Claim constitutes a capital asset in the

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

hands of the U.S. Holder and how long it has been held, and whether and to what extent the U.S. Holder had previously claimed a bad debt deduction in respect of such Claim. A U.S. Holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that such holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

2. Distributions in Discharge of Accrued Interest or OID

Pursuant to the Plan, all distributions in respect of any Claim will be allocated first to the principal amount of such Claim, as determined for U.S. federal income tax purposes, and thereafter, to the remaining portion of such Claim (including the interest portion thereof), if any. Current federal income tax law is unclear on this point, and no assurance can be given that the IRS will not challenge the Debtors' position. Holders of Claims are urged to consult their own tax advisors regarding the particular federal income tax consequences to them of the treatment of accrued but unpaid interest or original issue discount ("OID"), as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

In general, to the extent that any distribution to a U.S. Holder of a Claim is received in satisfaction of interest or OID accrued or amortized during the time such holder held the Claim, such amount will, unless exempt pursuant to special rules under the IRC, be taxable to such holder as interest income (if not previously included in such holder's gross income). Conversely, a U.S. Holder will generally recognize a deductible ordinary loss to the extent of any Claim for accrued interest that previously was included in its gross income and that is not paid in full. However, the treatment of unpaid OID that was previously included in income is less clear. The IRS has privately ruled that a holder of a debt obligation in an otherwise tax-free exchange could not claim a current deduction with respect to any unpaid OID. Accordingly, it is possible that, by analogy, a holder of a Claim in a taxable exchange would be required to recognize a capital loss, rather than an ordinary loss, with respect to any previously included OID that is not paid in full. Holders are urged to

consult their tax advisors regarding the allocation of consideration and the deductibility of accrued but unpaid interest or OID for federal income tax purposes.

3. Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests

Upon the Effective Date, the Liquidating Trust will be established for the benefit of the holders of Allowed Unsecured Claims, whether Allowed on or after the Effective Date.

The Liquidating Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for federal income tax purposes as a "grantor trust" (*i.e.*, a pass-through entity), such that the holders of beneficial interests therein are treated as owning an undivided interest in the assets of the trust. However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684 ("Rev. Proc. 94-45"), set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust will be structured with the intention of complying with such general criteria. Pursuant to the Plan and Liquidating Trust Agreement, and in conformity with Rev. Proc. 94-45, all parties are required to treat, for federal income tax purposes, the Liquidating Trust (except in respect of any Liquidating Trust Assets allocable to Disputed Claims) as a grantor trust of which the beneficiaries of the Liquidating Trust are the owners and grantors. The discussion herein assumes that the Liquidating Trust will be so respected for federal income tax purposes. However, no ruling has been requested from the IRS, and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. Were the IRS to successfully challenge the trust classification (including because Post-Effective Date Debtors have the continuing obligation to make additional contributions to the Liquidating Trust), the federal income tax consequences to the Liquidating Trust and the U.S. Holders of Claims may vary significantly from those discussed herein, including the potential for an entity level tax on any income of the Liquidating Trust. Holders of Allowed Claims are urged to consult with their tax advisors regarding potential alternative characterizations.

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

a. General Tax Reporting by the Liquidating Trustee and Beneficiaries of the Liquidating Trust

For all federal income tax purposes, all parties must treat each transfer of Liquidating Trust Assets to the Liquidating Trust in accordance with the terms of the Plan.

Pursuant to the Plan and Liquidating Trust Agreement, each transfer of Liquidating Trust Assets (other than any assets allocable to Disputed Claims) to the Liquidating Trust is treated, for federal income tax purposes, as (i) a transfer of such assets directly to the holders of Claims that constitute beneficiaries of the Liquidating Trust in partial satisfaction of their Claims (with each beneficiary of the Liquidating Trust receiving an undivided interest in such assets in accordance with their economic interests in such assets), followed by (ii) the transfer by the beneficiaries of the Liquidating Trust to the Liquidating Trust of such assets in exchange for the beneficial interests in the Liquidating Trust. Accordingly, all parties must treat the Liquidating Trust as a grantor trust, of which the beneficiaries of the Liquidating Trust are the owners and grantors, and treat the beneficiaries of the Liquidating Trust as the direct owners of an undivided interest in Liquidating Trust Assets (other than any assets allocable to Disputed Claims), consistent with their economic interests therein, for all federal income tax purposes. The economic interests of U.S. Holders of Unsecured Claims will be determined with respect to their interest in the Unsecured Claims Fund (other than any assets allocable to the reserve for Disputed Unsecured Claims). It is unclear whether a U.S. Holder of an Unsecured Claim will be required to treat cash distributed from the Disputed Claims Reserve to the Unsecured Claims Fund (other than assets allocated to the reserve for Disputed Unsecured Claims) (x) as an additional "amount realized" with respect to its Claim, thereby resulting in additional gain (or reduced loss) on its Claim at such time, or (y) an "amount realized" with respect to its interest in the Liquidating Trust.

Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets. All parties must consistently use such valuation for all federal income tax purposes.

Allocations of the Liquidating Trust's taxable income (other than income attributable to assets in the Disputed Claims Reserve or reserve for Disputed Unsecured Claims) among the

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

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

beneficiaries of the Liquidating Trust shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued at their tax book value and other than assets allocable to Disputed Claims) to the beneficiaries of the Liquidating Trust, in each case up to the tax book value of the assets treated as contributed by such beneficiaries of the Liquidating Trust, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value (or tax basis) of the Liquidating Trust Assets for this purpose shall equal their fair market value on the date such assets are transferred to the Liquidating Trust, adjusted in accordance with tax accounting principles prescribed by the IRC, applicable Treasury regulations, and other applicable administrative and judicial authorities and pronouncements.

Taxable income or loss allocated to a beneficiary of the Liquidating Trust will be treated as income or loss with respect to such beneficiary's undivided interest in the Liquidating Trust Assets, and not as income or loss with respect to its prior Allowed Claim. The character of any income and the character and ability to use any loss will depend on the particular situation of the beneficiary of the Liquidating Trust.

The federal income tax obligations of a beneficiary of the Liquidating Trust are not dependent on the Liquidating Trust distributing any Cash or other proceeds. Therefore, a beneficiary of the Liquidating Trust may incur a federal income tax liability with respect to its allocable share of Liquidating Trust income even if the Liquidating Trust does not make a concurrent distribution to the beneficiary of the Liquidating Trust. In general, other than in respect of Liquidating Trust Assets allocable to Disputed Claims, a beneficiary of the Liquidating Trust should not be separately taxable on a distribution from the Liquidating Trust since the beneficiary of the Liquidating Trust already is regarded for federal income tax purposes as owning the

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

underlying assets (and was taxed at the time the income was earned or received by the Liquidating Trust).

The Liquidating Trustee will file with the IRS returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Liquidating Trustee also shall annually send to each beneficiary of the Liquidating Trust a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all of the beneficiaries of the Liquidating Trust to report such items on their federal income tax returns or to forward the appropriate information to such beneficiary's underlying beneficial holders with instructions to report such items on their U.S. federal income tax returns.

b. Tax Treatment of the Disputed Claims Reserve and Reserve for Disputed Unsecured Claims

The Liquidating Trustee shall (x) treat the Disputed Claims Reserve and the reserve for Disputed Unsecured Claims as "disputed ownership funds" governed by Treasury Regulation section 1.468B-9 by timely making an election, and (y) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

The Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the Liquidating Trust Assets allocable thereto. A disputed ownership fund is taxed in a manner similar to either a corporation or a "qualified settlement fund," within the meaning of applicable Treasury Regulations, depending on the nature of the assets transferred to it. It is expected that the Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be taxed as qualified settlement funds (taxable at the maximum rate applicable to trusts and estates, currently 37%) because all of the assets transferred to them should be treated as passive assets. All distributions from either the Disputed Claims Reserve or the reserve for Disputed Unsecured Claims to U.S. Holders of Allowed Claims (which distributions will be net of the related expenses of the reserve) will be treated as received by such holders in respect of their Claims as if distributed by the Debtors. All parties will be required to report for tax purposes consistently with the foregoing.

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

Holders of Allowed Claims should consult their tax advisors with respect to the U.S. federal income tax consequences of becoming a beneficiary of the Liquidating Trust.

D. Information Reporting and Withholding

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding obligations (including employment tax withholding, if any). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then-applicable rate (currently 24%). Backup withholding generally applies if the holder: (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is such holder's correct number and that such holder is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, applicable Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among others, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations and require disclosure on the holders' federal income tax returns.

E. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY

VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND NON-UNITED STATES INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XI.

SECURITIES LAW DISCUSSION RELATED TO TRUST BENEFICIAL INTERESTS

The Trust Beneficial Interests are not expected to be deemed "securities" within the meaning of the federal securities laws, including the Securities Act of 1933 (the "1933 Act"), and the distribution of the Trust Beneficial Interests will not be registered under the 1933 Act. The Liquidating Trust will not be registered or reporting under either the Securities Exchange Act of 1934 (the "1934 Act") or under the Investment Company Act of 1940 (the "1940 Act"). The Liquidating Trust Agreement provides that the Trust Beneficial Interests may not be assigned or otherwise transferred by any holder other than: (i) to any relative, spouse or relative of the spouse of such holder; (ii) by will or pursuant to the laws of descent and distribution; and (iii) upon the dissolution of such holder in accordance with the operation of law; provided, that any such transfer will not be effective until and unless the Liquidating Trustee receives written notice of such transfer. No beneficiary may subdivide beneficial interests in the Liquidating Trust except as set forth in the prior sentence.

There is not expected to be any trading market created in Trust Beneficial Interests, and the Trust Beneficial Interests will have extremely limited or no liquidity. Pursuing Causes of Action in the Liquidating Trust and liquidating assets placed in the Liquidating Trust may take several years, and distributions, if any, from the Liquidating Trust will be over time.

The Trust Beneficial Interests are not expected to be deemed "securities" within the meaning of the federal securities laws, however, if they were to be deemed securities, we believe that the distribution of the Trust Beneficial Interests to holders will be exempt from registration under § 1145. Similarly, in the unlikely event that the Trust Beneficial Interests are deemed "securities", we believe that the Trust Beneficial Interests will not be required to be registered under Section 12(g) of the 1934 Act because we expect that there will be no more than 2,000 total holders

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

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

of such interest and no more than 500 of such holders who do not qualify as "accredited investors" within the meaning of the 1933 Act. In addition, as noted above, there is effectively no secondary market or any trading market for the interest, and they will not be listed on any stock exchange or tradable on any other trading system or platform. We understand that the assets themselves of the trust are also not likely to be deemed "securities" within the meaning of the federal securities laws. However, in the unlikely event that any assets of the trusts would be securities, we believe that no more than 40% of the assets would be deemed securities, and, if so, the trust would not be deemed an "investment company" under Section 3(a)(1)(C) of the 1940 Act. In the extremely unlikely event that 40% or more of the trust's assets would be deemed securities, we believe that the trust would not be required to register as an "investment company" in reliance on Section 7(b) of the 1940 Act in as much as the trusts' activities are and will be incidental to its dissolution.

The holders of the Trust Beneficial Interest under the Plan are expected to be the PBGC, RPHE and General Unsecured Creditors with Claims which ultimately are allowed above the threshold for Convenience Class treatment.

XII.

CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A CHAPTER 11 PLAN IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The Debtors CANNOT and DO NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a plan. Some of the requirements include that the plan must be proposed in good faith, acceptance of the plan, whether the plan pays creditors at least as much as creditors would receive in a chapter 7 liquidation, and whether the plan is feasible. These requirements are not the only requirements for confirmation.

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

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan, but, as explained below, not everyone is entitled to vote to accept or reject the Plan.

B. Who May Vote to Accept or Reject the Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim or interest which is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

C. What Is an Allowed Claim or Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest files an objection to the claim or interest. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THESE CASES ON ACCOUNT OF PREPETITION CLAIMS WAS APRIL 1, 2019. A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtors' schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

D. What Is an Impaired Claim or Interest

As noted above, an allowed claim or interest has the right to vote only if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, *equitable*, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of what they are owed.

The Debtors believe that members of classes 2 through 13 are impaired and are entitled to vote to accept or reject the Plan. Parties who dispute the Debtors' characterization of their claim

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

or interest as being impaired or unimpaired may file an objection to the Plan contending that the Debtors have incorrectly characterized the class.

E. Who Is Not Entitled to Vote

The following four types of claims are not entitled to vote: (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan (Classes 14 and 15). Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

F. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim is entitled to accept or reject the Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

G. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting classes, as discussed below.

H. Votes Necessary for a Class to Accept the Plan

A class of claims is considered to have accepted the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which actually voted on the plan, voted in favor of the plan. A class of interests is considered to have "accepted" a plan when at least two-thirds (2/3) in amount of the interest-holders of such class which actually voted on the plan, voted to accept the plan.

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

I. Treatment of Non-Accepting Classes

As noted above, even if all impaired classes do not accept the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by the Bankruptcy Code. The process by which non-accepting classes are forced to be bound by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Code allows the Plan to be "crammed down" on non-accepting classes of claims or interests if it meets all consensual requirements except the voting requirements of § 1129(a)(8) and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the Plan as referred to in § 1129(b) and applicable case law.

J. Request for Confirmation Despite Non-Acceptance by Impaired Class(es)

The Debtors will ask the Bankruptcy Court to confirm the Plan by cramdown on any and all impaired classes that do not vote to accept the Plan. However, it must be noted that the Debtors are, in large part, nonprofits, and, therefore, the applicability of the "absolute priority rule" is unclear. Some courts seemingly have concluded that the structural limitations of nonprofits render the absolute priority rule categorically inapplicable without the need for a fact-specific analysis of the ownership structure at issue. *See, e.g.*, *In re Henry Mayo Newhall Mem'l Hosp.*, 282 B.R. 444, 453 (B.A.P. 9th Cir. 2002) ("[T]he Hospital's nonprofit status puts creditors in an unusually disadvantaged negotiating position because they are not able to assert the Bankruptcy Code's absolute priority rule to block unacceptable plans . . . ."); *In re Independence Vill., Inc.*, 52 B.R. 715, 726 (Bankr. E.D. Mich. 1985) ("[The debtor] is a non-profit corporation. It has no shareholders, hence there are no interests inferior to the unsecured creditors. Thus there should be little difficulty with the absolute priority rule . . . .") (citations omitted).

K. Liquidation Analysis

Another confirmation requirement is the "Best Interest Test", which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder

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

would receive or retain if the Debtors were forced to liquidate under chapter 7 of the Bankruptcy Code.

First, it is not at all clear that this test applies in the bankruptcy of a nonprofit company. The best interest test protects creditors by setting a baseline of distributions that a proposed plan must provide to them. Unlike in the bankruptcy of a for-profit entity, the Bankruptcy Code and state law may preclude or restrict the forced sale of a nonprofit's assets. 11 U.S.C. §§ 1112(c), 303. For example, under § 1112(c), a nonprofit's creditors cannot force a nonprofit to convert its chapter 11 case to a chapter 7, nor under § 303 can they file an involuntary petition against a nonprofit. Similarly, state statute impose stringent requirements on the transfer or sale of a nonprofit debtor's assets, *see, e.g.*, CAL. CORP. CODE §§ 5913, 7913, 9633 5, and the involuntary dissolution of a nonprofit, *see, e.g.*, CAL. CORP. CODE §§ 6510-6519, 8510-8519, 9680. Accordingly, it is not at all clear that the best-interest test applies because of the above described prohibitions on forcing a nonprofit to liquidate its assets.

However, assuming that the best interests test applies to nonprofits, in a chapter 7 case, the debtor's assets are usually sold by a chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm the Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a chapter 7 liquidation of the Debtors. The Debtors maintain that this requirement is clearly met. Simply put, in the event of a conversion of the Chapter 11 Cases to chapter 7, one or more chapter 7 trustees who are completely unfamiliar with the vast complexities of these cases would be placed in charge, and would presumably hire new professionals who are equally unfamiliar with the vast complexities of these cases. The result of all of that would be in the incurrence of an extraordinary amount of additional professional fees incurred by professionals

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

who would need to familiarize themselves with these cases, all of which is avoided by the current professionals, who are skilled and already intimately familiar with these cases, continuing with their current roles. Presumably the treatment of creditors in the context of chapter 7 liquidations would be the same as they are under the Plan. Through the significant cost savings of the confirmed Plan as compared to conversion to chapter 7, holders of allowed claims will receive more under the Plan than they would receive in converted chapter 7 bankruptcies (and certainly at least as much under the Plan).

The advantages of finishing a liquidation in chapter 11 are not just "common knowledge" among professionals. Experts have also concluded that conversion to chapter 7 offers few advantages over liquidation in chapter 11: cases where the case converted from chapter 11 to chapter 7 take significantly longer to resolve than a "pure" chapter 11 liquidation, requires similar, if not greater, fees, and in the end provides creditors with statistically lower recovery rates—often zero—than a comparable Chapter 11 procedure. *See* Arturo Bris, Ivo Welch and Ning Zhu, *The Costs of Bankruptcy: Chapter 7 Liquidation versus Chapter 11 Reorganization*, 61(3) THE JOURNAL OF FINANCE 1253-1303 (Feb. 2006). As discussed in more detail in the Liquidation Analysis attached as Exhibit A hereto, the Debtors have satisfied the "best interest of creditors test" with respect to members of class who do not vote to accept the Plan. The Debtors submit that the Plan provides fair and equitable treatment of all classes of creditors and the greatest feasible recovery to all creditors.

L. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Post-Effective Date Debtors.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtors will have enough cash on hand on the Effective Date to pay all the claims and expenses which are entitled to be paid on such date. Since the Debtors already have enough cash on hand to pay all the claims and expenses which are entitled to be paid on the Effective Date, this first aspect of Plan feasibility has clearly been satisfied. The second aspect considers whether the

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

Post-Effective Date Debtors will have enough cash over the life of the Plan to make the required Plan payments. Since the Plan is a liquidating Plan, where all Estate funds will be distributed to holders of allowed claims, this second aspect of Plan feasibility has, by definition, been satisfied.

XIII.

RISK FACTORS REGARDING THE PLAN

Since the Plan is a liquidating Plan, the funds of the Debtors' Estates will be distributed to holders of allowed claims, there is no traditional "risk" to the ability of the Debtors to perform under the Plan. However, given the large number of uncertainties at this time, including (i) the closing of the SGM Sale, (ii) the manner in which disputed Class 10 Claims will be resolved, and (iii) the amount of net proceeds on Causes of Action which the Liquidating Trust will ultimately recover, it is not possible for the Debtors to provide any reliable estimate at this time as to the expected ultimate recovery of for Unsecured Claims.

The Plan is conditioned on the SGM Sale closing in Section 12.2 of the Plan, and the Plan will not be feasible if the SGM Sale does not close because the sale proceeds are needed to fund the Plan. Of particular note, the SGM Sale has not yet been approved by the Attorney General who is currently reviewing the SGM Sale. If the Attorney General approves the SGM Sale with conditions substantially similar to those set forth in Schedule 8.6, the Debtors anticipate the SGM sale will close. If the conditions are not substantially similar to Schedule 8.6 and SGM will not close based on those conditions, the Debtors will file a motion requesting the Court enforce the order and the original conditions under § 363 If the SGM Sale does not close, it would have other ramifications in these Cases. Among others, the Plan would need to be modified. Additionally, while the Debtors cannot predict every scenario, it is likely the Debtors may need to close SVMC and Seton due to their ongoing operating losses, which may result in them being sold as real estate for redevelopment rather than a health care. For SFMC, it is more likely that it would be sold to SGM, pursuant to an asset purchase agreement, or to an alternative buyer. There can be no assurance that the Debtors can obtain extended access to cash collateral to provide the additional liquidity or that an alternative source of financing would be available to fund operations at SFMC until an alternative deal could be negotiated and closed. Any such financing may be on different

and more expensive and onerous terms. Any alternative sale transaction may also be subject to approval by the Attorney General who may raise similar concerns about approving any alternative transaction or buyer. Were any of the Hospitals to be closed instead of sold as a going concern, the sales proceeds in a liquidation of the Hospitals would be many millions of dollars less than under the SGM Sale, collection of receivables and fees may be reduced and delayed and there would also be substantial additional claims, including, without limitation, additional rejection damage claims, employee severance claims and other claims which are no longer being assumed or paid by SGM as buyer. Employees would also lose their jobs and the community and patients would lose access to a conveniently located safety net health care provider.

XIV.

DEEMED SUBSTANTIVE CONSOLIDATION

The Plan provides for the "deemed" substantive consolidation of the Debtors. This Disclosure Statements sets forth (i) the legal requirements to establish deemed substantive consolidation, and (ii) the factual bases supporting the Debtors' request for deemed substantive consolidation. As set forth in the Plan, this Disclosure Statement and the Plan shall be deemed a motion requesting that the Bankruptcy Court approve the deemed substantive consolidation contemplated by the Plan at the Confirmation Hearing, unless otherwise separately scheduled. Objections to the proposed deemed substantive consolidation must be made in writing on or before the deadline to object to confirmation of the Plan, or such other date as may be fixed by the Bankruptcy Court. The Bankruptcy Court will schedule a hearing with respect to timely filed objections, which the Bankruptcy Court may schedule contemporaneously with the Confirmation Hearing. The Debtors reserve all rights with respect to such objections, including, but not limited to, the right to further supplement the facts and legal analysis in support of deemed substantive consolidation as set forth in this Disclosure Statement or the Plan.

If the Bankruptcy Court determines that deemed substantive consolidation of any given Debtor is not appropriate, then the Debtors may request that the Bankruptcy Court otherwise confirm the Plan and approve the treatment of, and distributions to, the different Classes under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Debtors reserve their rights (i) to

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

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

seek confirmation of the Plan without implementing deemed substantive consolidation of any given Debtor, and, in the Debtors' reasonable discretion, to request that the Bankruptcy Court approve the treatment of and distributions to any given Class under the Plan on an adjusted, Debtor-by-Debtor basis; and (ii) to seek to substantively consolidate all Debtors into VHS if all Impaired Classes entitled to vote on the Plan vote to accept the Plan.

As will be set forth in more detail in the Debtors' brief in support of confirmation of the Plan, the Debtors believe deemed substantive consolidation is appropriate here.

A. The Effect of Deemed Substantive Consolidation

Substantive consolidation refers to the consolidation of the assets and liabilities of different legal entities "so that the assets and liabilities are dealt with as if the assets were held by, and the liabilities were owed by, a single legal entity." 1 COLLIER ON BANKRUPTCY MANUAL, ¶ 105.09[1][a] (2019). "The primary purpose of substantive consolidation 'is to ensure the equitable treatment of all creditors.'" *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000) (quoting *In re Augie/Restivo Baking Co., Ltd.*, 860 F.2d 515, 518 (2d Cir. 1988)); *see also Bonham*, 229 F.3d at 765 ("fairness to creditors" is the "sole aim" of substantive consolidation) (citations omitted). However, "[t]he requirement to 'benefit all creditors' does not mean each and every creditor but rather the creditor body as a whole." *In re Owners Management Services LLC Trustee Corps.*, 530 B.R. 711, 739 (Bankr. C.D. Cal. 2015).

Upon entry of a substantive consolidation order, the "consolidated assets create a single fund from which all claims against the consolidated debtors are satisfied; duplicate and inter-company claims are extinguished; and, the creditors of the consolidated entities are combined for purposes of voting on reorganization plans." *Bonham*, 229 F.3d at 764 (citing *Augie/Restivo Baking Co., Ltd.*, 860 F.3d at 518).

"Deemed consolidation" is a court-developed alternative to substantive consolidation. The primary distinction between the two is that, unlike substantive consolidation, the deemed consolidation alternative will "not result in the merger of or the transfer or commingling of any assets of the Debtors . . . [which] will continue to be owned by the respective Debtors." *In re Owens Corning*, 419 F.3d 195, 202 (3d Cir. 2005) (quotations omitted). Simply put, substantive

consolidation actually combines debtors' assets and liabilities in a singular entity whereas deemed consolidation merely treats the assets and liabilities as if they were pooled without actually merging the debtor entities.

Here, as set forth below, deemed consolidation for creditor distribution purposes is appropriate to avoid the impact consolidation of the legal entities may have on matters such as licensing and the proposed sale-leaseback of certain Hospital assets post-confirmation, as set forth in the SGM APA.

B. The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for Deemed Substantive Consolidation

Courts developed the deemed consolidation analysis, which is not otherwise set forth in the Bankruptcy Code. *See Bonham*, 229 F.3d at 764 ("Although substantive consolidation was not codified . . . courts, as well as the bankruptcy rules, recognize its validity and have ordered substantive consolidation subsequent to the enactment of the Bankruptcy Code."). In the Ninth Circuit, courts conduct the deemed substantive consolidation analysis on a "case-by-case" basis following "a searching review of the record." *Bonham*, 229 F.3d at 765 (citation omitted). The Ninth Circuit's case-by-case substantive consolidation analysis focuses on two, independent factors. First, whether creditors dealt with the entities as a single economic unit, and did not rely on their separate identity in extending credit. *See id*. at 766. Second, whether the affairs of the debtor are so entangled that consolidation will benefit all creditors. *See id.* Additionally, bankruptcy courts have identified a third, un-enumerated factor that goes to the heart of the substantive consolidation analysis—whether the equities of the case demonstrate that substantive consolidation is reasonable under the circumstances. *See, e.g.*, *In re Bashas' Inc.*, 437 B.R. 874 (Bankr. D. Ariz. 2010).

The deemed substantive consolidation test is disjunctive, thus, the Debtors need only demonstrate one of these factors. *See Bonham*, 229 F.3d at 766 ("The presence of ***either*** factor is a sufficient basis to order substantive consolidation.") (emphasis added). As set forth below, the facts of these Chapter 11 Cases meet each of these factors, and demonstrate that the Debtors are entitled to the deemed substantive contemplated by the Plan.

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

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

1. Creditors Dealt with the Debtors as a Single, Economic Unit.

a. The Conditions Addressed the Debtors as a Single Economic Unit.

The Conditions imposed by the Attorney General applied structural and operational limitations on the Debtors collectively as the Verity Health System. The Conditions were developed and imposed on the Verity Health System collectively in such a manner that required the Debtors to integrate financially. The Conditions required the Hospitals to remain general acute care hospitals, and specified the number of beds that each Hospital had to maintain for particular services. As discussed above, compliance with these stringent limitations caused extreme financial hardship for the Hospitals individually. As a result, the profitable Hospitals were required to subsidize the cash losses of the other Hospitals within the Verity Health System. Compliance with the Conditions was only possible due to the Hospitals integration in the Verity Health System.

As significant, the Conditions approved governance changes that centralized management and provided that the Debtors operate as one integrated health system—the Verity Health System. In a letter regarding the Proposed Change in Governance and Control of Daughters of Charity Health System, dated December 3, 2015, the Attorney General conditionally consented to a proposed change in governance and control of "the Daughters of Charity Health System" rather than any one Hospital. The October 2015 report prepared by MDS Consulting in connection with the BlueMountain Transaction likewise addressed VHS and its affiliates as one entity, Verity Health System. After the Conditions were imposed, the bylaws of VHS and each of the subsidiary boards vested ultimate authority over major decisions to the VHS board. Indeed, following the BlueMountain Transaction, the VHS board made major decisions that impacted the Hospitals and all of the affiliated entities. Many other decisions were made at the health system-level.

b. The Debtors Obtained Secured Financing as a Single Economic Unit.

The Debtors' secured lenders dealt with the Debtors as a single economic unit. Thus, this factor is satisfied even if the Debtors never claimed to be a singular entity. *See, e.g., In re Abeinsa Hldg., Inc.*, 562 B.R. 265, 280-81 (Bankr. D. Del. 2016) (finding creditor expectations were satisfied by partial substantive consolidation where, among other things, "[t]he lenders under these credit agreements received combined financial reports from the Debtors as to all obligors that were

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

parties to the applicable credit agreements, and calculated financial covenant compliance based on the assets and liabilities of those entities").

A substantial amount of the Debtors' prepetition secured debt relates to loan and bond obligations on which multiple debtors are obligated. Specifically, VHS, SFMC, SVMC, SMC, OCH, and SLRH (collectively, the "Obligated Group Members") entered into the 2005 Series A, G and H Revenue Bonds, the 2015 Revenue Notes, and the 2017 Revenue Notes (collectively, the "Obligated Bonds").

The Obligated Bonds imposed joint and several liability on the Obligated Group Members, and the terms of the Obligated Bonds only addressed the rights and obligations of the Obligated Group members collectively, rather than on a Hospital-by-Hospital basis. Specifically, the loan documents, with respect to the 2015 Revenue Notes and the 2017 Revenue Notes, provide for "unfettered use of the funds loaned with respect to any of" the Obligated Group Members. Moreover, the Master Trust covenants for Obligated Bond borrowings are Obligated Group-oriented and are not Hospital-specific. The bond indentures for each series of Obligated Bonds are identical for each Hospital and are always Obligated Group-based, rather than Hospital-based.

The terms of the postpetition adequate protection offered to the Obligated Bonds are no different. The adequate protection approved by the Bankruptcy Court clearly contemplates the continued joint and several nature of the relief as follows:

- adequate protections liens are joint and several as to the Obligated Group;
- adequate protection liens are subordinated and joint and several as to VMF and Holdings;
- adequate protection superpriority claims are joint and several as to the Obligated Group; and
- adequate protection superpriority claims are joint and several as to VMF and Holdings, but subordinated to the McKesson Claim, the Secured MOB I Financing Claim, and Secured MOB II Financing Claim.

Additionally, the Secured MOB I Financing Claim and Secured MOB II Financing Claim were granted joint and several adequate protection liens and superpriority claims subordinated only to

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

the Obligated Bonds, with respect to the Obligated Group Members, and McKesson, with respect to VMF.

c. The Debtors Negotiated Major Contracts and Agreements as a Single Economic Unit.

Starting in 2015, after the BlueMountain Transaction, major contracts and agreements were negotiated or entered-into on a system-wide basis, such that counterparties dealt with the Verity Health System as a single economic unit. The Debtors received benefits by negotiating collectively, such as better terms or pricing, which resulted from the greater economies of scale of the Verity Health System. In light of these benefits, the Debtors standardized system-level contracting that normalized pricing for contracts (including physician-related contracts) across all Hospitals. The Debtors' critical system-wide contracts and negotiations include:

- group purchasing order contracts;
- collective bargaining agreements;
- other contracts;
- payor contracts;
- IT systems contracts; and
- health insurance and retirement benefits.

The restructuring that resulted from the BlueMountain Transaction further centralized the Debtors' purchasing functions. VBS, VHS, and VMF, for example, functioned as cost centers for the Debtors' system-wide operations. These cost-center Debtors did not generate revenue independently, and, as a result, are unable to repay obligations without transferring value from the Hospital Debtors. In light of the restructuring, separate-entity plans would likely be contrary to the expectations of creditors that viewed their agreements with cost-center Debtors as backed by the Verity Health System.

2. The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors.

At first blush, the Debtors maintained the hallmarks of separate entities. The Debtors maintained separate boards for each entity, separate books and records, tracked intercompany

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

transactions, and maintained separate bank accounts, as set forth in the Cash Management Motion. However, a more thorough analysis of the Debtors' finances and operations reveals significant interconnectivity, which would prove costly and time-consuming to unwind at the expense of recoveries in these Chapter 11 Cases. Accordingly, the interests of creditors are best served by deemed substantive consolidation.

"Consolidation under the second factor, entanglement of the debtor's affairs, is justified only where 'the time and expense necessary even to attempt to unscramble them [is] so substantial as to threaten the realization of any net assets for all the creditors' or where no accurate identification and allocation of assets is possible." *Bonham*, 229 F.3d at766 (citing *Augie/Restivo Baking Co., Ltd.*, 860 F.2d at 519). For example, in *SK Foods, LP*, the bankruptcy court found that "substantive consolidation will benefit creditors by avoiding the cost (assuming it is even possible) of trying to determine the proper characterization of intercompany transfers in order to ascertain who owes what to whom." *In re SK Foods, LP,* 499 B.R. 809, 827 (Bankr. E.D. Cal. 2013).

Here, there are also significant facts related to entangled affairs among the Debtors that weigh in favor of substantive consolidation. The Debtors engaged in the following complex, prepetition intercompany transfers (not always booked as intercompany transfers), combined accounting, valuation issues, and collective management that would prove difficult and costly to creditors to unwind or reconcile:

- VMF was historically supported by near-weekly funding from other Debtors. However, these contributions are booked as direct net asset contributions rather than intercompany loans. Further, the Debtors that provided funding to VMF have varied over time based on cash availability.
- The Restructuring Agreement provided $100 million of net asset funding to VHS; however, beginning June 2016, $74 million of this funding was transferred to Holdings (a non-Obligated Group Member), and booked as a direct net asset contribution rather than an intercompany loan.

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

- Members of the Obligated Group transferred real estate collateral to Holdings (a non-Obligated Group member) to be used as collateral for the MOB Financings; however, this was not booked as an intercompany transfer.
- The initial capitalization of Holdings is understated given that the transferred property was based on book value. The book value of transferred assets in FY2016 was $21.8 million, but the FY2017 MOB I Loan Agreement provided for $46.2 million in financing based upon appraisals for the same asset transfers.
- Although, the Hospitals generally used their own, separate bank accounts, the intercompany transfer activity is significant. From July 2015 to June 2018, booked intercompany transfers exceeded $1.1 billion. Further, the transfers booked as "net asset transfers" exceeded $589.1 million for the same period.
- Management and decision-making was centralized following the BlueMountain Transaction. For example, BlueMountain replaced pre-transaction boards at each hospital with Blue Mountain nominees. Additionally, outside consultants were retained at the system-level and strategic plans were also focused at the system-level since the BlueMountain Transaction.
- Since the BlueMountain Transaction, decisions to hire physicians and determine contract terms are made jointly by the VHS Chief Medical Officer and individual Hospital chief executive officers.
- Hospitals benefitted individually from the system-level contracts. For example, SFMC's profitability is based on periodic Quality Assurance Payments. These Quality Assurance Payments are not only a result of the patient population, but also (i) the system-negotiated contracts which are incorporated in the Quality Assurance Payment formula, and (ii) consultants engaged by the Verity Health System to optimize Quality Assurance Payments for all of the Hospitals.
- SFMC's capital improvements (i.e., the construction of the new patient tower) were financed by tax exempt financings undertaken on a joint and several basis among members of the Obligated Group. This burden shared by the other members of the

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

Obligated Group compensated SFMC for the system's use of excess Quality Assurance Payment entitlements.

Unwinding the transactions to prepare separate-Debtor plans would require time and allocations and assumptions. By way of example, prepetition and postpetition allocations by the estates may be subject to challenge as follows:

- Purchase price allocations are inconsistent with the actual value of certain Debtors' assets. For example, SCC attributed value from the MOB Financings to SLRH and none to Holdings. SGM also attributes value from the MOB Financings to the Hospitals and none to Holdings.
- Allocation of DIP Financing proceeds among the Debtors will be challenging because the current allocation fails to account for the "net asset transfers" to VMF, reimbursement claims constitute potential adequate protection claims of the obligated bonds and MOB Financings, and the current allocation fails to track asset sale proceeds to the detriment of 2005 Series A, G and H Revenue Bonds.
- Professional fees must also be allocated among the Debtors if the Debtors cases are not consolidated. This task would require, for each time entry, an analysis of which Debtor, or Debtors, benefitted from the particular services. Although laborious, such an analysis directly impacts creditors if the cases are not consolidated given that Professional Claims receive priority treatment.
- The system-wide changes that took effect since 2015 severely limit any assumptions based on the Debtors' historic operations. The changes were significant and took place during the relatively short, three-year period between the BlueMountain Transaction and the Petition Date. The Debtors capital structure also changed significantly during the same time—the Debtors incurred liabilities in excess of $400 million related to capital investments, the 2015 Revenue Notes and 2017 Revenue Notes, the MOB Financings, the Unsecured Notes, and deferred fees under the Management Agreement.

- The staggered timing of the SCC Sale and the SGM Sale compound the allocation challenges with respect to the Debtors' postpetition liabilities, particularly given that certain Debtors continue to operate in some capacity post-closing.

Moreover, different asset valuation or liability allocation assumptions will lead to different results in both asset allocations among Debtors and balances available for distributions to unsecured creditors. Given that the analysis necessarily requires substantial judgment, these assumptions would present a basis for objection and conjecture from creditors attacking the Debtors' separate plans. Preserving funds in the Estates and avoiding litigation costs maximizes value and weighs in favor of substantive consolidation under the circumstances in these Chapter 11 Cases.

XV.

POST-CONFIRMATION ISSUES

A. Modification of the Plan

The Debtors reserve the right to modify the Plan at any time before confirmation. However, the Court may require a new disclosure statement and/or re-voting on the Plan if the Debtors modify the Plan before confirmation. The Debtors may also seek to modify the Plan at any time after confirmation of the Plan if (i) the Plan has not been substantially consummated, and (ii) the Court authorizes the proposed modifications after notice and a hearing.

B. Post-Confirmation Status Reports

Until final decrees closing the Debtors' chapter 11 cases are entered, the Reorganized Debtors shall file quarterly status reports with the Court explaining what progress has been made toward consummation of the confirmed Plan.

C. Post-Confirmation Conversion or Dismissal

A creditor or any other party in interest may bring a motion to convert or dismiss these cases under § 1112(b) after the Plan is confirmed if there is a default in performing the Plan. If the Court orders these Chapter 11 Cases converted to chapter 7 after the Plan is confirmed, then all property that had been property of these chapter 11 estates, and that has not been disbursed pursuant to the Plan, will revest in the chapter 7 estates, and the automatic stay will be reimposed upon the revested property, but only to the extent that relief from stay was not previously authorized by the Court

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

during these cases. The Plan Confirmation Order may also be revoked under very limited circumstances. The Court may revoke the Plan Confirmation Order if it was procured by fraud and if a party in interest brings an adversary proceeding to revoke confirmation within 180 days after the entry of the Plan Confirmation Order.

D. Final Decree

Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022, the Reorganized Debtors shall file a motion with the Court to obtain final decrees to close these Chapter 11 Cases. The Reorganized Debtors shall be responsible for the timely payment of all fees incurred pursuant to 28 U.S.C. § 1930(a)(6).

Dated: September 3, 2019

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

By: */s/ Tania M. Moyron*
TANIA M. MOYRON

Attorneys for Debtors

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

EXHIBIT "C"

Docket #3934 Date Filed: 1/9/2020

FILED & ENTERED

JAN 09 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.

☒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 Medical 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
Chapter: 11

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.

ORDER GRANTING DEBTORS' EMERGENCY MOTION FOR AUTHORIZATION TO CLOSE ST. VINCENT MEDICAL CENTER

[RELATES TO DOC. NO. 3906]

Date: January 8, 2020

Time: 10:00 a.m.

Location: Ctrm. 1568
Roybal Federal Building
255 East Temple Street
Los Angeles, CA 90012

1820151200109000000000025

At the above-captioned date and time, the Court conducted a hearing on the *Debtors' Emergency Motion for Authorization to Close St. Vincent Medical Center* (the "Motion") [Doc. No. 3906]. For the reasons set forth in the concurrently-issued *Memorandum of Decision Granting Debtors' Emergency Motion for Authorization to Close St. Vincent Medical Center*, the Court **HEREBY ORDERS AS FOLLOWS:**

1) The Motion is **GRANTED**.
2) Notwithstanding Bankruptcy Rule 6004(h), this Order shall take effect immediately upon entry.
3) The Closure Plan[1] is **APPROVED** in its entirety, except that the deadline for physicians leasing medical office space at St. Vincent to vacate the premises shall be **April 30, 2020**.
4) The Debtors are authorized to take all actions necessary in their business judgment to immediately implement the Closure Plan and to effect the orderly closure of St. Vincent, including without limitation (a) transferring patients to other health care providers, (b) disposing of controlled substances and hazardous materials, (c) notifying governmental entities, and (d) ceasing operations.
5) By no later than **January 23, 2020**, the Debtors shall submit a Status Report regarding implementation of the Closure Plan. Subsequent Status Reports shall be submitted every fourteen days until the Closure Plan has been fully implemented.[2]

IT IS SO ORDERED.

###

Date: January 9, 2020

Ernest M. Robles
United States Bankruptcy Judge

[1] Capitalized terms not defined herein have the meaning set forth in the Motion.
[2] No hearings will be conducted in connection with the Status Report unless otherwise ordered by the Court.

EXHIBIT "D"

Docket #4069 Date Filed: 2/10/2020

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.	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 Hon. Judge Ernest M. Robles
☒ 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.	**DEBTORS' NOTICE OF MOTION AND MOTION FOR THE ENTRY OF (I) AN ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT; (2) APPROVING AUCTION SALE FORMAT AND BIDDING PROCEDURES, (3) APPROVING PROCESS FOR DISCRETIONARY SELECTION OF STALKING HORSE BIDDER AND BID PROTECTIONS; (4) APPROVING FORM OF NOTICE TO BE PROVIDED TO INTERESTED PARTIES; (5) SCHEDULING A COURT HEARING TO CONSIDER APPROVAL OF THE SALE TO THE HIGHEST AND BEST BIDDER; AND (6) APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (II) AN ORDER AUTHORIZING THE SALE OF PROPERTY FREE AND CLEAR OF ALL CLAIMS, LIENS AND ENCUMBRANCES; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** **Hearing:** **Date: [TBD]** **Time: [TBD]** **Location: Courtroom 1568** **255 E. Temple St., Los Angeles, CA**

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

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

PLEASE TAKE NOTICE that Verity Health System of California, Inc., a California nonprofit public benefit corporation and the Debtor herein ("Verity"), and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors"), will move (the "Motion"), pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*., Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR"), for the entry of an order: (a) approving a process by which interested parties may bid (a "Bid") to purchase St. Francis Medical Center ("St. Francis") and related assets (collectively, the "Purchased Assets"), including the assignment and assumption of Assumed Executory Contracts, together with the payment of Cure Costs (as such terms are defined in the Motion); (b) approving a process by which, at the Debtors' election, a stalking-horse bidder may be selected from among those parties making a Bid, and bidding protections may be granted to such stalking horse bidder without further order of the Court; (c) setting bid procedures to establish guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (d) if multiple Qualified Bids (as defined in the Motion) are received, scheduling an auction of the Purchased Assets; and (e) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid.

PLEASE TAKE FURTHER NOTICE that the Motion is based on this Notice of Motion and Motion, the Memorandum, the Declaration of Richard G. Adcock and the Declaration of James Moloney (to be filed prior to the hearing on the Motion), the *Declaration of Richard G. Adcock In Support of Emergency First-Day Motions* [Docket No. 8], supporting statements, arguments and representations of a counsel who will appear at the hearing on the Motion, the record in this case, and any other evidence properly brought before the Court in all other matters of which this Court may properly take judicial notice.

PLEASE TAKE FURTHER NOTICE that the Debtors have filed an *Application for Order Setting Hearing on Shortened Notice* (the "Application") concurrently herewith. As set forth more fully in the Application, the Debtors request that the Court set the hearing and briefing

deadlines on the Motion on shortened notice pursuant to LBR 9075-1(b). Any party opposing or responding to the Motion must file and serve a response ("Response") as set forth by the Court in any order granting the Application or any subsequent notice related thereto. A Response must be a complete written statement of all reasons in opposition thereto 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.

Dated: February 10, 2020

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

By */s/ Tania M. Moyron*
Tania M. Moyron

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

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

TABLE OF CONTENTS

I. Introduction 1
II. Jurisdiction and Venue 2
III. Statement of Facts 2
A. General Background 2
B. Facts Relevant to Motion 3
IV. Proposed Sale and Bidding Procedures 4
A. Requirements to Participate in the Auction 5
B. Prepetition Secured Creditor's Right to Credit Bid 6
C. Discretionary Stalking Horse Designation and Bidding Protections 6
D. Auction 7
E. Representations and Warranties 8
F. Acceptance of the Winning Bid 8
V. The Sale Hearing 9
VI. Return of Deposits 10
VII. Notice Procedures 11
VIII. Assumption and Assignment of Executory Contracts and Unexpired Leases and Procedures Related Thereto 12
IX. Argument 14
A. Approval of the Bidding Procedures Is Appropriate and in the Best Interests of the Debtors' Estates and Stakeholders. 14
B. If a Stalking Horse Bidder Is Subsequently Designated, the Break-Up Fee Has A Sound Business Purposes and Is Necessary to Preserve the Value of the Debtors' Estates 17
C. The Procedure for Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Is Appropriate 19
D. Approval of the Sale Is Warranted under § 363 21

1. The Sale of the Assets is Authorized by § 363 as a Sound Exercise of the Debtors' Business Judgment. 21

2. The Sale of the Debtors' Assets Free and Clear of Liens and Other Interests is Authorized by § 363(f). 23

3. The Winning Bidder Should be Afforded All Protections Under § 363(m) as A Good Faith Purchaser. 27

E. Relief From the 14-Day Waiting Period under Rules 6004(h) and 6006(d) Is Appropriate. 27

F. The Applicable Requirements of LBR 6004-1 Are Satisfied. 28

X. Conclusion 29

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

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

TABLE OF AUTHORITIES

Page(s)

Cases

In re 995 Fifth Ave. Assocs.,
96 B.R. 24 (Bankr. S.D.N.Y. 1989) 17

In re Abbotts Dairies of Pa., Inc.,
788 F.2d 143 (2d Cir. 1986) 22

In re America West Airlines, Inc.,
166 B.R. 908 (Bankr. D. Ariz. 1994) 17

In re ARSN Liquidating Corp. Inc.,
2017 WL 279472 (Bankr. D.N.H. Jan. 20, 2017) 25

In re Atlanta Packaging Prods., Inc.,
99 B.R. 124 (Bankr. N.D. Ga. 1988) 15, 16

In re Bon Ton Rest. & Pastry Shop, Inc.,
53 B.R. 789 (Bankr. N.D. Ill. 1985) 20

Burtch v. Ganz (In re Mushroom Transp. Co.),
382 F.3d 325 (3d Cir. 2004) 16

In re Bygaph, Inc.,
56 B.R. 596 (Bankr. S.D.N.Y. 1986) 20, 24

Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.),
181 F.3d 527 (3d Cir. 1999) 16, 17

Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.),
103 B.R. 524 (Bankr. D.N.J. 1989) 20

In re Case Engineered Lumber, Inc.,
No. 09–22499 (Bankr. N.D. Ga. Sept. 1, 2009) 18

In re Christ Hospital,
502 B.R. 158 (Bankr. D.N.J. 2013) 25

Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.),
722 F.2d 1063 (2d Cir. 1983) 22

Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.),
60 B.R. 612 (Bankr. S.D.N.Y. 1986) 22

In re CXM, Inc.,
307 B.R. 94 (Bankr. N.D. Ill. 2004) 18

In re Dan River, Inc.,
No. 04-10990 (Banker. N.D. Ga. Dec. 17, 2004) 18

In re Delaware & Hudson Ry. Co.,
124 BR. 169 (D. Del. 1991) 22

In re Dundee Equity Corp.,
1992 Bankr. LEXIS 436 (Bankr. S.D.N.Y. Mar. 6, 1992).....23

In re Energytec, Inc.
739 F.3d 215 (5th Cir. 2013).....27

In re Ewell,
958 F.2d 276 (9th Cir. 1992).....27

Folger Adam Security v. DeMatteis/MacGregor JV,
209 F.3d 252 (3d Cir. 2000).....24, 26

Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.),
107 F.3d 558 (8th Cir. 1997).....16, 22

In re Gardens Regional Hospital and Medical Center, Inc.,
567 B.R. 820 (Bankr. C.D. Cal. 2017).....24

GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.,
331 B.R. 251 (N.D. Tex. 2005).....22

In re Grumman Olson Indus. Inc.,
467 B.R. 694 (S.D.N.Y 2012).....25

In re Hupp Indus.,
140 B.R. 191 (Bankr. N.D. Ohio 1997) 17

In re La Paloma Generating, Co.,
2017 WL 5197116 (Bankr. D. Del. Nov. 9, 2017).....24

In re Lajijani,
325 B.R. 282 (B.A.P. 9th Cir. 2005).....22

In re Lake Burton Dev., LLC,
2010 WL 5563622 (Bankr. N.D. Ga. Mar. 18, 2010).....18

MacArthur Company v. Johns-Manville Corp. (In re Johns-Manville Corp.),
837 F.2d 89 (2d Cir. 1988).....26

In re Marrose Corp.,
1992 WL 33848 (Bankr. S.D.N.Y. 1992) 17

Meyers v. Martin (In re Martin),
91 F.3d 389 (3d Cir. 1996).....21

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

Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.),
930 F.2d 1132 (6th Cir. 1991).....24

In re Natco Indus., Inc.,
54 B.R. 436 (Bankr. S.D.N.Y. 1985).....20

Nostas Assocs. v. Costich (In re Klein Sleep Prods., Inc.),
78 F.3d 18 (2d Cir. 1996).....19

Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.),
147 B.R. 650 (S.D.N.Y. 1992).....16, 17, 18, 22

Official Comm. of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.),
973 F.2d 141 (2d Cir. 1992).....22

Onouli-Kona Land Co. v. Estate of Richards (In re Onouli-Kona Land Co.),
846 F.2d 1170 (9th Cir. 1988).....27

Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.),
4 F.3d 1095 (2d Cir. 1993).....20

Paulman v. Gateway Venture Partners III, L.P. (In re Filtercorp, Inc).,
163 F.3d 570 (9th Cir. 1998).....27

PBBPC, Inc. v. OPK Biotech, LLC (In re PBBPC, Inc.),
484 B.R. 860 (B.A.P. 1st Cir. 2013).....25

In re S.N.A. Nut Co.,
186 B.R. 98 (Bankr. N.D. Ill. 1995).....17

In re T Asset Acquisition Company, LLC,
No. 09-31853 (Bankr. C.D. Cal. Jan. 28, 2010).....18

In re Tama Beef Packing Inc.,
321 B.R. 469 (B.A.P. 8th Cir. 2005).....18

The Ninth Avenue Remedial Group v. Allis-Chalmers Corp.,
195 B.R. 716 (Bankr. N.D. Ind. 1996).....26

In re Titusville Country Club,
128 B.R. 396 (W.D. Pa. 1991).....22

In re Tougher Indus.,
2013 WL 1276501 (Bankr. N.D.N.Y. Mar. 27, 2013).....25

In re Trans World Airlines, Inc.,
322 F.3d 283 (3d Cir. 2001).....25, 26

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

United Mine Workers of Am. Combined Benefit Fund v. Walter Energy, Inc., 551 B.R. 631 (N.D. Ala. 2016) 25

In re Verity Health System of California, Inc., No. 18-20151 (Bankr. C.D. Cal. Oct. 30, 2018) 1, 18

In re Vista Marketing Group Ltd., 557 B.R. 630 (Bankr. N.D. Ill. 2016) 25

WBO P'ship v. Va. Dep't of Med. Assistance Servs. (In re WBO P'ship), 189 B.R. 97 (Bankr. E.D. Va. 1995) 25

In re Women First Healthcare, Inc., 332 B.R. 115 (Bankr. D. Del. 2005) 18

In re WPRV-TV, Inc., 143 B.R. 315 (D.P.R. 1991) 22

Statutes

11 U.S.C. § 105(a) 14, 23

11 U.S.C. § 363(b) 14, 21, 27

11 U.S.C. § 363(f) 23, 24, 25, 26

11 U.S.C. § 363(m) 10, 27

11 U.S.C. § 365(a) 19

11 U.S.C. § 365(f)(2) 20

28 U.S.C. § 157 2

28 U.S.C. § 1334 2

28 U.S.C. § 1408 2

28 U.S.C. § 1409 2

FED. R. BANKR. P. 2002 ..... 11, 14

FED. R. BANKR. P. 6004 ..... 14, 15, 21

FED. R. BANKR. P. 6004(f) 15

FED. R. BANKR. P. 6004(h) 27, 28

FED. R. BANKR. P. 6006(d) 27, 28

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

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

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Verity Health System of California, Inc., a California nonprofit public benefit corporation and the Debtor herein ("Verity"), and the above-referenced affiliated debtors, the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Debtors"), seek entry of an order: (a) approving a process by which interested parties may bid (a "Bid") to purchase St. Francis Medical Center ("St. Francis") and related assets (collectively, the "Purchased Assets"), including the assignment and assumption of Assumed Executory Contracts, together with the payment of Cure Costs (as such terms are defined below); (b) approving a process by which, at the Debtors' election, a stalking-horse bidder may be selected from among those parties making a Bid, and bidding protections may be granted to such stalking horse bidder without further order of the Court; (c) setting bid procedures to establish guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (d) if multiple Qualified Bids (as defined below) are received, scheduling an auction of the Purchased Assets; and (e) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid. The proposed timeline is as follows:

Date	**Event**
February 26, 2020	Service of approved Bidding Procedures, Auction and Sale Notice
April 3, 2020	Bid Deadline for Qualified Bids
April 7, 2020	Auction
TBD	Deadline to file any objections to Sale
April 9, 2020, at 10:00 a.m.	Sale Hearing

The Debtors have vigorously marketed the Purchased Assets since before the Petition Date and have specifically marketed the Purchased Assets on a going concern basis as stand-alone assets since December 2019. The Debtors have received multiple indications of interest from a number of parties who are currently ready to commence the final due diligence process which may lead to the making of Bids. The Debtors will continue to market the Purchased Assets

to any interested party through the Bid Deadline. For the reasons set forth below in greater detail, and in order to conduct a full and fair bidding process for the purpose of maximizing the consideration to be received by the Debtors' estate for the Purchased Assets, the Debtors respectfully request that the Court grant the Motion.

II. JURISDICTION AND VENUE

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The venue of these Cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

III. STATEMENT OF FACTS

A. GENERAL BACKGROUND

On August 31, 2018 ("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").[1] Since the commencement of their cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

1. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of five Debtor California nonprofit public benefit corporations that operate six acute care hospitals, including the Hospitals and other facilities in the state of California. *See Declaration of Richard G. Adcock In Support of Emergency First-Day Motions* [Docket No. 8] (the "Adcock First-Day Declaration").

2. St. Francis operates a 384 licensed bed, general acute care hospital located at 3630 East Imperial Highway in Lynwood, California; (ii) has an emergency department with 46 licensed emergency treatment stations and is designated a Level II Trauma Center; (iii) has nine surgical operating rooms and three cardiac catheterization labs for inpatient and outpatient cardiac catheterization services; (iv) offers a comprehensive range of services, including emergency and trauma care, neonatal intensive, cardiovascular, oncology, pediatrics, behavioral health, and maternity and child services; and (v) offers various outpatient services, including ambulatory

[1] All references to section or chapter herein are to the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.*, as amended. All references to Rules are to the Federal Rules of Bankruptcy Procedure.

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

surgical services, laboratory services, imaging services, infusion therapy, nuclear medicine services, respiratory therapy, and physical therapy. Other outpatient services are provided at the following clinics: Orthopedics Clinic, Wound Care Clinic, Industrial Clinic, Lynwood Clinic, Downey Clinic , and Huntington Park Clinic. St. Francis is accredited by The Joint Commission. *See* Adcock First-Day Declaration.

3. St. Francis owns the real property where its hospital is located, i.e., 3630 E. Imperial Highway Lynwood, CA 90262, including the patient tower and all of the facilities thereon. In addition, St Francis owns real property located at: (i) 2700 E. Slauson Ave, Huntington Park, CA 90255, and the Huntington Park Medical Office Building thereon; and (ii) 5953 S. Atlantic Blvd. 5, Maywood, CA 90270, and the Maywood Medical Office Building thereon. *See* Adcock First-Day Declaration.

4. As of the Petition Date, St. Francis employed approximately 2,017 individuals, of which 1,583 are full-time, 136 are part time, and 298 are per diem. St. Francis was incorporated in 1983 and is governed by a Board of Trustees. *See* Adcock First-Day Declaration.

B. FACTS RELEVANT TO MOTION

5. Prior to the Petition Date, the Debtors engaged in substantial efforts to market and sell substantially all of their assets, including St. Francis and any other Purchased Assets. In June 2018, the Debtors engaged Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), to identify potential buyers for some or all of the Verity hospitals and related assets, and commenced discussions with potential buyers.

6. Cain prepared a Confidential Investment Memorandum (the "CIM") and organized an online data site to share information with potential buyers, and contacted over 110 strategic and financial buyers beginning in July 2018 to solicit their interest in exploring a transaction regarding the Debtors.

7. By August 2018, as a result of its ongoing and broad marketing process, Cain had received 11 Indications of Interest ("IOI") for some or all of the Debtors' assets and, postpetition, Cain continued to develop potential sales leads.

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

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

8. On January 17, 2019, the Debtors filed a motion [Docket No. 1279] to approve the form of an asset purchase agreement and related "stalking horse" bidding procedures for the sale of its four remaining hospitals, including St. Francis, to Strategic Global Management ("SGM"), which the Bankruptcy Court approved on February 19, 2019 [Docket No. 1572]. No other qualified, competing bid was received by the Debtors in compliance with the approved bidding procedures; accordingly, no auction was held, and the Debtors declared SGM as the "winning bidder." *See* Docket No. 2053. On May 2, 2019, the Bankruptcy Court entered an order approving the sale [Docket No. 2306] to SGM.

9. Despite several notices and orders, SGM failed to close. *See* Docket No. 3899. On January 3, 2020, the Debtors filed a notice regarding their termination of the asset purchase agreement with SGM, effective as of December 27, 2019. *See id*.

10. Cain commenced a new marketing process to identify parties potentially interested in acquiring St. Francis as a going-concern. In December 2019, Cain began making phone calls to parties that had previously expressed interest in acquiring St. Francis. On January 3, 2020, Cain emailed all parties that had executed a nondisclosure agreement (an "NDA") in connection with the Debtors' previous efforts to market St. Francis explaining that the Debtors were initiating another marketing process. As a result, in January 2020, 53 parties executed an NDA with respect to the Debtors' renewed St. Francis marketing efforts and were granted access to a diligence data site.

11. On January 15, 2020, Cain sent a letter to all interested parties, which highlighted the proposed sale timeline and requested that parties submit IOIs on or before January 31, 2020. On January 31, 2020, the Debtors received seven IOIs for the potential acquisition of St. Francis.

IV. PROPOSED SALE AND BIDDING PROCEDURES

12. In connection with the proposed sale (the "Sale") of the Purchased Assets, the Debtors submit that conducting an Auction in accordance with the bidding procedures among Qualified Bidders will obtain the highest or otherwise best offer for the Purchased Assets and will maximize the value of the Debtors' estates. The proposed bidding procedures (the "Bidding

Procedures") are attached hereto as Exhibit 1.[2] A summary of some of the significant provisions of the Bidding Procedures is set forth below. If there exists any omission or discrepancy between the following summary and the actual terms of the Bidding Procedures, the actual terms of the Bidding Procedures shall control.

A. REQUIREMENTS TO PARTICIPATE IN THE AUCTION

13. The Bidding Procedures provide that only Qualified Bidders may participate in the Auction. To be a Qualified Bidder, a party wishing to submit a Bid must first become a Potential Bidder, which requires that an interested party execute, or shall be currently subject to an NDA in form and substance satisfactory to the Debtors. Upon qualifying as a Potential Bidder, a party may receive due diligence information from the Debtors, including access to the Debtors' on-line data room, the CIM and potentially other nonpublic information relating to the Debtors' assets.

14. The Bidding Procedures also set forth the requirements for a Potential Bidder to become a Qualified Bidder, including (without limitation) that a Potential Bidder: (i) submit a Bid by the Bid Deadline to the Bid Deadline Recipients identified in the Bidding Procedures (including the Debtors, the Prepetition Secured Creditors (as defined in the Bidding Procedures), Cain, and the Unsecured Creditors Committee); (ii) provide a clean and marked-up copy of the proposed asset purchase agreement (which form shall be consistent with the form of the Draft APA posted in the Debtors' on-line data room); (iii) provide a copy of the draft Sale Order marked to reflect any amendments and modifications compared to the form of the Sale Order posted in the Debtors' on-line data room; (iv) deliver a Deposit by wire transfer in an amount equal to 10% of the proposed Purchase Price; (v) demonstrate that it has the financial wherewithal and ability to consummate the Sale; and (vi) disclose any connections to the Debtors and affiliated persons. The Bidding Procedures further provide that a Bid shall propose cash consideration, and that Bids shall be evaluated based upon the amount of cash consideration.

[2] Unless otherwise defined herein, all capitalized terms have the definitions set forth in the Bidding Procedures. The terms of the Bidding Procedures shall control to the extent the descriptions in this Motion conflict with the terms of the Bidding Procedures.

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

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

15. A Bid that satisfies each of the Bid Requirements (including but not limited to those mentioned in the foregoing paragraph), as determined by the Debtors in their reasonable discretion, in consultation with the Prepetition Secured Creditors and the Committee, shall constitute a "Qualified Bid," and such Potential Bidder submitting such Bid will be deemed a "Qualified Bidder." Prior to, or immediately before the commencement of any Auction, the Debtors shall file and serve on each Potential Bidder a notice indicating the identity of all Qualified Bidders, and a copy of the Bid which is deemed to be the Opening Bid at the Auction.

B. PREPETITION SECURED CREDITOR'S RIGHT TO CREDIT BID

16. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

C. DISCRETIONARY STALKING HORSE DESIGNATION AND BIDDING PROTECTIONS

17. To increase the competitive nature of the sale process, the Bidding Procedures provide that the Debtors, in their discretion, after consultation with the Committee and with the prior consent of the Prepetition Secured Creditors, may designate a Qualified Bidder as the "Stalking Horse Bidder" and award it so-called stalking horse protections, including a break-up fee and expense reimbursement in an amount not to exceed in the aggregate 2.5% of the proposed

Purchase Price of such Bid (the "Break-Up Fee"). The Bidding Procedures provide that any Break-Up Fee, to the extent payable, shall only be paid from proceeds received by the Debtors at the closing of a Sale or the transfer of the Purchased Assets to a party other than the Stalking Horse Bidder. The designation of stalking horse status and the award of stalking horse protections may occur without further notice or order of the Court at any time up to and including the commencement of the Auction. The Debtors shall have no obligation to designate any Qualified Bidder as the Stalking Horse Bidder. If such designation is made, the Debtors shall notify all other Potential Bidders and, unless the Debtors receive a higher or better bid prior to the Auction, the Opening Bid at the Auction shall be the Bid of the Qualified Bidder that has been designated as the Stalking Horse Bidder.

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

D. AUCTION

18. If the Debtors receive more than one Qualified Bid, the Debtors will conduct an Auction at the offices of Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, California 90017 on April 7, 2020 in accordance with the Bidding Procedures.

19. The Auction shall be governed by the following procedures:

(a) only Qualified Bidders, in person or through duly-authorized representatives at the Auction may bid at the Auction, and every Qualified Bidder must have at least one (1) such duly-authorized representative with authority to bind the Qualified Bidder at the Auction;

(b) only such authorized representatives of each of the Qualified Bidders, the Debtors, the Consultation Parties and their respective legal and financial advisors shall be permitted to attend the Auction;

(c) prior to the commencement of the Auction, representatives of the Debtors, and/or the Consultation Parties may have discussions with each Qualified Bidder with respect to the terms and conditions of such Qualified Bids, and the Debtors will have selected, in consultation with the Consultation Parties, a Qualified Bid to become the opening bid at the Auction (the bid submitted by such Qualified Bidder shall be referred to as the "Opening Bid" and the Qualified Bidder shall be referred to as the "Opening Bidder");

(d) bidding shall commence at the amount of the Opening Bid. The Opening Bid shall be announced by the Debtors at or before the commencement of the Auction. Other Qualified Bidders may then submit successive bids in increments of at least $2,000,000 (plus, with respect to the first successive bid, the amount of the Break-Up Fee, if any) higher than the Opening Bid, and all subsequent bids must be at least

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

$2,000,000 higher than the previous bid. To the extent a Stalking Horse Bidder submits higher bids, such Stalking Horse Bidder shall have the right (but not the obligation) to increase its Opening Bid by using, as a credit, the amount of the Break-Up Fee when determining whether any Stalking Horse Bidder has topped the previous bid by the required amount;

(e) Qualified Bidders shall have the right to submit additional bids that include modifications to their Qualified APA at the Auction, consistent herewith, provided that any such modifications to the Qualified APA, on an aggregate basis and viewed in whole, shall not be less favorable to the Debtors than any prior bid by such party (as determined by the Debtors, following consultation with the Consultation Parties). The Debtors, in consultation with the Consultation Parties, reserve the right to separately negotiate the terms of any Qualified Bids at the Auction, provided the terms are fully disclosed at the time such Qualified Bid is formally submitted;

(f) the bidding will be transcribed by a certified court reporter employed by the Debtors to ensure an accurate recording of the bidding at the Auction;

(g) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the proposed Sale and is not in violation of § 363(n); and

(h) absent irregularities in the conduct of the Auction, the Debtors will not consider any Potential Bids made after the Auction is closed.

E. REPRESENTATIONS AND WARRANTIES

20. Except as explicitly set forth in the Winning Bid APA (as defined below), the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

F. ACCEPTANCE OF THE WINNING BID

21. Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall be required to execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in

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

no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA".

22. The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is thirty (30) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder.

23. Within two business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals ten percent (10%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit").

24. If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) any additional Deposit required as a result of a bid submitted at the Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid

V. THE SALE HEARING

25. As part of this Motion, the Debtors ask this Court to schedule a sale hearing (the "Sale Hearing") on April 9, 2020, at 10:00 a.m. (Pacific Time). The Debtors will present the results of the Auction to the Court at the Sale Hearing, at which time certain findings will be sought from the Court regarding the Auction, including, among other things, that: (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with the Bidding Procedures; (ii) the Auction was fair in substance and procedure; (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid; (iv) the closing of the

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

Sale in accordance with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest or otherwise best value for the Purchased Assets and is in the best interests of the Debtors; and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m).

26. At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in accordance with the "Final DIP Order" [Docket No. 409] and the "Intercreditor Agreement" (as defined in the Final DIP Order).

27. At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

VI. RETURN OF DEPOSITS

28. Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

29. The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale

Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) thirty (30) days after entry of the Sale Order.

VII. NOTICE PROCEDURES

30. The Debtors propose that any objections to the Sale (other than an Assumption Objection (defined herein) which shall be governed by the procedures set forth below) (a "Sale Objection"), must: (i) be in writing; (ii) comply with the Rules and the LBR; (iii) set forth the specific basis for the Sale Objection; (iv) be filed with the Court at 255 East Temple St. (Attn: Judge E. Robles), Los Angeles, CA 90012, together with proof of service, on or before the Sale Objection Deadline set forth in the Bidding Procedures Order; and (v) be served, so as to be actually received on or before the Sale Objection Deadline, upon the Notice Parties. If a Sale Objection is not filed and served on or before the Sale Objection Deadline, the Debtors request that the objecting party be barred from objecting to the Sale and not be heard at the Sale Hearing, and this Court may enter the Sale Order without further notice to such party. The Debtors also request that the Court approve the form of the notice of sale procedures (the "Procedures Notice") substantially in the form to be filed by the Debtors before the hearing on this Motion. The Debtors will serve a copy of the Procedures Notice on the Notice Parties and all parties which the Debtors are required to serve pursuant to LBR 6004-1(b)(3) and the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132] (the "Procedures Notice Parties").

31. The Debtors propose to file with the Court and serve the Procedures Notice within one (1) business day following entry of the Bidding Procedures Order, by first-class mail, postage prepaid on the Procedures Notice Parties. The Procedures Notice provides that any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion or the Bidding Procedures Order, including all exhibits thereto, may make such a request in writing to Dentons US LLP, Attn: Tania M. Moyron, 601 S. Figueroa St., Suite 2500, Los Angeles, CA 90017 or by emailing tania.moyron@dentons.com or calling (213) 623-9300.

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

32. The Debtors submit that the foregoing notices comply fully with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the Bidding Procedures, Auction and Sale, and Sale Hearing to the Debtors' creditors and other parties in interests as well as to those who have expressed an interest or are likely to express an interest in bidding on the Purchased Assets. Based on the foregoing, the Debtors respectfully request that this Court approve these proposed notice procedures.

VIII. ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND PROCEDURES RELATED THERETO

33. As part of the Sale, the Debtors also seek to assume and assign certain of their executory contracts and unexpired leases (collectively, the "Assumed Executory Contracts") pursuant to § 365.

34. The Assumed Executory Contracts will be those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; provided, that, the Winning Bidder may choose to exclude (or to add) contracts or leases to the list of Assumed Executory Contracts, subject to notice to the counter-parties to any Assumed Executory Contracts which are added.

35. The Debtors will file with the Court and serve a cure notice, substantially in the form to be filed with the Court prior to the hearing on this Motion (the "Cure Notice"), (along with a copy of this Motion) upon each counterparty to the Assumed Executory Contracts. The Cure Notice will state the date, time and place of the Sale Hearing as well as the date by which any objection to the assumption and assignment of Assumed Executory Contracts (including the Cure Amount (defined below)) must be filed and served. The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assumed Executory Contract in order to cure any defaults that exist under such contract (the "Cure Amounts"). To the extent there is a contract subsequently added to the list of contracts to be assumed by the Winning Bidder pursuant to the Winning Bid APA selected at the Auction, this Motion constitutes a separate motion to assume and assign that contract to the Winning Bidder pursuant to § 365; each such contract will be listed in the Winning Bid APA, and will be given a separate

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

Cure Notice filed and served by overnight delivery within five (5) business days of the conclusion of the Auction and announcement of the Winning Bidder.

36. The inclusion of a contract, lease, or other agreement on the Cure Notice shall not constitute or be deemed a determination or admission by the Debtors and their estates or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, and any and all rights with respect thereto shall be reserved.

37. If a Contract or Lease is assumed and assigned pursuant to Court Order, then unless the Assumed Executory Contract counterparty properly files and serves an objection to the Cure Amount contained in the Cure Notice by the Assumption Objection Deadline (defined below), the Assumed Executory Contract counterparty will receive at the time of the Closing of the Sale (or as soon as reasonably practicable thereafter), the Cure Amount as set forth in the Cure Notice, if any. If an objection is filed by a counterparty to an Assumed Executory Contract, the Debtors propose that such objection must set forth a specific default in the executory contract or unexpired lease, claim a specific monetary amount that differs from the amount, if any, specified by the Debtors in the Cure Notice, and set forth any reason why the counterparty believes the executory contract or unexpired lease cannot be assumed and assigned to the Winning Bidder.

38. If any counterparty objects for any reason to the assumption and assignment of an Assumed Executory Contract (including to a Cure Amount) (an "Assumption Objection"), the Debtors propose that the counterparty must file the objection and serve it so as to be actually received on or before the Bid Deadline (unless the Cure Notice was served on such counterparty less than twenty (20) days prior to the Bid Deadline, in which case, any Assumption Objection must be served no later than twenty (20) days after service of the Cure Notice), provided, however, any counterparty may raise at the Sale Hearing an objection to the assumption and assignment of its Assumed Executory Contract solely with respect to the Winning Bidder's ability to provide adequate assurance of future performance under such Assumed Executory Contract. After receipt of an Assumption Objection, the Debtors will attempt to reconcile any differences in

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

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

the Cure Amount or otherwise resolve the objection with the counterparty. In the event that the Debtors and the counterparty cannot resolve an Assumption Objection, and the Court does not otherwise make a determination at the Sale Hearing regarding an Assumption Objection related to a Cure Amount, the Debtors shall segregate from the sale proceeds any disputed Cure Amounts pending the resolution of any such Cure Amount disputes by the Bankruptcy Court or mutual agreement of the parties.

39. The Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under §365(b) in connection with the proposed assignment of any Assumed Executory Contract, and the failure to provide adequate assurance of future performance to any counterparty to any Assumed Executory Contract shall not excuse the Winning Bidder from performance of any and all of its obligations pursuant to the Winning Bid APA. The Debtors propose that the Bankruptcy Court make its determinations concerning adequate assurance of future performance under the Assumed Executory Contacts pursuant to § 365(b) at the Sale Hearing. Cure Amounts disputed by any counterparty will be resolved by the Bankruptcy Court at the Sale Hearing or such later date as may be agreed to or ordered by the Bankruptcy Court.

40. Except to the extent otherwise provided in the Winning Bid APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to § 365(k).

IX. ARGUMENT

A. APPROVAL OF THE BIDDING PROCEDURES IS APPROPRIATE AND IN THE BEST INTERESTS OF THE DEBTORS' ESTATES AND STAKEHOLDERS.

Section 363(b)(1) provides that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate [.]" 11 U.S.C. § 363(b)(1). Section 105(a) provides in pertinent part that "[t]he Court may issue any order, process or judgment that is necessary and appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Rules") govern

the scope of the notice to be provided in the event a debtor elects to sell property of the estate under § 363.

With respect to the procedures to be adopted in conducting a sale outside the ordinary course of a debtor's business, Rule 6004 provides only that such sale may be by private sale or public auction, and requires only that the debtor provide an itemized list of the property sold together with the prices received upon consummation of the sale. Fed. R. Bankr. P. 6004(f). LBR 6004-1 provides, in pertinent part, as follows:

> **(b) Motion for Order Establishing Procedures for the Sale of Estate Property.**
>
> (2) Contents of Notice [of a Sale Procedure Motion]. The notice must describe the proposed bidding procedures and include a copy of the proposed purchase agreement. If the purchase agreement is not available, the moving party must describe the terms of the sale proposed, when a copy of the actual agreement will be filed with the court, and from whom it may be obtained. The notice must describe the marketing efforts undertaken and the anticipated marketing plan, or explain why no marketing is required. […]
>
> (3) Service of the Notice and Motion. The moving party must serve the motion and notice of the motion and hearing by personal delivery, messenger, telephone, fax, or email to the parties to whom notice of the motion is required to be given by the FRBP or by these rules, any other party that is likely to be adversely affected by the granting of the motion, and the United States trustee. The notice of hearing must state that any response in opposition to the motion must be filed and served at least 1 day prior to the hearing, unless otherwise ordered by the court. […]
>
> (6) Break-Up Fees. If a break-up fee or other form of overbid protection is requested in the Sale Procedure Motion, the request must be supported by evidence establishing: (A) That such a fee is likely to enhance the ultimate sale price; and (B) The reasonableness of the fee. […]

LBR 6004-1(b).

Neither the Bankruptcy Code nor the Rules contain specific provisions with respect to the procedures to be employed by a debtor in conducting a public or private sale. Nonetheless, as one court has stated, "[i]t is a well-established principle of bankruptcy law that the objective of bankruptcy rules and the [debtors'] duty with respect to such sales is to obtain the highest price or

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

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

greatest overall benefit possible for the estate." *In re Atlanta Packaging Prods., Inc.*, 99 B.R. 124, 131 (Bankr. N.D. Ga. 1988). Additionally, courts have long recognized the need for competitive bidding at hearings; "[c]ompetitive bidding yields higher offers and thus benefits the estate. Therefore, the objective is 'to maximize bidding, not restrict it.'" *Id.*; *see also Burtch v. Ganz (In re Mushroom Transp. Co.)*, 382 F.3d 325, 339 (3d Cir. 2004) (finding that debtor's fiduciary duties included maximizing and protecting the value of the estate's assets); *Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.)*, 107 F.3d 558, 564-65 (8th Cir. 1997) ("[A] primary objective of the [Bankruptcy] Code [is] to enhance the value of the estate at hand."). Courts uniformly recognize that procedures established for the purpose of enhancing competitive bidding are consistent with the fundamental goal of maximizing the value of a debtor's estate and, therefore, are appropriate. *See Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.)*, 181 F.3d 527, 536-37 (3d Cir. 1999) (noting that bidding procedures that promote competitive bidding provide benefit to debtor's estate); *Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.)*, 147 B.R. 650, 659 (S.D.N.Y. 1992) (such sale procedures "encourage bidding and to maximize the value of the Assets").

Here, the Bidding Procedures are designed to promote the paramount goal of any proposed sale of property of the Debtors' estates: maximizing the value of sale proceeds received by the estates. The Bidding Procedures provide for an orderly and appropriately competitive process through which interested parties may submit offers to purchase the Purchased Assets. Specifically, the Debtors, with the assistance of their advisors, have structured the Bidding Procedures to promote active bidding by interested parties and to confirm the highest or otherwise best offer reasonably available for the Purchased Assets. Additionally, the Bidding Procedures will allow the Debtors to conduct the Auction in a fair and transparent manner that will encourage participation by financially capable bidders with demonstrated ability to consummate a timely Sale. Accordingly, the Bidding Procedures should be approved because, under the circumstances, they are reasonable, appropriate and in the best interests of the Debtors, their estates, creditors, and all parties in interest.

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

B. IF A STALKING HORSE BIDDER IS SUBSEQUENTLY DESIGNATED, THE BREAK-UP FEE HAS A SOUND BUSINESS PURPOSES AND IS NECESSARY TO PRESERVE THE VALUE OF THE DEBTORS' ESTATES.

The Debtors submit that the potential Break-Up Fee if a Stalking Horse Bidder is subsequently designated is a normal and oftentimes necessary component of sales outside the ordinary course of business under § 363. In particular, such a protection encourages a potential purchaser to invest the requisite time, money, and effort to conduct due diligence and sale negotiations with a debtor despite the inherent risks and uncertainties of the chapter 11 process. *See*, *e.g.*, *Integrated Resources*, 147 B.R. at 660 (noting that fees may be legitimately necessary to convince a "white knight" to offer an initial bid, for the expenses such bidder incurs and the risks such bidder faces by having its offer held open, subject to higher and better offers); *In re Hupp Indus.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1997) (without any reimbursement, "bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder's. . . due diligence"); *In re Marrose Corp.*, 1992 WL 33848, at *5 (Bankr. S.D.N.Y. 1992) (stating that "agreements to provide reimbursement of fees and expenses are meant to compensate the potential acquirer who serves as a catalyst or 'stalking horse' which attracts more favorable offers"); *In re 995 Fifth Ave. Assocs.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (finding that bidding incentives may be "legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking") (citations omitted).

A proposed bidding incentive, such as a Break-Up Fee, should be approved when it is in the best interests of the estate. *See In re S.N.A. Nut Co.*, 186 B.R. 98, 104 (Bankr. N.D. Ill. 1995); *see also In re America West Airlines, Inc.*, 166 B.R. 908 (Bankr. D. Ariz. 1994); *In re Hupp Indus., Inc.*, 140 B.R. 191 (Bankr. N.D. Ohio 1992). Typically, this requires that the bidding incentive provide some benefit to the debtor's estate. *Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.)*, 181 F.3d 527, 533 (3d Cir. 1999) (holding even though bidding incentives are measured against a business judgment standard in non-bankruptcy transactions the administrative expense provisions of § 503(b) govern in the bankruptcy context).

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

In evaluating the appropriateness of a break-up fee, the appropriate question for the Court to consider is "whether the break-up fee served any of three possible useful functions: (1) to attract or retain a potentially successful bid; (2) to establish a bid standard or minimum for other bidders to follow; or (3) to attract additional bidders." *In re Integrated Resources, Inc.*, 147 B.R. at 662 (where the Court heard testimony that the average breakup fee in the industry is 3.3%). Break-up fees in the same general range as the proposed Break-Up Fee have been routinely approved in the context of bankruptcy sales. *See In re CXM, Inc.*, 307 B.R. 94, 103–04 (Bankr. N.D. Ill. 2004) (court approved break-up fee in amount equal to the actual expenses that the stalking horse incurred in connection with its bid to buy the Sale Assets, subject to a maximum cap of $200,000, which equaled 3% of the cash purchase price); *In re Women First Healthcare, Inc.*, 332 B.R. 115, 118 (Bankr. D. Del. 2005) (court approved break-up fee that equaled 4.7% percent of the purchase price*; In re Dan River, Inc.*, No. 04-10990 (Banker. N.D. Ga. Dec. 17, 2004) (court approved break-up fee equal to 5.3% of the cash purchase price); *In re Lake Burton Dev., LLC*, 2010 WL 5563622, *43 (Bankr. N.D. Ga. Mar. 18, 2010) (court approved break-up fee equal to 4.75% of cash purchase price); *In re Case Engineered Lumber, Inc.*, No. 09–22499 (Bankr. N.D.Ga. Sept. 1, 2009)(J. Brizendine) (approving break-up fee equal to 3.5% of the cash purchase price); *In re Tama Beef Packing Inc.*, 321 B.R. 469, 498 (8th Cir. BAP 2005) (noting that the bankruptcy court correctly concluded that break-up fees are "usually limited to one to four perfect of the purchase price"). Notably, this Court has also approved break-up fees within the range of the proposed Break-Up Fee. *See In re Verity Health System of California, Inc.*, No. 18-20151 (Bankr. C.D. Cal. Oct. 30, 2018) (J. Robles) (approving break-up fee equal to 4% of the cash purchase price); *In re T Asset Acquisition Company, LLC*, No. 09-31853 (Bankr. C.D. Cal. Jan. 28, 2010) (J. Robles) (approving break-up fee equal to 3% of the cash purchase price).

The Debtors submit that all of the bidding procedures the Debtors are seeking to have the Bankruptcy Court approve, including the proposed Break-Up Fee to any Stalking Horse Bidder, satisfies all three of the useful functions set forth above: (1) to attract or retain a potentially successful bid; (2) to establish a bid standard or minimum for other bidders to follow; and (3) to attract additional bidders. The proposed break-up fee of up to 2.5% of the purchase price is well

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

within, and below, the percentage parameters that have been approved by many other courts. Thus, the Debtors believe that the proposed Break-Up Fee if a Stalking Horse Bidder is selected would fairly and reasonably compensate any Stalking Horse Bidder for taking actions that will benefit the Debtors' estates. The Break-Up Fee would compensate such a Stalking Horse Bidder for diligence and professional fees incurred in negotiating the terms of any Stalking Horse APA on an expedited timeline.

Additionally, the Debtors do not believe that the Break-Up Fee will have a chilling effect on the sale process. Rather, any Stalking Horse Bidder will increase the likelihood that the best possible price for the Purchased Assets will be received, by permitting other qualified bidders to rely on the diligence performed by any Stalking Horse Bidder, and moreover, by allowing qualified bidders to utilize any Stalking Horse APA as a platform for negotiations and modifications in the context of a competitive bidding process. Any Stalking Horse Bidder would only be designated with the consent of the Secured Lenders and after consultation with the Committee.

Finally, any Break-Up Fee will be paid only if, among other things, the Debtors enter into a transaction for the Purchased Assets with a bidder other than any Stalking Horse Bidder. Accordingly, no Break-Up Fee will be paid unless a higher and better offer is received and consummated. In sum, the potential Break-Up Fee is reasonable under the circumstances and will enable the Debtors to maximize the value for the Purchased Assets while limiting any chilling effect in the sale process.

C. THE PROCEDURE FOR ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IS APPROPRIATE.

Section 365(a) provides that, subject to the court's approval, a trustee "may assume or reject any executory contracts or unexpired leases of the debtor." 11 U.S.C. § 365(a). Upon finding that a trustee has exercised its sound business judgment in determining to assume an executory contract or unexpired lease, courts should approve the assumption under § 365(a). *See Nostas Assocs. v. Costich (In re Klein Sleep Prods., Inc.)*, 78 F.3d 18, 25 (2d Cir. 1996); *see also*

Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095, 1099 (2d Cir. 1993).

Pursuant to § 365(f)(2), a trustee may assign an executory contract or unexpired lease of nonresidential real property if:

> (A) the trustee assumes such contract or lease in accordance with the provisions of this section; and
>
> (B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

11 U.S.C. § 365(f)(2).

The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, and should be given "practical, pragmatic construction." *See Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.)*, 103 B.R. 524, 538 (Bankr. D.N.J. 1989); *see also In re Natco Indus., Inc.*, 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) ("Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.").

Among other things, adequate assurance may be given by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. *In re Bygaph, Inc.*, 56 B.R. 596, 605-6 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance is present when prospective assignee of lease has financial resources and expressed willingness to devote sufficient funding to business to give it strong likelihood of succeeding; chief determinant of adequate assurance is whether rent will be paid).

The Debtors and the Winning Bidder will present evidence at the Sale Hearing to prove the financial credibility, willingness, and ability of the Winning Bidder to perform under the contracts or leases. The Court and other interested parties therefore will have the opportunity to evaluate the ability of any Winning Bidder to provide adequate assurance of future performance under the contracts or leases, as required by § 365(b)(1)(C).

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

In addition, the Debtors submit that the cure procedures set forth herein are appropriate, reasonably calculated to provide notice to any affected party, and afford the affected party to opportunity to exercise any rights affected by the Motion, and consistent with § 365. To the extent that any defaults exist under any Assumed Executory Contracts, any such defaults will be cured pursuant to the Winning Bid APA. Except as otherwise limited by § 365, any provision in the Assumed Executory Contracts that would restrict, condition, or prohibit an assignment of such contracts will be deemed unenforceable pursuant to § 365(f)(1).

Accordingly, the Debtors submit that the cure procedures for effectuating the assumption and assignment of the Assumed Executory Contracts as set forth herein are appropriate and should be approved.

D. APPROVAL OF THE SALE IS WARRANTED UNDER § 363.

As discussed above, § 363(b)(1) provides that a debtor "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1).

1. The Sale of the Assets is Authorized by § 363 as a Sound Exercise of the Debtors' Business Judgment.

In accordance with Rule 6004, sales of property rights outside the ordinary course of business may be by private sale or public auction. The Debtors have determined that the Sale of the Purchased Assets by public auction will enable it to obtain the highest and best offer for these assets (thereby maximizing the value of the estate) and is in the best interests of the Debtors' creditors. The Debtors have determined in their business judgment that a sale of the Purchased Assets through a competitive, public auction is the best way to maximize the value of those assets.

Sections 363 provides that a trustee, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although § 363 does not specify a standard for determining when it is appropriate for a court to authorize the use, sale or lease of property of the estate, a sale of a debtor's assets should be authorized if a sound business purpose exists for doing so. *See, e.g., Meyers v. Martin (In re*

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

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

Martin), 91 F.3d 389, 395 (3d Cir. 1996); *In re Abbotts Dairies of Pa., Inc*., 788 F.2d 143 (2d Cir. 1986); *In re Titusville Country Club*, 128 B.R. 396 (W.D. Pa. 1991); *In re Delaware & Hudson Ry. Co*., 124 BR. 169, 176 (D. Del. 1991); *see also Official Comm. of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143 (2d Cir. 1992); *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986).

The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See, e.g., In re Food Barn Stores, Inc*., 107 F.3d 558, 564-65 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the value of the estate at hand"); *Integrated Resources*, 147 B.R. at 659 ("It is a well-established principle of bankruptcy law that the. . . [trustee's] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.") (*quoting In re Atlanta Packaging Prods., Inc*., 99 BR. 124, 130 (Bankr. N.D. Ga. 1988)). As long as the sale appears to enhance a debtor's estate, court approval of a debtor's decision to sell should only be withheld if the debtor's judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. *GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd*., 331 B.R. 251, 255 (N.D. Tex. 2005); *In re Lajijani*, 325 B.R. 282, 289 (B.A.P. 9th Cir. 2005); *In re WPRV-TV, Inc*., 143 B.R. 315, 319 (D.P.R. 1991) ("The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on whether to approve proposed sales, but the trustee's business judgment is subject to great judicial deference.").

Applying § 363, the proposed Sale of the Purchased Assets should be approved. As set forth above, the Debtors have determined that the best method of maximizing the recovery of the Debtors' creditors would be through the Sale of the Purchased Assets. As assurance of value, bids will be tested through the Auction consistent with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and pursuant to the Bidding Procedures approved by the Court. Consequently, the fairness and reasonableness of the consideration to be paid by the Winning

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

Bidder ultimately will be demonstrated by adequate "market exposure" and an open and fair auction process—the best means, under the circumstances, for establishing whether a fair and reasonable price is being paid.

In addition to the Debtors' prior marketing efforts, the Debtors' investment banker has been contacting potential interested parties and has assembled a data room which is available upon the execution of an appropriate confidentiality agreement. There is a limited universe of potential acquirers of the Purchased Assets, and the Debtors and their advisors have been in active discussions with many of these potential purchasers.

2. The Sale of the Debtors' Assets Free and Clear of Liens and Other Interests is Authorized by § 363(f).

The Debtors further submit that it is appropriate to sell the Purchased Assets free and clear of liens pursuant to § 363(f), with any such liens attaching to the sale proceeds of the Purchased Assets to the extent applicable. Section 363(f) authorizes a trustee to sell assets free and clear of liens, claims, interests and encumbrances if:

> (1) applicable nonbankruptcy law permits the sale of such property free and clear of such interests;
>
> (2) such entity consents;
>
> (3) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;
>
> (4) such interest is in bona fide dispute; or
>
> (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). This provision is supplemented by § 105(a), which provides that "[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

Because § 363(f) is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Debtor's Assets "free and clear" of liens and interests. *In re Dundee Equity Corp.*, 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6,

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

1992) ("Section 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met.*"); In re Bygaph, Inc.*, 56 B.R. 596, 606 n.8 (Bankr. S.D.N.Y. 1986) (same); *Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.)*, 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (stating that § 363(f) is written in the disjunctive; holding that the court may approve the sale "free and clear" provided at least one of the subsections of § 363(f) is met).

At least one of the tests of § 363(f) is satisfied with respect to the transfer of the Purchased Assets pursuant to the APA. Additionally, at least § 363(f)(2) will be met in connection with the transactions proposed under the Purchase Agreement because each of the parties holding liens on the Purchased Assets will consent or, absent any objection to this motion, will be deemed to have consented to the Sale. Any lienholder also will be adequately protected by having its liens, if any, in each instance against the Debtors or their estates, attach to the sale proceeds ultimately attributable to the Purchased Assets in which such creditor alleges an interest, in the same order of priority, with the same validity, force and effect that such creditor had prior to the Sale, subject to any claims and defenses the Debtors may possess with respect thereto. Moreover, all rights under the Final DIP Order and the Intercreditor Agreement are being preserved. Accordingly, § 363(f) authorizes the transfer and conveyance of the Purchased Assets free and clear of any such claims, interests, liabilities, or liens.

Although § 363(f) provides for the sale of assets "free and clear of any interests," the term "any interest" is not defined anywhere in the Bankruptcy Code. *Folger Adam Security v. DeMatteis/MacGregor JV*, 209 F.3d 252, 257 (3d Cir. 2000). Courts have interpreted "any interest" expansively to include not only in rem interests in property, but also other obligations that are "connected to or arise from the property being sold" or that could "potentially travel with the property being sold." *In re Gardens Regional Hospital and Medical Center, Inc.*, 567 B.R. 820, 825 (Bankr. C.D. Cal. 2017) (California Attorney General imposed conditions are an "interest in property" that can be stripped off the assets through a sale under § 363); *In re La Paloma Generating, Co.*, 2017 WL 5197116, *4 (Bankr. D. Del. Nov. 9, 2017) (holding that emission surrender obligations created by California regulations and statutes and enforced by the

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

California Air Resources Board are an interest in property which can be cut off by a § 363 sale) *See also In re Trans World Airlines, Inc.*, 322 F.3d 283, 285, 288 (3d Cir. 2001) (holding that plaintiff's interests in travel vouchers that were issued to settle employment discrimination are an interest under § 363 because they arise from the property being sold); *PBBPC, Inc. v. OPK Biotech, LLC (In re PBBPC, Inc.)*, 484 B.R. 860, 867-870 (1st Cir. B.A.P. 2013) (holding that debtor's assets could be sold free and clear of Commonwealth of Massachusetts's right to treat a purchaser of substantially all of the assets of chapter 11 debtor as a "successor employer" to which debtor's experience rating could be imputed to determine purchaser's unemployment insurance contribution); *In re ARSN Liquidating Corp. Inc.*, 2017 WL 279472, *5 (Bankr. D.N.H. Jan. 20, 2017) (Nat'l Council on Compensation Ins. violated sale order by imputing debtor's workers' compensation experience rating to buyer in setting buyer's workers' compensation experience rating); *In re Vista Marketing Group Ltd.*, 557 B.R. 630, 635-39 (Bankr. N.D. Ill. 2016) (free and clear language in sale order prevented a state sanitary district from asserting claim against asset purchaser for connection fee surcharge that was calculated based entirely on debtor's use of the district's sewer facilities); *United Mine Workers of Am. Combined Benefit Fund v. Walter Energy, Inc.*, 551 B.R. 631, 641 (N.D. Ala. 2016) (sale under § 363 cuts off Coal Act obligations despite language in Act imposing successor liability on buyer); *In re Christ Hospital*, 502 B.R. 158, 76-79 (Bankr. D.N.J. 2013) (section 363 sales cut off tort claims against purchaser of nonprofit hospital); *In re Tougher Indus.*, 2013 WL 1276501 at **6-9 (Bankr. N.D.N.Y. Mar. 27, 2013) (holding that debtor's assets could be sold free and clear of New York State Department of Labor's right to use the debtor's experience rating to access the buyer's tax liability as successor to the debtor); *In re Grumman Olson Indus. Inc.*, 467 B.R. 694, 702–03 (S.D.N.Y 2012) ("Section 363(f) can be used to sell property free and clear of claims that could otherwise be assertable against the buyer of the assets under the common law doctrine of successor liability"); *WBO P'ship v. Va. Dep't of Med. Assistance Servs. (In re WBO P'ship)*, 189 B.R. 97, 104–05 (Bankr. E.D. Va. 1995) (holding that Commonwealth of Virginia's right to recapture depreciation is an "interest" as that term is used in § 363(f))

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

In the case of *In re Trans World Airlines, Inc.*, 322 F.3d 283, 288-89 (3d Cir. 2003), the Third Circuit specifically addressed the scope of the term "any interest." The Third Circuit observed that while some courts have "narrowly interpreted that phrase to mean only in rem interests in property," the trend in modern cases is towards "a more expansive reading of 'interests in property' which 'encompasses other obligations that may flow from ownership of the property.'" *Id*. at 289 (*citing* 3 Collier on Bankruptcy, ¶ 363.06[1] (L. King, 15th rev. ed. 1988)). As determined by the Fourth Circuit in *In re Leckie Smokeless Coal Co*., the scope of § 363(f) is not limited to *in rem* interests. 99 F.3d 573, 581-582 (4th Cir. 1996) (holding that coal mine operators could sell their assets free and clear of their obligations to a benefits plan and fund under the Coal Act). Thus, debtors "could sell their assets under § 363(f) free and clear of successor liability that otherwise would have arisen under federal statute." *Folger*, 209 F.3d at 258 (*citing Leckie*, 99 F.3d at 582).

Courts have consistently held that a buyer of a debtor's assets pursuant to a § 363 sale takes such assets free from successor liability resulting from pre-existing claims. *See The Ninth Avenue Remedial Group v. Allis-Chalmers Corp*., 195 B.R. 716, 732 (Bankr. N.D. Ind. 1996) (stating that a bankruptcy court has the power to sell assets free and clear of any interest that could be brought against the bankruptcy estate during the bankruptcy); *MacArthur Company v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 837 F.2d 89, 93-94 (2d Cir. 1988) (channeling of claims to proceeds consistent with intent of sale free and clear under § 363(f)). The purpose of an order purporting to authorize the transfer of assets free and clear of all "interests" would be frustrated if claimants could thereafter use the transfer as a basis to assert claims against the purchaser arising from the Debtors' pre-sale conduct. Under § 363(f), the purchaser is entitled to know that the Purchased Assets are not infected with latent claims that will be asserted against the purchaser after the proposed transaction is completed. Accordingly, consistent with the above-cited case law, the order approving the Sale should state that the Winning Bidder is not liable as a successor under any theory of successor liability, for claims that encumber or relate to the Purchased Assets .

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

3. The Winning Bidder Should be Afforded All Protections Under § 363(m) as A Good Faith Purchaser.

Section 363(m) protects a good-faith purchaser's interest in property purchased from the debtor's estate notwithstanding that the sale conducted under § 363(b) is later reversed or modified on appeal. Specifically, § 363(m) states that:

> The reversal or modification on appeal of an authorization under [section 363(b)] . . . does not affect the validity of a sale . . . to an entity that purchased . . . such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale were stayed pending appeal.

11 U.S.C. § 363(m). Section 363(m) "codifies Congress's strong preference for finality and efficiency" in bankruptcy proceedings. *In re Energytec, Inc*. 739 F.3d 215, 218-19 (5th Cir. 2013). The Ninth Circuit has repeatedly held that, under § 363(m), "[w]hen a sale of assets is made to a good faith purchaser, it may not be modified or set aside unless the sale was stayed pending appeal." *Paulman v. Gateway Venture Partners III, L.P. (In re Filtercorp, Inc).*, 163 F.3d 570, 576 (9th Cir. 1998) ; *In re Ewell*, 958 F.2d 276, 282 (9th Cir. 1992) ("Because the Buyer was a good faith purchaser, under 11 U.S.C. § 363(m) the sale may not be modified or set aside on appeal unless the sale was stayed pending appeal."); *Onouli-Kona Land Co. v. Estate of Richards (In re Onouli-Kona Land Co.)*, 846 F.2d 1170, 1172 (9th Cir. 1988) ("Finality in bankruptcy has become the dominant rationale for our decisions […]").

The selection of the Winning Bidder will be the product of arms' length, good faith negotiations in an anticipated competitive purchasing process. The Debtors intend to request at the Sale Hearing a finding that the Winning Bidder is a good faith purchaser entitled to the protections of § 363(m).

E. RELIEF FROM THE 14-DAY WAITING PERIOD UNDER RULES 6004(H) AND 6006(D) IS APPROPRIATE.

Rule 6004(h) provides that an "order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Similarly, Rule 6006(d) provides that an "order authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed until the expiration of 14 days after the entry of the

order, unless the court orders otherwise." The Debtors request that the Order be effective immediately by providing that the 14-day stays under Rules 6004(h) and 6006(d) are waived.

The purpose of Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. *See* Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Rules 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court should "order otherwise" and eliminate or reduce the 14-day stay period, *Collier* suggests that the 14-day stay period should be eliminated to allow a sale or other transaction to close immediately "where there has been no objection to the procedure." *Collier on Bankruptcy*, ¶ 6004.11 (Alan N. Resnick & Henry J. Sommer eds., 16th ed.). Furthermore, *Collier* provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. *Id*.

The Debtors hereby request that the Court waive the 14-day stay periods under Rules 6004(h) and 6006(d) or, in the alternative, if an objection to the Sale is filed, reduce the stay period to the minimum amount of time needed by the objecting party to file its appeal.

F. THE APPLICABLE REQUIREMENTS OF LBR 6004-1 ARE SATISFIED.

Here all of the applicable requirements of LBR 6004-1(b) pertaining to the Motion and the request therein to approve the Bidding Procedures have been satisfied. First, as required by LBR 6004-1(b)(2), the Notice of Motion describes the proposed Bidding Procedures and includes a copy of the Stalking Horse APA. Second, as required by LBR 6004-1(b)(2), the Notice of the Bid Procedures Motion and this Memorandum describe marketing efforts undertaken and the anticipated marketing of the Purchased Assets through the deadline for prospective Overbidders to submit bids for the Auction. Third, the Debtors provided notice of the Notice of Motion, Motion, and this Memorandum pursuant to LBR 6004-1(b)(3) and the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132]. Therefore, the Debtors submit that service of the Notice of Motion, Motion, and this Memorandum by such means was adequate and appropriate.

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

X. CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an order: (i) granting the relief requested herein; and (ii) granting such other and further relief as the Court may deem proper.

Dated: February 10, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By */s/ Tania M. Moyron*
Tania M. Moyron

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 1

The Bidding Procedures

EXHIBIT 1

BIDDING PROCEDURES

Verity Health System of California, Inc., Verity Holdings, LLC and St. Francis Medical Center ("Debtors") propose to conduct an auction for the Sale (as defined under Paragraph 1 below) of the Purchased Assets (as defined under Paragraph 2 below) and will proceed in accordance with the following bid procedures ("Bidding Procedures") which have been approved pursuant to an Order entered by the United States Bankruptcy Court for the Central District of California, Los Angeles Division ("Bankruptcy Court") on _____, 2020 ("Bidding Procedures Order") in the jointly administered, Chapter 11 cases styled *Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER (the "Bankruptcy Cases").

The form of asset purchase agreement for the Sale is posted in the Debtors' on-line data room (the "Draft APA"). As provided for below, the Debtors are soliciting bids ("Bids") for the proposed acquisition of the Purchased Assets, in accordance with the procedures below, which require, among other requirements, that prospective bidders submit an executed asset purchase agreement, in the form of the Draft APA, along with a marked version evidencing any changes to the Draft APA. The Debtors will consider all Bids which comply with the terms of these Bidding Procedures; provided, that, Bids will be evaluated based upon the cash consideration provided by such offer.

1. **Sale Proposal.** These Bidding Procedures set forth the terms by which prospective bidders may qualify for and participate in the Auction (as defined under Paragraph 13 below), thereby competing to make the highest and best offer for the Purchased Assets. The sale of the Purchased Assets (a "Sale") shall be free and clear of any and all claims, liens, and other encumbrances, pursuant to § 363 of title 11 of the United States Code (the "Bankruptcy Code"),[1] with all such liens, claims and encumbrances attaching to the proceeds of the Sale to the same extent and with the same priority as such liens, claims and encumbrances attached to the Purchased Assets prior to the Sale.

2. **Purchased Assets.** For purposes of a Sale, the "Purchased Assets" consist of any or all tangible and intangible real and personal property assets of the Debtors as defined and set forth in the Draft APA.

3. **"As Is, Where Is" Sale.** Except as explicitly set forth in the Draft APA, any Sale of the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

4. **Consultation Parties**. "Consultation Parties" means, collectively, the Official Committee of Unsecured Creditors; UMB Bank, N.A., as successor Master

[1] Unless specified otherwise, all "§" or "Section" references are to the Bankruptcy Code.

Trustee ("UMB"); Wells Fargo Bank National Association, as bond indenture trustee under the bond indentures relating to the 2005 Bonds ("Wells Fargo"); U.S. Bank National Association, solely in its capacity as the note indenture trustee and as the collateral agent under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes ("U.S. Bank"); and Verity MOB Financing, LLC and Verity MOB Financing II, LLC ("MOB Lenders"). [2] UMB, Wells Fargo, U.S. Bank, and the MOB Lenders are collectively referred to herein as the "Prepetition Secured Creditors."

5. **Potential Bidders / Execution of NDA/ Financial Information**. To participate in the Auction, any party (a "Potential Bidder") wishing to submit a Bid to purchase the Purchased Assets must execute, or have executed, a nondisclosure agreement ("NDA") in the form provided by Debtors' advisors and in form and substance satisfactory to the Debtors before such Potential Bidder may receive due diligence information from the Debtors, including access to the Debtors' on-line data room or other non-public information relating to the Purchased Assets. In addition, any Potential Bidder must submit financial information to the Debtors to evidence such Potential Bidder's ability to consummate the Sale, which information must be satisfactory to the Debtors after consultation with the Consultation Parties.

6. **Due Diligence**. After receipt of an executed NDA, the Debtors shall, upon request by the Potential Bidder, provide each Potential Bidder reasonable due diligence information as soon as reasonably practicable after such request, including access to the Debtors' on-line data room. The Debtors shall not furnish, and shall have no obligation to furnish, any confidential and/or non-public information relating to the Purchased Assets or the Debtors (collectively, "Confidential Information"), or grant access to the Debtors' on-line data room, to (i) any person that does not qualify as a Potential Bidder, or (ii) to Potential Bidders who, at such time and in the Debtors' reasonable business judgment, after consultation with the Consultation Parties, have not established, or who have raised doubt, that such Potential Bidder intends in good faith to, or has the capacity to, consummate the Sale.

7. **Representations and Warranties**. The Debtors make no representation or warranty as to the Confidential Information provided through the due diligence process or otherwise, except to the extent set forth in the Draft APA (or as set forth in any Qualified APA (as defined under Paragraph 9 below) entered into between the Debtors and the Winning Bidder (as defined under Paragraph 13

[2] Such parties are further described in the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order").

below). No party may conduct any additional due diligence after the Bid Deadline (as defined under Paragraph 8 below).

8. **Bid Deadline.** Potential Bidders must submit their Bids so that such Bids are actually received by each of the following parties **no later than 5:00 p.m. (Pacific Time) on April 3, 2020** (the "Bid Deadline"): (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com)) (collectively, the "Bid Deadline Recipients"). Potential Bidders may either e-mail their Bids to the e-mail addresses listed above or may deliver hard-copies of their Bids to the physical addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as fax, as being acceptable. The Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

9. **Qualified Bid**. In order to constitute a "Qualified Bid," a Bid must satisfy the following requirements (the "Bid Requirements"):

(a) be submitted (i) in writing and (ii) be received by the Bid Deadline Recipients by the Bid Deadline as set forth in Paragraph 8 of these Bidding Procedures, subject to Paragraph 11 of these Bidding Procedures;

(b) constitute a good faith, bona fide offer to purchase the Purchased Assets in accordance with the terms of the Qualified APA (as defined in this Paragraph 9) for a proposed purchase price ("Purchase Price") identified in such Qualified APA and defined as the "Purchase Price" therein;

(c) identify the legal name of the Potential Bidder (including any direct or indirect equity holders, if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale);

(d) be accompanied by a clean and a duly executed copy of an asset purchase agreement (the "Qualified APA"), the form of which shall be consistent with the Draft APA and which shall not be inconsistent with these Bidding Procedures;

(e) be accompanied by a copy of the Qualified APA which is marked to reflect the amendments and modifications compared to the Draft APA;

(f) be accompanied by a copy of the draft Sale Order (as defined under Paragraph 15 below) marked to reflect the amendments and modifications (if any) compared to the form of draft Sale Order posted in the Debtors' on-line data room;

(g) be accompanied by a copy of the draft California Attorney General conditions marked to reflect the amendments and modifications (if any) compared to the form of draft California Attorney General conditions posted in the Debtors' on-line data room;

(h) unless it is a Credit Bid (as defined below), be accompanied by a deposit by wire transfer in the amount of ten percent (10%) of the aggregate Purchase Price in certified funds or such other amount acceptable to the Debtors, in consultation with the Consultation Parties ("Deposit"), to be held in escrow and treated in accordance with the provisions of Paragraph 16 of these Bidding Procedures;

(i) provide sufficient and adequate information to demonstrate to the satisfaction of the Debtors, in consultation with the Consultation Parties, that such Potential Bidder has the financial wherewithal and ability to consummate the Sale;

(j) include a written statement that the Potential Bidder agrees to be bound by the terms of the Bidding Procedures and the Bidding Procedures Order and consents to the jurisdiction of the Bankruptcy Court (including waiving any right to a jury trial) in connection with any disputes related to these Bidding Procedures as well as (*each as defined below*) the Auction, the Sale Hearing, the Sale Order and/or the closing of the Sale;

(k) include a written statement outlining the absence or presence, and details thereof, of any relationship, affiliation, or connection of any kind between the Potential Bidder, on the one hand, and the Debtors and/or any of their affiliates, current or former officers, directors, and/or investors;

(l) not be conditioned on any due diligence, financing, or other contingencies other than entry of the Sale Order, and any other contingencies solely to the extent set forth in the Qualified APA;

(m) remain irrevocable until forty-eight (48) hours after the conclusion of the Sale Hearing or such longer period of time as set forth below if the Potential Bidder is selected as the Winning Bidder or Back-Up Bidder (as defined below);

(n) states that the Potential Bidder is willing to serve as a Back-Up Bidder and that its Qualified Bid (or any Qualified Bid as modified at the Auction) shall constitute the Back-Up Bid if the Debtors determine that it qualifies as the Back-Up Bid in accordance with the provisions of Paragraph 14; and

(o) if such Qualified Bid includes a Credit Bid (as defined below), evidence of (a) the basis, amount and priority of the Credit Bidder's (as defined below) security interest in the Purchased Assets that are subject to the Credit Bid and (b) the basis of the Credit Bidder's authority to make such Credit Bid if the Credit Bidder's secured claim is held in a representative capacity. No Bid that includes a Credit Bid made pursuant to § 363(k) shall qualify as a Qualified Bid, whether made at the Auction or before, unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in such Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected liens that are senior in rank to the security interests of the Credit Bidder.

10. **Discretionary Determination of Stalking Horse Bidder**. The Debtors, in their discretion, after consultation with the Committee, and with the prior consent of the Prepetition Secured Creditors, may agree that a Qualified Bidder shall be afforded stalking horse status and protections (the "Stalking Horse Bidder"), including a break-up fee and expense reimbursement in an amount not to exceed in the aggregate 2.5% of the proposed Purchase Price under such Qualified Bidder's Qualified APA (the "Break-Up Fee"). Any Break-Up Fee, to the extent payable, shall only be paid from proceeds received by the Debtors at the closing of a Sale with a Qualified Bidder other than the Stalking Horse Bidder. The award of stalking horse protection may occur without further notice (other than an announcement to Potential Bidders no later than the commencement of the Auction) or order of the Bankruptcy Court.

11. **Determination of Qualified Bids**. A Bid that satisfies each of the Bid Requirements, as determined by the Debtors in their reasonable discretion, in consultation with the Consultation Parties, constitutes a "Qualified Bid", and such Potential Bidder constitutes a "Qualified Bidder." The Debtors may determine

that a Bid is not a Qualified Bid if the Qualified APA differs in any material respect from the Draft APA. One business day prior to the Auction, the Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids. The Debtors shall file and serve on all Potential Bidders that submitted a Bid (regardless of whether such Bid was determined to be a Qualified Bid) a notice (the "Auction Notice") indicating which Potential Bidders have submitted Qualified Bids. If any Bids are designated as Qualified Bids, the Auction shall be conducted on April 7, 2020 as further described below.

12. **Credit Bid**. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

13. **Auction**. The Debtors shall conduct an auction on April 7, 2020 at the offices of Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, California 90017, commencing at 10:00 a.m. Pacific Time (the "Auction"). The Auction will be conducted to determine the highest and best Qualified Bid (the "Winning Bid," with such bidder being the "Winning Bidder"). Subject to paragraph 18 below, the Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

(a) only Qualified Bidders, in person or through duly-authorized representatives at the Auction may bid at the Auction, and every Qualified Bidder must have at least one (1) such duly-authorized representative with authority to bind the Qualified Bidder at the Auction;

(b) only such authorized representatives of each of the Qualified Bidders, the Debtors, the Consultation Parties and their respective legal and financial advisors shall be permitted to attend the Auction;

(c) prior to the commencement of the Auction, representatives of the Debtors, and/or the Consultation Parties may have discussions with each Qualified Bidder with respect to the terms and conditions of such Qualified Bids, and the Debtors will have selected, in consultation with the Consultation

Parties, a Qualified Bid to become the opening bid at the Auction (the bid submitted by such Qualified Bidder shall be referred to as the "Opening Bid" and the Qualified Bidder shall be referred to as the "Opening Bidder");

(d) bidding shall commence at the amount of the Opening Bid. The Opening Bid shall be announced by the Debtors at or before the commencement of the Auction. Other Qualified Bidders may then submit successive bids in increments of at least $2,000,000 (plus, with respect to the first successive bid, the amount of the Break-Up Fee, if any) higher than the Opening Bid, and all subsequent bids must be at least $2,000,000 higher than the previous bid. To the extent a Stalking Horse Bidder submits higher bids, such Stalking Horse Bidder shall have the right (but not the obligation) to increase its Opening Bid by using, as a credit, the amount of the Break-Up Fee when determining whether any Stalking Horse Bidder has topped the previous bid by the required amount;

(e) Qualified Bidders shall have the right to submit additional bids that include modifications to their Qualified APA at the Auction, consistent herewith, provided that any such modifications to the Qualified APA, on an aggregate basis and viewed in whole, shall not be less favorable to the Debtors than any prior bid by such party (as determined by the Debtors, following consultation with the Consultation Parties). The Debtors, in consultation with the Consultation Parties, reserve the right to separately negotiate the terms of any Qualified Bids at the Auction, provided the terms are fully disclosed at the time such Qualified Bid is formally submitted;

(f) the bidding will be transcribed by a certified court reporter employed by the Debtors to ensure an accurate recording of the bidding at the Auction;

(g) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the proposed Sale and is not in violation of § 363(n); and

(h) absent irregularities in the conduct of the Auction, the Debtors will not consider any Potential Bids made after the Auction is closed.

14. **Acceptance of the Winning Bid and Designation of the Back-Up Bid**.

(a) Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall be required to

execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA". The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is thirty (30) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder.

(b) Except as provided in Paragraph 9(h) concerning Credit Bids, within two business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals ten percent (10%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit").

(c) If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) any additional Deposit required as a result of a bid submitted at the Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid.

15. **Sale Hearing**.

(a) The sale hearing is presently scheduled to take place **on April 9, 2020 at 10:00 a.m. (Pacific Time),** or as soon thereafter as counsel may be heard, before the Honorable Ernst M. Robles, Courtroom 1568, 255 E. Temple St., Los Angeles, California (the "Sale Hearing").

(b) Within two business days after the conclusion of the Auction (and in advance of the Sale Hearing), the Debtors will file a notice of the Winning Bid and Back-Up Bid, along with copies of the Winning Bid APA, Back-Up Bid APA and the proposed Sale Order (the "Notice of Winning Bid and Back-Up Bid"), redacted as necessary to protect commercially sensitive and/or confidential information. The Sale Order shall be in a form reasonably acceptable to the Prepetition Secured Creditors.

(c) Any objection to the approval of the Winning Bid and Back-Up Bid shall be filed no later than April [__], 2020 **at 5:00 o'clock p.m. (Pacific Time).**

(d) The Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing, at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with these Bidding Procedures, (ii) the Auction was fair in substance and procedure, (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid, (iv) closing of the Sale with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest and best value for the Purchased Assets and is in the best interests of the Debtors and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m).

(e) At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in accordance with the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

(f) At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

16. **Treatment Of Deposit**.

(a) The Deposit of each Potential Bidder shall be held pursuant to an escrow agreement acceptable to the Debtors, subject to the prior consent of the Debtors as to the escrow agent and form of escrow agreement, where such consent is not to be unreasonably withheld.

(b) Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by

the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

(c) The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) thirty (30) days after entry of the Sale Order.

(d) The Deposit of any Potential Bidder who is determined not to be a Qualified Bidder shall be returned to such Potential Bidder within two (2) business days of such determination, pursuant to the terms of the applicable escrow agreement.

17. **Payment of the Break-Up Fee.** If any Stalking Horse Bidder is not the Winning Bidder, the Debtors shall pay the Break-Up Fee to such Stalking Horse Bidder as set forth in the agreement between the Debtors and the Stalking Horse Bidder providing for such Break-Up Fee, but in no event shall payment be any earlier than the time of the consummation of the sale of the Purchased Assets or transfer thereof in the context of an Alternative Transaction, and shall only be paid from the proceeds of such sale or upon the transfer of such Purchased Assets. Notwithstanding the foregoing, a Break-Up Fee will only be payable if the Debtors have previously determined pursuant to Paragraph 10 of these Bidding Procedures that a bid merits stalking horse status and protections.

18. **Reservation of Rights**. **THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE**

DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE.

EXHIBIT "E"

Docket #4165 Date Filed: 2/26/2020

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

Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

FILED & ENTERED

FEB 26 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.

☒ 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

Hon. Judge Ernest M. Robles

ORDER (1) APPROVING AUCTION SALE FORMAT AND BIDDING PROCEDURES, (2) APPROVING PROCESS FOR DISCRETIONARY SELECTION OF STALKING HORSE BIDDER AND 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 AND BEST BIDDER; AND (5) APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Hearing:
Date: February 26, 2020
Time: 10:00 am
Place: Courtroom 1568, 255 E. Temple St., Los Angeles, CA

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

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

This matter coming before the Court on the motion [Docket No. 4069] (the "Motion")[1] of the above-captioned debtors and debtors in possession (the "Debtors") for the entry of the Order, as applicable, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (the "Bankruptcy Code"),[2] Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR"): (a) approving a process by which interested parties may bid (a "Bid") to purchase St. Francis Medical Center ("St. Francis") and related assets (collectively, the "Purchased Assets"), including the assignment and assumption of Assumed Executory Contracts, together with the payment of Cure Costs (as such terms are defined in the Motion); (b) approving a process by which, at the Debtors' election, a stalking-horse bidder may be selected from among those parties making a Bid, and bidding protections may be granted to such stalking horse bidder without further order of the Court; (c) setting bid procedures to establish guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (d) if multiple Qualified Bids (as defined in the Motion) are received, scheduling an auction of the Purchased Assets; and (e) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid. The Court, having found that (i) the Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, (ii) venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409, (iii) this is a core proceeding pursuant to 28 U.S.C. § 157(b), and (iv) notice of the Motion was sufficient under the circumstances and properly given; and it appearing that no other or further notice need be provided; and having considered the limited objection [Docket No. 4016] (the "Limited Objection") filed by UnitedHealthcare Insurance Company ("United"), the reservation of rights [Docket No. 4108] filed by U.S. Bank National Association, as Series 2015 Note Trustee and Series 2017 Note Trustee ("U.S. Bank"), the reservation of rights [Docket No. 4119] filed by SEIU United Healthcare Workers-West ("SEIU-UHW"), the Debtors' reply

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

[2] All references to "§" or "section" herein are to the Bankruptcy Code. All references to "Rules" are to the Federal Rules of Bankruptcy Procedure.

[Docket No. 4132] (the "Reply") thereto, and any other argument or evidence properly before the Court; and a hearing on the proposed Bidding Procedures as detailed in the Motion having been held (the "Hearing"); and after due deliberation the Court having determined that the relief requested in the Motion with respect to the proposed Bidding Procedures is in the best interests of the Debtors, their estates, and their creditors; and for the reasons set forth in the Court's *Order Setting Briefing Schedule to Determine Whether Strategic Global Management Should Be Disqualified from Participating in the Auction* [Docket No. 4161] (the "Scheduling Order") and the tentative ruling attached thereto as Exhibit A, which the Court adopts as its final ruling and which is incorporated herein by reference (the "Ruling"); and good and sufficient cause having been shown:

AND IT IS FURTHER FOUND AND DETERMINED THAT: [3]

A. The statutory and legal predicates for the relief requested in the Motion and provided for herein are §§ 105(a), 363, and 365, Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1(b) and 9013-1.

B. In the Motion, the Reply, and at the Hearing, the Debtors demonstrated that good and sufficient notice of the relief granted by this Order has been given and no further notice is required. A reasonable opportunity to object or be heard regarding the relief granted by this Order has been afforded to those parties entitled to notice pursuant to Bankruptcy Rule 2002 and all other interested parties.

C. The Debtors' proposed Procedures Notice, Cure Notice, the Auction, the Auction Procedures, and the hearing to approve the sale of the Purchased Assets (the "Sale Hearing") are appropriate and reasonably calculated to provide all interested parties with timely and proper notice, and no other or further notice is required.

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

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

D. The Bidding Procedures substantially in the form attached hereto as Exhibit "1" are fair, reasonable, and appropriate and are designed to maximize the recovery from the Sale of the Purchased Assets.

E. The Break-Up Fee is reasonably calculated to: (1) attract or retain a potentially successful bid; (2) establish a bid standard or minimum for other bidders to follow; and (3) attract additional bidders. Accordingly, in light of the foregoing, the size and nature of the Sale, and the efforts that would be expended by a Stalking Horse Purchaser, the Break-Up Fee is reasonable and appropriate.

F. The procedures for assumption and assignment of Assumed Executory Contracts (the "Assumption and Assignment Procedures") provided for herein and the Cure Notice are reasonable and appropriate and consistent with the provisions of § 365 and Rule 6006. The Assumption and Assignment Procedures and the Cure Notice have been narrowly tailored to provide an adequate opportunity for all non-debtor counterparties to the Assumed Executory Contracts to assert any Assumption Objection.

G. Entry of (i) this Order at this time and (ii) an order approving the Sale (the "Sale Order") after the Sale Hearing is in the best interests of the Debtors, their estates and creditors, and all other parties in interest.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** as set forth herein.

2. The Limited Objection is hereby **SUSTAINED**. The Debtors shall provide United an irrevocable designation with respect to the assumption and assignment of United's contracts related to the Sale within 48 hours of the conclusion of the Auction. If no Auction is held, the Debtors shall provide United such irrevocable designation by no later than April 9, 2020, at 10:00 a.m. (prevailing Pacific Time).

3. The rights of U.S. Bank and SEIU-UHW are preserved as set forth in the Ruling.

4. Except as set forth in the Scheduling Order, any other objections to the relief requested in the Motion, insofar as it related to this Order, that have not been resolved herein, withdrawn, waived or settled are overruled.

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

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

5. The Bidding Procedures attached hereto as Exhibit "1" are **APPROVED**.

6. The Debtors, in their discretion, after consultation with the Committee, and with the prior consent of the Prepetition Secured Creditors,[4] are authorized to designate a Qualified Bidder as the "Stalking Horse Bidder" and award stalking horse protections, including a break-up fee and expense reimbursement in an amount not to exceed in the aggregate 2.5% of the proposed Purchase Price under such Qualified Bidder's Qualified APA (the "Break-Up Fee"). The Debtors shall have no obligation to designate any Qualified Bidder as the Stalking Horse Bidder. The award of stalking horse protection may occur without further notice (other than an announcement to Potential Bidders no later than the commencement of the Auction) or order of the Court. If such designation is made, unless the Debtors receive a higher or better bid prior to the Auction, the Opening Bid at the Auction shall be the Bid of the Qualified Bidder that has been designated as the Stalking Horse Bidder.

7. The Break-Up Fee is **APPROVED.** Any Break-Up Fee, to the extent payable, shall only be paid from the cash proceeds received by the Debtors at the closing of a Sale with a Qualified Bidder other than the Stalking Horse Bidder.

8. The Bid Deadline shall be **April 3, 2020 at 5:00 p.m. (prevailing Pacific Time)**.

9. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Court for cause; provided however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security

[4] As such term is defined in the Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Proection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief (the "Final DIP Order").

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

interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing in this Order or the exhibits hereto shall limit the rights of any party in interest to seek relief from this Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

10. The Debtors, after consultation with the Official Committee of Unsecured Creditors and the Prepetition Secured Creditors (collectively, the "Consultation Parties"), shall determine, in their reasonable discretion, whether a Bid has satisfied each of the Bid Requirements. One business day prior to the Auction, the Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids.

11. If any Bids are designated as Qualified Bids, the Auction shall be held on **April 7, 2020, at 10:00 a.m. (prevailing Pacific Time)** at the offices of Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, CA 90017, or at such other location as shall be identified in a notice filed with the Bankruptcy Court at least twenty-four (24) hours before the Auction, pursuant to the Auction Procedures set forth in the Bidding Procedures.

12. At the Auction, each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale, and the Auction shall be conducted openly and transcribed (with the Consultation Parties, and their respective legal and financial advisors, permitted to attend). Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable, but in no event later than prior to the Sale Hearing.

13. The Sale Hearing shall be held on **April 9, 2020, at 10:00 a.m. (prevailing Pacific Time)** before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012. Any objections to the Sale (other than an

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

Assumption Objection (defined herein) which shall be governed by the procedures set forth below) (a "Sale Objection"), must: (i) be in writing; (ii) comply with the Rules and the LBRs; (iii) set forth the specific basis for the Sale Objection; (iv) be filed with the Court, 255 E. Temple St., Los Angeles, California 90012, together with proof of service, **April 8, 2020, at 5:00 p.m. (prevailing Pacific Time)** (the "Sale Objection Deadline"); and (v) be served, so as to be actually received on or before the Sale Objection Deadline, upon (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee of Unsecured Creditors: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com)) (collectively, the "Notice Parties"). If a Sale Objection is not filed and served on or before the Sale Objection Deadline, the objecting party may be barred from objecting to the Sale and may not be heard at the Sale Hearing, and this Court may enter the Sale Order without further notice to such party. Replies to any Sale Objections may be presented at the Sale Hearing.

14. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on

the date scheduled for the Sale Hearing, and the Debtors shall have the exclusive right, in the exercise of their fiduciary obligations and business judgment, and after consultation with the Consultation Parties, to cancel the Sale at any time subject to, and in accordance with, the terms of this Order.

15. The following forms of notice are approved: (a) the Procedures Notice, in the form substantially similar to that attached hereto as Exhibit "2" and (b) the Cure Notice, in the form substantially similar to that attached hereto as Exhibit "3."

16. The Debtors shall file with the Court and serve a copy of this Order and the Procedures Notice by first class mail, postage prepaid, on the Notice Parties and all parties that the Debtors are required to serve pursuant to LBR 6004-1(b)(3) and the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132] not later than **February 26, 2020**.

17. The Debtors shall file with the Court and serve the Cure Notice (along with a copy of this Bidding Procedures Order) upon each counterparty to the Assumed Executory Contracts by no later than **March 13, 2020**. The Cure Notice shall state (i) the date, time, and place of the Sale Hearing, and (ii) the date by which any Assumption Objection must be filed and served. The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assumed Executory Contract in order to cure any defaults that exist under such contract (the "Cure Amounts").

18. To the extent there are any contracts added to the list of contracts to be assumed by the Winning Bidder pursuant to the Winning Bid APA selected at the Auction, this Order constitutes authority to assume and assign that contract to the Winning Bidder pursuant to § 365; each such contract will be listed on an exhibit to the Winning Bid APA, and shall be reflected in a separate Cure Notice, which is to be filed and served by overnight delivery by the Debtors within seven (7) days of the conclusion of the Auction and announcement of the Winning Bidder.

19. The inclusion of a contract, lease, or other agreement on the Cure Notice shall not constitute or be deemed a determination or admission by the Debtors and their estates or any other party in interest that such contract, lease, or other agreement is, in fact, an executory

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

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

contract or unexpired lease within the meaning of the Bankruptcy Code, and any and all rights with respect thereto shall be reserved.

20. If any counterparty to an Assumed Executory Contract wishes to file an Assumption Objection, such counterparty must file and serve it so as to be actually received by the Notice Parties by no later than: (i) **April 3, 2020, at 5:00 p.m. (prevailing Pacific Time)**, (ii) such later date otherwise specified in the Cure Notice, or (iii) solely with respect to those counterparties to Assumed Executory Contracts who are not initially served with a Cure Notice, seven (7) days after service by overnight mail of such Cure Notice (the "Assumption Objection Deadline"). The Court will make any and all determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to §§ 365(b) and (f)(2) of the Bankruptcy Code at the Sale Hearing.

21. To the extent the Assumed Executory Contract counterparty wishes to object to the Cure Amount, if any, set forth in the Cure Notice, its Assumption Objection must set forth with specificity each and every asserted default in any executory contract or unexpired lease and the monetary cure amount asserted by such counterparty to the extent it differs from the amount, if any, specified by the Debtors in the Cure Notice.

22. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of that set forth in the Cure Notice.

23. If a contract or lease is assumed and assigned pursuant to Court order, then except for Disputed Cure Amounts (as defined herein), the Assumed Executory Contract counterparty shall receive no later than three (3) business days following the closing of the Sale, the Cure Amount, if any, as set forth in the Cure Notice. All Cure Amounts will be funded in accordance with the terms and conditions of the Winning Bid APA.

24. Assumption Objections (including those related to adequate assurance of future performance) will be resolved by the Court at the Sale Hearing. In the event that the Debtors and the counterparty cannot resolve the Cure Amount, such dispute may be resolved by the Court at the Sale Hearing or such later date as may be agreed to or ordered by the Court. The Debtors

shall segregate from the sale proceeds any disputed Cure Amounts that are required to be paid by the Debtors under the asset purchase agreement ("Disputed Cure Amounts") pending the resolution of any such disputes by the Court or mutual agreement of the parties.

25. The Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under § 365(b) in connection with the proposed assignment of any Assumed Executory Contract, and the failure to provide adequate assurance of future performance to any counterparty to any Assumed Executory Contract shall not excuse the Winning Bidder from performance of any and all of its obligations pursuant to the Winning Bid APA.

26. Except to the extent otherwise provided in the Winning Bid APA, the Debtors and their estates shall be relieved of all liability under the Assumed Executory Contracts accruing or arising after the assumption and assignment of such contracts pursuant to § 365(k).

27. All proceeds of the Sale of the Purchased Assets shall be paid by the Winning Bidder to the Debtors and such proceeds shall be deposited in accordance with paragraph 4 of the Final DIP Order, and all liens, claims, interests and encumbrances on the Purchased Assets sold pursuant to the Sale shall attach to the proceeds of the Sale with the same force, effect, validity and priority as such liens, claims, interests and encumbrances had on such Purchased Assets prior to the closing of the Sale to the Successful Bidder, subject, for the avoidance of doubt, to the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

28. To the extent the provisions of this Order are inconsistent with the provisions of any Exhibit referenced herein or with the Motion, the provisions of this Order shall control.

29. The Court shall retain exclusive jurisdiction over all matters arising from or related to the interpretation and implementation of this Order.

/ / /

/ / /

/ / /

/ / /

/ / /

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

30. Notwithstanding the possible applicability of Bankruptcy Rules 6004, 6006, 7062, 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable.

###

Date: February 26, 2020

Ernest M. Robles
United States Bankruptcy Judge

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

Exhibit 1

Bidding Procedures

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

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

BIDDING PROCEDURES

Verity Health System of California, Inc., Verity Holdings, LLC and St. Francis Medical Center ("Debtors") propose to conduct an auction for the Sale (as defined under Paragraph 1 below) of the Purchased Assets (as defined under Paragraph 2 below) and will proceed in accordance with the following bid procedures ("Bidding Procedures") which have been approved pursuant to an Order entered by the United States Bankruptcy Court for the Central District of California, Los Angeles Division ("Bankruptcy Court") on _____, 2020 ("Bidding Procedures Order") in the jointly administered, Chapter 11 cases styled *Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER (the "Bankruptcy Cases").

The form of asset purchase agreement for the Sale is posted in the Debtors' on-line data room (the "Draft APA"). As provided for below, the Debtors are soliciting bids ("Bids") for the proposed acquisition of the Purchased Assets, in accordance with the procedures below, which require, among other requirements, that prospective bidders submit an executed asset purchase agreement, in the form of the Draft APA, along with a marked version evidencing any changes to the Draft APA. The Debtors will consider all Bids which comply with the terms of these Bidding Procedures; provided, that, Bids will be evaluated based upon the cash consideration provided by such offer.

1. **Sale Proposal.** These Bidding Procedures set forth the terms by which prospective bidders may qualify for and participate in the Auction (as defined under Paragraph 13 below), thereby competing to make the highest and best offer for the Purchased Assets. The sale of the Purchased Assets (a "Sale") shall be free and clear of any and all claims, liens, and other encumbrances, pursuant to § 363 of title 11 of the United States Code (the "Bankruptcy Code"),[5] with all such liens, claims and encumbrances attaching to the proceeds of the Sale to the same extent and with the same priority as such liens, claims and encumbrances attached to the Purchased Assets prior to the Sale.

2. **Purchased Assets.** For purposes of a Sale, the "Purchased Assets" consist of any or all tangible and intangible real and personal property assets of the Debtors as defined and set forth in the Draft APA.

3. **"As Is, Where Is" Sale.** Except as explicitly set forth in the Draft APA, any Sale of the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

4. **Consultation Parties**. "Consultation Parties" means, collectively, the Official Committee of Unsecured Creditors; UMB Bank, N.A., as successor Master Trustee ("UMB"); Wells Fargo Bank National Association, as bond indenture trustee under the bond indentures relating to the 2005 Bonds ("Wells Fargo"); U.S. Bank National Association, solely in its capacity as the note indenture trustee and as the collateral agent under each of the note indentures relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes ("U.S. Bank"); and

[5] Unless specified otherwise, all "§" or "Section" references are to the Bankruptcy Code.

Verity MOB Financing, LLC and Verity MOB Financing II, LLC ("MOB Lenders").[6] UMB, Wells Fargo, U.S. Bank, and the MOB Lenders are collectively referred to herein as the "Prepetition Secured Creditors."

5. **Potential Bidders / Execution of NDA/ Financial Information**. To participate in the Auction, any party (a "Potential Bidder") wishing to submit a Bid to purchase the Purchased Assets must execute, or have executed, a nondisclosure agreement ("NDA") in the form provided by Debtors' advisors and in form and substance satisfactory to the Debtors before such Potential Bidder may receive due diligence information from the Debtors, including access to the Debtors' on-line data room or other non-public information relating to the Purchased Assets. In addition, any Potential Bidder must submit financial information to the Debtors to evidence such Potential Bidder's ability to consummate the Sale, which information must be satisfactory to the Debtors after consultation with the Consultation Parties.

6. **Due Diligence**. After receipt of an executed NDA, the Debtors shall, upon request by the Potential Bidder, provide each Potential Bidder reasonable due diligence information as soon as reasonably practicable after such request, including access to the Debtors' on-line data room. The Debtors shall not furnish, and shall have no obligation to furnish, any confidential and/or non-public information relating to the Purchased Assets or the Debtors (collectively, "Confidential Information"), or grant access to the Debtors' on-line data room, to (i) any person that does not qualify as a Potential Bidder, or (ii) to Potential Bidders who, at such time and in the Debtors' reasonable business judgment, after consultation with the Consultation Parties, have not established, or who have raised doubt, that such Potential Bidder intends in good faith to, or has the capacity to, consummate the Sale.

7. **Representations and Warranties**. The Debtors make no representation or warranty as to the Confidential Information provided through the due diligence process or otherwise, except to the extent set forth in the Draft APA (or as set forth in any Qualified APA (as defined under Paragraph 9 below) entered into between the Debtors and the Winning Bidder (as defined under Paragraph 13 below). No party may conduct any additional due diligence after the Bid Deadline (as defined under Paragraph 8 below).

8. **Bid Deadline.** Potential Bidders must submit their Bids so that such Bids are actually received by each of the following parties **no later than 5:00 p.m. (Pacific Time) on April 3, 2020** (the "Bid Deadline"): (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney

[6] Such parties are further described in the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order").

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

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

(jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com)) (collectively, the "Bid Deadline Recipients"). Potential Bidders may either e-mail their Bids to the e-mail addresses listed above or may deliver hard-copies of their Bids to the physical addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as fax, as being acceptable. The Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

9. **Qualified Bid**. In order to constitute a "Qualified Bid," a Bid must satisfy the following requirements (the "Bid Requirements"):

(a) be submitted (i) in writing and (ii) be received by the Bid Deadline Recipients by the Bid Deadline as set forth in Paragraph 8 of these Bidding Procedures, subject to Paragraph 11 of these Bidding Procedures;

(b) constitute a good faith, bona fide offer to purchase the Purchased Assets in accordance with the terms of the Qualified APA (as defined in this Paragraph 9) for a proposed purchase price ("Purchase Price") identified in such Qualified APA and defined as the "Purchase Price" therein;

(c) identify the legal name of the Potential Bidder (including any direct or indirect equity holders, if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale);

(d) be accompanied by a clean and a duly executed copy of an asset purchase agreement (the "Qualified APA"), the form of which shall be consistent with the Draft APA and which shall not be inconsistent with these Bidding Procedures;

(e) be accompanied by a copy of the Qualified APA which is marked to reflect the amendments and modifications compared to the Draft APA;

(f) be accompanied by a copy of the draft Sale Order (as defined under Paragraph 15 below) marked to reflect the amendments and modifications (if any) compared to the form of draft Sale Order posted in the Debtors' on-line data room;

(g) be accompanied by a copy of the draft California Attorney General conditions marked to reflect the amendments and modifications (if any) compared to the form of draft California Attorney General conditions posted in the Debtors' on-line data room;

(h) unless it is a Credit Bid (as defined below), be accompanied by a deposit by wire transfer in the amount of ten percent (10%) of the aggregate Purchase Price in certified funds or such other amount acceptable to the Debtors, in consultation with the Consultation Parties ("Deposit"), to be held in escrow and treated in accordance with the provisions of Paragraph 16 of these Bidding Procedures;

(i) provide sufficient and adequate information to demonstrate to the satisfaction of the Debtors, in consultation with the Consultation Parties, that such Potential Bidder has the financial wherewithal and ability to consummate the Sale;

(j) include a written statement that the Potential Bidder agrees to be bound by the terms of the Bidding Procedures and the Bidding Procedures Order and consents to the jurisdiction of the Bankruptcy Court (including waiving any right to a jury trial) in connection with any disputes related to these Bidding Procedures as well as (*each as defined below*) the Auction, the Sale Hearing, the Sale Order and/or the closing of the Sale;

(k) include a written statement outlining the absence or presence, and details thereof, of any relationship, affiliation, or connection of any kind between the Potential Bidder, on the one hand, and the Debtors and/or any of their affiliates, current or former officers, directors, and/or investors;

(l) not be conditioned on any due diligence, financing, or other contingencies other than entry of the Sale Order, and any other contingencies solely to the extent set forth in the Qualified APA;

(m) remain irrevocable until forty-eight (48) hours after the conclusion of the Sale Hearing or such longer period of time as set forth below if the Potential Bidder is selected as the Winning Bidder or Back-Up Bidder (as defined below);

(n) states that the Potential Bidder is willing to serve as a Back-Up Bidder and that its Qualified Bid (or any Qualified Bid as modified at the Auction) shall constitute the Back-Up Bid if the Debtors determine that it qualifies as the Back-Up Bid in accordance with the provisions of Paragraph 14; and

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

(o) if such Qualified Bid includes a Credit Bid (as defined below), evidence of (a) the basis, amount and priority of the Credit Bidder's (as defined below) security interest in the Purchased Assets that are subject to the Credit Bid and (b) the basis of the Credit Bidder's authority to make such Credit Bid if the Credit Bidder's secured claim is held in a representative capacity. No Bid that includes a Credit Bid made pursuant to § 363(k) shall qualify as a Qualified Bid, whether made at the Auction or before, unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in such Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected liens that are senior in rank to the security interests of the Credit Bidder.

10. **Discretionary Determination of Stalking Horse Bidder**. The Debtors, in their discretion, after consultation with the Committee, and with the prior consent of the Prepetition Secured Creditors, may agree that a Qualified Bidder shall be afforded stalking horse status and protections (the "Stalking Horse Bidder"), including a break-up fee and expense reimbursement in an amount not to exceed in the aggregate 2.5% of the proposed Purchase Price under such Qualified Bidder's Qualified APA (the "Break-Up Fee"). Any Break-Up Fee, to the extent payable, shall only be paid from proceeds received by the Debtors at the closing of a Sale with a Qualified Bidder other than the Stalking Horse Bidder. The award of stalking horse protection may occur without further notice (other than an announcement to Potential Bidders no later than the commencement of the Auction) or order of the Bankruptcy Court.

11. **Determination of Qualified Bids**. A Bid that satisfies each of the Bid Requirements, as determined by the Debtors in their reasonable discretion, in consultation with the Consultation Parties, constitutes a "Qualified Bid", and such Potential Bidder constitutes a "Qualified Bidder." The Debtors may determine that a Bid is not a Qualified Bid if the Qualified APA differs in any material respect from the Draft APA. One business day prior to the Auction, the Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids. The Debtors shall file and serve on all Potential Bidders that submitted a Bid (regardless of whether such Bid was determined to be a Qualified Bid) a notice (the "Auction Notice") indicating which Potential Bidders have submitted Qualified Bids. If any Bids are designated as Qualified Bids, the Auction shall be conducted on April 7, 2020 as further described below.

12. **Credit Bid**. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased

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

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

Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

13. **Auction**. The Debtors shall conduct an auction on April 7, 2020 at the offices of Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, California 90017, commencing at 10:00 a.m. Pacific Time (the "Auction"). The Auction will be conducted to determine the highest and best Qualified Bid (the "Winning Bid," with such bidder being the "Winning Bidder"). Subject to paragraph 18 below, the Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

(a) only Qualified Bidders, in person or through duly-authorized representatives at the Auction may bid at the Auction, and every Qualified Bidder must have at least one (1) such duly-authorized representative with authority to bind the Qualified Bidder at the Auction;

(b) only such authorized representatives of each of the Qualified Bidders, the Debtors, the Consultation Parties and their respective legal and financial advisors shall be permitted to attend the Auction;

(c) prior to the commencement of the Auction, representatives of the Debtors, and/or the Consultation Parties may have discussions with each Qualified Bidder with respect to the terms and conditions of such Qualified Bids, and the Debtors will have selected, in consultation with the Consultation Parties, a Qualified Bid to become the opening bid at the Auction (the bid submitted by such Qualified Bidder shall be referred to as the "Opening Bid" and the Qualified Bidder shall be referred to as the "Opening Bidder");

(d) bidding shall commence at the amount of the Opening Bid. The Opening Bid shall be announced by the Debtors at or before the commencement of the Auction. Other Qualified Bidders may then submit successive bids in increments of at least $2,000,000 (plus, with respect to the first successive bid, the amount of the Break-Up Fee, if any) higher than the Opening Bid, and all subsequent bids must be at least $2,000,000 higher than the previous bid. To the extent a Stalking Horse Bidder submits higher bids, such Stalking Horse Bidder shall have the right (but not the obligation) to increase its Opening Bid by using, as a credit, the amount of the Break-Up Fee when determining whether any Stalking Horse Bidder has topped the previous bid by the required amount;

(e) Qualified Bidders shall have the right to submit additional bids that include modifications to their Qualified APA at the Auction, consistent

herewith, provided that any such modifications to the Qualified APA, on an aggregate basis and viewed in whole, shall not be less favorable to the Debtors than any prior bid by such party (as determined by the Debtors, following consultation with the Consultation Parties). The Debtors, in consultation with the Consultation Parties, reserve the right to separately negotiate the terms of any Qualified Bids at the Auction, provided the terms are fully disclosed at the time such Qualified Bid is formally submitted;

(f) the bidding will be transcribed by a certified court reporter employed by the Debtors to ensure an accurate recording of the bidding at the Auction;

(g) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the proposed Sale and is not in violation of § 363(n); and

(h) absent irregularities in the conduct of the Auction, the Debtors will not consider any Potential Bids made after the Auction is closed.

14. **Acceptance of the Winning Bid and Designation of the Back-Up Bid**.

(a) Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall be required to execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA". The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is thirty (30) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder.

(b) Except as provided in Paragraph 9(h) concerning Credit Bids, within two business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals ten percent (10%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit").

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

(c) If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) any additional Deposit required as a result of a bid submitted at the Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid.

15. **Sale Hearing**.

(a) The sale hearing is presently scheduled to take place **on April 9, 2020 at 10:00 a.m. (Pacific Time)**, or as soon thereafter as counsel may be heard, before the Honorable Ernst M. Robles, Courtroom 1568, 255 E. Temple St., Los Angeles, California (the "Sale Hearing").

(b) Within two business days after the conclusion of the Auction (and in advance of the Sale Hearing), the Debtors will file a notice of the Winning Bid and Back-Up Bid, along with copies of the Winning Bid APA, Back-Up Bid APA and the proposed Sale Order (the "Notice of Winning Bid and Back-Up Bid"), redacted as necessary to protect commercially sensitive and/or confidential information. The Sale Order shall be in a form reasonably acceptable to the Prepetition Secured Creditors.

(c) Any objection to the approval of the Winning Bid and Back-Up Bid shall be filed no later than **April 8, 2020 at 5:00 o'clock p.m. (Pacific Time).**

(d) The Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing, at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with these Bidding Procedures, (ii) the Auction was fair in substance and procedure, (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid, (iv) closing of the Sale with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest and best value for the Purchased Assets and is in the best interests of the Debtors and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m).

(e) At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in

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

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

accordance with the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

(f) At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

16. **Treatment Of Deposit**.

(a) The Deposit of each Potential Bidder shall be held pursuant to an escrow agreement acceptable to the Debtors, subject to the prior consent of the Debtors as to the escrow agent and form of escrow agreement, where such consent is not to be unreasonably withheld.

(b) Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

(c) The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) thirty (30) days after entry of the Sale Order.

(d) The Deposit of any Potential Bidder who is determined not to be a Qualified Bidder shall be returned to such Potential Bidder within two (2) business days of such determination, pursuant to the terms of the applicable escrow agreement.

17. **Payment of the Break-Up Fee.** If any Stalking Horse Bidder is not the Winning Bidder, the Debtors shall pay the Break-Up Fee to such Stalking Horse Bidder as set forth in the agreement between the Debtors and the Stalking Horse Bidder providing for such Break-Up Fee, but in no event shall payment be any earlier than the time of the consummation of the sale of the Purchased Assets or transfer thereof in the context of an Alternative Transaction, and shall only be paid from the proceeds of such sale or upon the transfer of such Purchased Assets. Notwithstanding the foregoing, a Break-Up Fee will only be payable if the

Debtors have previously determined pursuant to Paragraph 10 of these Bidding Procedures that a bid merits stalking horse status and protections.

18. **Reservation of Rights**. **THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE.**

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

Exhibit 2

Form of Procedures Notice

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

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

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

PLEASE TAKE NOTICE that on February 10, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Notice Of Motion And Motion For The Entry of (I) An Order (1) Approving Form Of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures, (3) Approving Process For Discretionary Selection Of Stalking Horse Bidder And Bid Protections; (4) Approving Form Of Notice To Be Provided To Interested Parties; (5) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest And Best Bidder; And (6) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances* [Docket No. 4069] (the "Motion").[7] The Debtors seek, among other things, to sell St. Francis Medical Center and related assets (the "Purchased Assets") to the winning bidder(s) (the "Winning Bidder"), at an auction free and clear of all liens, claims, encumbrances and other interests pursuant to §§ 363 and 365 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.*

PLEASE TAKE FURTHER NOTICE that, on [DATE], the Bankruptcy Court entered an order (the "Bidding Procedures Order") approving the Motion and the bidding procedures (the "Bidding Procedures"), which set the key dates and times related to the Sale of the Offered Assets. **All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures**. To the extent that there are any inconsistencies between the Bidding Procedures Order (including the Bidding Procedures) and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures Order shall control.

PLEASE TAKE FURTHER NOTICE that only those parties that submit Qualified Bids may participate in the Auction. If you are interested in submitting a Qualified Bid, you must comply with the Bidding Procedures. Any party in interest wishing to receive relevant documents and available marketing materials may do so by contacting the Debtors' investment banker (the "Investment Banker"), Cain Brothers, a division of KeyBanc Capital Markets, 601 California Street, Suite 1505, San Francisco, CA 94108 (Attn: James Moloney (jmoloney@cainbrothers.com)).

PLEASE TAKE FURTHER NOTICE that any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion or the Bidding Procedures Order, including all exhibits thereto, may make such a request in writing to Dentons US LLP, Attn: Tania M. Moyron, 601 S. Figueroa St., Suite 2500, Los Angeles, CA 90017 or by emailing tania.moyron@dentons.com or calling (213) 623-9300.

PLEASE TAKE FURTHER NOTICE that any party that wishes to take part in the bidding process and submit a Qualified Bid for the Purchased Assets must submit its competing bid **by no later than 5:00 p.m. (prevailing Pacific Time) April 3, 2020** (the "Bid Deadline") so that such Bids are actually received by the Bid Deadline by all of the following parties: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment

[7] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee of Unsecured Creditors: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com) (collectively, the "Notice Parties").

PLEASE TAKE FURTHER NOTICE that Potential Bidders may either e-mail their Bids to the e-mail addresses listed above or may deliver hard-copies of their Bids to the physical addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as fax, as being acceptable.

PLEASE TAKE FURTHER NOTICE that the Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bidding Procedures, an auction (the "Auction") to sell the Purchased Assets will be conducted on **April 7, 2020 at 10:00 a.m. (prevailing Pacific Time)** at the offices of Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, California 90017. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to approve the sale of the Purchased Assets to the Winning Bidder (the "Sale Hearing") before the Honorable Ernest Robles, United States Bankruptcy Judge, United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568, on **April 9, 2020, at 10:00 a.m. (prevailing Pacific Time)**, or at such time thereafter as counsel may be heard or at such other time as the Bankruptcy Court may determine. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing. Objections to the Sale shall be filed with the Bankruptcy Court and served **so as to be received no later than April 8, 2020, at 5:00 p.m. (prevailing Pacific Time)** on the Notice Parties.

PLEASE TAKE FURTHER NOTICE that this Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Motion, Bidding Procedures Order and Bidding Procedures, which Bidding Procedures Order shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. Any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a

copy of the Motion, the Bidding Procedures Order (including all exhibits thereto) may make such a request in writing to Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)) or calling (213) 623-9300.

PLEASE TAKE FURTHER NOTICE THAT THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE.

Dated: February ___, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By *[DRAFT]*
Tania M. Moyron

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 3

Form of Cure Notice

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

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

NOTICE TO COUNTERPARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF THE DEBTORS THAT MAY BE ASSUMED AND ASSIGNED

PLEASE TAKE NOTICE that, on February 10, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Notice Of Motion And Motion For The Entry of (I) An Order (1) Approving Form Of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures, (3) Approving Process For Discretionary Selection Of Stalking Horse Bidder And Bid Protections; (4) Approving Form Of Notice To Be Provided To Interested Parties; (5) Scheduling A Court Hearing To Consider Approval Of The Sale To The Highest And Best Bidder; And (6) Approving Procedures Related To The Assumption Of Certain Executory Contracts And Unexpired Leases; And (II) An Order Authorizing The Sale Of Property Free And Clear Of All Claims, Liens And Encumbrances* [Docket No. 4069] (the "Motion").[8]

PLEASE TAKE FURTHER NOTICE that, on [DATE], the Court entered an Order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures requested in the Motion, which Bidding Procedures Order governs (i) the bidding process for the sale of certain assets (the "Purchased Assets") of the Debtors, and (ii) procedures for the assumption and assignment of certain of the Debtors' executory contracts and unexpired leases.

PLEASE TAKE FURTHER NOTICE that the Motion also seeks Court approval of the sale (the "Sale") of the Purchased Assets to the Winning Bidder(s), free and clear of all liens, claims, interests and encumbrances pursuant to § 363 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq*. including the assumption by the Debtors and assignment to the buyer(s) of certain executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code (the "Assumed Executory Contracts"), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale with the same priority, validity and enforceability as they had prior to such Sale. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder and serve such notice by fax, email or overnight mail to all counterparties whose contracts are to be assumed and assigned. Any counterparty to an Assumed Executory Contract that wishes to receive such notice by email or fax, must provide their email address or fax number to Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)) or calling (213) 623-9300 before the Auction.

PLEASE TAKE FURTHER NOTICE that a hearing (the "Sale Hearing") to approve the Sale and authorize the assumption and assignment of the Assumed Executory Contracts will be held on **April 9, 2020, at 10:00 a.m. (prevailing Pacific Time)**, before the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that, consistent with the Bidding Procedures Order, the Debtors may seek to assume an executory contract or unexpired lease to which you

[8] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

may be a party. The Assumed Executory Contract(s) are described on Exhibit A attached to this Notice. The amount shown on Exhibit A hereto as the "Cure Amount" is the amount, if any, which the Debtors assert is owed to cure any defaults existing under the respective Assumed Executory Contract.

PLEASE TAKE FURTHER NOTICE that, if you disagree with the Cure Amount shown for the Assumed Executory Contract(s) on Exhibit A to which you are a party, you must file in writing with the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, an objection on or before the Bid Deadline of **5:00 p.m. (prevailing Pacific Time) April 3, 2020** (or such later date otherwise specified in the Cure Notice, or, solely with respect to those counterparties to Assumed Executory Contracts who are not initially served with a Cure Notice, seven (7) days after service by overnight mail of such Cure Notice). Any objection must set forth the specific default or defaults alleged and set forth any cure amount as alleged by you. If a contract or lease is assumed and assigned pursuant to a Court order approving same, then unless you properly file and serve an objection to the Cure Amount contained in this Notice, you will receive at the time of the closing of the sale (or as soon as reasonably practicable thereafter), the Cure Amount set forth herein, if any. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of the amount, if any, set forth in the attached Exhibit A.

PLEASE TAKE FURTHER NOTICE that if you have any other objection to the Debtors' assumption and assignment of the Assumed Executory Contract to which you may be a party, you also must file that objection in writing no later **by 5:00 p.m. (prevailing Pacific Time) April 3, 2020** (or such later date otherwise specified in the Cure Notice, or, solely with respect to those counterparties to Assumed Executory Contracts who are not initially served with a Cure Notice, seven (7) days after service by overnight mail of such Cure Notice); provided, however, that any counterparty to an Assumed Executory Contract may raise an objection to the assumption and assignment of the Assumed Executory Contract solely with respect to such Winning Bidder's ability to provide adequate assurance of future performance under the Assumed Executory Contract at the Sale Hearing, or any time before the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that any objection you may file must be served so as to be received by the following parties by the applicable objection deadline date and time: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce

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

Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com).

PLEASE TAKE FURTHER NOTICE that the Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under 11 U.S.C. §§ 365(b) and (f) in connection with the proposed assignment of any Assumed Executory Contract. The Court shall make its determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to 11 U.S.C. §§ 365(b) and (f) at the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that except to the extent otherwise provided in the Winning Bid APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to 11 U.S.C. § 365(k).

PLEASE TAKE FURTHER NOTICE that, in the event that the Debtors and the counterparty cannot resolve the Cure Amount, the Debtors shall segregate from the proceeds of sale any disputed Cure Amounts pending the resolution of any such disputes by the Court or mutual agreement of the parties. Assumption Objections may be resolved by the Court at the Sale Hearing, or at a separate hearing either before or after the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that nothing contained herein shall obligate the Debtors to assume any Assumed Executory Contracts or to pay any Cure Amount.[9]

PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND SERVE AN OBJECTION AS STATED ABOVE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITH NO FURTHER NOTICE.

PLEASE TAKE FURTHER NOTICE THAT ANY COUNTERPARTY TO ANY ASSUMED EXECUTORY CONTRACT WHO DOES NOT FILE A TIMELY OBJECTION TO THE CURE AMOUNT FOR SUCH ASSUMED EXECUTORY CONTRACT IS DEEMED TO HAVE CONSENTED TO SUCH CURE AMOUNT.

Dated: February ___, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By *[DRAFT]*
Tania M. Moyron

Attorneys for the Chapter 11 Debtors and Debtors In Possession

[9] "Assumed Executory Contracts" are those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; however, the Winning Bidder may choose to exclude certain of the Debtors' contracts or leases from the list of Assumed Executory Contracts as part of their Qualifying Bid, causing such contracts and leases not to be assumed by the Debtors.

Exhibit A

(Assumed Executory Contracts)

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

EXHIBIT "F"

Docket #4315 Date Filed: 3/20/2020

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)
nick.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

FILED & ENTERED

MAR 20 2020

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY penning 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.

☒ 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
Honorable Ernest M. Robles

ORDER GRANTING DEBTORS' EMERGENCY MOTION TO APPROVE AGREEMENTS WITH THE STATE OF CALIFORNIA IN RESPONSE TO THE COVID-19 HEALTHCARE EMERGENCY TO (I) PROVIDE CERTAIN HEALTHCARE SERVICES AT SETON MEDICAL CENTER AND (II) LEASE ST. VINCENT MEDICAL CENTER

[RELATES TO DOCKET NO. 4302 & 4309]

HEARING:
Date: March 20, 2020
Time: 1:30 p.m.
Place: Courtroom 1568, 255 East Temple Street
Los Angeles, California 90012-3300

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

114466118\V-5

1820151200320000000000011

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

The Court, having read and considered the *Debtors' Emergency Motion To Approve Agreements With The State Of California In Response To The COVID-19 Healthcare Emergency To (I) Provide Certain Healthcare Services At Seton Medical Center And (II) Lease St. Vincent Medical Center* (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"), and the papers in support thereof, and no objection or response having been filed or any such objection or response having been overruled or resolved as announced at the hearing on the Motion; it further appearing that proper notice of the Motion had been provided; and for the reasons set forth in the Court's tentative ruling on the Motion [Docket No. 4313] (the "Ruling"), which the Court adopts as its final Ruling and which is incorporated herein by reference; and good and sufficient cause having been shown,

IT IS HEREBY ORDERED:

1. The Motion is granted in all respects and all provisions thereof, and the terms of the Agreements are effective and binding whether or not specifically referenced herein;

2. Notwithstanding anything in the Motion or the Agreements to the contrary, the Order shall control in the event of any inconsistencies in the Motion or the Agreements;

3. The Debtors are authorized and directed to enter into the Agreements and to perform all obligations provided hereunder and in the Agreements;

4. The Court is exercising its jurisdiction over the Debtors' property pursuant to §§ 105(a), § 363(b) and § 363(f) of the Bankruptcy Code to authorize the Debtors to enter into the Agreements as being a reasonable exercise of the Debtors' business judgment in response to the humanitarian and commercial exigencies affecting the Debtors' estates, the communities in which they operate or exist, and the State;

5. From and after the execution of the Agreements, the automatic stay under § 362(a) of the Bankruptcy Code, if and to the extent applicable, is hereby lifted with respect to the State's

[1] Capitalized terms used but not otherwise defined in this Order shall have the meaning for such term set forth in the Motion or the Agreements, as applicable.

use and enjoyment of the Debtors' property and exercise of rights, to the extent set forth in and subject to the Agreements;

6. The State's actions under the Executive Order N-25-20 and through the Agreements under the facts of these Cases to obtain control or use of the Debtors' property are exempt from the automatic stay as valid exercises of the State's police powers under § 362(b)(4) of the Bankruptcy Code and otherwise not subject to the automatic stay under § 362(a) of the Bankruptcy Code;

7. The Debtors will not seek a stay under § 105 of the Bankruptcy Code to enjoin any of the rights, privileges or benefits of, or provided to the State under the Agreements;

8. This Order, and the terms and conditions of the Agreements, are binding on the Debtors and their estates and shall be binding upon any trustee appointed under Chapter 11 or under Chapter 7 of the Bankruptcy Code, their estates and the Cases;

9. Neither the State nor any department or agency obtaining benefit from, or utilizing the Debtors' property, assume any obligation to any third party nor shall it be deemed to have any liability to any third party, including, without limitation, any of the Debtors' creditors, interest holders or parties in interest in the Debtors' Cases;

10. Unless a court of competent jurisdiction has determined that the State is in material breach of the Agreements, all rights conveyed to the State under the Agreements and this Order are inviolable, and not subject to alteration, interference or divestiture by any party, including, without limitation, any creditor, interest holder, or other party in interest, in the Debtors' Cases, without regard to any liens, claims, encumbrances and/or interests those parties may assert, allege and/or possess, including, for avoidance of doubt, any liens, claims, encumbrances and/or interests of the Prepetition Secured Creditors (as defined in the *Final Order (A) Authorizing the Debtors to Use Cash Collateral and (B) Granting Adequate Protection to Prepetition Secured Creditors (C) Modifying Automatic Stay and (D) Granting Related Relief* [Docket No. 3022]) under the Cash Collateral Orders (defined below);

11. The Agreements and this Order shall each survive any dismissal of the Cases, except as to the extent that either of the Agreements already have been terminated in accordance with their terms prior any such dismissal;

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

12. Nothing in the Agreements or this Order shall be deemed to be a waiver of the State's police powers;

13. Unless the Debtors and the State have sought emergency relief, the Debtors and the State may mutually agree to make: (a) non-material modifications to the Agreements from time to time without Court approval; (b) material modifications, pursuant to a stipulation and subsequent order thereon, provided, however, that the Debtors (i) shall give notice to the Prepetition Secured Creditors and the Official Committee of Unsecured Creditors (the "Committee") of any material modifications no less than five (5) days' prior to instituting such changes, and (ii) if the Prepetition Secured Creditors or the Committee object in writing to the proposed material modification(s), shall not object to a hearing on such proposed material modifications before this Court on an emergency basis;

14. Except as may be provided in this Order or the Agreements (including performance by the Debtors of all obligations thereunder), nothing in this Order modifies the rights of the Prepetition Secured Creditors, the Debtors or the Committee pursuant to the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409], the *Final Order (A) Authorizing Continued Use of Cash Collateral (B) Granting Adequate Protection, (C) Modifying Automatic Stay and (D) Granting Related Relief* [Docket No. 3022], the *Final Order Approving Stipulation to (A) Amend Cash Collateral Agreement and Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief Supplemental* [Docket No. 3883], the *Final Order Approving Stipulation to (A) Amend the First Amended Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4028], and the *Final Order Approving Stipulation to (A) Amend the Second Amended Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify*

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

Automatic Stay, and (E) Grant Related Relief [Docket No.4187] (collectively, the "Cash Collateral Orders");

15. Pursuant to the Services Agreement, the Operators shall deposit all compensation received from the State thereunder into a newly-created segregated account that, during the term of the Services Agreement and until all obligations of the Operators thereunder are satisfied, shall be free from all liens, claims, interests and third-party encumbrances, to be used solely for Seton and the services under the Service Agreement; provided that, pending establishment of such new segregated account, the Operators may use an existing segregated account that contains no other proceeds and, notwithstanding any prior orders of this Court, no replacement or other liens relating to collateral of any pre- or post-petition lender or other person shall attach to the segregated account or any deposits therein, and any existing liens, claims, interests and third-party encumbrances associated with such existing segregated account shall be deemed terminated and of no force and effect; provided, however, that nothing herein prohibits the Debtors from first using the compensation for Seton before using amounts from any other accounts that are subject to the liens of the Prepetition Secured Creditors;

16. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be immediately effective;

17. The Debtors, KCC, as claims and noticing agent, and the Clerk of this Court are authorized to take all steps necessary or appropriate to carry out this Order; and

///

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

18. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

IT IS SO ORDERED.

###

Date: March 20, 2020

Ernest M. Robles
United States Bankruptcy Judge

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

EXHIBIT "G"

Docket #4360 Date Filed: 3/29/2020

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)
nick.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. Judge Ernest M. Robles

DEBTORS' NOTICE OF MOTION AND MOTION TO APPROVE TERMS AND CONDITIONS OF A PRIVATE SALE OF CERTAIN OF THE DEBTORS' ASSETS RELATED TO SETON MEDICAL CENTER TO AHMC HEALTHCARE INC.; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS IN SUPPORT THEREOF

Hearing:
Date: April 22, 2020
Time: 10:00 a.m.
Place: Courtroom: 1568
255 East Temple Street
Los Angeles, CA 90012

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

1820151200330000000000003

PLEASE TAKE NOTICE that, at the above-referenced date, time and location, Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession (collectively, the "Debtors" or the "Verity Health System") in the above-captioned chapter 11 bankruptcy cases (the "Cases"), will move (the "Motion") for the entry of an order: (i) approving a private sale (the "Sale") of certain assets (the "Purchased Assets") of Debtors Seton Medical Center ("Seton"),[1] Verity Holdings, LLC ("Holdings"), and VHS (together with Seton and Holdings, the "Sellers") to AHMC Healthcare Inc. ("AHMC" or the "Buyer"); (ii) approving the asset purchase agreement (the "APA") and ancillary documents attached to the Motion as Exhibit "A" by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of the Assigned Contracts and Assigned Leases (as those terms are defined in the Motion, and, collectively, the "Assigned Executory Contracts"), together with the payment of Cure Costs (as such terms are defined in the Motion); (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances.

PLEASE TAKE FURTHER NOTICE that the Motion is based on this Notice and Motion, the attached Memorandum of Points and Authorities, *Declaration of Richard Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Decl."), the *Declaration of James M. Moloney in Support of the Debtors' Memorandum in Support of Entry of an Order: (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; (B) Authorizing the Assumption and Assignment of Designated Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* [Docket No. 2220] (the "Prior Moloney Decl."); the Declarations of Richard Adcock (the "Adcock Decl."), Peter C. Chadwick (the "Chadwick Decl."), and James M. Moloney (the "Moloney Decl.") filed concurrently herewith, any other admissible evidence properly brought before the Court. In addition, the Debtors request that the

[1] The Purchased Assets related to Seton concern assets located at both (i) Seton Medical Center, located at 1800, 1850 and 1900 Sullivan Ave and 1500 Southgate Ave, Daly City, California (the "Hospital") and (ii) Seton Medical Center–Coastside, located at 600 Marine Blvd, Moss Beach, California (the "Coastside Campus" and, together with the Hospital, the "Seton Facilities").

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

Court take judicial notice of all documents filed with the Court in the Cases and the public meetings of the County Board of Supervisors of the County of San Mateo.

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 "Response") 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 Local Bankruptcy Rule 9013-1(h), the failure to file and serve a timely a Response to the Motion may be deemed by the Court to be consent to the relief requested herein.

Dated: March 29, 2020

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

By */s/ Tania M. Moyron*
Tania M. Moyron

Attorneys for Verity Health Systems of California, Inc., et al.

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

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

TABLE OF CONTENTS

I. Introduction 2

II. Jurisdiction and Statutory Predicates 3

III. Statement of Facts 3

A. General Background 3

B. Marketing and Sale Efforts 7

a. Prepetition Sale Efforts 7

b. DIP Facility 7

c. Postpetition Sale Efforts 8

d. The First Sale Process 8

e. Marketing Process 2020 10

f. The AHMC APA 10

g. The SGM and GMC Seton Offers 13

IV. Argument 16

A. This Court Has Authority Pursuant to §§ 363(b)(1) and 105(a) to Grant the Relief Requested. 16

B. The Debtors Have Chosen The Highest and Best Offer For The Purchased Assets. 19

a. The Debtors Exercised Their Sound Business Judgment in Selecting the AHMC Bid. 19

b. Potential Bidders Do Not Have Standing to Challenge the Debtors' Exercise of Business Judgment. 21

C. The Court Can Approve the Sale Free and Clear of Liens, Claims, Encumbrances, and Interests Pursuant to § 363(f). 22

a. Sale Free And Clear of Liens, Claims, Interests, and Encumbrances 23

b. Sale Free and Clear of Attorney General Conditions 23

c. Transfer of the Seton Provider Agreements 23

D. The Court Should Approve Procedures to Provide for Assumption and Assignment of the Sellers' Executory Contracts and Unexpired Leases. 24

E. Waiver of the 14-Day Stay Provided under Bankruptcy Rule 6004(h) Is Appropriate..... 25

V. Conclusion..... 26

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

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

TABLE OF AUTHORITIES

Page(s)

Cases

In re 160 Royal Palm, LLC,
600 B.R. 119 (Bankr. S.D. Fla. 2019) 20, 21

In re Abbots Dairies of Pa., Inc.,
788 F.2d 143 (3d Cir. 1986) 17

In re Anchorage Nautical Tours, Inc.,
145 B.R. 637 (B.A.P. 9th Cir. 1992) 20

In re Bakalis,
220 B.R. 525 (Bankr. E.D.N.Y. 1998) 19

In re Del. & Hudson Ry. Co.,
124 B.R. 169 (D. Del. 1991) 16, 17, 19

In re Diplomat Constr., Inc.,
481 B.R. 215 (Bankr. N.D. Ga. 2012) 20

In re Distrib. Energy Sys. Corp.,
No. 08-11101 (KG), 2008 WL 8153631 (Bankr. D. Del. Aug. 20, 2008) 17

In re Gulf States Steel, Inc. of Al.,
285 B.R. 497 (N.D. Al. 2002) 20

In re HST Gathering Co.,
125 B.R. 466 (W.D. Tex. 1991) 21

In re Integrated Res., Inc.,
147 B.R. 650 (Bankr. S.D.N.Y. 1992) 17

Kabro Assocs. v. Colony Hill Assocs. (In re Colony Hill Assocs.),
111 F.3d 269 (2d Cir. 1997) 21

Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc.,
141 F.3d 490 (3d Cir. 1998) 16

In re MF Global, Inc.,
535 B.R. 596 (Bankr. S.D.N.Y. 2015) 16, 17

In re Nepsco, Inc.,
36 B.R. 25 (Bankr. D. Me. 1983) 16

In re Nuttery Farm, Inc.,
467 F. App'x 711 (9th Cir. 2012) 19

In re Planned Sys.,
82 B.R. 919 (Bankr. S.D. Ohio 1988) 16

Stark v. Moran (In re Moran),
566 F.3d 676 (6th Cir. 2009) 22

In re Trans World Airlines, Inc.,
No. 01-00056 (PJW), 2001 WL 1820326 (Bankr. D. Del. Apr. 2, 2001) 16

In re United Healthcare Sys., Inc.,
200 F.3d 170 (3d Cir. 1998) 20

In re United Healthcare System, Inc.,
No. 97-1159, 1997 WL 176574 (D.N.J. Mar. 26, 1997) 19, 20

Statutes and Rules

11 U.S.C. § 363(b) 16

11 U.S.C. § 363(f) 11, 22, 23

28 U.S.C. § 157 3

28 U.S.C. § 1334 3

28 U.S.C. § 1408 3

28 U.S.C. § 1409 3

CAL. CORP. CODE § 5914(a)(1) 15

California Code of Regulations, tit. 11, § 999.5 23

FED. R. BANKR. P. 6004(f)(1) 16

FED. R. BANKR. P. 6004(h) 25, 26

Local Bankruptcy Rule 6004-1(b) 3

Local Bankruptcy Rule 9013-1 3

Other Authorities

10 COLLIER ON BANKRUPTCY ¶ 6004.11 (Alan N. Resnick & Henry J. Sommer eds. 16th ed. 2015) 25, 26

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

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

MEMORANDUM OF POINTS AND AUTHORITIES

Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession (collectively, the "Debtors" or the "Verity Health System") in the above-captioned chapter 11 bankruptcy cases (the "Cases"), hereby move (the "Motion") for the entry of an order: (i) approving a private sale (the "Sale") of certain assets (the "Purchased Assets") of Debtors Seton Medical Center ("Seton"),[2] Verity Holdings, LLC ("Holdings"), and VHS (together with Seton and Holdings, the "Sellers") to AHMC Healthcare Inc. ("AHMC" or the "Buyer"); (ii) approving the asset purchase agreement (the "APA") and ancillary documents attached hereto as **Exhibit "A"** by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of the Assigned Contracts and Assigned Leases (as those terms are defined in the Motion, and, collectively, the "Assigned Executory Contracts"), together with the payment of Cure Costs (as such terms are defined in the Motion); (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances. In support of the Motion, the Debtors rely on the *Declaration of Richard Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Decl."), the *Declaration of James M. Moloney in Support of the Debtors' Memorandum in Support of Entry of an Order: (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; (B) Authorizing the Assumption and Assignment of Designated Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* [Docket No. 2220] (the "Prior Moloney Decl."); the Declarations of Richard Adcock (the "Adcock Decl."), Peter C. Chadwick (the "Chadwick Decl."), and James M. Moloney (the "Moloney Decl.") filed concurrently herewith, any other admissible evidence properly brought before the Court, and respectfully state as follows:

---

[2] The Purchased Assets related to Seton concern assets located at both (i) Seton Medical Center, located at 1800, 1850 and 1900 Sullivan Ave and 1500 Southgate Ave, Daly City, California (the "Hospital") and (ii) Seton Medical Center–Coastside, located at 600 Marine Blvd, Moss Beach, California (the "Coastside Campus" and, together with the Hospital, the "Seton Facilities").

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

I.

INTRODUCTION[3]

The Debtors have successfully negotiated an APA with AHMC that will preserve the Seton Facilities—both the Hospital and the Coastside Campus—as operating hospitals. The APA is the product of exhaustive marketing efforts undertaken by the Debtors and their professionals after the prior sale of the Seton Facilities did not close. As a result of the Debtors' marketing efforts, the Debtors received one[4] qualified offer from AHMC, an experienced hospital operator in California that has had successes revitalizing distressed hospitals. The subsequent negotiations between the parties eventually resulted in the APA, which provides that AHMC will pay the Sellers $40 million, plus an amount equal to the cure costs for the Purchased Assets, while the Debtors' estates will retain certain accounts receivable generated prior to the closing of the Sale.

The continued operation of the Seton Facilities will serve the interests of the communities served by the Debtors, the Debtors' charitable mission, and the Debtors' estates, including of employees and trade vendors that will maintain an ongoing relationship with the Seton Facilities. Further, preservation of the Seton Facilities as operating hospitals will be critical to the State of California's (the "State") efforts to address the ongoing 2019 coronavirus ("COVID-19") pandemic and continue to provide other essential health care services to Seton's communities. Based on the foregoing, the Debtors have determined, in their business judgment, that the Sale to AHMC pursuant to the APA is in the best interests of the Debtors, their estates, creditors, stakeholders, and mission of service to the communities. As such, the Debtors respectfully request that this Court approve the Sale.

---

[3] Capitalized terms used and not defined in this Introduction have the definitions set forth elsewhere in this Motion.

[4] As set forth more fully in the Motion, the Debtors received unsolicited offers from Strategic Global Management, Inc. ("SGM") and its affiliate. The Debtors, in their business judgment, determined that any offer from SGM or its affiliates exposes their estates to significant and unacceptable risks. Further, as set forth herein, the terms of the offers yielded negative value to the Debtors' estates.

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

II.

JURISDICTION AND STATUTORY PREDICATES

The Bankruptcy Court has jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding under 28 U.S.C. §§ 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

The Debtors the relief requested in this Motion pursuant to §§ 105, 363, and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (the "Bankruptcy Code"),[5] Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California (the "LBR").

III.

STATEMENT OF 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 the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court"). Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108. On September 14, 2018, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors [Docket No. 197].

2. 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, Saint Louise Regional Hospital, and St. Vincent Medical Center, and currently operates St. Francis Medical Center, the Coastside Campus and the Hospital (the subject of this Motion).

3. As of the Petition Date, the Verity Health System operated as a nonprofit healthcare system in the State of California, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical

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

specialties, including tertiary and quaternary care. *See* First-Day Decl. at ¶ 12. The scope of the services provided by the Verity Health System is exemplified by the fact that in 2017, the system hospitals provided medical services to over 50,000 inpatients and approximately 480,000 outpatients. *Id.* The Verity Health System was originally established by the Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through a commitment to the sick and poor. *Id.*

4. Seton was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent De Paul in 1893. *See id.* at ¶ 39. The original facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. Id. In 1965, the Hospital was moved to its current location at 1900 Sullivan Avenue, Daly City, California. *Id.* The Hospital was renamed Seton Medical Center in 1983, and serves residents from San Francisco and San Mateo areas. *Id.* Seton owns the real property constituting the Daly City Campus, including the Hospital, an employee parking lot, and other facilities thereon. *Id.* at ¶ 27. Seton is exempt from federal income taxation as an organization described in § 501(c)(3) of the Internal Revenue Code of 1986. *Id.* at ¶ 21.

5. In addition to the Hospital, Seton operates a second campus, the Coastside Campus, located at 600 Marine Boulevard, Moss Beach, California 94038. The Coastside Campus was founded as Moss Beach Rehabilitation Hospital in 1970. *Id.* at ¶ 40. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed an agreement for Daughters of Charity to manage operations of the hospital and rename it St. Catherine's Hospital. *Id.* In 1993, St. Catherine's Hospital became Seton Medical Center Coastside as it became integrated with the Hospital. *Id.*

6. The Hospital and the Coastside Campus operate under one consolidated acute care license, issued by the State of California Department of Public Health ("CDPH") with effective date of January 1, 2020. Seton has a single board of directors (the "Seton Board"), executive

---

{continued from previous page}

[5] All references to "§" are to sections of the Bankruptcy Code.

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

leadership team, human resources and charity care policies, and union collective bargaining agreements. *Id.* at ¶¶ 11, 39, 40.

7. The Hospital is currently licensed for 357 beds, comprising 250 general acute care beds, 83 skilled nursing beds, and 24 acute psychiatric beds (two of which have been placed in suspense). *See* Adcock Decl., at ¶ 6. Of the 250 general acute care beds, 18 are designated for perinatal services (in suspense),[6] 14 for coronary care, 14 for intensive care, three for intensive care newborn nursery (in suspense), with the remaining 201 beds unspecified general acute care beds. *Id.* Seton has an emergency department with 11 rooms with 18 beds; and four surgical suites constituting an ambulatory surgical center. *Id.* It also has 10 surgical operating rooms (eight of which are active), and three cardiac catheterization labs (one of which is dedicated for endoscopic retrograde cholangiopancreatography (ERCP) used by specialist gastroenterologists). *Id.*

8. As of the date of this Motion, the Hospital employs approximately 1172 employees, of which 411 are full time, 432 are part time, and 329 are per diem. *See* Adcock Decl., at ¶ 7. The Hospital's employees are represented by four unions with the respective contractual obligations: (i) NUHW (Non-Nursing Service Employees); (ii) CNA (Nurses); (iii) Local 20 (Clinical Laboratory Scientists); and (iv) Local 39 (Stationary and Bio-medical Engineers). *See* First-Day Decl., at ¶ 60.

9. The Hospital is a jointly "obligated" party with its affiliates on approximately $461.4 million of outstanding secured debt consisting of: (a) $259.4 million outstanding tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds"), which loaned the bond proceeds to certain Debtors to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the Daughters of Charity Health System; and (b) $202.0 million outstanding tax

---

[6] The 2020 License fails to reflect that these perinatal beds are in suspense. Seton believes this was an inadvertent oversight. By letter dated January 30, 2020, it has requested that CDPH update its license to correct this and other errors, including errors related to three NICU beds, two psychiatric beds and its Outpatient Joint Replacement Clinic.

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

exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Finance Authority. *Id.* at ¶ 121.

10. In May 2017, the California Statewide Communities Development Authority (the "CSCDA") issued $20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Clean Fund Program in five series, all with the same maturity date of September 2, 2047 (the "Clean Fund Bonds"), as the conduit issuer for the benefit and obligation of Seton. *Id.* at ¶ 124. The purpose of the bond funding was to assist with clean energy and seismic construction efforts of Seton and are secured by Seton's voluntary agreement to special tax assessments by Daly City, California. *Id.* No other Debtor is liable for repayment of the Clean Fund Bonds. *Id.* Interest on the Clean Fund Bonds accrues at 6.4%. *Id.* The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds. *Id.*

11. In September 2017, the CSCDA issued an additional $20 million of limited obligation tax exempt bonds in a single series, also pursuant to the CaliforniaFIRST program, and also for the purpose of assisting with clean energy and seismic improvement construction at the Hospital ("NR2 Petros Bonds"). *Id.* at ¶ 125. The NR2 Petros Bonds also mature on September 2, 2047 but carry an interest rate of 6.45%. *Id.* The NR2 Petros Bonds also are secured by a special Daly City tax assessment on Seton property. *Id.* No other Debtor is liable for repayment of the NR2 Petros Bonds. *Id.* The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds. *Id.*

12. The Hospital has consistently lost money for many years due to, among other things, unfavorable payor contracts, rising costs of providing health care, high pension obligations and certain requirements imposed on the Hospital by the California Attorney General. *See id.* at ¶¶ 95, 99.

13. On the Petition Date, the Hospital accounted for approximately 29% of the operating losses of the entire Verity Health System although the Hospital accounted for approximately only 17% of the net patient revenue. *See* Chadwick Decl., at ¶ 5. Since the Petition Date, the Hospital's share of the system operating losses has required the Debtors' estates

to fund approximately $5 million of working capital per month, including corporate overhead allocations. *Id*. at ¶ 6. The Debtors project continuing operating losses at the Hospital. *Id.* Based on Seton's performance, the Debtors concluded that a sale to a buyer with experience revitalizing distressed hospitals offered the best alternative to maintain the Seton Facilities as operating hospitals.

B. Marketing and Sale Efforts

a. Prepetition Sale Efforts

14. Prior to the Petition Date, the Debtors engaged in substantial efforts to market and solicit interest in their assets, including the five hospitals and related assets (collectively, the "Assets"). *See* Prior Moloney Decl. at ¶ 4. In June 2018, Debtors engaged Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), to assist in identifying potential buyers of some or all of the Assets and commenced discussions with those potential Buyers. *Id.* Cain prepared a Confidential Investment Memorandum and organized an online data site to share information with potential buyers and contacted strategic and financial buyers beginning in July 2018. *Id.* In this initial marketing process, Cain contacted more than 100 potential partners to evaluate their interest in exploring a transaction involving some or all of the Assets. *Id.* By August 2018, as a result of its ongoing and broad marketing process, Cain had received 11 "Indications of Interest" from potential buyers of some or all of the Assets. *Id*.

b. DIP Facility

15. At the commencement of the Cases, the Debtors obtained court approval for a DIP financing facility with up to $185 million of availability from Ally Bank subject to a borrowing base (the "DIP Facility"). *See* Docket No. 409. The DIP Facility was secured by substantially all of the Debtors' assets and also provided for super priority administrative priority status for all obligations under the facility. *Id.* The DIP Facility enabled Debtors to operate the system hospitals while they continued their efforts to find a purchaser for their assets and to reach agreements with key constituents. On September 6, 2019, the Debtors received authority to pay off the DIP Facility and continue funding operations through the consensual use of cash collateral [Docket No. 3022].

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

c. Postpetition Sale Efforts

16. Postpetition, Cain continued to work with potential buyers for some or all of the Assets. *See* Prior Moloney Decl., at ¶ 5. Based on these discussions, the Debtors determined that seeking a buyer for the Assets in Santa Clara and a separate buyer for the other Assets would most likely yield higher net proceeds for the Debtors' estates. *Id.* As a result, the sale of the Santa Clara Assets to Santa Clara County was approved by the Court on December 27, 2018 [Docket No. 1153].

17. Thereafter, Cain focused on marketing the Debtors' remaining Assets, including the Hospital. *See* Prior Moloney Decl., at ¶ 6. As a part of this process, Cain contacted more 189 potential parties to evaluate potential stalking horse bidders for some or all of the Debtors' remaining Assets of which 92 had executed an NDA and 18 submitted written proposals. *Id.* Subsequent to receiving access to the virtual data room and being offered additional information via conference calls and site visits, many of the potential purchasers indicated that they were not interested in being the stalking horse bidder. *Id.* During November and December 2018, the Debtors and their advisors had substantial discussions with those potential buyers remaining, during which Prime Healthcare and SGM emerged as the leading potential candidates to be selected as the stalking horse bidder for the Debtors' remaining Assets. *Id.*

d. The First Sale Process

18. After extensive negotiations with both parties and careful review of the proposed transactions by the Debtor and its advisors, the Debtors selected SGM as the stalking horse bidder (the "Stalking Horse Bidder") for the Debtors' remaining Assets. *Id.* at ¶ 7. On February 19, 2019, the Court held a hearing on the Sale and Bidding Procedures Motion and thereafter entered an order approving the Sale and Bidding Procedures Motion [Docket No. 1572] (the "Bidding Procedures Order"). SGM served as the Stalking Horse Bidder under the terms of the Bidding Procedures Order. The Bidding Procedures Order also approved that certain asset purchase agreement [Docket No. 2305-1] (the "SGM APA") as modified therein.

19. Cain sent the approved bidding procedures to the 90 parties with whom the Debtor had previously executed NDAs and included the timetable for the sale of the Debtors' remaining

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

Assets. *See* Prior Moloney Decl., at ¶ 8. Cain also requested that each party confirm that each party continued access to the data room and were interested in continuing to evaluate the purchase of some or all of the Debtors' remaining assets. *Id.* Nineteen of those parties confirmed that they were still evaluating the transaction and requested continued access to the data room. *Id.*

20. Cain facilitated due diligence by potential buyers, including arranging site visits, organizing calls with the Debtors' leadership team and facilitated follow-up from the Debtors and their advisors to address diligence requests. *Id.* at ¶ 9. Of these nineteen interested parties, certain parties evaluated acquiring all the Debtors' remaining Assets, others evaluated acquiring individual hospitals, and others were real estate companies that evaluated purchasing Seton to convert its campus to non-hospital uses. *Id.*

21. At the end of the marketing period, two parties submitted Qualified Bids (as defined in the Bidding Procedures Order), one for St. Vincent Medical Center and one for St. Francis Medical Center, one party submitted a non-Qualified Bid for St. Francis Medical Center and one party submitted a non-Qualified Bid for all of the assets. *Id.* at ¶ 10. No Qualified Full Bid (as defined in the Bidding Procedures Order) was received; neither was any Qualified Bid received for the Hospital. *See* Docket No. 2053.

22. Accordingly, under the terms of the SGM APA and the Bidding Procedures Order, no auction was held and the Debtors declared SGM as the "winning bidder" of the hospitals. Docket No. 2053, at 2. On May 2, 2019, the Bankruptcy Court entered the *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] (the "Sale Order"), approving the sale to SGM (the "SGM Sale"). Pursuant to the SGM APA, SGM agreed to continue to operate the Hospital as well as the Debtors' other three hospitals.

23. SGM did not close the sale by December 27, 2019 and the Debtors then terminated the SGM APA.

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

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

e. Marketing Process 2020

24. Following the failure of the SGM Sale, Cain commenced a new marketing process to identify parties interested in acquiring the Seton Facilities. *See* Moloney Decl., at ¶ 5. Cain contacted select parties that had previously expressed interest in the Hospital and the Coastside Campus. *Id.* In addition, Cain updated the Seton Facilities Confidential Information Memorandum (CIM), which it posted to the data room on December 30, 2019. *Id.*

25. On January 10, 2020, two bidders submitted non-binding Indications of Interest ("IOI") to acquire the Seton Facilities as operating facilities. *Id.* at ¶ 6. One of the bidders submitted an IOI but, ultimately, the bidder decided not to move forward with its bid. *Id.*

26. The remaining bidder, AHMC, entered into substantive negotiations with the Debtors, which ultimately resulted in the APA.

f. The AHMC APA

27. The AHMC APA contemplates the sale of the Purchased Assets to AHMC[7] on the following material terms:[8]

- AHMC will pay $40 million (the "Cash Consideration"), plus an amount equal to cure costs for the Purchased Assets, less amounts creditable to certain hired employees on account of paid time off. *See* Ex. A (APA § 1.1).
- AHMC will provide a good faith deposit of 20% of the Cash Consideration that, except for certain limited circumstances set forth in the APA, will be non-refundable. *See id.* (APA § 1.2).
- AHMC will not assume any liabilities of the Sellers, and, instead, will perform and satisfy certain transferred obligations such as those under any Assigned Executory Contracts. *See id.* (APA § 1.9).
- AHMC will designate the contracts and leases subject to assumption and assignment not later than 30 days prior to the closing date; however, AHMC will reserve the right to designate additional contracts or leases up to 14 days before

[7] AHMC may assign its rights and obligations under the APA to its designated affiliates or assignees as permitted by the APA.

[8] Any summary of the terms of the APA contained in this Motion is qualified in its entirety by reference to the provisions of the APA. In the event of any inconsistencies between the provisions of the APA and any summaries set forth herein, the terms of the APA shall govern.

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

closing and the Sellers reserve the absolute right to remove contracts and leases from such designation to preserve avoidance claims. *See id.* (APA § 1.11(a)).

- The Sellers will pay cure costs to counterparties of Assigned Executory Contracts from the purchase price. *See id.* (APA § 5.8).

- The Sellers will retain all accounts receivable generated or allocable to patient services prior to closing, excluding certain post-closing receipts of Measure B trauma funding, California QAF Program payments and disproportionate share funding. *See id.* (APA § 1.8(g)).

- The closing of the Sale will take place no later than five business days following the satisfaction or waiver of all conditions to closing set forth in the APA. *See id.* (APA § 1.3).

- Among the conditions to closing are: (i) entry of an order approving the Sale with a finding that AHMC is a good faith purchaser pursuant to § 363(m), *see id.* (APA § 8.1); (ii) approval of settlement agreements authorizing the transfer of Seton's Medi-Cal and Medicare provider agreements to AHMC, *see id.* (APA § 8.6); and (iii) (a) imposition of conditions by the Attorney General that are substantially consistent with the conditions set forth in Schedule 8.5 to the APA, or (b) entry of an order finding that any additional conditions are an "interest in property" for purposes of § 363(f) and that the Purchased Assets can be sold free and clear of any such additional conditions, *see id.* (APA § 8.5). With respect to the Attorney General closing condition, the condition is satisfied if the Debtors obtain an unstayed Court order authorizing the Sale free and clear of any additional conditions within 30 days from the Attorney General's imposition of such additional conditions. *See id.*

- The APA may be terminated by either party if, among other things, (a) a Sale Order is not entered by August 1, 2020, *see id.* (APA § 9.1(f)), or (b) if a closing has not occurred by September 1, 2020, *see id.* (APA § 9.1(g)).

- Upon the closing, and given certain regulatory approval processes applicable to the Sale, the Purchased Assets will be sold to AHMC and immediately leased back to the Sellers pursuant to an leaseback agreement with a concurrent management arrangement until such time as AHMC obtains an effective general acute care hospital license and hospital pharmacy permit. *See id.* (APA § 1.3, Exs. 1.3(a) & 1.3(b)).

28. Importantly, AHMC is aware of the *Agreement with the State of California in Response to the COVID-19 Healthcare Emergency to Provide Certain Healthcare Services at Seton Medical Center* approved by this Court on March 20, 2020 [Docket No. 4315] (the "Services Agreement"). AHMC intends to cooperate with the State in order to achieve an

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

assignment of the Services Agreement in accordance with Clause 1.1 of the Additional Provisions Addendum contained in the Service Agreement..

29. Additionally, the continued operation of the Seton Facilities will serve the interests of the communities served by the Debtors, the Debtors' charitable mission, and the Debtors' estates, including of employees and trade vendors that will maintain an ongoing relationship with the Seton Facilities. The Board of Supervisors for the County of San Mateo (the "Board of Supervisors") held emergency meetings concerning the status of Seton on March 4, March 6, and March 10. Community members gave hours of comment in unequivocal support of efforts to maintain the Seton Facilities as operating hospitals.[9] As a result of the meetings, on March 10, 2020, the Board of Supervisors voted to provide $20 million in seismic assistance funding for a purchaser of the Seton Facilities as operating hospitals. *See* San Mateo Cty. Bd. of Supervisors, *Special Meeting of the Board of Supervisors*, County of San Mateo (Mar. 10, 2020), https://sanmateocounty.legistar.com/MeetingDetail.aspx?ID=769850&GUID=9918C61F-BD9A-47FB-8DE4-FB1CC1803142&Options=&Search=.

30. The Debtors have exchanged communications with the California Attorney General (the "Attorney General") to request expedited review of the proposed AHMC Sale, including in connection with the negotiation of the Services Agreement. Although the Attorney General has not offered any commitments, the Debtors will continue to urge the Attorney General to review and approve the Sale expeditiously to limit delay, uncertainty and further cash losses associated with that process.

---

[9] *See* San Mateo Cty. Bd. of Supervisors, *San Mateo County Meeting on Seton Medical Center*, YOUTUBE, (Mar. 4, 2020), https://www.youtube.com/watch?v=jkB4M_h1Mt8; San Mateo Cty. Bd. of Supervisors, *San Mateo County Meeting on Seton Medical Center*, YOUTUBE (Mar. 6, 2020), https://www.youtube.com/watch?v=ssxtyBZfyP0; San Mateo Cty. Bd. of Supervisors, *Special Meeting of the Board of Supervisors*, COUNTY OF SAN MATEO (Mar. 10, 2020), https://sanmateocounty.legistar.com/MeetingDetail.aspx?ID=769850&GUID=9918C61F-BD9A-47FB-8DE4-FB1CC1803142&Options=&Search=.

g. The SGM and GMC Seton Offers

31. On February 13, 2020, SGM submitted an unsolicited "Offer to Purchase" (the "SGM Seton Offer"). The SGM Seton Offer proposed the acquisition of the Seton Facilities for "Sixty Million Dollars ($60,000,000.00) cash at Closing." *See* Adcock Decl., Ex. 1. The SGM Seton Offer was subject to certain closing conditions, including transfer of Seton's Medi-Cal and Medicare provider agreements free and clear of successor liability and California Attorney General approval, and provides for a seven-day due diligence period. *See id.*

32. On February 25, 2020, SGM submitted an unsolicited "Offer to Purchase" (the "SGM System Offer") the "four properties that are the subject of the Verity-SGM APA." *See id.* The SGM System Offer requested that the Debtors "give our proposal serious consideration" and provide input on the Debtors' intention to, among other things, "[q]ualify SGM as a bidder for St. Francis." *Id.*

33. On March 6, 2020, an entity named "Global Medical Center San Mateo County, LLC, wholly owned by Dr. Kali P. Chaudhuri"[10] ("GMC") submitted an unsolicited "Offer to Purchase Seton Assets" (the "GMC Seton Offer"). *See id.* The GMC Seton Offer proposes the acquisition of the Seton Facilities for "Fifty Million Dollars ($50,000,000.00) cash at Closing"—$10 million less than the $60 million SGM Seton Offer. *See id.* The GMC Seton Offer is subject to certain closing conditions, including transfer of Seton's Medi-Cal and Medicare provider agreements free and clear of successor liability and California Attorney General approval, and provides for a seven-day due diligence period. *See id.* The GMC Seton Offer purports to withdraw the SGM Seton Offer on behalf of SGM. *See id.*

34. SGM and GMC have repeatedly set forth their intention to bid on the Purchased Assets. On March 16, 2020, SGM filed its *Strategic Global Management, Inc.'s Reply Brief Re: "Order Setting Briefing Schedule To Determine Whether Strategic Global Management Should Be Disqualified From Participating In The Auction"* [Docket No. 4278] wherein SGM argued that,

[10] In an irony not lost on the Debtors, KPC Global Medical Center San Mateo County, LLC was the Seton acquisition entity originally formed for the failed SGM Sale.

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

although the "sale of Seton [was] not presently before the court [sic]" it should be allowed to bid on the Seton assets. *Id.*, at 2, lines 20-24. On March 25, 2020, GMC filed a *Notice of Intent to Bid on Seton Assets and Request for Opportunity to Bid* [Docket No. 4347] (the "GMC Notice"). GMC did not set the GMC Notice for hearing or make any affirmative request for relief. *See* GMC Notice at 2 (recognizing that "the issue of how or when a Seton sale will be conducted is not currently before the Court"). Nevertheless, GMC restated its intention to bid on the Seton Facilities and suggested that it would challenge any sale process in which it is precluded from bidding. *See id.*

35. The Debtors determined that the GMC Seton Offer (or any other bid from SGM, its insiders, or affiliates) is subject to significant and unacceptable risks given the Debtors' history and course of dealing with SGM and related parties over the period of nearly one year in connection with the SGM Sale. *See* Adcock Decl. at ¶ 11; *see also* Docket No. 3784 (authorizing the Debtors to undertake an alternative disposition of the Seton Facilities following the SGM Sale). The Debtors also considered this issue in connection with SGM's request for access to the virtual data room related to St. Francis Medical Center, which the Debtors declined to permit. *See* Adcock Decl. at ¶ 12 (declining request and explaining that "[a]fter my course of dealing with KPC, it is clear to me that entering into a new process with KPC would be an irresponsible decision and proposes, among other things, significant risks and harm to these estates"). In addition, the Debtors are in litigation with SGM concerning its conduct related to the SGM Sale (the "Adversary Proceeding"). *See* Adv. Case No. 2:20-ap-01001-ER, Adv. Docket No. 1. In a short timeframe, SGM has filed four appeals of orders entered in these Cases, a motion to withdraw the reference of the Adversary Proceeding to the District Court, and a motion to stay the Adversary Proceeding. *See* Docket Nos. 3726, 3727, 3746; Adv. Docket No. 50.

36. Additionally, the "offers" reflect that even now SGM (and its affiliate, GMC) is not prepared to close a transaction. The offers each contain a 7 day due diligence period (after more than a year of allegedly conducting due diligence on the Purchased Assets) and multiple conditions to closing. *See id.* at. Ex. 1. The proposed conditions include undefined "customary closing conditions," which would likely result in extensive negotiations. *See id.* Negotiations

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

with SGM and its principals in connection with the SGM Sale were difficult and time consuming. *See id.* at ¶ 16. Additionally, GMC proposes to use the same form of agreement that gave rise to the morass of business disputes and appeals regarding Attorney General conditions, material adverse changes and closing requirements. *See id.* at Ex. 1 ("The previous purchase agreement between Verity and SGM dated January 8, 2019, shall serve as a model for a Definitive Agreement, appropriately tailored to refer only to the Seton Assets.").

37. GMC suggests that it could close a transaction more quickly than alternative bidders because, among other things, "the Attorney General's conditions to the approval of the sale to SGM, Buyer's affiliate, pertaining to Seton, are acceptable to Buyer." *See id.* at Ex. 1. However, GMC fails to point out that those approvals were only in connection with the SGM Sale. *See* Docket No. 3611 (approving sale free and clear of certain additional conditions "[s]olely and exclusively for purposes of the [SGM] APA"). The Debtors only obtained those approvals only after a hard-fought legal battle that compelled the Attorney General to stipulate to entry of an order agreeing to the conditions insisted upon by SGM, only to see SGM appeal that order. Moreover, SGM is well aware that because this transaction is materially different from the transaction previously approved by the Attorney General, a new review is required by California statute. *See* CAL. CORP. CODE § 5914(a)(1) (requiring notice and review "prior to entering into any agreement or transaction" covered by the statute).

38. Based on the foregoing, when the Debtors valued the SGM Seton Offer and the GMC Seton Offer, the Debtors determined that they yielded negative value given the risk that SGM, or its affiliate GMC, will not close (again), the operating losses that would be incurred during the regulatory review and approval of the sale, and the risk of a tax remediation issue arising from the assumption of liabilities. *See* Chadwick Decl. at ¶ 6.

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

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

IV.

ARGUMENT

A. This Court Has Authority Pursuant to §§ 363(b)(1) and 105(a) to Grant the Relief Requested.

"The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363. Although sales may be conducted through an auction, that is not required. Rather, "[a]ll sales not in the ordinary course of business may be ***by private sale*** or by public auction." FED. R. BANKR. P. 6004(f)(1) (emphasis added); *see also Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc.*, 141 F.3d 490, 498 (3d Cir. 1998); *In re Trans World Airlines, Inc.*, No. 01-00056 (PJW), 2001 WL 1820326, at *4 (Bankr. D. Del. Apr. 2, 2001) ("[I]t is worth noting that a § 363(b) sale transaction does not require an auction procedure. The auction procedure has developed over the years as an effective means for producing an arm's length fair value transaction."). As set forth in *In re Nepsco, Inc.*, 36 B.R. 25, 26-27 (Bankr. D. Me. 1983):

> [C]urrent Bankruptcy Rule [6004(f)(1)] provides that *all* sales not in the ordinary course of business may be private or by public auction. If the sale is private, all creditors receive notice of the terms and conditions of the sale and the time fixed for filing objections. [] If no objections are filed, the trustee may proceed with the sale without either a hearing or a court order. [] Clearly, the thrust of this statutory scheme is to provide maximum flexibility to the trustee, subject to the oversight of those for whose benefit he acts, *i.e.*, the creditors of the estate. This scheme also promotes Congress' intent of keeping bankruptcy judges out of the administrative aspect of bankruptcy cases . . . .

As a general proposition, "[t]he proper standard for determining in the first instance if a proposed sale should be ordered is whether such sale is in the best interest of the estate." *In re Planned Sys.*, 82 B.R. 919, 923 n.2 (Bankr. S.D. Ohio 1988).

In reviewing the proposed sale, the Court should apply a "business judgment" standard whereby the Debtors are required to show "there is a sound business purpose for conducting the sale prior to confirmation of a plan." *In re Del. & Hudson Ry. Co.,* 124 B.R. 169, 175-76 (D. Del. 1991); *see, also, In re MF Global, Inc.*, 535 B.R. 596, 605 (Bankr. S.D.N.Y. 2015) ("A trustee generally satisfies the business judgment standard if he 'acted on an informed basis, in good faith

and in the honest belief that the action taken was in the best interests of the company.'") (quoting *In re Integrated Res., Inc*., 147 B.R. 650, 656 (Bankr. S.D.N.Y. 1992)); *In re Abbots Dairies of Pa., Inc*., 788 F.2d 143 (3d Cir. 1986).

Under the "sound business purpose" test, the Bankruptcy Court for the District of Delaware has looked at the following factors: "the proportionate value of the asset to the estate as a whole; the amount of elapsed time since the filing; the likelihood that a plan of reorganization will be proposed and confirmed in the near future, the effect of the proposed disposition of the future plan of reorganization; the amount of proceeds to be obtained from the sale versus appraised values of the property; and whether the asset is decreasing or increasing in value." *Del. & Hudson Ry. Co*., 124 B.R. at 176. "Once a court is satisfied that there is a sound business reason or an emergency justifying the pre-confirmation sale, the court must also determine that the trustee has provided the interested parties with adequate and reasonable notice, that the sale price is fair and reasonable and that the purchaser is proceeding in good faith." *Id*.

The bankruptcy court in *In re Del. & Hudson Ry. Co.*, 124 B.R. 169 (D. Del. 1991), addressed whether a proposed sale of the assets of a railroad was in the sound business judgment of the debtor. The court also noted the following factors weighing in favor of finding that the assets had been sold for a fair and reasonable purchase price: "the extensive solicitation of bids by the Trustee; the negotiations with several prospective purchasers; and the Trustee's testimony that the [buyer's] offer was the best offer for [the debtor's] assets." *Id*. at 179; *see, also, In re Distrib. Energy Sys. Corp*., No. 08-11101 (KG), 2008 WL 8153631, at *1 (Bankr. D. Del. Aug. 20, 2008) (finding without elaboration that a private sale of debtors' assets was "in the best interests of the Debtors, their estates and creditors and all other parties in interest").

In *In re MF Global, Inc*., 535 B.R. 596 (Bankr. S.D.N.Y. 2015), the bankruptcy court approved a private sale of assets under the business judgment standard where only a single purchaser expressed interest in purchasing the assets and it was familiar with the rights which it would be assigned. *Id*. at 606. The trustee also demonstrated, among other things, that the interested parties received adequate and reasonable notice and both parties to the sale proceeded in good faith. Consequently, the court found that the trustee and debtor had presented

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

"uncontroverted evidence" that the private sale "reflects the appropriate exercise of their sound business judgment" where the agreement was negotiated extensively, no party objected to the proposed sale, and there was no dispute about the adequacy of the consideration.

Under the foregoing factors, the Debtors have satisfied the "sound business judgment" standard in determining that the AHMC APA is in the best interests of the Debtors, their estates, and stakeholders:

- The Debtors will receive $40 million, plus an amount equal to cure costs, that will offer substantial recovery to the Debtors' estates and preserve ongoing employee and trade vendor relationships at the Seton Facilities.
- The Debtors will retain all accounts receivable generated or allocable to patient services prior to closing, excluding certain post-closing receipts of Measure B trauma funding, California QAF Program payments and disproportionate share funding.
- Nineteen months have elapsed since the Debtors filed the Cases, during which the Debtors have engaged in two thorough marketing efforts for the Seton Facilities.
- The Debtors anticipate that the Committee, the Debtors' Prepetition Secured Creditors, the State, and the Board of Supervisors support a sale of the Seton Facilities as operating hospitals.
- The sale of the Seton Facilities will serve the Debtors' charitable mission by transferring the Seton Facilities to a proven operator of hospitals with a positive record of rehabilitating hospitals.
- AHMC is committed to addressing the COVID-19 health care emergency by continuing to partner with the State after a close of the Sale.
- The "all cash" structure of the transaction minimizes the risk of remediation claims arising from the Debtors' potential failure to defease the tax exempt financing supporting the Seton Medical Center improvements.
- AHMC has shown the financial ability to close this transaction.

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

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

Accordingly, the proposed Sale is in the best interests of the Debtors, their estates, and stakeholders.

The Purchased Assets will be sold for a "fair and reasonable purchase price." The Debtors engaged in two thorough marketing processes for the Purchased Assets—one that resulted in the SGM APA and the most recent efforts resulting in the AHMC APA. SGM did not close the SGM Sale, and, in connection with the instant Sale process, AHMC was the only bidder (other than SGM and GMC) that submitted a bid for the Purchased Assets as operating hospitals. *See Del. & Hudson Ry. Co.*, 124 B.R. at 179 (holding a sale is for a "fair and reasonable purchase price" if the evidence demonstrates "the extensive solicitation of bids by the Trustee; the negotiations with several prospective purchasers; and . . . testimony that the . . . offer was the best offer for [the] assets"). In light of the thorough review of offers and alternatives, the Debtors, in consultation with the Committee and the Prepetition Secured Creditors, have concluded that the AHMC Sale will maximize value for the Debtors' estates.

B. <u>The Debtors Have Chosen The Highest and Best Offer For The Purchased Assets.</u>

a. The Debtors Exercised Their Sound Business Judgment in Selecting the AHMC Bid.

The Seton Board's, the VHS board of directors' (the "<u>VHS Board</u>" and, together with the Seton Board, the "<u>Boards</u>"), and the Debtors' "management of the procedural details surrounding bidding and sale are 'ultimately a matter of discretion that depends upon the dynamics of the particular situation.'" *In re Nuttery Farm, Inc*., 467 F. App'x 711, 712 (9th Cir. 2012). Therefore, the Debtors are "entitled to exercise their 'business judgment' in deciding which bid to accept, and this business judgment is entitled to 'great judicial deference.'" *In re Bakalis*, 220 B.R. 525, 532 (Bankr. E.D.N.Y. 1998). Based on the facts discussed above, the Debtors and the Boards determined that the SGM Seton Offer and GMC Seton Offer were not better bids than the AHMC bid because, among other things, SGM (and its affiliate, GMC) were unlikely to close the transaction, and, therefore, unlikely to continue Seton's long history of providing care to the community and fulfilling the Debtors' charitable mission. *See* Adcock Decl. ¶ 15; *see also In re United Healthcare System, Inc.*, 1997 WL 176574, at *5 (D.N.J. Mar. 26, 1997) ("The officers and

directors of a nonprofit organization are charged with the fiduciary obligation to act in furtherance of the organization's charitable mission.").[11]

Even if SGM or GMC superficially offered greater monetary value, courts have noted that "while a debtor has a duty to 'maximize the return to a bankruptcy estate,' which 'often does require [the] recommendation of the highest monetary bid, overemphasis of this usual outcome overlooks a fundamental truism, *i.e.*, a 'highest' bid is not always the 'highest and best' bid. The inclusion of 'best' in that conjunction is not mere surplusage." *In re 160 Royal Palm, LLC*, 600 B.R. 119, 129 (Bankr. S.D. Fla. 2019) (citing *In re Bakalis*, 220 B.R. 525, 532 (Bankr. E.D.N.Y. 1998)); *In re Diplomat Constr., Inc.,* 481 B.R. at 218–19 ("The highest bid does not always equate to the best bid for the estate."); *In re Gulf States Steel, Inc. of Al.*, 285 B.R. 497, 516 (N.D. Al. 2002) ("[C]ourts have authorized the acceptance of the lower of competing bids because the lower bid provides greater benefit to the estate than the higher bid."). In this circumstance, the Boards may, for example, refuse to consider bids from bidders because they may consider, among other factors, their duty to maximize value to the creditors, "considerations such as finality, stability, and expeditious resolution of the bankruptcy proceeding." *In re 160 Royal Palm, LLC*, 600 B.R. 119, 130 (Bankr. S.D. Fla. 2019).

The Boards may consider "concerns about the uncertainty of the offer" in deciding whether to accept a bid. *Id*., at 129. In *Royal Palm*, for example, the court accepted the debtor's business

---

[11] Courts interpreting the duties of a director for a for-profit corporation have held that the duties before and after insolvency are essentially the same: to attempt to preserve and grow corporate value (before bankruptcy for equity, in bankruptcy for creditors). *In re Anchorage Nautical Tours, Inc.,* 145 B.R. 637 (B.A.P. 9th Cir. 1992) (citing *In re Crouse Group, Inc.*, 75 B.R. 553, 557-58 (Bankr. E.D. Pa. 1987); *In re Clu Dev. & Mgmt.*, 27 B.R. 610, 612 (B.A.P. 9th Cir. 1982)); *see also In re United Healthcare Sys., Inc.,* 200 F.3d 170, n.9 (3d Cir. 1998) ("United Healthcare, as a debtor-in-possession, is a fiduciary for its estate and for its creditors."). In the context of a non-profit, therefore, the duties of a director before and after insolvency should also include the duty to further the charitable mission of the corporation (called the Duty of Obedience). Insolvency does not eliminate that duty for directors of a nonprofit. *In re United Healthcare Sys., Inc.,* 1997 WL 176574, at *5 ("[c]ourt must not only weigh the financial aspects of the transaction but also look to the countervailing consideration of a public health emergency."). While it is true that commencing a bankruptcy case creates a fiduciary duty to creditors, the Boards must therefore balance the duty to creditors with the duty to the charitable mission.

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

judgment in not accepting a higher offer in part because the higher offer was made by a party with which the debtor had previously "sought a settlement and sale . . . in the past, which fell through, because [the prospective buyer] defaulted." *Id.* Further, in *Royal Palm* the debtor considered "the fear of additional litigation" as a valid concern allowing the debtor to take a lower offer, saying that "the avoidance of litigation is a legitimate business objective." *Id*. at 130. All of these factors are present here and were part of the analysis done by the Boards in arriving at their business judgment to select the AHMC offer.

Additionally, as the Court is aware, the Debtors incur substantial monthly losses from operations at the Seton Facilities. *See* Chadwick Decl. at ¶ 5. Although the payments under the Services Agreement will reduce losses in the short term, the Debtors are cognizant that any delay in the closing risk that the estates will continue to incur substantial losses. *See id*. The foregoing, is an important consideration in weighting the economic value of any bid by SGM or GMC. SGM's pattern and practice of delay in the prior SGM Sale raise serious and substantive concerns that a delayed closing under the SGM Seton Offer or GMC Seton Offer would cause the estates to incur additional losses.

b. Potential Bidders Do Not Have Standing to Challenge the Debtors' Exercise of Business Judgment.

SGM and GMC do not have standing to challenge the Debtors' conclusion that the AHMC offer is the highest and best or the Debtors' determinations of the risks associated with the SGM Seton Offer or GMC Seton Offer. "[T]he statutes governing the sale of assets of bankruptcy estates are intended to protect the creditors of such estates and not prospective purchasers." *In re HST Gathering Co.*, 125 B.R. 466, 468 (W.D. Tex. 1991). A potential bidder, such as SGM and GMC, "is not within the 'zone of interests intended to be protected' under the bankruptcy statutes and regulations." *Id.* Thus, SGM and GMC lack standing to contest any decision precluding SGM or GMC from the bidding process or sale process because they are "not a person whose interest was intended to be protected by the bankruptcy statutes or regulations." *Id.*; *see also Kabro Assocs. v. Colony Hill Assocs. (In re Colony Hill Assocs.)*, 111 F.3d 269, 273 (2d Cir. 1997) ("[A]n unsuccessful bidder—whose only pecuniary loss is the speculative profit it might

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

have made had it succeeded in purchasing property at an auction—usually lacks standing to challenge a bankruptcy court's approval of a sale transaction."); *Stark v. Moran (In re Moran)*, 566 F.3d 676, 682 (6th Cir. 2009) ("A frustrated bidder lacks bankruptcy appellate standing when he merely alleges that he would have profited from his desired purchase, and does not allege, for instance, that fraud or impropriety prevented the estate from accepting his higher bid such that creditors would not receive as great a recovery as they would have had the estate accepted the higher bid."). Accordingly, the Court should overrule any objection from SGM or GMC—including the GMC Notice—on the grounds that SGM or GMC are entitled to participate in the Sale process or contest the Debtors' risk assessment associated with the SGM Seton Bid or GMC Seton Bid.

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

C. The Court Can Approve the Sale Free and Clear of Liens, Claims, Encumbrances, and Interests Pursuant to § 363(f).

Section 363(f) states:

> The Trustee may sell property under subsection (b) … of this section free and clear of any interest in such property of an entity other than the estate, only if -
>
> (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
>
> (2) such entity consents;
>
> (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
>
> (4) such interest is in a bona fide dispute; or
>
> (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

In accordance with § 363(f), the transfer of the Purchased Assets to AHMC will be a legal, valid, enforceable and effective transfer of the Purchased Assets, and will vest AHMC with all right, title, and interest in the Purchased Assets free and clear of all liens, claims, encumbrances and interests.

a. Sale Free And Clear of Liens, Claims, Interests, and Encumbrances

The Debtors will sell the Purchased Assets to AHMC free and clear of any and all liens, claims, interests and encumbrances, including claims of secured creditors (which includes the claims of the Prepetition Secured Creditors), but on the condition such any such lien, claim, interest or encumbrance, will attach to the proceeds of the Sale in the same validity, priority, and amount that the lien, claim, interest or encumbrance held in the Purchased Assets, and subject to the secured creditors' rights with respect to allocation of such proceeds.

b. Sale Free and Clear of Attorney General Conditions

The Court can approve the Sale free and clear of any conditions imposed by the Attorney General that are inconsistent (the "Additional Conditions") with the conditions to which AHMC agreed in the APA. As AHMC is a for-profit entity, the Sale will be subject to the Attorney General's review pursuant to California Corporations Code, §§ 5914 *et seq.*, and the California Code of Regulations, title 11, § 999.5. AHMC has agreed to accept the majority of the conditions the Attorney General sought to impose on the transfer of the Seton Facilities in connection with the SGM Sale. *See* APA § 8.5, Sched. 8.5. However, AHMC has required, as a condition to closing the Sale, that the Attorney General not impose Additional Conditions or, alternatively, that the Debtors obtain an order confirming that the Sale is free and clear of any Additional Conditions. *See* APA § 8.5. Therefore, in the event the Attorney General seeks to impose Additional Conditions, the Debtors reserve their rights to seek enforcement of an order approving the Sale and finding that the Sale is free and clear of such Additional Conditions pursuant to § 363(f) and the limitations of the Attorney General's authority to impose such Additional Conditions under applicable California law.

c. Transfer of the Seton Provider Agreements

AHMC's obligation to close the Sale is further conditioned on the Debtors obtaining settlements concerning the transfer of the Seton Medicare and Medi-Cal provider agreements (collectively, the "Provider Agreements") with the Centers for Medicare and Medicaid Services ("CMS") and the California Department of Health Care Services ("DHCS"). *See* APA § 8.6. Given the expedited nature of the relief requested herein, the Debtors have yet to engage in these

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

settlement discussions, which they anticipate will begin in earnest upon the filing of this Motion. Although the Debtors anticipate these negotiations will be fruitful, the Debtors reserve their rights to seek an order authorizing the Debtors to transfer the Provider Agreements to AHMC free and clear of any interests asserted by CMS or DHCS consistent with the requirements of the APA.

D. The Court Should Approve Procedures to Provide for Assumption and Assignment of the Sellers' Executory Contracts and Unexpired Leases.

As part of the Sale, the Debtors also seek to assume and assign certain of their executory contracts (the "Assigned Contracts") and unexpired leases (the "Assigned Leases") pursuant to § 365. Given the expedited nature of the relief sought by this Motion, the Debtors request that the Court approve the Sale and the APA subject to the following procedures to provide sufficient notice to counterparties to the Assigned Executory Contracts.

The Assigned Executory Contracts will be those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; provided, that AHMC may choose to exclude (or to add) contracts or leases to the list of Assigned Executory Contracts, subject to notice to the counterparties to any Assigned Executory Contracts which are added.

The Debtors will file with the Court and serve a cure notice, substantially in the form attached hereto as **Exhibit "B"** (the "Cure Notice"), (along with a copy of this Motion) upon each counterparty to the Assigned Executory Contracts. The Cure Notice will state the date by which any objection (an "Assumption Objection") to the assumption and assignment of Assigned Executory Contracts (including the Cure Amount (defined below)) must be filed and served and the date, time and place of a hearing on such Assumption Objections (the "Assumption Objection Hearing"). The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assigned Executory Contract in order to cure any defaults that exist under such contract (the "Cure Amounts"). The Debtors respectfully request that the Court set (i) **April 29, 2020,** as the deadline for the Debtors to file and serve the Cure Notice, (ii) **May 6, 2020, at 5:00 p.m. (Pacific Time)**, as the deadline for counterparties to file and serve Assumption

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

Objections, and (iii) **May 20, 2020, at 10:00 a.m. (Pacific Time)** as the Assumption Objection Hearing.

If a contract or lease is assumed and assigned pursuant to Court Order, then unless the Assigned Executory Contract counterparty properly files and serves an Assumption Objection, the Assigned Executory Contract counterparty will receive at the time of the Closing of the Sale (or as soon as reasonably practicable thereafter), the Cure Amount as set forth in the Cure Notice, if any. If an objection is filed by a counterparty to an Assigned Executory Contract, the Debtors propose that such objection must set forth a specific default in the executory contract or unexpired lease, claim a specific monetary amount that differs from the amount, if any, specified by the Debtors in the Cure Notice, and set forth any reason why the counterparty believes the executory contract or unexpired lease cannot be assumed and assigned to AHMC.

The inclusion of a contract, lease, or other agreement on the Cure Notice shall not constitute or be deemed a determination or admission by the Debtors and their estates or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, and any and all rights with respect thereto shall be reserved. The Debtors reserve the right to remove any Assigned Executory Agreements from those listed on the Cure Notice at any time prior to the closing of the Sale.

Except to the extent otherwise provided in the APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assigned Executory Contracts pursuant to § 365(k).

E. Waiver of the 14-Day Stay Provided under Bankruptcy Rule 6004(h) Is Appropriate.

Bankruptcy Rule 6004(h) provides, among other things, that an order authorizing the use, sale or lease of property . . . is stayed until the expiration of fourteen days after entry of the Court order, unless the Court orders otherwise. The purpose of Bankruptcy Rule 6004(h) is to provide sufficient time for an objecting party to appeal before an order can be implemented. *See* 10 COLLIER ON BANKRUPTCY ¶ 6004.11 at 6004-26 (Alan N. Resnick & Henry J. Sommer eds. 16th ed. 2015). Although Bankruptcy Rule 6004(h) and the Advisory Committee Notes relating thereto are silent as to when a court should "order otherwise" and eliminate or reduce the fourteen day

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

period, the leading treatise on bankruptcy suggests that the stay period should be eliminated to allow a sale or other transaction to close immediately "where there has been no objection to the procedure." *Id.* at 6004-22.

For the reasons discussed above, the Debtors believe that it is critically important that the Debtors consummate the Sale without delay in light of, among other things, their well-documented financial condition and the continuing need for access to high quality health care at the Seton Facilities, particularly during the COVID-19 public health emergency. Based on the foregoing, the Debtors respectfully requests that the Court waive the 14-day stay period set forth in Bankruptcy Rule 6004(h) to permit the Sellers and AHMC to enter into the APA and begin the process of closing the Sale immediately upon entry of an order granting this Motion.

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

V.

CONCLUSION

For all the foregoing reasons and such additional reasons as may be advanced at or prior to the hearing regarding this Motion, the Debtors request entry of an order: (i) approving the Sale of the Purchased Assets of the Sellers to AHMC; (ii) approving the APA and ancillary documents by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of Assigned Executory Contracts; (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances.

Dated: March 29, 2020

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

By */s/ Tania M. Moyron*

Attorneys for Verity Health System of California, Inc., *et al.*

DECLARATION OF RICHARD G. ADCOCK

I, Richard G. Adcock, hereby state and declare as follows:

1. I submit this declaration (the "Declaration") in support of the *Debtors' Notice of Motion and Motion to Approve Terms and Conditions of a Private Sale of Certain of the Debtors' Assets Related to Seton Medical Center to AHMC Healthcare Inc.* (the "Motion"),[12] which seeks entry of an order authorizing the Debtors to: (i) approving a private sale (the "Sale") of certain assets (the "Purchased Assets") of Debtors Seton Medical Center ("Seton"),[13] Verity Holdings, LLC ("Holdings"), and VHS (together with Seton and Holdings, the "Sellers") to AHMC Healthcare Inc. ("AHMC" or the "Buyer"); (ii) approving the asset purchase agreement (the "APA") and ancillary documents attached to the Motion as Exhibit "A" by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of the Assigned Contracts and Assigned Leases (as those terms are defined in the Motion, and, collectively, the "Assigned Executory Contracts"), together with the payment of Cure Costs (as such terms are defined in the Motion); (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances.

2. I am the Chief Executive Officer ("CEO") of Verity Health System of California, Inc. ("VHS"). I became VHS' CEO effective January 2018. Prior thereto, I served as VHS' Chief Operating Officer ("COO") beginning in August 2017. In my roles as COO and CEO at VHS, I have become intimately familiar with all aspects of the Debtors as well as those affiliated entities that are not in bankruptcy.

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

[12] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

[13] The Purchased Assets related to Seton concern assets located at both (i) Seton Medical Center, located at 1800, 1850 and 1900 Sullivan Ave and 1500 Southgate Ave, Daly City, California (the "Hospital") and (ii) Seton Medical Center–Coastside, located at 600 Marine Blvd, Moss Beach, California (the "Coastside Campus" and, together with the Hospital, the "Seton Facilities").

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

3. I have been serving as the CEO of Seton since August 2019. In this capacity, I have gained valuable insight into the Hospital's operations as well as the patients and residents who are treated there.

4. I have worked for more than 25 years in the healthcare arena, with 15 years in not for profit operations. During this period, I have accumulated extensive senior level experience in the areas of not-for-profit healthcare, especially in healthcare delivery, hospital acute care services, health plan management, product management, acquisitions, integrations, population health management, budgeting, disease management and medical devices. I also have meaningful experience in other related areas, including human resources and personnel management.

5. My background and familiarity with the Debtors' day-to-day operations, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 bankruptcy cases are set forth more fully in my *Declaration filed in Support of Emergency First-Day Motions* [Docket No. 8] filed on the Petition Date, and are incorporated by reference into this Declaration.

A. The Hospital

6. The Hospital is currently licensed for 357 beds, comprising 250 general acute care beds, 83 skilled nursing beds, and 24 acute psychiatric beds (two of which have been placed in suspense). Of the 250 general acute care beds, 18 are designated for perinatal services (in suspense), 14 for coronary care, 14 for intensive care, three for intensive care newborn nursery (in suspense), with the remaining 201 beds unspecified general acute care beds.[14] Seton has an emergency department with 11 rooms with 18 beds; and four surgical suites constituting an ambulatory surgical center. It also has 10 surgical operating rooms (eight of which are active), and three cardiac catheterization labs (one of which is dedicated for endoscopic retrograde cholangiopancreatography (ERCP) used by specialist gastroenterologists).

[14] The 2020 License fails to reflect that these perinatal beds are in suspense. Seton believes this was an inadvertent oversight. By letter dated January 30, 2020, it has requested that CDPH update its license to correct this and other errors, including errors related to three NICU beds, two psychiatric beds and its Outpatient Joint Replacement Clinic.

7. As of the date of the Motion, the Hospital employs approximately 1172 employees, of which 411 are full time, 432 are part time, and 329 are per diem.

B. Indications of Interest and Offers for the Seton Facilities as Operating Hospitals

8. The Boards and the Debtors concluded, in their business judgment, that the sale of the Seton Facilities as operating hospitals is in the best interests of the Debtors, their estates, creditors, stakeholders, and mission of service to the communities.

9. As set forth in the declaration of Peter Chadwick, the Hospital has been operating at significant financial losses.

C. Selection of AHMC

10. AHMC, entered into substantive negotiations with the Debtors, which ultimately resulted in the APA. A true and correct copy of the APA is attached to the Motion as Exhibit "A." The Debtors and their Boards determined in their business judgment that a sale of the Seton Facilities to AHMC is in the best interests of the Debtors, their estates, creditors, stakeholders, and mission of service to their communities based on, among other things, the following:

- The Debtors will receive $40 million, plus an amount equal to cure costs, that will offer substantial recovery to the Debtors' estates and preserve ongoing employee and trade vendor relationships at the Seton Facilities.
- The Debtors will retain all accounts receivable generated or allocable to patient services prior to closing, excluding certain post-closing receipts of Measure B trauma funding, California QAF Program payments and disproportionate share funding.
- Nineteen months have elapsed since the Debtors filed the Cases, during which the Debtors have engaged in two thorough marketing efforts for the Seton Facilities.
- The sale of the Seton Facilities will serve the Debtors' charitable mission by transferring the Seton Facilities to a proven operator of hospitals with a positive record of rehabilitating hospitals.

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

- AHMC is committed to addressing the COVID-19 health care emergency by continuing to partner with the State after a close of the Sale.
- The "all cash" structure of the transaction minimizes the risk of remediation claims arising from the Debtors' potential failure to defease the tax exempt financing supporting the Seton Medical Center improvements.
- AHMC has shown the financial ability to close this transaction.

D. The SGM and GMC Offers

11. On February 13, 2020, SGM submitted an unsolicited "Offer to Purchase" (the "SGM Seton Offer"). On February 25, 2020, SGM submitted an unsolicited "Offer to Purchase" (the "SGM System Offer") the "four properties that are the subject of the Verity-SGM APA." On March 6, 2020, an entity named "Global Medical Center San Mateo County, LLC, wholly owned by Dr. Kali P. Chaudhuri" ("GMC") submitted an unsolicited "Offer to Purchase Seton Assets" (the "GMC Seton Offer"). True and correct copies of the SGM Seton Offer, SGM Systems Offer, and GMC Seton Offer are attached hereto as **Exhibit "1."**

12. The Debtors determined that the GMC Seton Offer (or any other bid from SGM, its insiders, or affiliates) is subject to significant and unacceptable risks given the Debtors' history and course of dealing with SGM over the period of nearly one year in connection with the SGM Sale. The Debtors also considered this issue in connection with SGM's request for access to the virtual data room related to St. Francis Medical Center. On February 28, 2020, I emailed Peter Baronoff, the CEO of SGM, and informed Mr. Baronoff of the Debtors decision not to permit SGM or its affiliates access to the virtual data room based on SGM's prior conduct. Specifically, I informed Mr. Baronoff that "I do not find KPC to be a trustworthy, believable or a capable or reliable business partner," and that, "[a]fter my course of dealing with KPC, it is clear to me that entering into a new process with KPC would be an irresponsible decision and proposes, among other things, significant risks and harm to these estates." The Debtors are in litigation with SGM concerning its conduct related to the SGM Sale.

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

13. Additionally, the "offers" reflect that SGM (and its affiliate, GMC) is not prepared to close a transaction. The offers each contain a 7 day due diligence period (after more than a year of allegedly conducting due diligence on the Purchased Assets) and multiple conditions to closing. The proposed conditions include undefined "customary closing conditions," which would likely result in extensive negotiations. Negotiations with SGM and its principals in connection with the SGM Sale were difficult and time consuming.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 29th day of March, 2020, at Los Angeles, California.

RICHARD G. ADCOCK

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

Exhibit 1

SGM Seton Offer
SGM System Offer
GMC Seton Offer

STRATEGIC GLOBAL MANAGEMENT, INC.
9 KPC Parkway, Suite 301, Corona, California 92879
Telephone: (951) 987-8100 Facsimile: (951) 782-8850

Kali P. Chaudhuri, M.D.
F.A.C.S., F.I.C.S., F.A.A.O.S.
Chairman and
Chief Executive Officer

William E. Thomas
Executive Vice President
and General Counsel
Bthomas@globalmso.com

Via Email to: Samuel.maizel@dentons.com

February 13, 2020

Samuel R. Maizel
Dentons US LLP
601 S. Figueroa Street
Suite 2500
Los Angeles, CA 90017-5704

Re: Offer to Purchase

Dear Sam:

Strategic Global Management, Inc. ("Buyer") offers to purchase the assets of Seton Medical Center and Seton Coastside and keep them open as viable medical centers on the following terms:

1. Assets to be Purchased. All assets of the hospital known as Seton Medical Center located at 1900 Sullivan Avenue, Daly City, CA including the hospital pharmacy, laboratory, emergency department as well as the medical office buildings and clinics owned or operated by Seton Medical Center and the hospital known as Seton Medical Center Coastside located at 600 Marine Blvd., Moss Beach, CA including the hospital pharmacy, laboratory and emergency department as well as the medical office building and clinics owned or operated by Seton Coastside. Collectively, the assets of the two hospitals are referred to as the "Seton Assets".

2. Purchase Price. Sixty Million Dollars ($60,000,000.00) cash at Closing.

3. Assumed Liabilities. Buyer will assume (1) accrued vacation and PTO with respect to Hired Employees; (2) all liabilities of Seton as Obligated Party under the PACE Program; and (3) Cure Costs associated with Assumed Leases and/or Assumed Contracts designated by Buyer.

4. Free and Clear Title. Except as set forth above, Buyer shall receive free and clear title to all real and personal property, accounts receivable, and other assets related to the Seton Assets, except for cash on hand at Closing and other excluded assets to be mutually agreed between the Parties.

5. QAF Adjustment. Any net QAF received by Seller in 2020 relating to the Seton Assets through Closing shall either constitute a downward adjustment to purchase price or shall be paid over in cash at Closing at Buyer's election.

6. Conditions. The Closing is subject to:

   (a) Approval of the Bankruptcy Court;

   (b) Approval of the Attorney General to the extent required;

   (c) Transfer of the Medi-Cal and Medicare provider agreements pursuant to settlement agreements executed by DCHS and CMS such that Buyer is not exposed to successor liability or recoupment at no cost to Buyer; and

   (d) Such other customary closing conditions as agreed to in the definitive asset purchase agreement.

7. Definitive Agreement. The previous asset purchase agreement dated January 8, 2019, shall serve as a model for the definitive agreement in this transaction appropriately tailored to refer only to the Seton Assets.

8. Target Closing Date. March 31, 2020

9. Confirmatory Due Diligence Period. Seven (7) days.

There are obvious benefits to accepting SGM's proposal including (1) SGM already has secured Attorney General approval of the previous transaction and the conditions pertaining to Seton are acceptable; (2) all labor unions associated with Seton have accepted modified collective bargaining agreements with SGM as Buyer; (3) the management teams of Verity and SGM have spent months integrating workstreams to make transition as seamless as possible; and (4) vendors, payors, providers and other counterparties have worked closely with SGM to pave the way for a successful transition. This high degree of approvals and synergies cannot be duplicated by any other potential buyer.

We have provided proof of funds in the past, but if you wish us to refresh our bank letter, we would do so.

We are anxious to move expeditiously to a closing. Our proposed calendar would be as follows:

A. Verity Response to SGM Offer. On or before February 20.

B. Definitive Agreement. On or before February 28. Prior to that time, Verity would meet with SGM representatives to discuss and resolve all issues and allow access to financial and operational information regarding the Seton Assets.

C. Bankruptcy Court Approval. Between March 9 and March 15.

D. Attorney General. The parties jointly approach the Attorney General to confirm conditions of approval.

E. Target Closing. On or before March 31.

Please let us know if Verity is willing to proceed along these lines.

This is a non-binding term sheet. The parties will be legally bound upon execution of a definitive agreement regarding these matters.

Sincerely,

William E. Thomas
Executive Vice President and General Counsel

STRATEGIC GLOBAL MANAGEMENT, INC.
9 KPC Parkway, Suite 301, Corona, California 92879
Telephone: (951) 987-8100 Facsimile: (951) 782-8850

Kali P. Chaudhuri, M.D.
F.A.C.S., F.I.C.S., F.A.A.O.S.
Chairman and
Chief Executive Officer

William E. Thomas
Executive Vice President
and General Counsel
Bthomas@globalmso.com

Via Email to: Samuel.maizel@dentons.com

February 25, 2020

Samuel R. Maizel
Dentons US LLP
601 S. Figueroa Street
Suite 2500
Los Angeles, CA 90017-5704

Re: Offer to Purchase

Dear Sam:

It is unfortunate that the transaction that each side worked so hard on for over a year has fallen apart and resulted in litigation which, absent a settlement, will likely be expensive and protracted. Nevertheless, SGM continues to desire to acquire the four properties that are the subject of the Verity-SGM APA ("Old APA") (recognizing that SVMC has now closed) and SGM continues to believe that a sale of all four properties and related assets to SGM will provide the Verity bankruptcy estate, and its multiple constituencies, with the best available outcome.

We understand that Verity is currently evaluating SGM's proposal for the acquisition of Seton and Seton Coastside, and we appreciate having had the opportunity last Saturday to confirm that SGM has the financial resources to close that sale promptly and SGM's proposal for Seton is independent of the pending litigation.

In addition to and as an alternative to the "Seton only" proposal, which remains in effect, SGM is making the following proposal to complete the original transaction with mutually acceptable modifications and to resolve all of the pending litigation.

SGM proposes the following:

1. Assets to be Purchased. All assets set forth in the Old APA ("Assets").

2. Purchase Price. Four Hundred Fifty Million Dollars ($450,000,000.00).

3. Assumed Liabilities. Similar to the Old APA, SGM will assume (1) accrued vacation and PTO with respect to Hired Employees; (2) all liabilities of Seton as Obligated Party under the PACE Program; and (3) Cure Costs associated with Assumed Leases and/or Assumed Contracts designated by SGM.

4. Free and Clear Title. Except as set forth above, SGM shall receive free and clear title to all real and personal property, accounts receivable, and other assets related to the purchased Assets, except for cash on hand at Closing and other excluded assets to be mutually agreed between the Parties.

5. QAF Adjustment. Any net QAF received by Verity in 2020 through Closing shall either constitute a downward adjustment to purchase price or shall be paid over in cash at Closing at SGM's election.

6. Conditions. The Closing is subject to:

   (a) Approval of the Bankruptcy Court;
   (b) Approval of the Attorney General consistent with Bankruptcy Court's order of November 14, 2019;
   (c) Settlement with Medi-Cal and Medicare such that SGM is not exposed to successor liability at no cost to SGM consistent with Section 8.7 of Old APA;
   (d) Due diligence period of 30days commencing on the signing of a new purchase contract;
   (e) Mutual release of claims effective at Closing; and
   (f) Such other customary closing conditions as agreed to in the definitive asset purchase agreement.

7. Definitive Agreement. The Old APA, shall serve as a model for the definitive agreement in this transaction to facilitate final approvals from regulatory bodies and others.

8. Proof of Finance. Our financing sources are prepared to meet with you face to face as soon as possible to provide confirmation and commitment in writing.

9. Target Closing Date. April 15, 2020

As we've indicated before, our months of hard work in cooperation with the Verity team have resulted in synergies that cannot be duplicated by any other potential buyer.

If Verity is not prepared to consider our proposal for all the assets at this time, SGM is requesting that Verity not object to SGM's participation as a bidder for St. Francis Medical Center subject, of course, to SGM's satisfaction of the qualifying conditions contained in Verity's proposed sale procedures including execution of a new NDA and obtaining access to the dataroom and key Verity personnel.

We trust Verity will give our proposal serious consideration. In all events, SGM continues to invest a huge amount of money in this transactional process. Please let us know by February 28th how Verity wishes to proceed:

1. Consummate a full and complete sale of all assets and settlement of the litigation.
2. Consummate a purchase agreement for Seton only.
3. Qualify SGM as a bidder for St. Francis.

We are available to further discuss at your convenience.

This is a non-binding offer. The parties will be legally bound upon execution of a definitive agreement regarding these matters. This is not a confidential letter and you are welcome to share it with all of Verity's creditor representatives and constituencies.

Sincerely,

William E. Thomas
Executive Vice President and General Counsel

March 6, 2020

Via Email to: Samuel.maizel@dentons.com

Samuel R. Maizel
Dentons US LLP
601 S. Figueroa Street
Suite 2500
Los Angeles, CA 90017-5704

Re: Offer to Purchase Seton Assets

Dear Sam:

We have been authorized by Global Medical Center San Mateo County, LLC ("GMC" or "Buyer"), wholly owned by Dr. Kali P. Chaudhuri, M.D., to make this offer, on its behalf, to purchase the assets of Seton Medical Center and Seton Coastside (sometimes, collectively, "Seton" or "Seller").

We understand that Verity is currently deciding whether to close Seton and sell the real estate, or to sell to a purchaser who will continue to operate and maintain Seton as viable medical centers. This will confirm that Buyer will maintain Seton as operating medical centers. The benefits to the community, healthcare professionals, and employees (union and non-union) are obvious.

Dr. Chaudhuri shall guaranty the Buyer's obligations to close the transaction subject to this offer.

1. Assets to be Purchased. The hospital known as Seton Medical Center located at 1900 Sullivan Avenue, Daly City, CA including the hospital pharmacy, laboratory, emergency department as well as the medical office buildings and clinics owned or operated by Seton Medical Center and the hospital known as Seton Medical Center Coastside located at 600 Marine Blvd., Moss Beach, CA, including the hospital pharmacy, laboratory and emergency department, as well all real estate assets including the medical office building and clinics owned or operated by Seton Coastside. Collectively, the assets of the two hospitals are referred to as the "Seton Assets". Excluded from the purchased assets are (1) Seton's accounts receivable, and (2) QAF payments received by Seton prior to closing.

2. Purchase Price. Fifty Million Dollars ($50,000,000.00) cash at Closing.

GARY E. KLAUSNER ATTORNEY AT LAW ■ EMAIL: GEK@LNBYB.COM ■ DIRECT: 310.229.3360
10250 CONSTELLATION BLVD., STE 1700, LOS ANGELES, CA 90067 ■ TEL: 310.229.1234 FAX: 310.229.1244 WWW.LNBYB.COM

3. Assumed Liabilities. Buyer will assume (1) accrued vacation and PTO with respect to Hired Employees; (2) all liabilities of Seton as Obligated Party under the PACE Program; and (3) Cure Costs associated with Assumed Leases and/or Assumed Contracts designated by Buyer. Buyer will also assume all post-closing obligations under existing collective bargaining agreements as modified by stipulations previously reached between Verity and the unions during the Chapter 11 case.

4. Free and Clear Title. Except as set forth above, Buyer shall receive free and clear title to all real and personal property and other assets related to the Seton Assets, except for cash on hand at Closing and other excluded assets as described above and to be mutually agreed between the Parties.

5. Conditions. The Closing is subject to:

(a) Approval of the Bankruptcy Court;

(b) Approval of the California Attorney General;

(c) Transfer of Medi-Cal and Medicare provider agreements to Buyer such that Buyer is not exposed to successor liability, at no cost to Buyer;

(d) Such other customary closing conditions as agreed to in the definitive asset purchase agreement ("Definitive Agreement");

6. Due diligence shall be completed within 7 days of Buyer being provided access to Seton data room and physical assets.

7. Definitive Agreement. The previous asset purchase agreement between Verity and SGM dated January 8, 2019, shall serve as a model for the Definitive Agreement, appropriately tailored to refer only to the Seton Assets. Buyer will be prepared to execute a Definitive Agreement within seven (7) business days of Seller's acceptance of this offer. Alternatively, if Verity has a form of APA for the Seton assets, that form will be used, subject to agreed modifications.

For the avoidance of doubt, there is no financing contingency and no other contingencies or conditions to closing other than as set forth herein.

8. The offer made by Strategic Global Management, Inc. ("SGM") on February 13, 2020 is hereby withdrawn.

9. Target Closing Date. 45 days from Bankruptcy Court approval

10. Good Faith Deposit and Cash Advance Payment to Cover Operating Losses. Upon execution of the Definitive Agreement and completion of Due Diligence as described above, Buyer shall provide to Seller (1) a good faith deposit of $5 Million, (which Seller shall place in an account separate from all other debtor-in-possession accounts) and (2) $9 Million (the "Cash Advance") which Seller may use, solely to cover any operating losses of Seton (not including administrative expenses and professional fees of the Verity Chapter 11 estate) between the execution of a Definitive Agreement and the Closing, up to a maximum of 45 days. The Cash Advance shall be applied as a credit against the purchase price, provided, however, if the Buyer fails to close as required by the Definitive Agreement, Buyer shall forfeit any right to the return of the Good Faith Deposit and the Cash Advance.

There are obvious benefits to accepting Buyer's proposal including: (1) the Attorney General's conditions to his approval of the sale to SGM, Buyer's affiliate, pertaining to Seton, are acceptable to Buyer; (2) all labor unions associated with Seton have accepted modified collective bargaining agreements that are acceptable to Buyer; (3) the management teams of Verity and Buyer's affiliate, SGM, have spent months integrating workstreams to make transition as seamless as possible; and (4) vendors, payors, providers and other counterparties have worked closely with Buyer's affiliate, SGM, to pave the way for a successful transition. This high degree of approvals and synergies cannot be duplicated by any other potential buyer.

Dr. Chaudhuri has provided proof of funds in the past, but if you wish him to refresh his bank letter, he would do so.

We are anxious to move expeditiously to a closing. Would you please respond on or before March 9, 2019 at 5:00 P.M.

Finally, this will confirm that the transaction described herein shall have no impact whatsoever of the pending litigation between Verity and SGM, and other defendants; and all parties to that litigation shall reserve all rights, claims, counter-claims and defenses.

Please let us know if Verity is willing to proceed along these lines, and if you have any questions, please let me know as soon as possible.

Sincerely,

Gary E. Klausner

cc: Mark Shinderman, Esq.
Peter Benvenutti, Esq.
Tobias Keller, Esq.
John D. Nibbelin, Esq.

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

DECLARATION OF PETER C. CHADWICK

I, Peter C. Chadwick, hereby state and declare as follows:

1. I submit this declaration (the "Declaration") in support of the *Debtors' Notice of Motion and Motion to Approve Terms and Conditions of a Private Sale of Certain of the Debtors' Assets Related to Seton Medical Center to AHMC Healthcare Inc.* (the "Motion"),[15] which seeks entry of an order authorizing the Debtors to: (i) approving a private sale (the "Sale") of certain assets (the "Purchased Assets") of Debtors Seton Medical Center ("Seton"),[16] Verity Holdings, LLC ("Holdings"), and VHS (together with Seton and Holdings, the "Sellers") to AHMC Healthcare Inc. ("AHMC" or the "Buyer"); (ii) approving the asset purchase agreement (the "APA") and ancillary documents attached to the Motion as Exhibit "A" by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of the Assigned Contracts and Assigned Leases (as those terms are defined in the Motion, and, collectively, the "Assigned Executory Contracts"), together with the payment of Cure Costs (as such terms are defined in the Motion); (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances.

2. I am a Managing Director of Berkeley Research Group, LLC ("BRG") and am duly authorized to make this declaration on behalf of BRG. Except as otherwise noted, the facts set forth herein are personally known to me and, if called as a witness, I could and would testify thereto.[17] In July 2018, BRG began its engagement serving as the financial advisor to the Debtors, which has continued since the Petition Date. In this capacity, I have become intimately familiar

---

[15] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

[16] The Purchased Assets related to Seton concern assets located at both (i) Seton Medical Center, located at 1800, 1850 and 1900 Sullivan Ave and 1500 Southgate Ave, Daly City, California (the "Hospital") and (ii) Seton Medical Center–Coastside, located at 600 Marine Blvd, Moss Beach, California (the "Coastside Campus" and, together with the Hospital, the "Seton Facilities").

[17] Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at BRG and are based on information provided to me by such other BRG professionals.

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

with the Debtors' operations, business, books, records, financial affairs, material agreements, and sale processes, and, as a result, have become uniquely situated to assist the Debtors.

3. As a result, pursuant to the Debtors' request, and as authorized by the Bankruptcy Court, I have agreed to serve in the role of Chief Financial Officer to the Debtors in these chapter 11 cases. I have significant operating experience, including improving underperforming businesses and advising debtors and creditors in complex financial matters. I have served as chief executive officer, chief operating officer, chief financial officer, and advisor to companies in a variety of industries. My healthcare experience includes acting as the advisor or an officer to healthcare providers, including leading hospital systems and long-term care providers through operational turnarounds and financial restructurings. As an officer or advisor, I prepared and implemented post-acquisition integration plans, viability plans, asset dissolution strategies, and liquidity enhancement plans. My experience spans the spectrum from the largest U.S. companies to middle market proprietary companies.

4. For all of the reasons set forth in the Motion and the supporting declarations, the Debtors have determined in their business judgment that it is in the best interest of the Debtors and their estates, creditors, stakeholders, and mission to serve their communities to consummate the Sale pursuant to the terms of the AHMC APA.

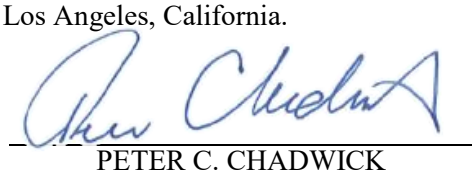
5. On the Petition Date, the Hospital accounted for approximately 29% of the operating losses of the entire Verity Health System although the Hospital accounted for approximately only 17% of the net patient revenue. Since the Petition Date, the Hospital's share of the system operating losses has required the Debtors' estates to fund approximately $5 million of working capital per month, including corporate overhead allocations. The Debtors project continuing operating losses at the Hospital. The reported financial statements of Seton reflect that, in fiscal year 2019 (ended June 30, 2019), Seton lost approximately $62 million which was a 192% and 215% increase over the fiscal years 2018 and 2017, respectively.

6. When the Debtors valued the SGM Seton Offer and the GMC Seton Offer, the Debtors determined that they yielded negative value given the risk that SGM, or its affiliate GMC, will not close, the foregoing operating losses that would be incurred during the regulatory review

and approval of the sale, and the risk of a tax remediation issue arising from the assumption of liabilities.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 29th day of March, 2020, at Los Angeles, California.



PETER C. CHADWICK

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

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

DECLARATION OF JAMES M. MOLONEY

I, James M. Moloney, hereby state and declare as follows:

1. I submit this declaration (the "Declaration") in support of the *Debtors' Notice of Motion and Motion to Approve Terms and Conditions of a Private Sale of Certain of the Debtors' Assets Related to Seton Medical Center to AHMC Healthcare Inc.* (the "Motion"),[18] which seeks entry of an order authorizing the Debtors to: (i) approving a private sale (the "Sale") of certain assets (the "Purchased Assets") of Debtors Seton Medical Center ("Seton"),[19] Verity Holdings, LLC ("Holdings"), and VHS (together with Seton and Holdings, the "Sellers") to AHMC Healthcare Inc. ("AHMC" or the "Buyer"); (ii) approving the asset purchase agreement (the "APA") and ancillary documents attached to the Motion as Exhibit "A" by and between the Sellers and AHMC; (iii) approving procedures related to the assumption and assignment of the Assigned Contracts and Assigned Leases (as those terms are defined in the Motion, and, collectively, the "Assigned Executory Contracts"), together with the payment of Cure Costs (as such terms are defined in the Motion); (iv) waiving any stay of the effectiveness of such order; and (v) granting such other and further relief as is just and appropriate under the circumstances.

2. I am a managing director of Cain Brothers ("Cain"), which is a division of KeyBanc Capital Markets Inc., a wholly-owned broker/dealer subsidiary of KeyCorp and an affiliate of KeyBank National Association. I am located in Cain's San Francisco office which is located at One California Street, Suite 2400, San Francisco, California. Mr. Carsten Beith and I are the co-heads of Cain's Health Systems Mergers & Acquisition group. I am over the age of 18 and competent to testify as to the facts set forth herein and will do so if called upon.

3. As set forth in Cain's previous declarations, beginning in June 2018, Cain began working with the Debtors to collect and review financial, operational and other information about

---

[18] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

[19] The Purchased Assets related to Seton concern assets located at both (i) Seton Medical Center, located at 1800, 1850 and 1900 Sullivan Ave and 1500 Southgate Ave, Daly City, California (the "Hospital") and (ii) Seton Medical Center–Coastside, located at 600 Marine Blvd, Moss Beach, California (the "Coastside Campus" and, together with the Hospital, the "Seton Facilities").

the historic, current and project future operations and financial performance of each of the Debtors. Cain also began searching for a buyer or buyers for the Debtors' assets and created a potential list of buyers for the Verity Heath System as a whole or in parts. Mr. Moloney and I led the marketing and sale efforts on behalf of Verity and advised Verity in connection with Verity's selection of Strategic Global Management, Inc. ("SGM") as the Stalking Horse Buyer for the Debtors' hospitals and related assets (the "SGM Sale").

4. The previous marketing and sale process conducted in 2019 yielded no qualified bid for the Hospital as a stand-alone hospital. The Debtors proceeded toward closing of the SGM Sale.

5. Following the failure of the SGM Sale, Cain commenced a new marketing process to identify parties interested in acquiring the Hospital and Coastside. Cain contacted select parties that had previously expressed interest in the Hospital and Coastside. In addition, Cain updated the Seton Facilities Confidential Information Memorandum (CIM), which it posted to the data room on December 30, 2019.

6. On January 10, 2020, two bidders submitted non-binding Indications of Interest ("IOI") to acquire the Hospital/Coastside as operating facilities. One of the bidders submitted an IOI but, ultimately, the bidder decided not move forward with its bid. The Debtors entered into entered into substantive negotiations with the remaining bidder, AHMC Healthcare Inc., which ultimately resulted in the APA attached to the Motion as Exhibit "A." The AHMC APA provides that AHMC will pay $40 million, plus an amount equal to cure costs for the Seton Facilities, and the Debtors will retain certain accounts receivable generated or allocable to patient services prior to closing.

7. The Debtors also received unsolicited bids for Seton from SGM and an affiliated entity, Global Medical Center San Mateo County, LLC.

/ / /

/ / /

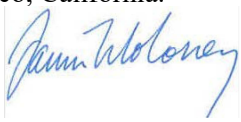
/ / /

/ / /

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

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 29th day of March, 2020, at San Francisco, California.



JAMES M. MOLONEY

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

Exhibit A

APA and Ancillary Documents

ASSET PURCHASE AGREEMENT

By and Among

Verity Health System of California, Inc., Verity Holdings, LLC,

Seton Medical Center

and

AHMC Healthcare Inc.

Dated March 30, 2020

TABLE OF CONTENTS

Page

ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING 2

1.1 Purchase Price 2
1.2 Deposit 2
1.3 Closing Date 2
1.4 Items to be Delivered by Sellers at Closing 3
1.5 Items to be Delivered by Purchaser at Closing 4
1.6 Prorations and Utilities 5
1.7 Transfer of Assets of Sellers 6
1.8 Excluded Assets 9
1.9 Transferred Obligations 13
1.10 Excluded Liabilities 14
1.11 Designation of Assigned Contracts and Assigned Leases 14
1.12 Disclaimer of Warranties; Release 15

ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF SELLERS 16

2.1 Authorization 16
2.2 Binding Agreement 16
2.3 Organization and Good Standing; No Violation 16
2.4 Contracts 16
2.5 Brokers and Finders 17
2.6 Seller Knowledge 17
2.7 Non-Contravention 17
2.8 Compliance with Legal Requirements 17
2.9 Required Consents 17
2.10 Environmental Matters 17
2.11 Title 18
2.12 Certain Other Representations with Respect to the Hospital 18
2.13 Financial Statements 18
2.14 Legal Proceedings 19
2.15 Employee Benefits 19
2.16 Personnel 19
2.17 Insurance 20
2.18 Payer Contracts 20
2.19 Excluded Individuals 20
2.20 Third Party Payor Cost Reports. 20
2.21 Recoupment Claims. 20
2.22 Bankruptcy Proceedings Compliance. 20

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER 21

3.1 Authorization 21
3.2 Binding Agreement 21
3.3 Organization and Good Standing 21
3.4 No Violation 21

TABLE OF CONTENTS
(continued)

Page

3.5 Brokers and Finders 21
3.6 Representations of Sellers 21
3.7 Legal Proceedings 22
3.8 No Knowledge of a Seller's Breach 22
3.9 Ability to Perform 22
3.10 Purchaser Knowledge 22
3.11 Investigation 23

ARTICLE 4 COVENANTS OF SELLERS 23

4.1 Access and Information; Inspections 23
4.2 Cooperation 23
4.3 Other Bidders 24
4.4 Sellers' Efforts to Close 24
4.5 Termination Cost Reports 24
4.6 Conduct of the Business 25
4.7 Contract With Unions 26
4.8 Indemnity Escrow Agreement.. 26
4.9 Transferred Private Payor Agreements 26
4.10 Insurance Coverage 27

ARTICLE 5 COVENANTS OF PURCHASER 27

5.1 Purchaser's Efforts to Close 27
5.2 Required Governmental Approvals 27
5.3 Certain Employee Matters 28
5.4 Excluded Assets 29
5.5 Waiver of Bulk Sales Law Compliance 29
5.6 Attorney General 29
5.7 Conduct Pending Closing 29
5.8 Cure Costs 29
5.9 Operating Covenant 29
5.10 Contract with Unions 29
5.11 Cooperation 30

ARTICLE 6 SELLERS' BANKRUPTCY AND BANKRUPTCY COURT APPROVAL 30

6.1 Bankruptcy Court Approval 30
6.2 Appeal of Sale Order 31

ARTICLE 7 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS 31

7.1 Signing and Delivery of Instruments 31
7.2 No Restraints 31
7.3 Performance of Covenants 31
7.4 Governmental Authorizations 31
7.5 Attorney General Provisions 32
7.6 Bankruptcy Court Approval 32

TABLE OF CONTENTS
(continued)

Page

ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER 32

8.1 Bankruptcy Court Approval 32
8.2 Signing and Delivery of Instruments 32
8.3 Performance of Covenants 32
8.4 No Restraints 32
8.5 Attorney General Provisions 33
8.6 Medicare and Medi-Cal Provider Agreements 33
8.7 Title Policies. 33
8.8 Phase I Environmental Survey. 33
8.9 Insurance. 33

ARTICLE 9 TERMINATION 34

9.1 Termination 34
9.2 Termination Consequences 35

ARTICLE 10 POST-CLOSING MATTERS 35

10.1 Excluded Assets 35
10.2 Preservation and Access to Records After the Closing 35
10.3 Closing of Financials 38
10.4 Medical Staff 38
10.5 Shared Intangible Assets 38

ARTICLE 11 DEFAULT, TAXES AND COST REPORTS 38

11.1 Purchaser Default 38
11.2 Seller Default 39
11.3 Tax Matters; Allocation of Purchase Price 39
11.4 Cost Report Matters 39

ARTICLE 12 MISCELLANEOUS PROVISIONS 40

12.1 Further Assurances and Cooperation 40
12.2 Successors and Assigns 40
12.3 Governing Law; Venue 40
12.4 Amendments 40
12.5 Exhibits, Schedules and Disclosure Schedule 40
12.6 Notices 41
12.7 Headings 41
12.8 Publicity 42
12.9 Fair Meaning 42
12.10 Gender and Number; Construction; Affiliates 42
12.11 Third Party Beneficiary 42
12.12 Expenses and Attorneys' Fees 42
12.13 Counterparts 42
12.14 Entire Agreement 43

TABLE OF CONTENTS
(continued)

Page

12.15 No Waiver 43
12.16 Severability 43
12.17 Time is of the Essence 43

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "**Agreement**") is made and entered into as of the 30th day of March, 2020 (the "**Signing Date**") by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation ("**Verity**"), Verity Holdings, LLC, a California limited liability company ("**Verity Holdings**"), and Seton Medical Center, a California nonprofit public benefit corporation ("**Seton**" or "**Hospital Seller**") (Verity, Verity Holdings, and Seton are each referred to herein individually as a "**Seller**" and collectively as the "**Sellers**"), and AHMC Healthcare Inc., a California corporation, or its designated affiliates or assignees ("**Purchaser**").

R E C I T A L S:

A. Seton engages in the business of the operation of two general acute care hospitals under a single license, consisting of: (i) the hospital known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, CA 94015, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by Sellers (collectively, the "**Seton Hospital Facilities**") and (ii) the hospital known as Seton Medical Center Coastside, located at 600 Marine Blvd, Moss Beach, CA 94038, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by Sellers (collectively, the "**Seton Coastside Hospital Facilities**", and together with the Seton Hospital Facilities, the "**Hospital**" or the "**Seton Medical Center Facilities**"; the business of the operation of the Seton Medical Center Facilities and related assets is referred to herein as the "**Business**").

B. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the Seton Medical Center Facilities' assets described in Section 1.7 below (the "**Assets**") owned by Sellers, for the consideration and upon the terms and conditions contained in this Agreement.

C. Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "**Bankruptcy Court**"), lead Case No. 2:18-bk-201510ER, jointly administered or to be jointly administered with their affiliates (the "**Bankruptcy Cases**").

D. The parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets approved by the Bankruptcy Court pursuant to Sections 105, 363 and 365 of Title 11 of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the parties hereto agree as follows:

ARTICLE 1

SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the purchase price ("**Purchase Price**") shall consist of the following:

(i) Cash payment to Sellers (the "**Cash Consideration**") of Forty Million Dollars ($40,000,000.00); and

(ii) An amount equal to the Cure Costs (defined below) associated with outstanding liabilities of Sellers under any Assigned Leases and/or Assigned Contracts (the "**Cure Pool**").

(b) Purchaser (i) is acquiring the Assets; (ii) is not assuming any liabilities of Sellers; and (iii) is agreeing to be responsible for the Transferred Obligations (as defined below).

(c) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Cash Consideration, plus the Cure Pool, minus the Deposit (defined below) and the amount of PTO to be credited to Hired Employees pursuant to Section 5.3(b).

1.2 Deposit. Purchaser, by wire transfer to an account designated by Sellers shall make a good faith deposit in an amount equal to twenty percent (20%) of the Cash Consideration within two (2) business days after the Signing Date (the "**Deposit**"). The Deposit shall be non-refundable in all events, except as provided in Section 6.1(b) or Section 6.2, or in the event Purchaser has terminated this Agreement pursuant to Section 9.1 (other than Section 9.1(b)) or as set forth in Section 9.2, in which case Sellers shall immediately return the Deposit to Purchaser with all interest earned thereon. Upon Closing, the Deposit will be credited against the Purchase Price. Pending the Closing, or until this Agreement is terminated, the Deposit shall be deposited in an interest bearing account, with interest credited to Purchaser, at a federally-insured financial institution mutually acceptable to Purchaser and Sellers.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at 10:00 a.m. local time at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually occurs, the "**Closing Date**") promptly but no later than five (5) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The Closing shall be deemed to occur and to be effective as of 11:59 p.m. Pacific time on the Closing Date (the "**Effective Time**"). Purchaser and Sellers agree that

because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the Assets (less any Assets constituting drugs or pharmacy assets) will be sold to Purchaser and immediately leased back to Sellers (substantially in the form of the Leaseback Agreement attached hereto as **Exhibit 1.3(a)**, the "**Leaseback Agreement**"), with a concurrent management arrangement (substantially in the form of the Interim Management Agreement attached hereto as **Exhibit 1.3(b)**, the "**IMA**"). On the effective date that Purchaser obtains a general acute care hospital license from the California Department of Public Health ("**CDPH**") and a hospital pharmacy permit from the California State Board of Pharmacy ("**BOP**") (i) the Leaseback Agreement and IMA will terminate and (ii) the drugs and pharmacy assets will be transferred to Purchaser (without payment of any additional Purchase Price) (the "**Licensure Date**"). For the avoidance of any doubt, the Licensure Date shall be the date the Purchaser's hospital license and pharmacy permit are effective, even if they are not actually issued until some time later. The Licensure Date may be determined based on oral assurances and/or temporary permits issued by CDPH and the BOP.

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

1.4.1 a Bill of Sale substantially in the form of **Exhibit 1.4.1** attached hereto (the "**Bill of Sale**"), duly executed by each Seller, with respect to the Assets;

1.4.2 Real Estate Assignment Agreements (the "**Real Estate Assignments**") in the form of **Exhibit 1.4.2** attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by each Seller;

1.4.3 Quitclaim Deeds in the form of **Exhibit 1.4.3** attached hereto with respect to the real property listed in **Schedule 1.4.3**, together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (collectively, the "**Owned Real Property**") as well as with respect to the Purchased Verity Holdings Assets (as defined below) duly executed by each Seller, as appropriate;

1.4.4 an Assigned Contract Transfer Agreement (the "**Transfer Agreement**") in the form of **Exhibit 1.4.4** attached hereto with respect to the Transferred Obligations duly executed by each Seller;

1.4.5 favorable original certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.4.6 a duly executed certificate of an officer of each Seller certifying to Purchaser: (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement, and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing: (I) the transfer of the Assets and transfer of the Transferred Obligations by such Seller to Purchaser, and (II) the due execution, delivery and performance of this Agreement and all additional documents

contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.4.7 a certified copy of the Sale Order (as defined below);

1.4.8 a Transition Services Agreement (the "**Transition Services Agreement**") in form and substance satisfactory to Sellers and Purchaser, in their reasonable discretion, granting to Sellers use of certain assets, systems and personnel identified in such agreement solely in connection with Sellers' wind-down of the Business, the completion of the Bankruptcy Cases and the dissolution of Sellers (and following completion of such wind-down, Bankruptcy Cases and dissolution of Sellers, such Transition Services Agreement shall automatically terminate);

1.4.9 the Indemnity Escrow Agreement (as defined in Section 4.8);

1.4.10 evidence of payment of all Cure Costs;

1.4.11 Evidence of insurance coverage for Sellers as described in Section 4.10;and

1.4.12 any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

1.5.1 payment of the Cash Consideration, plus the Cure Pool, minus the Deposit (defined below) and the amount of PTO to be credited to Hired Employees pursuant to Section 5.3(b), subject to credits or plus payment to Sellers of all amounts as provided under Section 1.6;

1.5.2 a duly executed certificate of the Secretary of Purchaser certifying to Sellers: (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement, and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.5.3 favorable original certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.5.4 the Bill of Sale, duly executed by Purchaser;

1.5.5 the Real Estate Assignment(s), duly executed by Purchaser;

1.5.6 the Transfer Agreement, duly executed by Purchaser;

1.5.7 the Indemnity Escrow Agreement;

1.5.8 the Transition Services Agreement; and

1.5.9 any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

1.6.1 All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

1.6.2 Other than the Utility Deposits (defined below), which are governed by Section 1.8(j), and other than with respect to Cure Costs payable by Purchaser, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments, and power and utility charges (collectively, the "**Prorated Charges**") on the Assets. Each Seller shall pay its respective portion at or prior to the Closing (or Purchaser shall receive credit for) of any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for as a Transferred Obligation or, to the extent previously paid by any Seller, pay to such Seller at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, "final readings" as of the Closing Date shall be ordered from the utilities; the cost of obtaining such "final readings," if any, shall be paid by Purchaser.

1.6.3 Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time ("**Pre Effective Time Lease Amounts**"), and Purchaser shall be entitled to all rents and other payments under Tenant Leases accruing for the period after the Effective Time ("**Post Effective Time Lease Amounts**" and together with the Pre Effective Time Lease Amounts, the "**Lease Amounts**"). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance with the immediately preceding sentence. All Lease Amounts that are accrued but uncollected as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the "**Unpaid Amounts**") shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall promptly remit any of such amounts to the applicable Seller within ten (10) days after

Purchaser's receipt of same. For the avoidance of doubt, all rental payments received after Closing shall be first applied to any amounts owed to the Sellers under this Section 1.6.3.

1.6.4 If Purchaser requests that Sellers transfer electronic medical records in a specific electronic format, then Purchaser shall reimburse, on the Closing Date, all amounts paid or to be paid by Sellers to transfer electronic medical records to Purchaser in such electronic format.

1.6.5 All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the parties; provided, however, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either the applicable Seller or Purchaser shall be entitled to an adjustment to correct the same, provided that said party makes written demand on the party from whom it is entitled to such adjustment within thirty (30) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration. This Section 1.6 shall survive Closing.

1.7 Transfer of Assets of Sellers. On the Closing Date and subject to the terms and conditions of this Agreement, each Seller shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all liens, claims, interests and encumbrances other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of each Seller's right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, in each case (notwithstanding anything else in this Agreement) solely to the extent used primarily in the conduct of the Business and to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time:

(a) all of the tangible personal property owned by Hospital Seller, or to the extent assignable or transferable by Hospital Seller, leased, subleased or licensed by Hospital Seller, and used by Hospital Seller in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the "**Personal Property**");

(b) on and after the Closing Date, all of Hospital Seller's rights, to the extent assignable or transferable, to and all of Hospital Seller's obligations due from and after the Closing Date under, all Medicare and Medi-Cal provider agreements, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Hospital Seller for use in the operation of the Hospital (the "**Licenses**"), including, without limitation, the Licenses and Medicare/Medi-Cal Provider Agreements set forth on **Schedule 1.7(b)**, except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of Sellers' interest in and to the Owned Real Property and all of Sellers' interest, to the extent assignable or transferable, in and to all of the following (the "**Assigned Leases**"): (i) personal property leases with respect to the operation of the Hospital (including leases for assets described in Section 1.7(i)), (ii) the real property leases for all real property leased by Hospital Seller and set forth on **Schedule 1.7(c)(ii)** (the "**Leased Real Property**"),

and (iii) the real property leased or subleased by Hospital Seller to a third party and set forth on **Schedule 1.7(c)(iii)** (the "**Tenant Leases**");

(d) other than those contracts specified in 1.7(x), all of Hospital Seller's interest, to the extent assignable or transferable, in and to all contracts and agreements (including, but not limited to, purchase orders and the State Services Agreement) with respect to the operation of the Hospital that have been designated by Purchaser as a contract to be assumed and assigned pursuant to Section 1.11 (the "**Assigned Contracts**");

(e) [Reserved];

(f) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital, or (ii) used in the operation of the Hospital (the "**Inventory**") except as set forth in Section 1.8(f);

(g) other than Utility Deposits, all prepaid rentals, deposits, prepayments (excluding prepaid insurance and Base Payments (as defined in State Services Agreement) recieved prior to the Effective Time and prepaid taxes) and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepaids**");

(h) to the extent assignable or transferrable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; *provided, however*, that any electronic medical records may be transferred in paper or "pdf" if Sellers' EMR system and Purchaser's EMR system are not interoperable;

(i) to the extent assignable or transferrable (and if leased, to the extent the associated lease is transferrable), including any assignment which is made effective pursuant to the Sale Order where the consent of a third party is required pursuant to the terms of an applicable agreement but not obtained, all systems, servers, computers, hardware, firmware, middleware, telecom equipment, networks, data communications lines, routers, hubs, switches and all other information technology equipment, and all associated documentation owned, leased or licensed by Hospital Seller and used by Hospital Seller with respect to the operations of the Hospital;

(j) all Measure B trauma funding received by Hospital Seller after the Closing Date, regardless of the state fiscal year for which the funding is made in reference to and regardless of the state fiscal year for which the data was derived to calculate eligibility for such funding;

(k) all funds received by Hospital Seller after the Closing Date under the QAF Program and any subsequent QAF Program payment (e.g., QAF VI and QAF VII), regardless of the state fiscal year for which the funding is made in reference to and regardless of the state fiscal

year for which the data was derived to calculate eligibility for such funding; for purposes of this Agreement, the "**QAF Program**" means the California Department of Health Care Services Hospital Quality Assurance Fee Programs V ("**QAF V**"), and VI ("**QAF VI**"). To the extent Hospital Seller has paid QAF fees for QAF funds that are not received until after the Closing Date, Purchaser will reimburse the Hospital Seller for any such fees that have been paid;

(l) all disproportionate share funds received by Hospital Seller after the Closing Date, regardless of the state fiscal year for which the funding is made in reference to and regardless of the state fiscal year for which the data was derived to calculate eligibility for such funding;

(m) other than the Excluded Settlements and Actions, all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to all cost reports filed by Sellers for payment or reimbursement from government payment programs and other payors with respect to periods after the Signing Date;

(n) other than the Excluded Settlements and Actions, all casualty and property insurance proceeds arising in respect of losses occurring after the Closing Date in connection with the ownership or operation of, or damage or destruction to, the Assets;

(o) all transferable unclaimed property of any Person in Sellers' possession as of the Closing Date that relate to the Hospital, including, without limitation, property which is subject to applicable escheat laws;

(p) to the extent assignable or transferable by Sellers without out-of-pocket expense to Sellers, all warranties (including warranties of any manufacturer or vendor) on or in connection with the Assets (including the Personal Property) in favor of the Hospital or Sellers;

(q) the right to use the names "Seton Medical Center" and "Seton Medical Center Coastside", including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets and the corporate or company names of Hospital Seller and the name of the Hospital, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing; at the Closing, Purchaser will execute and deliver to Sellers the Transition Services Agreement granting to Sellers an unlimited, royalty free, irrevocable license to use any and all of the foregoing solely in connection with the wind-down of the Business, the completion of the Bankruptcy Cases and the dissolution of Sellers (and following completion of such wind-down, Bankruptcy Cases and dissolution of Sellers, such license shall automatically terminate);

(r) all goodwill of the Hospital evidenced by or associated with any of the Assets;

(s) to the extent transferable or assignable, Hospital Seller's right or interest in the telephone and facsimile numbers and uniform resource locaters used with respect to the operation of the Hospital;

(t) all of Hospital Sellers' interest in and to, from and after the Licensure Date, to Hospital Seller's Medicare and Medi-Cal provider agreements and lockbox account(s) identified on **Schedule 1.7(t)**, with the submission and payment of claims to be made in accordance with the provisions of Section 3.4 of the IMA;

(u) with respect to Verity Holdings, the real property assets represented by the assessor's parcel numbers (APN's) listed in **Schedule 1.7(u)** hereof, together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (the "**Purchased Verity Holdings Assets**");

(v) except for the Excluded Assets, to the extent assignable or transferable, and subject to the Permitted Exceptions, any other assets owned by Hospital Seller (which are not otherwise specifically described above in this Section 1.7) that are used in the operation of the Hospital;

(w) all claims, counterclaims and causes of action of each Seller, Seller affiliate or such Seller's or Seller affiliate's bankruptcy estate (including parties acting for and on behalf of such Seller's bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Cases), arising under or with respect to claims and causes of action against Purchaser or any Purchaser affiliate or that relate to the Assets or the Transferred Obligations but excluding any claims or causes of action: (i) relating to the Excluded Assets; (ii) arising under Chapter 5 of the Bankruptcy Code; or (iii) as set forth on **Schedule 1.7(w)**; and

(x) subject to Section 4.9 and the provisions of **Exhibit 4.9**, all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's services, participation or provider agreements with private health plans, insurers or other third party payors (collectively, the "**Private Payor Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Private Payor Agreements**"), *provided that*, (i) the submission and payment of claims shall be in accordance with the provisions of Section 3.4 of the IMA, and (ii) Private Payor Agreements shall not include any "risk-sharing" agreements with independent physician associations;

As used herein, the term "**Permitted Exceptions**" means: (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable; (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (iv) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital; (v) any agreements made with any governmental authority in order to obtain any consent or approval, including, without limitation, in connection with the Medicare and Medi-Cal provider agreements; and (vi) other imperfections of title or encumbrances that are expressly identified on **Schedule 1.7** hereof.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, each Seller shall retain all interests, rights and other assets owned directly or indirectly by it (or any of such Seller's affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of such Seller (collectively, the "**Excluded Assets**"):

(a) cash, cash equivalents and short-term investments;

(b) all Seller Plans (defined below) and the assets of all Seller Plans and any asset that would revert to the employer upon the termination of any Seller Plan, including, without limitation, any assets representing a surplus or overfunding of any Seller Plan;

(c) all contracts that are not Assigned Contracts and all Private Payor Agreements that are not Transferred Private Payor Agreements;

(d) all leases that are not Assigned Leases;

(e) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by such Seller after the Signing Date and prior to the Effective Time in the ordinary course of business;

(f) assets owned and provided by vendors of services or goods to the Hospital;

(g) Except for as stated in Section 1.7(j), Section 1.7(k), and Section 1.7(l), all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all rights, interests and proceeds, and claims, counterclaims and causes of action, related thereto, including all accounts and other receivables, and Seller Cost Report settlements related thereto, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded, for services, goods, products and supplies provided by Sellers prior to the Effective Time whether payable by Medicare, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, "**Accounts Receivable**"); all documents, records, correspondence, work papers and other documents primarily relating to the Accounts Receivable; and all rights, claims and causes of action of Sellers to the extent related to and/or to the extent arising out of the Accounts Receivable;

(h) all of such Seller's organizational or corporate record books, minute books, tax returns, tax records and reports, data, files and documents, including electronic data related thereto;

(i) except as set forth in Section 1.7(w) and 1.8(g), all claims, counterclaims and causes of action of such Seller or such Seller's bankruptcy estate (including parties acting for or on behalf of such Seller's bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Cases), including, without limitation, rights of recovery or set-off of every kind and character against third parties, causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code and any related claims, counterclaims and causes of action under applicable non-bankruptcy law, and any rights to challenge liens asserted against property of such Seller's bankruptcy estate,

including, but not limited to, liens attaching to the Purchase Price paid to such Seller, and the proceeds from any of the foregoing;

(j) other than insurance proceeds described in Section 1.7(n), all insurance policies and contracts and coverages obtained by such Seller or listing such Seller as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to Assets prior to the Closing Date;

(k) all deposits made with any entity that provides utilities to the Hospital (the "**Utility Deposits**");

(l) all rents, deposits, prepayments, and similar amounts relating to any contract or lease that is not an Assigned Contract or Assigned Lease;

(m) all non-transferrable unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(n) all other bank accounts of such Sellers not listed on **Schedule 1.7(t)**;

(o) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(p) the rights of such Seller to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(q) all director and officer insurance;

(r) all tax refunds and tax assets of such Seller;

(s) all documents, records, operating manuals and film pertaining to the Hospital that the parties agree that such Seller is required by law to retain;

(t) all patient records and medical records which are not required by law to be maintained by such Seller as of the Effective Time;

(u) all documents, records, correspondence, work papers and other patient records that may not be transferred under applicable law, and any other documents, records, or correspondence (including with respect to any employees) that may not be transferred under applicable law;

(v) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(w) any rights or remedies provided to such Seller under this Agreement and each other document executed in connection with the Closing;

(x) any: (i) personnel files for employees of such Seller who are not hired by Purchaser; (ii) other books and records that such Seller is required by Law to retain; provided, however, that except as prohibited by Law and subject to Article 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which such Seller is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and such Seller shall be entitled to retain a copy of such documents for any period ending on or prior to the Closing Date;

(y) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets;

(z) all pre-Closing settlements or settlements pursuant to adversary proceedings in the Bankruptcy Cases, including, without limitation, any proceedings identified in Section 1.8(i) (together with the items identified in Section 1.8(i), the "**Excluded Settlements and Actions**");

(aa) for the avoidance of doubt, all QAF IV and QAF V payments actually received prior to the Closing Date;

(bb) all assets of Verity Holdings other than the Purchased Verity Holdings Assets and all assets of any of the tenants located in the leased premises of the purchased Verity Holdings properties;

(cc) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers' termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(dd) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC ("**Premier GP**"), Premier Healthcare Alliance, L.P. ("**Premier LP**"), Premier Healthcare Solutions, Inc. ("**PHSI**") and each of Premier, Inc.'s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, "**Premier**"), and on the other hand, Verity Health System of California, Inc., formerly known as Daughters of Charity Health System ("**VHS**"), as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS);

(ee) any and all rights and entitlements of Sellers in respect of the compensations under that certain Services Agreement by and between the California Department of Public Health (the "State"), on the one hand, and on the other hand, Verity Healthcare System

of California, Inc., ("Verity") and Seton Medical Center, a California nonprofit public benefit corporation as approved by the Bankruptcy Court on March 20, 2020 [Docket No. 4315] (the "State Services Agreement"), as it may be amended, received or due on account of services provided prior to Effective Time;

(ff) any COVID-19 grants or related governmental awards or supplemental payments received, allocable to, or on account of the delivery of individual patient care services performed prior to the Effective Time. (All other COVID-19 grants or related government awards shall be the property of Purchaser.); and

(gg) any assets identified in **Schedule 1.8(gg)**.

1.9 Transferred Obligations. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations and only the following liabilities and obligations (collectively, the "**Transferred Obligations**"):

(a) the Assigned Contracts and all obligations under the Assigned Contracts but solely to the extent related to periods after the Effective Time;

(b) the Assigned Leases and all obligations under the Assigned Leases but solely to the extent related to periods after the Effective Time;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) accrued payroll and related expenses with respect to Hired Employees arising on or following the Effective Time;

(e) all liabilities and obligations related to the Hired Employees arising on or following the Effective Time;

(f) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(g) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(h) any documentary, sales and transfer tax liabilities incurred as a result of the consummation of the transaction contemplated by this Agreement;

(i) all liabilities or obligations provided for in Section 5.3;

(j) on and after the Closing Date, any obligations Purchaser may desire or need to undertake in order to have the Certifications/Licenses/Permits identified on **Schedule 1.7(b)** reissued to Purchaser, as well as any obligations associated with Hospital Seller's Medicare and Medi-Cal provider agreements, but subject to the satisfaction of the condition

precedent set forth in Section 8.6, and any Medi-Cal liabilities or obligations needed to support ongoing Hospital Quality Assurance Fee Program payments; and

(k) any other obligations and liabilities identified in **Schedule 1.9(k)**.

1.10 Excluded Liabilities. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the IMA, the Leaseback Agreement, the Transition Services Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, Purchaser shall not assume or become responsible for any liabilities of any Seller (the "**Excluded Liabilities**"), and each Seller shall remain fully and solely responsible for all of such Seller's debts, liabilities, contract obligations, expenses, obligations and claims of any nature whatsoever related to the Assets or the Hospital other than the Transferred Obligations.

1.11 Designation of Assigned Contracts and Assigned Leases.

(a) Except as provided in Section 1.11(b), all contracts and leases will be subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). Not later than thirty (30) days prior to Closing (i) Purchaser shall notify each Seller in writing of which Evaluated Contracts are to be assumed by such Seller and assigned to Purchaser, and (ii) Purchaser shall notify each Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by such Seller (collectively, the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate additional Evaluated Contracts for assumption up to fourteen (14) days prior to Closing and Sellers shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims. Each Seller shall file such motions in the Bankruptcy Court and take such other actions as are reasonably necessary to ensure that final and non-appealable orders are entered: (x) assuming and assigning the respective Assigned Contracts or Assigned Leases applicable to such Seller to Purchaser, and (y) rejecting the Rejected Contracts. With respect to each Assigned Lease, the applicable Seller shall execute and deliver to Purchaser an Assignment of Lease. Notwithstanding anything to the contrary set forth in this Agreement, the Rejected Contracts shall constitute part of the Excluded Assets pursuant to, and as defined in, this Agreement.

(b) At Closing and pursuant to an order of the Bankruptcy Court and any applicable authority, including, but not limited to, section 365 of the Bankruptcy Code, each Seller will assume and immediately assign to Purchaser the leases of such Seller for Leased Real Property and the Tenant Leases.

(c) Notwithstanding the foregoing, except for those contracts set forth in **Schedule 1.11(c)** and subject to Section 4.9 (the "**Required Assigned Contracts**"), Purchaser's obligation to consummate the transactions contemplated by this Agreement are not contingent upon the assumption, assignment or rejection of any contract or lease, or on the amount of any payment or other performance needed to cure any default thereunder.

1.12 Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, "AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS" WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser's judgment bear upon the Assets, the Sellers, the Hospital, the business of the Hospital and their value and suitability for Purchaser's purposes and is relying solely on Purchaser's own examination, review and inspection of the Assets and Transferred Obligations. Purchaser releases each Seller and its affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the business of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect after the date which is twelve (12) months from the Closing Date, except that the Sale Order Date Representations shall expire, and be of no further force or effect upon the Sale Order Date, and in each case Sellers shall not have any liability in respect of any breach thereof following such expiration.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date, except as would not have a material adverse effect upon the Assets, taken as a whole (a "**Material Adverse Effect**") and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the "**Disclosure Schedule**"), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.8 (Compliance with Legal Requirements), 2.9 (Required Consents), 2.11 (Title), 2.14 (Legal Proceedings), and 2.22 (Bankruptcy Proceedings) (the "**Sale Order Date Representations**") shall also be made as of immediately prior to the entry of the Sale Order (the "**Sale Order Date**"):

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by such Seller and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of such Seller enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies. Except for such corporate actions which have been taken on or before the date hereof, no other corporate action on the part of Sellers is necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby.

2.3 Organization and Good Standing; No Violation.

(a) Such Seller is an entity duly organized, validly existing and in good standing under the laws of the State of California. Such Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller's articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in **Schedule 2.4**, upon entry of the Sale Order and Purchaser's payment of the Cure Costs, to Seller's knowledge, Seller is not in material breach or default of the Assigned Contracts or Assigned Leases except to the extent of defaults that will be cured in connection with assumption pursuant to Section 365 of the Bankruptcy Code, and no act or omission by the appropriate Seller has accrued or failed to occur which, with the giving of notice, the lapse of time or both would constitute a default under the Assigned Contracts or

Assigned Leases except to the extent of defaults that will be cured in connection with assumption pursuant to Section 365 of the Bankruptcy Code. No provision of this Section 2.4 shall apply to any failure to obtain consents to the assignment of the Assigned Contracts and Assigned Leases from third parties to the Assigned Contracts and Assigned Leases for which consent is required to assign the Assigned Contracts and Assigned Leases to Purchaser (the "**Contract and Lease Consents**").

2.5 Brokers and Finders. Except as set forth on **Schedule 2.5**, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

2.6 Seller Knowledge. References in this Agreement to "Sellers' knowledge" or "the knowledge of Sellers" means the actual knowledge of the Chief Executive Officer or Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

2.7 Non-Contravention. Neither the execution and delivery by Sellers of this Agreement and each Ancillary Agreement nor performance of any of the material provisions hereof by Sellers, will violate, conflict with or result in a breach of any material provisions of the articles of incorporation or bylaws of Sellers.

2.8 Compliance with Legal Requirements. Except as set forth in **Schedule 2.8,** to the knowledge of Sellers: each Seller, with respect to the operation of the Hospital, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, policies, guidelines, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, "**Legal Requirements**"). Except as set forth in **Schedule 2.8**, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospital, has been charged in writing with or been given written notice of or is under investigation with respect to, any material violation of, or any obligation to take material remedial action under, any applicable Legal Requirements.

2.9 Required Consents. Except as set forth in **Schedule 2.9**, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the CA AG (defined below), Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or material contract or any material order, judgment or decree which, after giving effect to the Sale Order: (a) will require the consent of any third party to the execution of this Agreement, or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

2.10 Environmental Matters.

(a) Sellers have provided Purchaser with the Phase I Environmental Site Assessments set forth in said **Schedule 2.10(a)**.

(b) Except as disclosed in **Schedule 2.10(b)**, to the knowledge of Sellers, the

operations of the Hospital are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term "**Environmental Laws**" shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term "**Hazardous Substances**" shall mean (i) any hazardous or toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.11 Title. Within five (5) days after the Signing Date, Sellers shall have delivered at their own expense: (i) for all the Real Property preliminary title reports issued by Chicago Title (the "**Title Commitments**"), (ii) for all of the Real Property all underlying title documents listed on the Title Commitments (the "**Underlying Title Documents**"), and (iii) for the Hospital an as-built ALTA Survey (the "**Survey**", and collectively with the Title Commitment and the Underlying Title Documents, the "**Title Documents**").

2.12 Certain Other Representations with Respect to the Hospital.

(a) Except as set forth in **Schedule 2.12**, all Licenses which are material and necessary to the operation of the Hospital by Sellers are valid and in good standing and Sellers are in compliance with the terms and conditions of all such Licenses in all material respects. Except as set forth in **Schedule 2.12**, as of the Closing Date Sellers will have any and all material Licenses required under Legal Requirements to conduct the Hospital as presently conducted by Sellers. To the knowledge of Sellers, no loss or expiration of any License is pending or threatened.

(b) Hospital Seller is certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which it participates, and has current and valid provider agreements with each such program.

(c) Sellers have not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against Sellers.

2.13 Financial Statements.

(a) **Schedule 2.13(a)** hereto contains the following financial statements (the "Historical Financial Statements"): (i) the Sellers audited financial statement with consolidating statement of operations and consolidating balance sheets of Sellers for the years ended 2016 and 2017; (ii) the unaudited consolidating statement of operations and consolidating balance sheet of Sellers as of June 30, 2018; (iii) the Sellers' unaudited monthly operating report and four month

consolidating statement of operations and consolidating balance sheet for the period ending December 31, 2018 [ECF Docket No.1453]; (iv) the Sellers' unaudited monthly operating report and sixteen (16) month consolidating statement of operations and consolidating balance sheet for the period ending of December 31, 2019 [ECF Docket No.4038] ; and (v) the Sellers' unaudited monthly operating report and seventeen (17) month consolidating statement of operations and consolidating balance sheet for the period ending January 31, 2020 [ECF Docket No. 4198]. .

(b) The monthly operating statements and monthly consolidating balance sheets contained in the Historical Financial Statements were prepared under the Guidelines of the Office of the United States Trustee for Region 16 and to Seller's knowledge present fairly the results of the operations of the Sellers as of and for the periods covered therein. Except as set forth on **Schedule 2.13(b)**, the Sellers' balance sheets contained in the Historical Financial Statements: (i) are true, complete and correct in all material respects; and (ii) to the extent audited by an independent certified public accounting firm, to Sellers' knowledge, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.14 Legal Proceedings. Except as set forth on **Schedule 2.14**, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers' claims and noticing agent's website at http://www.kcclcc.com/VERITYHEALTH/, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospital by Sellers before any governmental authority. Except as set forth on **Schedule 2.14**, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers, Sellers are not subject to any government order with respect to the ownership or operation by Sellers of the Hospital or the other Assets or the Hospital and are in substantial compliance with respect to each such government order.

2.15 Employee Benefits. **Schedule 2.15** contains a list of: (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Sellers with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee pension benefit plan" as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Sellers with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee welfare benefit plan" as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Sellers with respect to the operation of the Hospital, in which any employee of Sellers participates in his/her capacity as such (collectively, the "**Seller Plans**").

2.16 Personnel. **Schedule 2.16** sets forth a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and any scheduled bonus of all employees of Seton immediately prior to the Signing Date, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Seton's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "**Hospital Employees**") and indicating whether the Hospital Employee is full-time or part-time. Sellers shall have the right to update to **Schedule 2.16** to reflect changes in employment status or new hires and terminations occurring after the Signing Date by providing a

revised schedule to Purchaser no later than five (5) business days before the date scheduled for the Closing.

2.17 Insurance. **Schedule 2.17** contains a list of all material insurance maintained by Sellers with respect to the Assets and the Business, as of the Signing Date.

2.18 Payer Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, **Schedule 2.18** sets forth a complete list of all written contracts with private third party payers including insurance companies and HMOs ("**Payer Contracts**"). Sellers have provided Purchaser with a true and correct copy of all material Payer Contracts, whether or not entered into in the ordinary course of business, or otherwise required to be disclosed on **Schedule 2.18**, in each case together with all amendments thereto.

2.19 Excluded Individuals. Except as set forth on **Schedule 2.19**, to the knowledge of Sellers: neither Sellers, the Hospital nor any director, officer or employee of Sellers or the Hospital: (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an "**Excluded Individual**"); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and the Hospital; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

2.20 Third Party Payor Cost Reports. To Sellers' knowledge, Sellers have duly filed all required cost reports for the fiscal years set forth on **Schedule 2.20**, and copies of all such cost reports filed by or on behalf of Sellers have been provided to Purchaser. To Sellers' knowledge, all such cost reports accurately reflect in all material respects the information required to be included thereon and such cost reports do not claim, and Sellers have not, to their knowledge received, reimbursement in any amount in excess of the amounts provided by law or any applicable agreement. To Sellers' knowledge, there are no facts or circumstances that would give rise to any disallowance under such cost reports.

2.21 Recoupment Claims. To Sellers' knowledge, except as set forth on **Schedule 2.21**, and except for routine claim adjustments, denials, adjudications and reconciliations arising in the ordinary course, there are no outstanding Seton Overpayment (as such term is defined in **Exhibit 4.9**) claims pending or threatened against Seton. For the avoidance of doubt, responsibility for Seton Overpayments shall be addressed in accordance with Section 4.9 and **Exhibit 4.9** of this Agreement.

2.22 Bankruptcy Proceedings Compliance. Sellers have duly complied with all Bankruptcy Court orders, directives, and requirements applicable with respect to giving appropriate notice, to creditors and parties in interest, of Sellers' request to authorize entry into this Agreement and to complete the transactions contemplated hereby, which notices shall be subject to Purchaser's prior written approval, which approval shall not be unreasonably withheld.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents, warrants and covenants to Sellers as to the following matters as of the Signing Date and, except as otherwise provided herein, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, subject to entry of the Sale Order, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to: (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in **Schedule 3.4**, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will: (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Purchaser is or may be subject, (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any covenant, representation or warranty (expressed or implied, oral or otherwise) made on behalf of any Seller other than as expressly set forth in this Agreement. Purchaser further acknowledges that no Seller is making any representations or warranties herein relating to the Assets or the operation of the Hospital on and after the Effective Time.

3.7 Legal Proceedings. Except as described on **Schedule 3.7**, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would materially adversely affect the properties, business condition (financial or otherwise) of Purchaser or any affiliate of Purchaser or which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which materially adversely affects the condition (financial or otherwise), operations or business of Purchaser or any affiliate of Purchaser or which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of a Seller's Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by any Seller or of any other condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations or warranties under this Agreement, then the effect shall be as if the covenants, representations and warranties had been modified in this Agreement in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' covenants, representations and warranties in relation to such information; *provided*, *however*, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of any covenant, representation or warranty. If any such information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise, including through updated schedules, and whether before or after the Signing Date) that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c), Purchaser must immediately notify Sellers if any such information comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver of such right in relation to the relevant breach.

3.9 Ability to Perform. Purchaser will have at the Closing immediately available funds in cash, which are sufficient to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to consummate the transactions contemplated by this Agreement. In furtherance of the foregoing, Purchaser has provided Seller with evidence of such available funds in deposit accounts with recognized banking institutions and shall maintain such deposit accounts with a balance of not less than Forty Million Dollars ($40,000,000) at all times until the Closing.

3.10 Purchaser Knowledge. References in this Agreement to "Purchaser's knowledge" or "the knowledge of Purchaser" means the actual knowledge of the Chief Executive Officer, Chief Financial Officer or Chief Operating Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other person or for any other reason.

3.11 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of each Seller and the Hospital for purposes of conducting a due diligence investigation of each Seller and the Hospital. Purchaser has conducted a reasonable due diligence investigation of each Seller and the Hospital and has received satisfactory answers to all inquiries it has made respecting each Seller and the Hospital and has received all information it considers necessary to make an informed business evaluation of each Seller and the Hospital. In connection with its due diligence investigation of each Seller and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by any Seller, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby. Purchaser has completed all of its due diligence of Sellers and the Hospital and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

ARTICLE 4

COVENANTS OF SELLERS

4.1 Access and Information; Inspections.

4.1.1 From the Signing Date through the Effective Time: (a) each Seller shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Sellers' corporate headquarters in Los Angeles, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital and the plant and property of the Hospital at the Hospital, and (b) each Seller shall furnish Purchaser with such additional financial and operating data and other information in such Seller's possession as to businesses and properties of the Hospital as Purchaser or its representatives may from time to time reasonably request; *provided*, *however*, that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the ongoing operation of the Hospital by Purchaser; *provided*, *further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Seller(s). Purchaser's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of any Seller or the Hospital.

4.1.2 Notwithstanding anything contained herein, no Seller shall be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

4.2 Cooperation.

4.2.1 Each Seller shall reasonably cooperate with Purchaser and its authorized representatives and attorneys: (a) in Purchaser's efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this

Agreement (including, without limitation, those of governmental and regulatory authorities) or which Purchaser reasonably deems necessary or appropriate, (b) in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) in Purchaser's efforts to effectuate the assignment of Assigned Contracts to Purchaser as of the Closing Date. Except as may be otherwise requested by a Seller in order to comply with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filings costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to: (x) carry out the transactions contemplated by this Agreement, including but not limited to medical licenses, and/or (y) transfer any of the Assets, including any Licenses. To the extent Purchaser needs certain information and data which is in the possession of a Seller in order for Purchaser to complete Purchaser's license and permit approval applications, Purchaser shall receive, upon request, reasonable assistance from such Seller in connection with the provision of such information.

4.2.2 Notwithstanding any provision to the contrary contained in this Agreement (including Section 8.6), no Seller shall be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts or Assigned Leases, from any party to any of the Assigned Contracts or Assigned Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.2.3 From the Signing Date until the Closing, the parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to, and with the prior written consent of (which consent shall not be unreasonably withheld), Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto.

4.3 Other Bidders. Purchaser expressly acknowledges and agrees that each Seller has an obligation to seek out and determine the best and highest offer reasonably available for such Seller's assets in accordance with the Bankruptcy Code, and nothing herein shall amend, modify, alter, diminish or affect such obligation.

4.4 Sellers' Efforts to Close. Each Seller shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Purchaser's obligations under this Agreement to the extent that such Seller's action or inaction can control or materially influence the satisfaction of such conditions; *provided, however*, that such Seller shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than filing or application fees).

4.5 Termination Cost Reports. Hospital Seller shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of: (a) the transfer of the Assets of Hospital Seller to Purchaser, and (b) the transactions contemplated by this

Agreement with respect to Hospital Seller, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit each Seller access to all Hospital books and records to prepare such reports and shall assist such Seller in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by Hospital Seller in a manner that is consistent with current laws, rules and regulations. Hospital Seller shall be responsible for filing governmental cost reports for the period of January 1, 2020 through the Licensure Date. Purchaser shall be responsible for its own cost report filings relating to the Hospital beginning on the day immediately following the Licensure Date.

4.6 Conduct of the Business. From the Signing Date until the Closing, or the earlier termination of this Agreement, without the prior written consent of Purchaser, Sellers shall, with respect to the ownership of the Assets and the operation of the Hospital, use commercially reasonable efforts to (except as otherwise noted):

(a) without regard to any Material Adverse Effect, carry on Sellers' ownership of the Assets and the operation of the Hospital consistent with past practice, but subject to the Bankruptcy Cases and Sellers' obligations and actions in connection therewith;

(b) without regard to any Material Adverse Effect, maintain in effect the insurance and equipment replacement coverage with respect to the Assets;

(c) without regard to any Material Adverse Effect, if and as permitted by the Bankruptcy Court, pay any bonuses payable under the Key Employee Retention Plan and Key Employee Incentive Plan of Sellers;

(d) without regard to any Material Adverse Effect, maintain the Assets in materially the same condition as at present, ordinary wear and tear excepted;

(e) without regard to any Material Adverse Effect, perform its obligations under all contracts with respect to the Assets in compliance with the Bankruptcy Code;

(f) following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives (which shall include the right to send written materials, all of which shall be subject to Sellers' reasonable approval prior to delivery) to make offers of post-Closing employment to any of Sellers' personnel (including access by Purchaser and its representatives for the purpose of conducting open enrollment sessions for Purchaser's employee benefit plans and programs) and to establish relationships with physicians, medical staff and others having business relations with Sellers;

(g) with respect to material deficiencies, if any, cited by any governmental authority (other than the Attorney General of the State of California and other than with respect to seismic requirements) or accreditation body in the most recent surveys conducted by each, cure or develop and timely implement a plan of correction (without regard to Material Adverse Effect) that is reasonably acceptable to such governmental authority or such accreditation body;

(h) timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due, unless such failure would not have a Material Adverse Effect;

(i) in accordance with the Sellers' budget under their debtor in possession financing, timely pay any fees that are or become due and payable under QAF IV, QAF V, and QAF VI;

(j) without regard to any Material Adverse Effect, comply in all material respects with all Legal Requirements (including Environmental Laws) applicable to the conduct and operation of the Hospital; and

(k) without regard to any Material Adverse Effect, maintain all material approvals, permits and environmental permits relating to the Hospital and the Assets.

4.7 Contract With Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement. The parties recognize that an applicable Seller's failure to secure a modification to any collective bargaining agreement, or to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement, provided that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in renegotiating, the collective bargaining agreements during the period between the Signing Date and the Closing Date, Sellers and Purchaser will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce Sellers' labor cost structure, including, but not limited to, seeking to reject the collective bargaining agreement(s).

4.8 Indemnity Escrow Agreement. Purchaser and Sellers will enter into a mutually acceptable form of indemnity escrow agreement (the "**Indemnity Escrow Agreement**") providing for an indemnity escrow fund in an amount equal to ten percent (10%) of the Cash Consideration (the "**Indemnity Escrow Fund**") pursuant to which Sellers shall indemnify, defend and hold harmless Purchaser from and against any losses incurred or suffered by Purchaser, directly or indirectly, as a result of or arising from: (a) any breach of any Sale Order Date Representation; (b) nonfulfillment of any covenant, agreement or other obligation of Sellers set forth in this Agreement or in any other related agreement or instrument; or (c) the Excluded Liabilities. Such Indemnity Escrow Agreement shall have a term of twelve (12) months following the Closing Date (the "Escrow Period"), with the remaining balance of escrow funds to be released to Sellers at the end of such Escrow Period, subject to retention of funds for any pending indemnity claims.

4.9 Transferred Private Payor Agreements. As more particularly set forth in **Exhibit 4.9**, the parties intend that all rights and obligations under the Transferred Private Payor

Agreements for dates of service prior to the Closing Date shall be Sellers' responsibility and all rights and obligations under the Transferred Private Payor Agreements for dates of service after the Closing Date shall be Purchaser's responsibility.

4.10 Insurance Coverage. Sellers, at their sole cost and expense, shall renew for the policy period 3/31/20-3/31/21 and maintain professional and general liability insurance coverage for the Seller Hospital through Verity's captive insurance company on the same terms as provided in Policy No. DOC PLGL-26000-019 in effect for the period 3/31/19-3/31/20, which terms include an automatic Extended Reporting Period of thirty (30) days, and Sellers, at their sole cost and expense, shall, together with and for the same periods as the foregoing insurance coverage, maintain excess and umbrella coverage for professional and general liability coverage in an amount of at least $15 million per claim and annual aggregate limits.

ARTICLE 5

COVENANTS OF PURCHASER

5.1 Purchaser's Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement, Purchaser shall be permitted to communicate and meet with: (a) counter-parties to the agreements and contracts of the Hospital, including those included in Transferred Obligations, regarding the terms and conditions under which they may be assumed and assigned to Purchaser, and (b) applicable governmental and regulatory authorities regarding prospective compliance with regulatory requirements and related issues; so long as, in the case of each of (a) and (b): (i) such communications and meetings do not interfere with the operation of the Business or the conduct of the Bankruptcy Cases, and (ii) any communications or meetings with any governmental authority are approved in advance by Sellers as to timing and content (and Sellers are copied on such communications and afforded the opportunity to participate in such meetings).

5.2 Required Governmental Approvals. Purchaser, at its sole cost and expense: (a) shall use its best efforts to secure, as promptly as practicable before the Closing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled (and provide Sellers copies of all materials relating to such consents, approvals, authorizations, clearances and licenses upon submission and all materials received from third parties in connection with such consents, approvals, authorizations, clearances and licenses upon receipt), and (b) will provide such other information and communications to governmental and regulatory authorities as any Seller or such authorities may reasonably request. Purchaser will provide Sellers periodic and timely updates regarding all such consents, approvals, authorizations, clearances and licenses. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Closing Date, subject to the IMA. Purchaser shall, promptly, but no later than thirty (30) business days after the entry of the Sale Order or sooner if required by applicable governmental or regulatory authorities,

file all applications, licensing packages and other similar documents with all applicable governmental and regulatory authorities which are a prerequisite to obtaining the material licenses, permits, authorizations and provider numbers necessary for operation of the Hospital. Purchaser shall be entitled, but not obligated, to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and obtain estoppel certificates from any third party to any Leased Real Property. Purchaser's failure to obtaining any or all of the Contract and Lease Consents or estoppel certificates as of the Closing Date shall not be a condition precedent to either party's obligation to close the transactions contemplated by this Agreement. Notwithstanding the foregoing, for the avoidance of doubt, it is acknowledged that the California Attorney General (the "**CA AG**") approval process of the proposed transaction in accordance with Section 5914 of the California Corporations Code shall be governed exclusively by Section 5.6 and Section 8.5 of this Agreement.

5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave); provided, that such employees satisfy Purchaser's screening and required employment background checks and meet the customary and reasonable conditions and qualifications for their respective positions (the "**Hospital Employees**") who, immediately prior to the Effective Time are: (i) employees of Hospital Seller; (ii) employees of any affiliate of any Seller which employs individuals at the Hospital and are listed on **Schedule 5.3**; or (iii) employed by an affiliate of any Seller and are listed on **Schedule 5.3**. For the avoidance of doubt, the Hospital Employees shall not include any employees of Verity or any other affiliate of Seller unless such individual is listed on **Schedule 5.3**. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the "**Hired Employees**." All employees who are Hired Employees shall cease to be employees of the applicable Seller or its affiliates as of the Effective Time.

(b) Purchaser shall give all Hired Employees full credit for paid time off ("**PTO**") accruing but unused under applicable Seller's PTO policy as of the Closing Date, with the amount of such PTO to be credited against the Purchase Price at the Closing;

(c) After the Closing Date, Purchaser's human resources department will give reasonable assistance to Hospital Seller and its affiliates with respect to such Seller's and such Seller's affiliates' post-Closing administration of such Seller's and such Seller's affiliates' pre-Closing employee benefit plans for the Hospital Employees. Within five (5) business days after the Closing Date, Purchaser shall provide to Hospital Seller a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(d) With respect to any collective bargaining agreements or labor contract with respect to any employees, Purchaser shall comply with the applicable laws and bankruptcy court orders relating to collective bargaining agreements or labor contracts. Nothing herein shall obligate Purchaser to accept Hospital Seller's collective bargaining agreements or labor contracts.

(e) The provisions of this Section 5.3 are solely for the benefit of the parties to this Agreement, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Excluded Assets. As soon as practicable after the Closing Date, Purchaser shall deliver to each Seller or such Seller's designee any Excluded Assets of such Seller found at the Hospital on and after the Effective Time, without imposing any charge on any Seller for Purchaser's storage or holding of same on and after the Effective Time.

5.5 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.6 Attorney General. Promptly after entry of the Sale Order, but in any event within two (2) business days thereafter, Purchaser and Sellers shall notify the CA AG of the proposed transaction in accordance with Section 5914 of the California Corporations Code. Purchaser and Sellers shall use commercially reasonable efforts to file any other such filings and notices as soon as reasonably practicable, shall provide such other information as the CA AG shall request, and shall generally use their commercially reasonable efforts to obtain the CA AG's approval of the transaction. Purchaser shall provide such information and communications to the CA AG as Sellers may reasonably request and shall otherwise cooperate with Sellers in obtaining the Attorney General's approval of the transaction.

5.7 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser's representations and warranties set forth in ARTICLE 3 to be inaccurate or untrue as of the Closing.

5.8 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counterparty to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be assumed by the applicable Seller and assigned to Purchaser in accordance with the provisions of section 365 of the Bankruptcy Code. For purposes of this Agreement, "**Cure Costs**", means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.

5.9 Operating Covenant. Purchaser shall act in good faith and use Purchaser's commercially reasonable efforts to serve the medical needs of the Hospital's service area.

5.10 Contract with Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each

participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement to be assigned to Purchaser. The parties recognize that an applicable Seller's failure to secure a modification to any collective bargaining agreement, or to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement. In addition, Sellers may, in their discretion, seek to reject any or all of the collective bargaining agreement(s).

5.11 Cooperation. From the Signing Date until the Closing, the parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to, and with the prior written consent of (which consent shall not be unreasonably withheld), Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto.

ARTICLE 6

SELLERS' BANKRUPTCY AND BANKRUPTCY COURT APPROVAL

6.1 Bankruptcy Court Approval.

(a) Sellers and Purchaser acknowledge that this Agreement and the sale of the Assets and the assumption and assignment of the Assigned Contracts and Assigned Leases are subject to Bankruptcy Court approval pursuant to sections 105(a), 363(b), 363(m), 363(f), and 365 of the Bankruptcy Code, and that this Agreement is subject to termination in its entirety in the event the Bankruptcy Court approves a better and higher offer for the Assets in accordance with the Bankruptcy Code and subject to the terms stated herein.

(b) Each Seller shall at the Sale Hearing exercise reasonable efforts to obtain a "Sale Order", in a form acceptable to Purchaser in its reasonable discretion, approving this Agreement, subject to such Seller's obligations in respect of any better and higher offer for such Seller's assets in accordance with the Bankruptcy Code. For purposes of this Agreement, the term "**Sale Order**" shall mean an order of the Bankruptcy Court authorizing the sale of the Assets (including the assumption and assignment of the Assigned Contracts and Assigned Leases) to Purchaser consistent with this Agreement and in a form satisfactory to Purchaser in its reasonable discretion pursuant to sections 105(a), 363(b), 363(m), 363(f), and 365 of the Bankruptcy Code, which is not stayed.

(c) Each Seller must obtain Bankruptcy Court approval of the sale contemplated herein with a determination that Purchaser is a good faith purchaser pursuant to section 363(m) of the Bankruptcy Code and to file such declarations and other evidence as may be required to support a finding of good faith.

(d) Each Seller shall seek an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against such Seller as debtor and the Sale Order solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from any sale order issued by the Bankruptcy Court, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of a sale order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal; provided, however, Purchaser, at its option, shall have the right to participate as a party in interest in such appeal. In the event a stay is issued by any appellate court, including the United States District Court, Bankruptcy Appellate Panel, and Circuit Court of Appeal, which prevents the sale from closing, as scheduled, Purchaser shall have the right to terminate this Agreement if such stay is not vacated on or before 45 days from the date the stay is issued, and Purchaser shall be entitled to the prompt return of the Deposit and any interest earned thereon. Notwithstanding the foregoing, for the avoidance of doubt, it is acknowledged that the provisions of Section 8.5 shall govern with respect to any Bankruptcy Court order relating to the CA AG approval process.

ARTICLE 7

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and shall remain in effect on the Closing Date, and further, no governmental entity shall have commenced any action or suit before any court of competent jurisdiction or other governmental authority that seeks to restrain or prohibit the consummation of the transactions contemplated hereby.

7.3 Performance of Covenants. Purchaser shall have in all respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

7.4 Governmental Authorizations. Purchaser shall have obtained all material licenses, permits and authorizations from governmental agencies or governmental bodies that are necessary

or required for completion of the transactions contemplated by this Agreement, including reasonable assurances that any material licenses, permits and authorizations not actually issued as of the Closing will be issued following Closing (which may include oral assurances from appropriate governmental agencies or bodies).

7.5 Attorney General Provisions. The conditions to Purchaser's obligations to close set forth in Section 8.5 shall have been satisfied.

7.6 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

ARTICLE 8

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a "good faith" purchaser under section 363(m) of the Bankruptcy Code. For the avoidance of doubt, it is acknowledged that Section 8.5 shall govern with respect to any Bankruptcy Court order relating to the CA AG approval process.

8.2 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to all of the provisions of this Agreement.

8.3 Performance of Covenants. Sellers shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by Sellers on or prior to the Closing Date, except where the failure to so perform or comply would not have a Material Adverse Effect; *provided*, *however*, this condition will be deemed to be satisfied unless Sellers were given written notice of such failure to perform or comply and did not or could not cure such failure to perform or comply within fifteen (15) business days after receipt of such notice.

8.4 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction and shall remain in effect on the Closing Date, and further, no governmental entity shall have commenced any action or suit before any court of competent jurisdiction or other governmental authority that seeks to restrain or prohibit the consummation of the transactions contemplated hereby. For the avoidance of doubt, it is acknowledged that Section 8.5 shall govern with respect to any Bankruptcy Court order relating to the CA AG approval process.

8.5 Attorney General Provisions. Purchaser recognizes that the transactions contemplated by this Agreement may be subject to review and approval of the CA AG. Purchaser agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the CA AG are substantially consistent with the conditions set forth in **Schedule 8.5**. In the event the CA AG imposes conditions on the transactions contemplated by this Agreement which are not as set forth on **Schedule 8.5** (the **"Additional Conditions"**), Sellers must file a motion with the Bankruptcy Court seeking the entry of an order finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions. If Sellers do not obtain such an order, from the Bankruptcy Court or another court, within thirty (30) days of the CA AG's imposition of conditions inconsistent with the conditions set forth in **Schedule 8.5**, Purchaser shall have the right, in Purchaser's sole and absolute discretion, to terminate this Agreement and receive the return of its Deposit. If Sellers obtain such an order, from the Bankruptcy Court or another court, within the aforesaid thirty (30) period, then, so long as such order is not stayed, the condition precedent of obtaining the CA AG's approval shall be deemed satisfied.

8.6 Medicare and Medi-Cal Provider Agreements. Hospital Seller shall enter into a settlement agreement with the Centers for Medicare and Medicaid Services (**"CMS"**) which has the effect of allowing Hospital Seller to transfer its Medicare provider agreements in accordance with the IMA and Leaseback Agreement and shall enter into a settlement agreement with the California Department of Health Care Services (**"DHCS"**) which has the effect of allowing Hospital Seller to transfer its Medi-Cal provider agreements in accordance with the IMA and Leaseback Agreement, which such settlement agreements shall result in: (i) resolution of all outstanding financial defaults under Hospital Seller's Medicare and Medi-Cal provider agreements, and (ii) full satisfaction, discharge, and release of any claims under the Medicare or Medi-Cal provider agreements, whether known or unknown, that CMS or DHCS, as applicable, has against Hospital Seller or Purchaser for monetary liability arising under the Medicare or Medi-Cal provider agreements before the Effective Time; provided, however, that Purchaser acknowledges that it will succeed to the quality history associated with the relevant Medicare or Medi-Cal provider agreements assigned and shall be treated, for purposed of survey and certification issues as if it is Hospital Seller and no change of ownership occurred.

8.7 Title Policies. Purchaser shall have received commitments for issuance as of the Closing Date one or more ALTA title insurance policies for the Owned Real Property which are substantially similar to those commitments referenced in **Schedule 8.7**, with such modifications as are specifically referenced in **Schedule 8.7**.

8.8 Phase I Environmental Survey. Purchaser shall have received a Phase I environmental survey covering the Owned Real Property which is substantially similar to the Phase I environmental survey referenced in **Schedule 8.8**, and if recommended in such Phase I, a Phase II environmental survey as so recommended.

8.9 Insurance. Sellers shall have obtained the insurance coverage to be maintained by Sellers as provided for in Section 4.10.

ARTICLE 9

TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to Closing:

(a) by the mutual written consent of the parties;

(b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been: (i) waived in writing by Sellers, or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after service by Sellers upon Purchaser of a written notice which describes the nature of such breach;

(c) by Purchaser if a material breach of this Agreement has been committed by Sellers and such breach has not been: (i) waived in writing by Purchaser, or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after service by Purchaser upon Sellers of a written notice which describes the nature of such breach;

(d) by Purchaser if satisfaction of any of the conditions in ARTICLE 8 has not occurred by September 1, 2020, or becomes impossible, and Purchaser has not waived such condition in writing (provided that the failure to satisfy any of the applicable condition or conditions in Sections 8.1 through 8.4 inclusive has occurred by reason other than: (i) through the failure of Purchaser to comply with its obligations under this Agreement, or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date).

(e) by Sellers if satisfaction of any of the conditions in ARTICLE 7 has not occurred by September 1, 2020, or becomes impossible, and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than: (i) through the failure of Sellers to comply with their obligations under this Agreement, or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Cases or fails to issue a Sales Order (as defined in Section 6.1(b)) approving this Agreement on or before August 1, 2020;

(g) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before September 1, 2020; or

(h) by Purchaser if a force majeure event (such as acts of God, storms, floods, landslides, earthquakes, lightning, riots, fires, pandemics (excluding any arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19), sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities, other national or international calamity, one or more acts of

terrorism, or failure of energy sources) shall have occurred between the Signing Date and Closing Date, which event is reasonably likely to result in a Material Adverse Effect.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Sections 6.2 or 9.1: (a) all further obligations of the parties under this Agreement shall terminate, provided that the provisions of ARTICLE 12, shall survive; and (b) each party shall pay only its own costs and expenses incurred by it in connection with this Agreement; provided, in the case of any termination based on Sections 9.1(b) or (c) the consequences of such termination shall be determined in accordance with ARTICLE 11 hereof. In addition, if this Agreement is terminated pursuant to Sections 6.2 or 9.1 (other than Section 9.1(b)), Seller shall immediately return the Deposit to Purchaser with all interest earned thereon. Each party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such party would not have entered into this Agreement.

ARTICLE 10

POST-CLOSING MATTERS

10.1 Excluded Assets.

Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof): (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the parties' mutual written agreement, or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within five (5) business days following receipt, and at no cost to Sellers, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to the applicable Seller. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to any Seller under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to any Seller because of, outstanding claims, liabilities or obligations asserted by Purchaser against any Seller. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to the applicable Seller in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Seller (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to the applicable Seller.

10.2 Preservation and Access to Records After the Closing.

(a) From the Licensure Date until seven (7) years after the Licensure Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records (including, without limitation, electronic medical records), patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official

Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including, without limitation, color laser copies) of, such records with respect to time periods prior to the Licensure Date (including, without limitation, access to records of patients treated at the Hospital prior to the Licensure Date) during normal business hours after the Licensure Date, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties does not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Closing Date with respect to the operation of the Hospital, subject to the terms of the IMA. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees); provided that Purchaser shall not be required to incur any out of pocket costs in association therewith. In addition, Sellers and their affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of their affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or their applicable affiliate's use of such records.

(c) In connection with: (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts

and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and their affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.

(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either: (i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 with respect to the operation of the Hospital on and after the Closing Date.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting to HFAP for the remainder of the quarterly period in which the Closing has occurred.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Closing Date, subject to the IMA, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

(h) Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract or Assigned Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assigned Contract or Assigned Lease, as the case may be, thereunder. If, notwithstanding the provisions of sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both: (a) provide Purchaser with the benefits of or under any such Assigned Contract or Assigned Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assigned Contract or Assigned Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor. Any payments received by Sellers after the Closing Date from patients, payors, clients, customers, or others who are the obligors on Accounts Receivables transferred to Purchaser as a

part of the Assets on the Closing Date shall be paid over to Purchaser within ten (10) business days after receipt by Seller.

10.3 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the "**Post-Effective Time CFO**") to cooperate with Sellers' representatives in order to complete the standardized closing of Sellers' financial records through the Licensure Date including, without limitation, the closing of general ledger account reconciliations (collectively, the "**Closing of Financials**"). Purchaser shall cause the Post-Effective Time CFO to use his or her good faith efforts to cooperate with Sellers' representatives in order to complete the Closing of Financials by no later than the date which is thirty (30) calendar days after the Licensure Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to Sellers for a period of no less than one hundred eighty (180) calendar days after the Licensure Date to assist Sellers in the completion of Sellers' post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO's other duties.

10.4 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital's medical staff members in good standing as of the Closing Date shall maintain medical staff privileges at the Hospital as of the Closing Date. On and after the Closing Date, the medical staff will be subject to the Hospital's Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.5 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates ("**Shared Intangible Assets**") and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals; *provided, however*, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

ARTICLE 11

DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If Purchaser or any of its assignees commits any material default under this Agreement, Sellers shall have the right to sue Purchaser and any assignees for damages; provided, however that the amount of such damages shall never exceed Ten Million Dollars ($10,000,000). For the avoidance of doubt, Sellers shall have no right to sue for specific performance under this Agreement.

11.2 Seller Default. If Sellers commit any material default under this Agreement, Purchaser shall have the right to demand and receive a refund of the Deposit (if such material default occurs prior to Closing and Purchaser terminates this Agreement pursuant to Section 9.1(c)), and Purchaser shall have the right (i) to sue for damages; provided, however, that the amount of such damages shall never exceed Ten Million Dollars ($10,000,000), or (ii) to sue for specific performance under this Agreement; provided, however, that in seeking specific performance Purchaser shall request only that all parties perform their respective obligations essentially as are set forth in this Agreement, including without limitation recognizing Purchaser's obligation for the Cash Consideration as set forth in Section 1.1(a)(i), without any diminution in such amount other than for such amounts as may be credited against such Cash Consideration as provided for in this Agreement.

11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Closing Date, the parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Licensure Date and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) Solely for purposes of tax reporting, **Schedule 11.3** sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income Tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the "**Allocation Schedule**"). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such party. The parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

11.4 Cost Report Matters.

(a) Consistent with Section 4.5, Sellers shall, at Purchaser's expense, prepare and timely file all cost reports relating to the periods ending prior to the Licensure Date or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the "**Seller Cost Reports**").

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers' preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser's provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit

conferences or meetings. Sellers shall have no obligations after the Licensure Date with respect to Seller Cost Reports except for preparation and filing thereof.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1 Further Assurances and Cooperation. Sellers shall execute, acknowledge and deliver to Purchaser any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by Purchaser at any time and shall take any and all other actions reasonably requested by Purchaser at any time for the purpose of more effectively assigning, transferring, granting, conveying and confirming to Purchaser, the Assets. After consummation of the transaction contemplated in this Agreement, the parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; *provided, however,* that no party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other parties which consent shall not be unreasonably withheld or delayed, except that Purchaser may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date (for the avoidance of doubt, such assignment shall not relieve Purchaser of any of its obligations under this Agreement).

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the parties hereto.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of Article III

merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular representation or warranty shall be deemed adequately disclosed as an exception with respect to all other representations or warranties to the extent that the relevance of such item to such representations or warranties is reasonably apparent on the face of such disclosure, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers:	Verity Health System of California, Inc. 601 South Figueroa St., Suite 4050 Los Angeles, CA 90017-5704 Attention: Rich Adcock, CEO
With copies to: (which copies shall not constitute notice)	Dentons US LLP 601 South Figueroa St., Suite 2500 Los Angeles, CA 90017-5704 Attention: Samuel R. Maizel, Esq. Telephone: 213-892-2910 Facsimile: 213-623-9924
If to Purchaser:	AHMC Healthcare Inc. 55 S. Raymond Ave., Suite 105 Alhambra, CA 91801 Attention: Jonathan Wu Facsimile: 626-289-8952
With copies to: (which copies shall not constitute notice)	AHMC Healthcare Inc., Legal Department 500 E. Main St., 5th Floor Alhambra, CA 91801 Attention: Maan-Huei Hung, Esq. Facsimile: 626-248-3303

or at such other address as one party may designate by notice hereunder to the other parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases prior to issuance; *provided*, *however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either party's disclosure obligations imposed by law subject to reasonable prior notice to the other party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all parties hereto.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

12.12 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover its court costs and reasonable attorneys' fees.

12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the parties hereto. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the parties on the subject matter hereof (the "**Superseded Agreements**"), which Superseded Agreements shall be of no further force or effect; provided, that notwithstanding the foregoing, the letter Confidentiality Agreement dated December 27, 2019, between Purchaser and Cain Brothers, a division of KeyBanc Capital Markets Inc., on behalf of Sellers and their related entities shall not be a Superseded Agreement and shall continue in full force in effect in accordance with its terms.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof but only by a written notice signed by the party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a party shall not be deemed to be a waiver of any preceding breach by any other party of any term, covenant or condition of this Agreement, other than the failure of such other party to perform the particular duties so accepted, regardless of the accepting party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

PURCHASER:

AHMC HEALTHCARE INC.,
a California corporation

Signature By: _____
Print Name: Jonathan Wu
Title: President/CEO
Date: March 30, 2020

SELLERS:

SETON MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By: _____
Print Name: _____
Title: _____
Date: _____

VERITY HOLDINGS, LLC,
a California limited liability company

Signature By: _____
Print Name: _____
Title: _____
Date: _____

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.,
a California nonprofit public benefit corporation

Signature By:_____
Print Name:_____
Title:_____
Date:_____

ADDITIONAL EXHIBITS AND SCHEDULES OMITTED

The schedules and the exhibits to the Asset Purchase Agreement are omitted and will be filed subsequently, except for Exhibit 4.9 to the Asset Purchase Agreement, the Interim Management Agreement and the Sale Leaseback Agreement, which are attached hereto.

Exhibit 4.9
Transferred Private Payor Agreements

1. Definitions:

"**Payor**" means the non-debtor counter-party to a Private Payor Agreement.

"**Purchaser Contracted Payment**" means the contractual reimbursement due from a Payor (i) to Sellers under a Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service after the Effective Time and prior to the Licensure Date, and (ii) to Purchaser under a Transferred Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service after the Licensure Date.

"**Purchaser Overpayment**" means an overpayment made by a Payor on account of a Purchaser Contracted Payment.

"**Purchaser Receivables**" means accounts (as that term is defined in the Uniform Commercial Code) earned by Purchaser (a) under any Private Payor Agreement pursuant to the IMA for covered services rendered between the period from the Effective Time through the Licensure Date, and (b) under any Transferred Private Payor Agreement for covered services rendered after the Licensure Date.

"**Seton Contracted Payment**" means the contractual reimbursement due from a Payor to Sellers under a Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service on or prior to the Effective Time.

"**Seton Overpayment**" means an overpayment made by a Payor on account of a Seton Contracted Payment.

"**Seton Receivables**" means Accounts Receivable earned under any Private Payor Agreement prior to the Effective Time.

"**True-up**" shall refer to the following reconciliation procedure: On the last business day of each calendar quarter (or partial calendar quarter) commencing on the Licensure Date through December 31, 2021, (a) Sellers shall identify and report to Purchaser the amount and other applicable details of any Purchaser Overpayment that has been remitted to Sellers during the reporting period, and (b) Purchaser shall identify and report to Sellers the amount and other applicable details of any Seton Overpayment that has been remitted to Purchaser during the reporting period. For each reporting period, the foregoing amounts shall be offset and any net balance shall be paid by Sellers or Purchaser, as applicable, to the other party not later than five business days following the date of delivery of each quarterly report. Sellers and Purchaser shall resolve any discrepancies in their respective reports under Section 12.1 of this Agreement.

2. Seller Responsibility. Sellers shall be responsible, vis-à-vis the Payors, for any Seton Overpayment that is remitted either to Sellers or to Purchaser. Purchaser agrees, however, that any Seton Overpayment that is remitted to Purchaser shall be subject to True-Up. Sellers agree to indemnify and hold harmless Purchaser for any Seton Overpayment that is deducted from, or recouped against, any Purchaser Receivables, and in furtherance thereof Sellers agree that,

pursuant to the terms of the Indemnity Escrow Agreement to be entered into between the parties, Purchaser shall be authorized to withdraw from the Indemnity Escrow Fund, upon Purchaser's written instruction to the escrow agent and with written notice to Sellers, any Seton Overpayment that is deducted from, or recouped against, any Purchaser Receivables. Notwithstanding the foregoing, in the event that Sellers dispute any such Seton Overpayment claim and prevail in such claim, to the extent that Purchaser is later credited for any such Payor deduction or recoupment against any Purchaser Receivables for which Purchaser had withdrawn funds from the Indemnity Escrow Fund as provided for herein, then Purchaser shall remit funds equal to such credit to Sellers within five (5) business days after Purchaser receives such credit.

3. Purchaser Responsibility. Purchaser shall be responsible, vis-à-vis the Payors, for any Purchaser Overpayment that is remitted either to Purchaser or to Sellers. Sellers agree, however, that any Purchaser Overpayment that is remitted to Sellers shall be subject to True-Up. Purchaser agrees to indemnify and hold harmless Sellers for any Purchaser Overpayment that is deducted from, or recouped against, any Seton Receivables.

4. Payor Disputes. Nothing in this Agreement shall affect the applicable party's right to dispute or appeal the validity of any alleged Seton Overpayment or alleged Purchaser Overpayment.

5. Adequate Assurance. The Seller and Purchaser agree to cooperate to confirm the provisions of this **Exhibit 4.9** with any Payor under a Transferred Private Payor Agreement in order to provide adequate assurances of cure and compensation to such Payor pursuant to Sections 365(b) and (f) of the Bankruptcy Code. Sellers and Purchaser acknowledge and agree that (a) the Sale Order shall authorize a Payor to continue to exercise its defenses to reimbursement for covered services based on an overpayment, and (b) overpayments do not constitute Cure Costs under this Agreement. If a Payor does not agree to the provisions of this Exhibit at least thirty (30) days prior to the Closing Date, such Private Payor Agreement shall be removed from **Schedule 1.11(c)** and shall be an Excluded Asset.

6. Payor Release. Following the Licensure Date, pursuant to Section 365(k) of the Bankruptcy Code, Sellers shall be relieved and released by a Payor from any obligation to any Payor on account of any overpayment or otherwise under any Transferred Private Payor Agreement.

INTERIM MANAGEMENT AGREEMENT

This Interim Management Agreement (the "**Agreement**") is made and entered into as of March 30, 2020 (the "**Signing Date**"), by and among Seton Medical Center, a California nonprofit public benefit corporation (the "**Corporation**") on the one hand, and AHMC Healthcare Inc., a California corporation ("**Parent Company**"), and a legal entity to be formed and controlled by Parent Company ("**Hospital Newco**" or the "**Manager**," and collectively with the Corporation and Parent Company, the "**parties**") on the other hand.

RECITALS

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the "**Bankruptcy Cases**") under chapter 11 of title 11 of the United State Code (the "**Bankruptcy Code**").

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the United States Bankruptcy Court for the Central District of California Los Angeles Division (the "**Bankruptcy Court**").

C. Parent Company, as purchaser, and the Corporation and certain of its affiliates (collectively, the "**Sellers"** as defined in the APA), as seller, entered into that certain Asset Purchase Agreement, dated of even date herewith (the "**APA**"), which provides for the sale of certain assets of the Sellers (collectively, the "**Assets**"). All terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

D. The Corporation operates a two-campus general acute care hospital, consisting of: (i) the hospital campus known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, CA 94015, including the related hospital pharmacy, laboratory and emergency department; and (ii) the hospital campus known as Seton Medical Center Coastside, located at 600 Marine Blvd., Moss Beach, CA 94038, including the related hospital pharmacy, laboratory and emergency department (collectively, the "**Hospital**"), and such other locations where the Hospital's licensed services are provided (collectively, the "**Hospital Premises**")

E. Pursuant to the APA, Parent Company agreed to purchase the Assets, which include certain assets of the Corporation (the "**Corporation's Assets**").

F. Parent Company designated Hospital Newco as the owner of certain of the Corporation's Assets and as the future operator of the Hospital.

G. Parent Company and the Manager have requested this Agreement to afford the Manager additional time to obtain its general acute care hospital license from the California Department of Public Health ("**CDPH**"), and its hospital pharmacy permit(s) from the California Board of Pharmacy (together, the "**New Licenses**," and the date on which the New Licenses are issued is the **"Licensure Date**").

H. Pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the "**Pharmacy Assets**") shall transfer to Hospital Newco as of the Licensure Date.

I. The Corporation shall maintain a possessory interest in the Hospital and the Hospital Premises, and Parent Company, or its designated nominee, and Hospital Newco on the one hand as lessor, and the Corporation, on the other hand as lessee, are entering into that certain Sale Leaseback Agreement of even date herewith, pursuant to which certain of the Corporation's Assets will be leased back to the Corporation (the "**Leaseback Agreement**").

J. Until Hospital Newco obtains the New Licenses, the Manager desires to assume the management of the Hospital, including its pharmacy, on behalf of the Corporation, and the Corporation desires to avail itself of such management services, upon the terms and conditions set forth in this Agreement.

K. The California Department of Public Health (the "**State**"), on the one hand, and on the other hand, Verity Healthcare System of California, Inc., ("**Verity**") and Seton Medical Center, entered into that certain Services Agreement, as approved by the Bankruptcy Court on March 20, 2020 [Docket No. 4315] (the "**State Services Agreement**"),

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Term.

1.1 The term of this Agreement (the "**Management Period**") shall commence as of the Effective Time (as defined in the APA) and shall continue until the Licensure Date. The parties acknowledge that, during the Management Period, the Corporation shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of the Manager.

2. Acknowledgements and Covenants.

2.1 As of the Effective Time, Parent Company or its designated nominee shall have acquired all of the Corporation's Assets (other than the Pharmacy Assets) as set forth in the APA, with those assets necessary for the operation of the Hospital leased back to the Corporation pursuant to the terms of the Leaseback Agreement during the term of this Agreement.

2.2 Pursuant to Section 1.3 of the APA, contemporaneously with the date the New Licenses are issued and the termination of the Leaseback Agreement, ownership of the Pharmacy Assets shall be transferred to Hospital Newco. Parent Company and the Manager acknowledge that this Agreement and the foregoing subsequent transfer of the Pharmacy Assets are made at the request of Parent Company and the Manager, to provide more time for the Manager to obtain its New Licenses. As such, Parent Company acknowledges, covenants, and agrees that the total Purchase Price (as defined in the APA) shall be paid to the Sellers under the APA as if the Pharmacy Assets were transferred as of the Effective Time.

2.3 As of the Effective Time, the Corporation shall have ended the employment or engagement of all employees and contractors and, to the extent they received offers of employment

or engagement from the Manager (or its affiliates) and accepted such offers, shall have been transferred to the Manager (or its affiliate) as employees or contractors of the Manager (collectively, the "**Hired Employees**").

2.4 During the Management Period, the Corporation will (a) assign an individual to oversee the operation of the Hospital, subject to the terms of this Agreement, and serve as the president of the Corporation, as required by the Centers for Medicare & Medicaid Services, CDPH, and applicable California laws and regulations (the "**Responsible Officer**"), and (b) maintain proper oversight by a board of directors.

3. Appointment of Manager.

3.1 During the Management Period, the Corporation hereby appoints the Manager as the sole and exclusive provider of the Services (defined below) and hereby grants to the Manager the exclusive right to manage the Hospital under the Corporation's Licenses (as defined in the APA) as a general acute care hospital, including without limitation, the right to undertake those certain management responsibilities and permitted activities described in Section 4 below. The Manager hereby accepts such appointment for all purposes with respect to the Corporation's rights, duties, and responsibilities under the Licenses for the Hospital, to the fullest extent permitted by law, and agrees, to the fullest extent permitted by law, to provide management services to the Hospital on behalf of the Corporation (the "**Services**").

3.2 The Services hereunder shall include management and operation of the Hospital's pharmacy on behalf of the Hospital, even though the Pharmacy Assets will not be transferred to Hospital Newco pursuant to the APA until the Licensure Date.

3.3 Upon the Licensure Date, the Services provided to the Hospital under the Corporation's Licenses shall terminate and, thereafter, Hospital Newco will be operating the Hospital as the licensee holding its own New Licenses.

3.4 During the Management Period, the Manager shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Corporation's provider agreements, payor contracts, and NPI numbers as set forth in Schedule 3.4, attached hereto (collectively, the "**Corporation's Billing Credentials**"). Because all billing and collecting shall be under the Corporation's Billing Credentials, payments shall be made in the Corporation's name and deposited in the Corporation's bank accounts. Parent Company and the Manager shall indemnify and hold Corporation harmless for any and all costs or liabilities incurred by Corporation as a result of Manager's use of Corporation's Billing Credentials or any breach of the terms and conditions of Corporation's Billing Credentials during the Management Period. Manager shall be responsible for any overpayments that arise for services rendered during the Management Period. The parties acknowledge and agree that during the Management Period, the Corporation's bank accounts and lockboxes shall remain under the Corporation's name; provided except as to the Corporation's "AP" or other accounts at Bank of America segregated for use under the State Services Agreement, as of the Effective Time, the Corporation will provide transfers of the Manager Compensation one (1) business day after receipt. In addition, as of the Effective Time, Manager will be provided electronic read-only access to the Corporation's lockboxes and collection deposit accounts to

review all Hospital Revenue. On and after the day that is thirty-one (31) days after the Effective Time, Corporation will provide automatic daily sweeps of all Hospital Revenue in its lockboxes and collection deposit accounts to Manager; Manager will then electronically transfer to Corporation all funds that are not the Manager Compensation one (1) business day after receipt. As soon as practicable, Manager shall have sole signing authority, provided Manager shall demonstrate that such authority shall be acceptable to the Medicare and Medi-Cal programs and the relevant depository institution without cost to Corporation. The Parties shall cooperate to ensure that any and all payments or revenues arising from or relating to any Excluded Asset, including without limitation Accounts Receivable and Census Payments under the State Services Agreement for services rendered by the Corporation at the Hospital prior to the Effective Time, shall be properly paid to the Corporation, with any and all payments or revenues constituting Management Compensation under this Agreement or purchased Assets under the APA properly paid to the Manager. Each Party shall have the right to audit by an independent and competent auditor, at the requesting Party's sole expense, the bank records and remittance advices of the other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or underpayment of funds due, the Party owing funds shall, within five (5) business days, make payment of such funds to the Party to whom they are owed. Manager shall, as soon as practical, set up its own bank accounts and direct payors to make deposits to such accounts immediately following the Licensure Date.

3.5 To the extent the Corporation's lenders continue to have liens, security interests, charges, mortgages, or any other encumbrances whatsoever (collectively, "**Encumbrances**") on the Corporation's bank accounts or lockboxes as of the Effective Time, the Corporation, Parent Company, and the Manager shall work cooperatively to facilitate termination and release of such Encumbrances.

3.6 The Corporation shall retain and, upon the Licensure Date, the Manager shall assume, any contracts necessary for the Corporation to continue to be the holder of the Licenses and to bill for Hospital services during the Management Period, in accordance with the APA including all compliance obligations thereunder. Such contracts shall be as set forth in Schedule 3.6, attached hereto (the "**Retained Contracts**"). Parent Company hereby designates each Retained Contract as an Assigned Contract under Section 1.11 of the APA.

4. Management Responsibility.

4.1 During the Management Period, the Manager shall, subject to all applicable legal and regulatory requirements and pursuant to the terms of this Agreement, only as and to the extent required by applicable legal and regulatory requirements and pursuant to the terms of this Agreement, the Corporation's ultimate oversight and control, have responsibility for the management of the Hospital, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In furtherance thereof, the Services shall include, but not be limited to, the following duties, which duties shall be performed at the Manager's sole cost and expense:

(a) Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH

requirements for maintenance of the Licenses in good standing, Conditions of Participation and Payment with respect to governmental programs, and the requirements for maintenance of the Hospital's accreditations;

(b) Employing and managing the Hired Employees and any other non-clinical and clinical personnel (i) necessary for the operation of the Hospital as a general acute care hospital, or (ii) required by law and so as to meet the applicable regulatory requirements, pursuant to all applicable labor laws and regulations, and consistent with orders of the Bankruptcy Court;

(c) Ensuring that the Corporation is able to pay itself out of the Hospital Revenues for the costs and expenses set forth in Section 4.5(b);

(d) Maintaining and repairing, as needed, the Hospital Premises so as to ensure material compliance with all applicable local, state, and federal law;

(e) Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital Premises;

(f) Affording the Responsible Officer or his or her designee access, during normal business hours, to the Hospital Premises, the books and records at the Hospital Premises or in Manager's possession, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, and such other access and assistance as reasonably requested by the Responsible Officer;

(g) Upon at least one (1) business day's prior written notice to the Manager, if applicable, providing access, during normal business hours, to the Hospital Premises to lessors of equipment at the Hospital Premises, if any, who have been authorized by order of the Bankruptcy Court to remove their equipment from the Hospital Premises, provided that the Manager shall have full power and authority to require that the removal of such equipment by such lessors does not damage the Hospital Premises;

(h) Providing access, upon at least one (1) business day's prior written notice, during normal business hours and without causing any disruption to or undue burden upon the ordinary operation of the Hospital business or the incurrence of any out-of-pocket expense by Manager, to the Hospital, the Hospital Premises, the Hospital's books and records, electronic health records, financial information systems, operating systems, laboratory systems, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, to the Corporation, the Corporation's directors, officers and representatives, and the Corporation's successors in interest, including, but not limited to, any plan administrator, liquidating trustee or similar representatives appointed or approved by the Bankruptcy Court for the purpose of winding down the Corporation's affairs, pursuing litigation and adversary proceedings, and to effectuate a plan of liquidation, as approved by the Bankruptcy Court (the "**Plan**");

(i) Maintaining all licenses, permits, consents, approvals, accreditations, and certifications currently held by the Corporation that are necessary in connection with the operation of the Hospital and the Hospital Premises in good standing, in active status, and in

compliance with all applicable local, state, and federal laws, including the timely payment by Manager of all applicable fees to support or renew these approvals;

(j) Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital that a prudent hospital operator or owner would maintain, including directors and officers insurance for Manager with no less coverage than was maintained for the Corporation's directors and officers just prior to the Effective Time;

(k) Maintaining and obtaining those insurance coverages required under the Leaseback Agreement, for its own account, with the Corporation included as a named insured, and paying all amounts required under the Leaseback Agreement in a timely manner, including rent, utilities, taxes, and insurance premiums;

(l) Opening and forwarding all mail relating to the financial or business affairs of the Corporation to the notice address below;

(m) Periodically reporting to the Corporation (or its designee), either in person or telephonically, the condition of the Hospital and the Hospital Premises;

(n) Coordinating with the governing board and the organized medical staff (each, as established by the Corporation and the Sellers) on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight;

(o) Paying all costs and expenses in connection with and incidental to ownership of the Corporation Assets and management and operation of the Hospital hereunder, including but not limited to, all the Hospital operating costs, employee-related costs, and taxes, whether or not identified, described, or referenced in this Agreement;

(p) Cooperating with the Corporation in facilitating termination and release of any Encumbrances on the Corporation's bank accounts and lockboxes;

(q) Performing such other duties and activities as are reasonably necessary for the Manager to fulfill its responsibilities under this Agreement and the APA; and

(r) Providing access, upon at least one (1) business day's prior written notice, without causing any disruption to or undue burden upon the ordinary operation of the Hospital business or the incurrence of any out-of-pocket expense by Manager, to the Hospital, the Hospital Premises, the Hospital's electronic health records, the Hired Employees and any other personnel of Manager or otherwise any individual who is providing services associated with the Hospital's delivery of health care services to patients, to the Patient Care Ombudsman appointed in the Bankruptcy Cases under Section 333 of the Bankruptcy Code (the "PCO") [*see* Docket No. 430].

4.2 Permitted Manager Activities. During the Management Period, the Manager may do any of the following, subject to the requirements of applicable local, state, and federal law, which activities may be performed by the Manager at the Manager's sole cost and expense:

(a) Make alterations, improvements, and repairs to the interior or exterior of the Hospital Premises, including structural alterations, improvements, and repairs;

(b) Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital Premises;

(c) Move into and install furniture, fixtures, equipment, and supplies at the Hospital Premises;

(d) Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and

(e) Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the Licenses, and receiving and retaining for the Manager's own account all revenues and proceeds of any such activities, to the extent they comprise the Manager Compensation.

4.3 Prohibited Manager Activities.

(a) Notwithstanding anything to the contrary in this Agreement, the Manager shall have no authority to take and shall not take any action with respect to any Excluded Assets or Excluded Liabilities (as such terms are defined in the APA) of the Corporation.

(b) The Manager's authority to manage and operate the Hospital is limited to those actions that Manager is expressly required or permitted to do hereunder.

(c) The Manager shall not (i) take any action that interferes with the Corporation's transfer of funds to pay itself out of the Hospital Revenues as set forth in Sections 4.5(b); or (ii) remove, withdraw, or authorize removal or withdrawal of funds from the Corporation's bank accounts or lockboxes to the extent that the Corporation would be unable to fully pay itself for the costs and expenses set forth in Section 4.5(b).

4.4 APA Provisions; Transition Services Agreement.

(a) Nothing herein shall modify the prorations of expenses and utilities set forth in the APA, including specifically as set forth in Section 1.6 of the APA.

(b) None of the information accessed, learned or obtained by Parent Company or the Manager or any of their affiliates in the course of performing their duties hereunder may serve as the basis for payment of less than the full Purchase Price or to otherwise assert a claim against the Sellers.

(c) Nothing herein shall modify the transfer of the Assets from the Sellers to Parent Company as contemplated in the APA, including specifically as set forth in Section 1.7 of the APA.

(d) Nothing herein shall modify the APA in respect of the exclusion from purchase by Parent Company of the Excluded Assets, including specifically as set forth in Section 1.8 of the APA.

(e) Pursuant to Section 1.4.8 and Section 1.5.8 of the APA, the Sellers and Parent Company will be entering into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The parties hereto shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

4.5 Manager Compensation; Distribution of Revenue.

(a) As used in this Agreement, the term "**Hospital Revenues**" shall mean all revenues and reimbursement received by the Corporation after the Effective Time, including, but not limited to, cash, accounts, notes, or other accounts receivable, disproportionate share payments, quality assurance fee payments, Seller Cost Report (as defined in the APA) settlements, and capitation premiums, whether payable by Medicare, Medi-Cal or any other commercial or governmental payor, or any health maintenance organization or any other managed care program or any private pay patients, and State Services Agreement revenues and reimbursement, but only to the extent they are not Excluded Assets (as defined in the APA).

(b) As full and complete payment for the Manager's Services, the Manager shall be entitled to receive an amount equal to the Hospital Revenues less the following amounts that will be retained by the Corporation (the "**Manager Compensation**"):

(i) All costs and expenses incurred by the Corporation for the Corporation's purchase of drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital;

(ii) All costs and expenses associated with the Corporation maintaining its Licenses and maintaining the Retained Contracts, if any are directly incurred by the Corporation,; and

(iii) All revenue associated with Census Payments for services provided by Corporation under the State Services Agreement prior to the Effective Time.

(c) Except for and with respect to Hospital Revenues, under no circumstance may the Manager seek payment for the Manager's Services from the liquidating trustee, the Corporation, any of the Corporation's officers, directors, agents, contractors, personnel, affiliates or subsidiaries, Verity Health System of California, Inc. ("**VHS**"), or any of VHS' officers, directors, agents, contractors, personnel, affiliates or subsidiaries.

(d) The Corporation shall issue invoices to the Manager on a weekly basis for the items described in Section 4.5(b) (i), (ii) and (iii), with reasonable supporting detail therefor. The Manager shall pay such invoices within five (5) business days of receipt of such invoices. If the Manager does not remit payment in respect of such invoices in accordance with the immediately preceding sentence, the unpaid amount of such invoices shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to the Corporation (the "**Invoice Payment Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Invoice

Payment Due Date until payment of such invoices and all interest thereon is made to the Corporation.

(e) The Parties acknowledge and agree that if the State consents in writing to assignment of the State Services Agreement to Manager at the Closing, then all payments under the State Services Agreement for services rendered during the Management Period at the Hospital after the Effective Time, shall be retained by Manager as part of the Manager Compensation.

4.6 Liabilities and Losses.

(a) Parent Company shall be responsible for all the Hospital liabilities and losses incurred or accrued during the Management Period.

(b) Nothing hereunder shall, or is intended to, modify or supersede Parent Company's responsibility for the Transferred Obligations (as defined in the APA) or the Corporation's responsibility for the Excluded Liabilities (as defined in the APA).

(c) Specifically with respect to quality assurance fee ("**QAF**") liabilities owed by the Corporation, Parent Company shall pay all QAF fees that become due and owing during the Management Period that relate to QAF payments constituting Assets transferred to Hospital Newco under the APA, even though such fees may have been calculated based on data prior to the Effective Time.

4.7 The Corporation's Ultimate Control. Notwithstanding anything to the contrary in this Section 4 or in this Agreement more generally, the Corporation, as holder of the Licenses, shall remain ultimately responsible for the operation of the Hospital, and, during the Management Period, in consultation with the Manager, may take any action (with Manager's cooperation as may be reasonably requested and at Parent Company's or the Manager's sole cost and expense) necessary to ensure the Corporation's compliance with applicable laws and regulations.

5. Continued Responsibility of the Corporation.

5.1 During the Management Period, the Corporation shall maintain (at its sole cost and expense, except as otherwise contemplated in this Agreement), and shall not take or voluntarily permit any actions which may adversely affect, the Corporation's corporate existence and its full rights as the licensee under the Licenses. In addition, during the Management Period, the Corporation and its officers shall reasonably cooperate with the Manager (at Parent Company's or the Manager's sole cost and expense) in the Manager's provision of the Services.

5.2 Notwithstanding the statutory and regulatory authority and responsibility of the Corporation for the continued management of the Hospital during the Management Period, the parties recognize and acknowledge that under this Agreement, the Manager shall, subject to the ultimate oversight by the Corporation as and to the extent legally required, be responsible for the day-to-day operation and maintenance of the Hospital as a general acute care hospital. In the event that any violation or alleged violation of or non-compliance with any statute or regulation applicable to the operation or maintenance of the Hospital as a general acute care hospital certified by the Medicare and Medi-Cal programs occurs during the Management Period, then without regard to legal or statutory fault on the part of the Manager or of the Corporation, the Manager

shall immediately notify the Corporation of such violation or alleged violation or non-compliance and take reasonable efforts to address and resolve the alleged violation or non-compliance, and avoid, mitigate or minimize any related adverse consequences. In addition to the indemnification in Section 3.4, Parent Company and the Manager shall be responsible for the costs of any penalty, fine or remediation identified during the Management Period arising from or relating to the Manager's operation of the Hospital during the Management Period, including, without limitation, the cost of engaging third party consultants or experts to help address or resolve the violation, alleged violation or non-compliance, and shall indemnify and hold the Corporation harmless for the same in accordance with Section 9.2. The Corporation retains the right to join the Manager in contesting said violations upon providing the Manager with notice of its intent to do so.

5.3 The Corporation shall be responsible for purchasing drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital at the Manager's sole cost and expense, as set forth in Section 4.5(b)(i).

5.4 The Corporation agrees to execute and deliver to the Manager such documents as the Manager may reasonably request to maintain the hospital license active and in good standing with CDPH and the other Licenses necessary or appropriate to maintain the Hospital as a general acute care hospital and to facilitate the Manager's obtaining of the New Licenses.

6. The Parties' Cooperation with Regulatory Agencies. The Manager shall use its best efforts to obtain the New Licenses as expeditiously as possible. The Manager and Corporation shall agree to the target Licensure Date identified in the change of ownership applications. The Manager shall provide updates to the Corporation as reasonably requested by the Corporation, on the status of the Manager's efforts to obtain the New Licenses. The Corporation shall, at Parent Company's or the Manager's cost, reasonably cooperate with the Manager's efforts to obtain the New Licenses, and may communicate and coordinate with licensing agencies as necessary in connection with obtaining the New Licenses. Notwithstanding the foregoing, obtaining all governmental consents, approvals, assignments, authorizations, and clearances necessary to obtain the New Licenses shall be solely Parent Company's and the Manager's (and not the Corporation's) responsibility, including payment of any fees, expenses, filing costs or other amounts related thereto.

7. Risk of Loss.

7.1 The Corporation assumes no risks or liability for damage to or injury occurring to the Hospital Premises, Assets or the Hospital during the term of this Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, cyberattack, accident or any other casualty (collectively, "**Casualty**"), and Parent Company shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

7.2 If, during the term of this Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, "**Condemnation**"), Parent Company, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

7.3 In the event of a Casualty or Condemnation, neither Parent Company nor the Corporation may terminate this Agreement.

8. Exculpation; Indemnification.

8.1 The Corporation and the Corporation's affiliates, members, officers, directors, employees, attorneys, accountants, consultants, agents, representatives, successors and assigns, including the liquidating trustee and responsible officer (collectively the "**Corporation Indemnified Parties**") shall have no liability in contract, tort or otherwise unless and until a Chosen Court finds in a final, non-appealable judgment that any Damages result solely from a Corporation Indemnified party's gross negligence or willful misconduct.

8.2 In addition to any other indemnification provided for in the Agreement, Parent Company and the Manager shall promptly and fully keep and hold the Corporation Indemnified Parties forever harmless from, and shall indemnify and defend the Corporation Indemnified Parties from and against, without regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, awards, liabilities, losses, penalties, claims, costs, demands, damages, expenses, liens, and encumbrances, including investigation costs, time spent in depositions and reasonable attorneys' fees and expenses (collectively, "**Damages**"), whether civil or criminal, direct, indirect or consequential and no matter how arising, in any way related to, connected with, arising or resulting from, or under this Agreement, the APA, the Hired Employees (as defined in the APA), the Manager's performance of the Services, or the operation or management of the Hospital or the Corporation's Assets by the Manager after the Effective Time. Notwithstanding the foregoing, the parties understand that except as otherwise specifically provided for in the APA: (i) Parent Company and the Manager are not, by virtue of this Agreement or any term or provision herein, assuming any claim, liability, expense, debt or other obligation of the Corporation or Sellers that both relates to the operation of the Hospital or the Hospital Premises prior to the Effective Time and constitutes an Excluded Liability under the APA; and (ii) neither the Corporation, Manager or Parent Company are, by virtue of this Agreement or any term or provision herein, relieved or excused from any duties or obligations under the APA.

9. HIPAA Compliance. The Manager agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the Corporation agrees not to take or voluntarily permit any actions which violate Privacy Laws with respect to the Hospital or its operations. Toward this end, Parent Company, the Manager, and the Corporation agree to execute and deliver that certain Business Associate Agreement, attached hereto as Exhibit A and incorporated by reference herein, upon execution of this Agreement.

10. Further Assurances. Each of the parties hereto agree to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by any other party hereto to perfect or evidence their rights hereunder.

11. Relationship of Parties. In performing their duties and permitted activities under this Agreement, Parent Company, the Manager, and the Corporation shall, at all times be acting and performing as independent contractors. Parent Company, the Manager, and the Corporation are not partners or joint venturers with each other and nothing herein shall be construed as making them partners or joint venturers or imposing upon any of them any liability as partners or joint venturers.

12. Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation:	Seton Medical Center c/o Verity Health System of California, Inc. 601 South Figueroa Street, Suite 4050 Los Angeles, CA 90017-5704 Attention: Chief Executive Officer
With copies to: (which copy shall not constitute notice)	Tania Moyron, Esq. Dentons US LLP 601 South Figueroa St., Suite 2500 Los Angeles, CA 90017-5704 and Hope Levy-Biehl, Esq. Davis Wright Tremaine LLP 865 S Figueroa St, Los Angeles, CA 90017
If to Parent Company and/or the Manager:	AHMC Healthcare Inc. 55 S. Raymond Ave., Suite 105 Alhambra, CA 91801 Attention: Jonathan Wu Facsimile: 626-289-8952
With copies to: (which copies shall not constitute notice)	AHMC Healthcare Inc., Legal Department 500 E. Main St., 5th Floor Alhambra, CA 91801 Attention: Maan-Huei Hung, Esq. Facsimile: 626-248-3303

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given. Any party hereto may designate a different address for itself by notice to the other party in accordance with this Section 13.

13. Expenses. Except for Parent Company's and the Manager's obligations to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Agreement, each party to this Agreement shall pay its own expenses in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby, including the fees of any attorneys, accountants, financial advisors, investment bankers or other professionals engaged by such party.

14. Entire Agreement. This Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement, contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the parties other than those set forth in this Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement. Nothing in this Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court.

15. Amendment. This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by all the parties hereto.

16. Waiver. Waiver by any party of any breach or failure to comply with any provision of this Agreement by any other party shall not be construed as or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written notice signed by the waiving party and delivered, in the manner required for notices generally, to each affected party.

17. Severability. In case any provision of this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective permitted successors and assigns. The Corporation shall not be permitted to assign its rights or its obligations under this Agreement without the prior consent of Parent Company and the Manager. The parties further acknowledge and agree that the Manager may subcontract for any of the goods or services required to be provided by the Manager pursuant to this Agreement, and the Manager may assign any of its rights hereunder and/or delegate any of its obligations hereunder, so long as in each case the Manager remains responsible for such subcontracted goods or services and for any of such Manager obligations hereunder.

19. Attorneys' Fees. In the event of any litigation or arbitration between the parties hereto arising out of this Agreement, the prevailing party therein shall be allowed to recover from the other party all court costs and reasonable attorneys' fees which shall be fixed by the court or arbitrator.

20. Headings. The descriptive headings of sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions.

22. Jurisdiction. The parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; provided, however, that the parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto, and (d) agree that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 13 hereof.

23. Commencement. The parties acknowledge that commencement of the Manager's Services under this Agreement is subject to and contingent upon the occurrence of the Closing (as defined in the APA). The Management Period shall not commence, and the parties' obligations during the Management Period shall not commence, unless and until the Closing has occurred.

24. Cooperation on Regulatory Compliance Matters. Parent Company and the Manager understand and acknowledge that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance. In the event the terms of this Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Agreement, Parent Company and the Manager shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request or directive.

25. Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. It may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

[Signature page follows.]

IN WITNESS WHEREOF, the parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

MANAGER/HOSPITAL NEWCO:

A LEGAL ENTITY TO BE FORMED AND CONTROLLED BY AHMC HEALTHCARE INC.

BY: AHMC HEALTHCARE INC.

By: _____
Name: Jonathan Wu
Title: President/CEO

CORPORATION:

SETON MEDICAL CENTER,
a California non-profit public benefit corporation

By: _____
Name: _____
Title: _____

PARENT COMPANY:

AHMC HEALTHCARE INC.

By: _____
Name: Jonathan Wu
Title: President/CEO

Exhibit A To IMA

BUSINESS ASSOCIATE AGREEMENT

The Business Associate Agreement ("BA Agreement") is entered into as of and is in effect as of the first day of the Management Period ("Effective Date") by and between Seton Medical Center ("Covered Entity" or "CE") and AHMC Healthcare, Inc. ("Business Associate" or "BA").

RECITALS

A. CE provides certain Protected Health Information (as defined below and referred to herein as "PHI") to BA in the course of BA providing services under that certain Interim Management Agreement entered into by CE and BA as of March 30, 2020 (the "IMA") and effective during the Management Period (as defined in the IMA).

B. In order to protect the privacy of the PHI and to comply with HIPAA, the HIPAA Regulations, and the California Confidentiality Laws (each as defined below), CE and BA desire to enter into this BA Agreement setting forth the terms and conditions of the use and disclosure of such PHI.

In consideration of the mutual promises set forth below, the parties agree as follows:

ARTICLE I: DEFINITIONS

1.1 **General Rule**. Capitalized terms not otherwise defined in this BA Agreement shall have the same meaning as those terms have in the HIPAA Regulations.

1.2 **HIPAA** means the Health Insurance Portability & Accountability Act of 1996, P.L. 104-191, as amended by the HITECH Act.

1.3 **HIPAA Regulations** means the regulations promulgated under HIPAA by the U.S. Department of Health and Human Services, including, but not limited to, the Privacy Rule, the Security Rule, and the Breach Notification Rule, as currently in effect and as modified from time to time.

1.4 **HITECH Act** means Subtitle D of the Health Information Technology for Economic and Clinical Health Act ("HITECH"), which is Title XIII of the American Recovery and Reinvestment Act of 2009, P.L. 111-5.

1.5 **Privacy Rule** means the Standards for Privacy of Individually Identifiable Health Information, codified at 45 CFR Parts 160 and 164, Subparts A and E, as currently in effect and as modified from time to time.

1.6 **Protected Health Information or "PHI"** shall have the meaning given to the term "Protected Health Information" under the Privacy Rule.

1.7 **Breach Notification Rule** means the Standards for Notification in the Case of Breach of Unsecured Protected Health Information, codified at 45 CFR Parts 160 and 164, Subparts A and D, as currently in effect and as modified from time to time.

1.8 **Security Rule** means the Security Standards for the Protection of Electronic Protected Health Information, codified at 45 CFR Parts 160 and 164, Subparts A and C, as currently in effect and as modified from time to time.

1.9 **California Confidentiality Laws** means the laws of the State of California governing the confidentiality of PHI, including, but not limited to, the California Confidentiality of Medical Information Act (Cal. Civil Code §56 *et seq.*), the patient access law (Cal. Health & Safety Code §123100 et seq.), the HIV test result confidentiality law (Cal. Health & Safety Code §120975 et seq.), the Lanterman-Petris-Short Act (Cal. Wel. & Inst. Code §5328 et seq.), the medical identity theft law (Cal. Civil Code §1798.82), and the improper access notification law (Cal. Health & Safety Code §1280.15).

ARTICLE II: OBLIGATIONS OF BA

2.1 **General Requirements**. Except as otherwise limited in this BA Agreement, BA may use or disclose PHI to perform functions, activities, or services for, or on behalf of, CE pursuant to one or more services agreements between CE and BA (the "Services Agreements"), as listed on Exhibit A to this BA Agreement, provided that such Use or Disclosure would not violate HIPAA, the HIPAA Regulations, or the California Confidentiality Laws if done by CE. BA and its agents and subcontractors shall only request, use, and disclose the minimum amount of PHI necessary to accomplish the purpose of the permitted Use or Disclosure. BA agrees to comply with all applicable provisions in HIPAA, the HIPAA Regulations, and the California Confidentiality Laws.

2.2 **Uses or Disclosures Permitted by Privacy Rule**. As permitted by the Privacy Rule, BA may use or disclose PHI: (a) as is necessary for the proper management and administration of BA's organization, or (b) to carry out the legal responsibilities of BA; provided, however, that any permitted Disclosure to a third party must be either Required By Law or subject to reasonable assurances obtained by BA from the third party that the PHI will be held confidentially, and securely, and used or disclosed only as Required By Law or for the purposes for which it was disclosed to such third party, and that any breaches of confidentiality of the PHI which become known to such third party will be immediately reported to BA. BA shall obtain the prior permission of CE before making any such disclosure that is not Required by Law. BA shall notify CE in a timely manner prior to making any Disclosure that is Required By Law, in order to afford CE the opportunity to respond to the request for such a Disclosure.

2.3 **Data Aggregation**. BA may provide Data Aggregation services relating to the Health Care Operations of CE.

2.4 **Disclosures to Agents and Subcontractors**. BA shall ensure that any agent or subcontractor to whom it provides PHI agrees in writing to the same restrictions, conditions, and requirements that apply to BA with respect to such PHI and as set forth

herein regarding the Use and Disclosure and security of PHI, including, but not limited to, implementation of administration, physical and technical safeguards, notice of prohibited Use or Disclosure, mitigation of harmful effects, responses to requests for access and amendment, and a term permitting immediate termination of the agent's or subcontractor's agreement with BA for improper Use or Disclosure of PHI. BA shall terminate its agreement with any agent or subcontractor to whom it provides PHI if such agent or subcontractor fails to abide by any material term of such agreement.

2.5 **Safeguards**. BA shall implement and use appropriate safeguards as necessary to prevent the Use or Disclosure of PHI in any manner that is not permitted by this BA Agreement, including but not limited to, safeguards designed to limit incidental Uses or Disclosures made pursuant to an otherwise permitted or required Use or Disclosure.

2.6 **Security Rule Safeguards**. To the extent that BA creates, receives, maintains, or transmits electronic PHI, BA shall comply with the Security Rule and implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of any electronic PHI that may be transmitted in conformity with the requirements of the Security Rule and prevent the Use or Disclosure of electronic PHI in any manner that is not permitted by this BA Agreement.

2.7 **Direct Access to CE's Electronic Systems**. If BA or its employees/agents are granted direct access to CE's electronic systems, BA will ensure that each of its employees and agents has access to only what is required for each employee/agent to perform the specific duties assigned by BA to that individual employee/agent pursuant to the Services Agreement with CE. Further, BA will provide immediate notice when its employees/agents are terminated or change roles or otherwise no longer have a need for access, BA will routinely monitor the list of employees/agents with access, BA will educate its employees/agents that sharing of login information among its employees/agents is prohibited, and BA will provide CE with a list of its employees/agents with access to CE's electronic systems upon request by CE.

2.8 **Minimum Necessary Use and Disclosure**. In conducting functions and/or activities under this BA Agreement or any other agreement between the parties hereto that involve the use and/or disclosure of PHI, BA shall make reasonable efforts to limit the use and/or disclosure of PHI to the minimum amount of information necessary as determined by CE to accomplish the intended purpose of the use or disclosure.

2.9 **Reporting**. BA agrees to provide written notice to CE of any Use or Disclosure of PHI that is in violation of this BA Agreement, the Privacy Rule, the California Confidentiality Laws, or other applicable federal or state law, within five (5) calendar days of becoming aware of such Use or Disclosure. BA shall also notify CE in writing within five (5) calendar days of receipt of any complaint that BA receives concerning the handling of PHI or compliance with this BA Agreement. BA further agrees to provide written notice to CE of any Security Incident within five (5) calendar days of BA's discovery of such Security Incident.

Notwithstanding the foregoing, BA shall immediately, and in no case longer than forty-eight (48) hours after, upon discovery of a Breach under HIPAA or breach under applicable state law, report to CE such Breach/breach, consistent with HIPAA, the HIPAA Regulations, and the California Confidentiality Laws. BA must also, without unreasonable delay, identify each individual whose unsecured PHI has been, or is reasonably believed to have been, accessed, acquired or disclosed as a result of the Breach/breach, and provide such information to CE as needed in order to meet the data breach notification requirements under the Breach Notification Rule and the California Confidentiality Laws, and in any event within five (5) calendar days after the discovery of the Breach/breach. The Breach shall be considered "discovered" when the BA knew or reasonably should have known when the Breach occurred.

BA agrees to fully cooperate, coordinate with and assist CE in gathering the information necessary to notify the affected individuals. BA agrees to cooperate with CE to ensure that all such Breach/breach notices are sent without unreasonable delay, and in no case more than five (5) business days from the discovery of the Breach/breach, as required under the applicable California Confidentiality Laws. BA agrees that it shall be solely responsible for all costs and expenses incurred by both CE and BA as a result of the Breach/breach, including costs associated with mitigation, preparation and delivery of the notices.

2.10 **Mitigation**. BA shall mitigate promptly, to the extent practicable, any harmful effect that is known to BA of a Use or Disclosure of PHI by BA in violation of this BA Agreement, the Privacy Rule, or other applicable federal or state law.

2.11 **Requests for Restrictions**. BA agrees to comply with requests for restrictions on Use or Disclosure of PHI that CE has agreed to or is required to abide by under 45 C.F.R. §164.522, to the extent that such restriction may affect BA's use or disclosure of such PHI.

2.12 **Access and Amendment**. To enable CE to fulfill its obligations under the Privacy Rule, BA shall make PHI in Designated Record Sets that are maintained by BA or its agents or subcontractors available to CE for inspection, copying or amendment within ten (10) calendar days of a request by CE. If an Individual requests inspection, copying or amendment of PHI directly from BA or its agents or subcontractors, BA shall notify CE in writing within five (5) business days of receipt of the request, and shall defer to, and comply with, CE's direction in a timely manner regarding the response to the Individual regarding the request for inspection, copying or amendment.

2.13 **Accounting**. BA shall implement a process for recording certain Disclosures of PHI by BA ("Accounting Information") in order to enable CE to comply timely with its obligations under the Privacy Rule including, but not limited to, 45 CFR Section 164.528. At a minimum, this Accounting Information shall include for each such Disclosure recordation of (a) the name and date of birth of the Individual whose PHI was the subject of the Disclosure; (b) the date of Disclosure; (c) the name and address of the recipient of the PHI; (d) a brief description of the PHI disclosed; and (e) a brief statement of the purpose for the Disclosure that reasonably informs the Individual of the basis for the

Disclosure. Within ten (10) calendar days of notice from CE of a request for an accounting of Disclosures of PHI, BA shall make available to CE this Accounting Information. In addition, for any month in which BA makes a Disclosure of PHI, BA shall provide Accounting Information during the subsequent month pertaining to CE, in a format and medium specified by CE. If an Individual requests an accounting directly from BA or its agents or subcontractors, BA must notify CE in writing within five (5) business days of the request, and shall defer to, and comply in a timely manner with, CE's direction regarding the response to the Individual regarding the request for an accounting.

2.14 **Government Officials**. BA shall make its internal practices, books and records relating to the Use and Disclosure of PHI available to the Secretary of the U.S. Department of Health and Human Services ("Secretary") for purposes of determining CE's compliance with the Privacy Rule. BA shall notify CE regarding any PHI that BA provides to the Secretary concurrently with providing such PHI to the Secretary, and upon CE's request, shall provide CE with a duplicate copy of such PHI.

2.15 **Insurance and Indemnity**. BA shall maintain or cause to be maintained sufficient insurance coverage as shall be necessary to insure BA and its agents or subcontractors against any claim or claims for damages arising under this BA Agreement. Such insurance coverage shall apply to all sites of BA and to all services provided by BA or its agents or subcontractors under this BA Agreement.

BA shall indemnify, hold harmless and defend CE and its affiliated entities from and against any and all claims, losses, liabilities, costs and other expenses (including reasonable attorneys' fees and costs, and administrative penalties and fines) incurred as a result of, or arising directly or indirectly out of or in connection with any act or omission of BA, its agents or subcontractors, under this BA Agreement including, but not limited to, negligent or intentional acts or omissions. The indemnification obligation of BA shall survive termination of this BA Agreement.

2.16 **Prohibition on Sale of PHI**. BA agrees to comply with the prohibition of sale of PHI without authorization unless an exception under 45 C.F.R. § 164.508 applies.

2.17 **Compliance with CE's Obligations.** To the extent that BA carries out CE's obligations under HIPAA, the HIPAA Regulations, or the California Confidentiality Laws, BA shall comply with all of the requirements of HIPAA, the HIPAA Regulations, and the California Confidentiality Laws, in the performance of such obligations.

ARTICLE III: OBLIGATIONS OF CE

3.1 **Notice of Privacy Practices**. CE shall notify BA of limitation(s) in its notice of privacy practices, in accordance with 45 CFR Section 164.520, to the extent such limitation affects BA's permitted Uses or Disclosures.

3.2 **Individual Permission**. CE shall notify BA of changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent such changes affect BA's permitted Uses or Disclosures.

3.3 **Restrictions**. CE shall notify BA of restriction(s) in the Use or Disclosure of PHI that CE has agreed to, in accordance with 45 CFR Section 164.522, to the extent such restriction affects BA's permitted Uses or Disclosures.

3.4 **Prohibited Requests**. CE shall not request BA to use or disclose PHI in any manner that would not be permissible under HIPAA, the HIPAA Regulations, or the California Confidentiality Laws, if done by CE.

ARTICLE IV: TERM AND TERMINATION

4.1 **Term**. This BA Agreement shall be effective as of the Effective Date, and shall continue in effect with respect to each Services Agreement until: (i) this BA Agreement is terminated in accordance with the provisions of Section 4.2 or (ii) the relevant Services Agreement (in its entirety) is terminated; provided, however, that in the event that CE has entered into more than one Services Agreements with BA and one or more, or a portion of one or more, but not all, of such Services Agreements are terminated, this BA Agreement shall terminate only with respect to the Services Agreement(s) (or portions thereof) that have been terminated. Under such circumstances, this BA Agreement shall continue in effect with respect to all Services Agreements (or portions thereof) between CE and BA which have not been terminated.

4.2 **Termination for Cause**. In the event of either party's material breach of this BA Agreement, the non-breaching party may terminate this BA Agreement upon ten (10) calendar days prior written notice to the breaching party in the event the breaching party does not cure such breach to the reasonable satisfaction of the non-breaching party within such ten (10) calendar day period. In the event that cure of a breach under this Section 4.2 is not reasonably possible, the non-breaching party may immediately terminate this BA Agreement; or if neither termination nor cure is feasible, the non-breaching party may, subject to all applicable legal privileges, report the violation to the Secretary of the Department of Health and Human Services. Either party may terminate this BA Agreement immediately if (a) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA, HIPAA Regulations, or the California Confidentiality Laws, or (b) if a finding or stipulation that the other party has violated any standard or requirement of HIPAA, the HIPAA Regulations, the California Confidentiality Laws, or any other security or privacy law is made in any administrative or civil proceeding in which that party has been joined.

4.3 **Effects of Termination**. Upon termination of the business relationship between the parties and/or the BA Agreement for any reason, BA shall, at CE's direction, return or destroy all PHI that BA or its agents or subcontractors still maintain in any form, and shall retain no copies of such PHI. Upon CE's request, BA shall certify in writing that such return or destruction has occurred. If BA determines that return or destruction is not feasible, BA shall explain to CE in writing why conditions make the return or destruction of such PHI not feasible. If CE agrees that the return or destruction of PHI is not feasible, BA shall retain the PHI, subject to all of the protections of this BA Agreement, and shall make no further Use or Disclosure of the PHI, except as for those purposes that make the return or destruction of the PHI not feasible. In any event, upon termination of the

business relationship between the parties and/or the BA Agreement, BA shall retain for no less than six (6) years the Accounting Information compiled by BA pursuant to section 2.13 of this BA Agreement, and shall make such Accounting Information available to CE within five (5) business days of a request.

4.4 **Survival**. The obligations of BA under this Article IV shall survive the termination of the business relationship between the parties and/or the BA Agreement.

ARTICLE V: MISCELLANEOUS

5.1 **Assistance**. In the event of an administrative or judicial action commenced against CE where BA may be at fault, in whole or in part, as the result of its performance under this BA Agreement, BA agrees to defend or to cooperate with CE in the defense against such action.

5.2 **Subcontracts and Assignment**. BA shall not subcontract its obligations, assign its rights, or delegate its duties under this BA Agreement without the express written consent of CE.

5.3 **Amendment**. If any modification to this BA Agreement is required for conformity with federal or state law or if CE reasonably concludes that an amendment to this BA Agreement is required because of a change in federal or state law, or by reason of CE's status as a business associate of another covered entity, CE shall notify BA of such proposed modification(s) ("Required Modifications"). Such Required Modifications shall be deemed accepted by BA and this BA Agreement so amended, if BA does not, within thirty (30) calendar days following the date of the notice, deliver to CE its written rejection of such Required Modifications. If BA submits a written rejection of the Required Modification, CE may terminate its business relationship with BA upon thirty (30) calendar days written notice, or such longer period as may be required by law. Other modifications to this BA Agreement may be made on mutual agreement of the parties.

5.4 **Business Relationship**. Except as specifically required to implement the purposes of this BA Agreement, and except to the extent inconsistent with this BA Agreement, all terms of the business relationship between the parties shall remain in full force and effect. In the event of a conflict between the terms of the business relationship between the parties and this BA Agreement, this BA Agreement shall control.

5.5 **Ambiguity**. Any ambiguity in this BA Agreement relating to the Use and Disclosure of PHI shall be resolved in favor of a meaning that furthers the obligations to protect the privacy and security of the PHI, whether electronic or other medium, in accordance with the Privacy Rule.

5.6 **Primacy**. To the extent that any provisions of this BA Agreement conflict with the provisions of any other agreement or understanding between the parties, this BA Agreement shall control with respect to the subject matter of this BA Agreement.

5.7 **Third Party Beneficiaries**. Except as expressly provided for in this BA Agreement or the Privacy Rule, there are no third party beneficiaries to this BA Agreement.

5.8 **Independent Contractors**. No provision of this BA Agreement is intended to create, nor shall be deemed or construed to create, any employment, agency or joint venture relationship between CE and BA other than that of independent entities contracting with each other hereunder solely for the purpose of effectuating the provisions of this BA Agreement. None of the parties nor any of their respective representatives shall be construed to be the agent, employer, or representative of the other. The parties have reviewed the factors to determine whether an agency relationship exists under the federal common law of agency and it is not the intention of either CE or BA that BA constitute an "agent" under such common law.

5.9 **Counterparts; Facsimiles**. This BA Agreement and any exhibits hereto may be executed in one or more counterparts; each counterpart shall be deemed an original. Facsimile copies hereof shall be deemed to be originals.

5.10 **Notices**. All notices required or permitted to be given under this BA Agreement shall be in writing and shall be sufficient in all respects if delivered personally, by nationally recognized overnight delivery service, or by registered or certified mail, postage prepaid, addressed as set forth in the notice provisions under the IMA. Notice shall be deemed to have been given upon transmittal thereof as to those personally delivered, upon the first day after mailing as to those sent by nationally recognized overnight delivery service, and upon the third day after mailing as to those sent by United States Mail. The above addresses may be changed by giving notice in the manner provided for above.

IN WITNESS WHEREOF, the parties hereto have duly executed this BA Agreement to be effective as of the Effective Date.

CE	**BA**
Seton Medical Center	AHMC Healthcare, Inc.
By:_____	By:_____
Name: _____	Name: _____
Title: _____	Title: _____

Schedule 3.4 to IMA

Corporation's Billing Credentials

Provider Number Listing	
Medicare	
05-0289	Seton Medical Center
ZZZ26237Z	Seton Medical Center (Part B)
55-5235	Seton Medical Center-SNF (hospital based)
05-S289	Seton Medical Center - Psych
05-7249	West Bay-HHA (closed Dec 2008 but number is technically still active)
Medi-Cal	
ZZR 00289G	Acute Inpatient Non-Contract
HSC 00289G	Acute Inpatient Contract
LTC 55235G	SNF Inpatient LTC
LTC 70037G	MAC Inpatient (LTC Subacute)
	Gero-Psych
HSP 40289G	Coastside - Outpatient
HHA 70027F	Home Health Agency (no longer used)

Lockbox Accounts			
Account Name	**Legal Entity**	**Bank**	**Account #**
Seton Medical Center (SMC) - Lockbox	Seton Medical Center	Bank of America	XXXXXX2902
Seton Medical Center Coastside (SMCC) - Lockbox	Seton Medical Center	Bank of America	XXXXXX2907

Schedule 3.6 to IMA

Retained Contracts

To be completed by the parties, in accordance with both the IMA and that certain Asset Purchase Agreement, dated as of March 30, 2020 by and between CE and BA and certain other entities (the "APA").

SALE LEASEBACK AGREEMENT

This Sale Leaseback Agreement (the "**Leaseback Agreement**") is made and entered into as of March 30, 2020 (the "**Signing Date**"), by and among Seton Medical Center, a California nonprofit public benefit corporation (the "**Corporation**") on the one hand, and AHMC Healthcare Inc., a California corporation ("**Parent Company**") and a legal entity to be formed and controlled by Parent Company ("**Hospital Newco**," and collectively with Parent Company, the "**Parent Company Parties**") on the other hand. The Corporation, Parent Company, and Hospital Newco may be referred to herein individually as a "**Party**," and collectively as the "**parties**."

RECITALS

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the "**Bankruptcy Cases**") under chapter 11 of title 11 of the United State Code (the "**Bankruptcy Code**").

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the "**Bankruptcy Court**").

C. Parent Company, on the one hand, and the Corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation ("**Verity**"), and Verity Holdings, LLC, a California limited liability company ("**Verity Holdings**", and together with Verity and the Corporation, "**Sellers**"), on the other, have entered into that certain Asset Purchase Agreement, dated of even date herewith (the "**APA**"), which provides for the sale of the assets of the Corporation and related assets (collectively, the "**Assets**").

D. The Corporation operates two general acute care hospitals under a single license, consisting of: (i) the hospital known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, CA 94015, including the related hospital pharmacy, laboratory and emergency department and (ii) the hospital known as Seton Medical Center Coastside, located at 600 Marine Blvd, Moss Beach, CA 94038, including the related hospital pharmacy, laboratory and emergency department (collectively, the "**Hospital**"), and such other locations where the Hospital's services are provided (collectively, the "**Hospital Premises**").

E. Parent Company designated its affiliate, Hospital Newco, as the owner of the Corporation's Assets purchased by Parent Company under the APA (the "**Designation**"), and its affiliate _____ (the "**Manager**") as the operator of the Hospital.

F. Pursuant to Section 1.3 of the APA, the Corporation, Parent Company, and the Manager, are entering into that certain Interim Management Agreement ("**IMA**") of even date herewith, and commencing at the Effective Time (as defined in the APA), to enable the Manager to manage the day-to-day operations of the Hospital following the Closing (as defined in the APA) until the Manager is issued the Licenses (as defined in the APA) necessary to operate the Hospital (for the avoidance of doubt, that date will occur when the Manager is issued both a license to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy (collectively, the "**New Licenses**")).

G. Pursuant to the APA, at the Effective Time, Parent Company will purchase the Hospital Assets, except for the Excluded Assets (as set forth in the APA). Also pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the "**Pharmacy Assets**") shall transfer to Parent Company (or its affiliate) as of the Licensure Date (as defined in the APA).

H. Immediately following the Closing, and until the Manager obtains the New Licenses, the Parent Company Parties desire to lease back or license to the Corporation all of the then-acquired Hospital Assets used in the operation of the Hospital, and the Corporation desires to so lease or license such Hospital Assets from the Parent Company Parties on the terms and conditions set forth herein. The Hospital Assets shall exclude the Pharmacy Assets, which the Corporation shall own until the New Licenses are issued.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. Any capitalized term appearing herein that is not defined shall have the same definition ascribed to it under the IMA or the APA (as designated when such term first appears herein).

2. Description of The Leased or Licensed Assets.

2.1 Leased or Licensed Assets. The Parent Company Parties hereby lease or license to the Corporation, and the Corporation leases or licenses from the Parent Company Parties, all of the Assets used in the operation of the Hospital, except for the Pharmacy Assets, which the Corporation shall continue to own until the Licensure Date (as defined in the APA) (collectively, the "**Leased or Licensed Assets**"). Specifically, the Leased or Licensed Assets shall include: (a) the Hospital Premises (which shall be leased); (b) tangible personal property, including, but not limited to, fixtures, furnishings, hard copy medical and financial records and equipment (including, but not limited to, hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems) (which shall be leased); and (c) intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Corporation).

2.2 Management of Pharmacy and Use of Pharmacy Assets.

(a) The Corporation shall at all times during the term of this Leaseback Agreement be the owner of the Pharmacy Assets. The parties acknowledge, however, that under the IMA, the Manager will be managing the Corporation's pharmacy during the Management Period (as defined in the IMA), and the Corporation therefore grants the Manager (i) access to and authority to use the drugs, dangerous drug delivery devices, or other tangible pharmacy assets, and (ii) a license to use the intangible intellectual property saved or embodied in the pharmacy systems, in each case to the extent necessary for the Manager to fulfill its obligations under the IMA.

(b) Pursuant to the IMA, the Corporation shall be responsible for purchasing drugs and dangerous devices identified by the Manager as necessary for the operations of the Hospital, and the Manager shall reimburse the Corporation for all costs and expenses incurred for such purchases.

3. Term; Termination. This Leaseback Agreement shall have a term coextensive with the Management Period (as defined in the IMA) and shall automatically terminate upon the termination of the IMA.

4. Payments by the Parent Company Parties.

4.1 Utilities. The Parent Company Parties shall pay all utilities and services supplied to the Hospital during the term hereof, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services.

4.2 Taxes. The Parent Company Parties shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon or against the Leased or Licensed Assets, the Hospital, and/or the Hospital Premises, after the Effective Time.

4.3 Insurance. The Parent Company Parties shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Leased or Licensed Assets, the Pharmacy Assets, the Hospital, and the Hospital Premises during the term hereof. The Parent Company Parties covenant and agree that the Leased or Licensed Assets, the Pharmacy Assets, the Hospital, and the Hospital Premises are covered as of the date hereof and will be covered at all times by general liability, fire, theft, business interruption, cyber, professional liability, directors and officers insurance, employment practices liability, terrorism, workers' compensation & employers' liability, directors and officers, fiduciary, crime, punitive damages excess liability, physical damage, property liability, automobile, storage tank, helipad and non-owned aviation, sexual misconduct and molestation, medical provider professional liability, and provider capitation stop loss (managed care excess loss) insurance. All such insurance shall name the Parent Company Parties and the Corporation as insureds as their respective interests may appear.

4.4 Repairs and Maintenance: Alterations. The Parent Company Parties shall pay all costs of repairing (including replacement of) and maintaining the Leased or Licensed Assets and Hospital and every part thereof in good and sanitary order, condition and repair during the term hereof, reasonable wear and tear excepted, including, without limitation, all costs of all repairs, replacements and maintenance required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development (OSHPD). The Corporation shall not make any alterations or changes to the Leased or Licensed Assets, the Hospital or the Hospital Premises without prior written approval of the Parent Company Parties, which may be given or withheld in the Parent Company Parties' sole discretion.

4.5 Payment. Nothing in this Section 4 shall in any way limit, reduce, or otherwise affect Parent Company's payment obligations under the IMA or the APA.

5. Use. The Leased or Licensed Assets shall be used for the operation of the Hospital, subject to the terms of the APA and the IMA.

6. Risk of Loss.

6.1 The Corporation assumes no risks or liability for damage to or injury occurring to the Leased or Licensed Assets or Hospital during the term of this Leaseback Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, accident or any other casualty (collectively, "**Casualty**"), and the Parent Company Parties shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

6.2 If, during the term of this Leaseback Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, "**Condemnation**"), the Parent Company Parties, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

6.3 In the event of a Casualty or Condemnation, neither the Parent Company Parties nor the Corporation may terminate this Leaseback Agreement.

7. Continued Access. Following termination of this Leaseback Agreement, and until the entry of final decrees closing the Bankruptcy Cases, the Patient Care Ombudsman, appointed by the United States Trustee pursuant to Bankruptcy Code § 333 and approved by the Bankruptcy Court [*see* Docket No. 430], shall have continuing access to the Leased or Licensed Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to the Parent Company Parties, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the chapter 11 plan as approved by the Bankruptcy Court.

8. Miscellaneous.

8.1 Further Assurances. Each of the parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Leaseback Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

8.2 Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Leaseback Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation:	Seton Medical Center c/o Verity Health System of California, Inc. 601 South Figueroa Street, Suite 4050 Los Angeles, CA 90017-5704 Attention: Chief Executive Officer
With copies to: (which copy shall not constitute notice)	Tania Moyron, Esq. Dentons US LLP 601 South Figueroa St., Suite 2500 Los Angeles, CA 90017-5704 and Hope Levy-Biehl, Esq. Davis Wright Tremaine LLP 865 S Figueroa St, Los Angeles, CA 90017
If to the Parent Company Parties:	AHMC Healthcare Inc. 55 S. Raymond Ave., Suite 105 Alhambra, CA 91801 Attention: Jonathan Wu Facsimile: 626-289-8952
With copies to: (which copies shall not constitute notice)	AHMC Healthcare Inc., Legal Department 500 E. Main St., 5th Floor Alhambra, CA 91801 Attention: Maan-Huei Hung, Esq. Facsimile: 626-248-3303

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other parties in accordance with this Section 8.2.

8.3 Payment of Expenses. Except for the Parent Company Parties' obligation to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Leaseback Agreement, each Party hereto shall bear its own legal, accounting, and other expenses incurred in connection with the preparation and negotiation of this Leaseback Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

8.4 Rent. The Corporation has prepaid the sum of One Thousand Dollars ($1,000.00), the receipt of which is hereby acknowledged by the Parent Company Parties, and the Corporation shall not be required to pay the Parent Company Parties any additional rent under this Leaseback Agreement.

8.5 Entire Agreement; Amendment; Waiver. This Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the parties other than those set forth in this Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement. Nothing in this Leaseback Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court. This Leaseback Agreement may not be modified or amended except in writing signed by the parties hereto. No waiver of any term, provision or condition of this Leaseback Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Leaseback Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

8.6 Assignment. Neither this Leaseback Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by the Corporation or the Parent Company Parties without the prior written consent of the other parties, which may be granted, denied or conditioned in such Party's absolute discretion except that the Parent Company Parties may assign this Leaseback Agreement in connection with any permitted assignment under the IMA. Subject to the foregoing, this Leaseback Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the parties hereto.

8.7 Joint Venture; No Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership among the parties hereto with respect to the subject matter hereof. The parties hereto do not intend that any third party shall have any rights under this Leaseback Agreement.

8.8 Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

8.9 Governing Law. This Leaseback Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions.

8.10 Jurisdiction. The parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Leaseback Agreement, and any of the documents or transactions contained in or contemplated by this Leaseback Agreement; *provided, however*, that the parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Leaseback Agreement, or any of the documents or transactions contemplated hereby, the parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.2 hereof

8.11 Conditions to Effectiveness. The parties acknowledge that this Leaseback Agreement is subject to and contingent upon the occurrence of the Closing under the APA. This Leaseback Agreement shall not be effective, nor shall any Party have any obligations hereunder, unless and until the Closing under the APA has occurred.

8.12 Cooperation on Regulatory Compliance Matters. The Parent Company Parties understand and acknowledges that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance, as well as the requirements or recommendations of any accrediting agencies. In the event the terms of this Leaseback Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Leaseback Agreement, the Parent Company Parties shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request, recommendation or directive.

8.13 Transition Services Agreement. Pursuant to Section 1.4.8 and Section 1.5.8 of the APA, the Sellers and Parent Company will enter into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The parties hereto shall cooperate with each other to enable the Corporation and the Parent Company Parties to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

8.14 Fair Meaning. This Leaseback Agreement shall be construed according to its fair meaning and as if prepared by all parties hereto.

8.15 Counterparts. This Leaseback Agreement may be executed by one or more of the parties hereto on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Leaseback Agreement may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

Parent Company Parties:

AHMC HEALTHCARE INC.

By: _____

Name: Jonathan Wu

Title: President/CEO

Corporation:

SETON MEDICAL CENTER,

a California non-profit public benefit corporation

By: _____

Name: _____

Title: _____

Exhibit B

Proposed Form of Cure Notice

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

Proposed 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.	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 Hon. Judge Ernest M. Robles
☒ 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.	**NOTICE TO COUNTERPARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF THE DEBTORS THAT MAY BE ASSUMED AND ASSIGNED** **[RELATES TO DOCKET NOS. ____]** **Hearing:** **Date: _____, 2020** **Time: 10:00 am** **Place: Courtroom 1568** **255 E. Temple St.,** **Los Angeles, CA**

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

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

NOTICE TO COUNTERPARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF THE DEBTORS THAT MAY BE ASSUMED AND ASSIGNED

PLEASE TAKE NOTICE that, on March ___, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Notice of Motion and Motion to Approve Terms and Conditions of a Private Sale of Certain of the Debtors' Assets Related to Seton Medical Center to AHMC Healthcare, Inc.* [Docket No. ____] (the "Motion").[1]

PLEASE TAKE FURTHER NOTICE that, on _____, 2020, the Court entered an Order [Docket No. ____] (the "Order") approving, among other things, the sale (the "Sale") pursuant to that certain asset purchase agreement (the "APA") as set forth more fully in the Motion, which Order governs (i) the sale of certain assets (the "Purchased Assets") of Verity Health System of California, Inc. ("VHS"), Verity Holdings, LLC ("Holdings"), and Seton Medical Center ("Seton" and, together with VHS and Holdings, the "Sellers"), and (ii) procedures for the assumption and assignment of certain of the Sellers' executory contracts and unexpired leases.

PLEASE TAKE FURTHER NOTICE that the Motion also seeks Court approval of the Sale of the Purchased Assets to AHMC Healthcare, Inc. ("AHMC"), free and clear of all liens, claims, interests and encumbrances pursuant to § 363 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq*. including the assumption by the Debtors and assignment to AHMC of certain executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code (the "Assumed Executory Contracts"), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale with the same priority, validity and enforceability as they had prior to such Sale.

PLEASE TAKE FURTHER NOTICE that the Court held a hearing (the "Sale Hearing") on _____, 2020, at 10:00 a.m. (Pacific Time), approving the Sale. The Court set a further hearing to be held on **_____, 2020, at 10:00 a.m. (prevailing Pacific Time)**, before the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568 concerning any objections to the assumption and assignment of the Assumed Executory Contracts (the "Assumption Objection Hearing"). The Assumption Objection Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Assumption Objection Hearing.

PLEASE TAKE FURTHER NOTICE that, consistent with the Order, the Debtors may seek to assume an executory contract or unexpired lease to which you may be a party. The Assumed Executory Contract(s) are described on Exhibit A attached to this Notice. The amount shown on Exhibit A hereto as the "Cure Amount" is the amount, if any, which the Debtors assert is owed to cure any defaults existing under the respective Assumed Executory Contract.

PLEASE TAKE FURTHER NOTICE that, if you (i) disagree with the Cure Amount shown for the Assumed Executory Contract(s) on Exhibit A to which you are a party, and/or (ii) object to the assumption and assignment of the Assumed Executory Contract with respect to

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

AHMC's ability to provide adequate assurance of future performance under the Assumed Executory Contract, then you must file in writing with the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, an objection on or before **5:00 p.m. (prevailing Pacific Time) _____, 2020**. Any objection must set forth the specific default or defaults alleged and set forth any cure amount as alleged by you. If a contract or lease is assumed and assigned pursuant to a Court order approving same, then unless you properly file and serve an objection to the Cure Amount contained in this Notice, you will receive at the time of the closing of the sale (or as soon as reasonably practicable thereafter), the Cure Amount set forth herein, if any. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of the amount, if any, set forth in the attached Exhibit A.

PLEASE TAKE FURTHER NOTICE that any objection you may file must be served so as to be received by the following parties by the applicable objection deadline date and time: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emergy LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com, psaba@jonesday.com).

PLEASE TAKE FURTHER NOTICE that AHMC shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under 11 U.S.C. §§ 365(b) and (f) in connection with the proposed assignment of any Assumed Executory Contract. The Court shall make its determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to 11 U.S.C. §§ 365(b) and (f) at the Assumption Objection Hearing.

PLEASE TAKE FURTHER NOTICE that except to the extent otherwise provided in the AHMC APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to 11 U.S.C. § 365(k).

PLEASE TAKE FURTHER NOTICE that Assumption Objections may be resolved by the Court at the Assumption Objection Hearing, or at a separate hearing either before or after the Assumption Objection Hearing.

PLEASE TAKE FURTHER NOTICE that nothing contained herein shall obligate the Debtors to assume any Assumed Executory Contracts or to pay any Cure Amount.

PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND SERVE AN OBJECTION AS STATED ABOVE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITH NO FURTHER NOTICE.

PLEASE TAKE FURTHER NOTICE THAT ANY COUNTERPARTY TO ANY ASSUMED EXECUTORY CONTRACT WHO DOES NOT FILE A TIMELY OBJECTION TO THE CURE AMOUNT FOR SUCH ASSUMED EXECUTORY CONTRACT IS DEEMED TO HAVE CONSENTED TO SUCH CURE AMOUNT.

Dated: _____, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By *[DRAFT]*
Tania M. Moyron

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

(Assumed Executory Contracts)

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

EXHIBIT "H"

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.	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 Hon. Judge Ernest M. Robles
☒ 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.	**DEBTORS' EMERGENCY MOTION FOR THE ENTRY OF: (I) AN ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT; (2) APPROVING AUCTION SALE FORMAT AND BIDDING PROCEDURES; (3) APPROVING STALKING HORSE BIDDER AND BID PROTECTIONS; (4) APPROVING FORM OF NOTICE TO BE PROVIDED TO INTERESTED PARTIES; (5) SCHEDULING A COURT HEARING TO CONSIDER APPROVAL OF THE SALE TO THE HIGHEST AND BEST BIDDER; AND (6) APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (II) AN ORDER AUTHORIZING THE SALE OF PROPERTY FREE AND CLEAR OF ALL CLAIMS, LIENS AND ENCUMBRANCES; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS IN SUPPORT THEREOF** **Hearing:** **Date: [TBD]** **Time: [TBD]** **Location: Courtroom 1568** **255 E. Temple St., Los Angeles, CA**

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

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

EMERGENCY MOTION

Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession (collectively, the "Debtors" or the "Verity Health System") in the above-captioned chapter 11 bankruptcy cases (the "Cases"), hereby move, on an emergency basis (the "Motion"),[1] pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"),[2] Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR"), for the entry of an order: (a) approving a process by which interested parties may bid (a "Bid") to purchase (the "Sale") certain assets (the "Purchased Assets") of Debtors St. Vincent Medical Center ("SVMC"),[3] Verity Holdings, LLC ("Holdings"), and VHS (together with SVMC and Holdings, the "Sellers"), including the procedures related to assumption and assignment of Assumed Executory Contracts and the payment of Cure Costs (as such terms are defined in the Motion); (b) approving the Chan Soon-Shiong Family Foundation or its permitted assignee (the "Stalking Horse Bidder" or the "Foundation") as the stalking-horse bidder and approving the termination payment, expense reimbursement and related bidding protections (the "Stalking Horse Bidder Protections") set forth in Section 9.3 of its Asset Purchase Agreement attached as Exhibit "A" to the Motion (the "Stalking Horse APA"); (c) approving the form of the Stalking Horse APA; (d) setting bid procedures (the "Bid Procedures") to establish guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (e) if the Debtors

---

[1] The Debtors request that the Court hold a hearing on the Motion on an emergency basis on **April 1, 2020, at 10:00 a.m. (Pacific Time)**, to meet the deadlines set forth in the Bid Procedures as outlined on page 2 of the Motion.

[2] All references to "§" are to sections of the Bankruptcy Code.

[3] The Purchased Assets related to SVMC include the hospital facilities formerly known as St. Vincent Medical Center, located at 2131 W. 3rd Street, Los Angeles, CA 90057, including the hospital pharmacy, laboratory and emergency department, as well as the medical office buildings and clinics owned and formerly operated by SVMC (collectively, the "Hospital") and are defined as the "Assets" under the Stalking Horse APA (as defined below).

receive one or more Qualified Bids (as defined in the Motion), in addition to the Stalking Horse Bid, scheduling an auction of the Purchased Assets; (f) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid; and (g) granting such other and further relief as is just and appropriate under the circumstances.

The Debtors concluded, in their business judgment, that the Sale on an emergency basis is in the best interests of the Debtors, their estates, and stakeholders, as follows: (i) the Stalking Horse Bidder desires to use the facilities on an expedited basis in order to coordinate with the State of California (the "State") and the local government to ensure that the facilities are being put to the best use in this critical time and to facilitate critical research related to the COVID-19 (as defined below) pandemic; (ii) given this need, the Stalking Horse Bidder desires to purchase facilities to facilitate and implement its plan and may acquire facilities from another seller if the proposed Sale is not approved on an emergency basis; (iii) St. Vincent has been widely and intensely marketed and the value of the proposed Sale is significant, particularly since it will generate at least $135 million in cash for the estates that continue to incur losses; and (iv) the Debtors seek to avoid the uncertain impact of COVID-19 on capital markets that may affect a sale approved on regular notice, including the potential impact on purchasers' access to financing and the value of the Purchased Assets. The Stalking Horse Bidder is aware of the lease agreement [Docket No. 4315] between the Debtors and the State of California (the "State"), wherein the State is leasing the primary facility, the Hospital, to provide services related to the SARS-CoV-2 virus and the related infectious disease ("COVID-19") pandemic. The Stalking Horse Bidder intends to cooperate with the State and use the additional buildings that comprise the St. Vincent campus, including three medical office buildings and Seton Hall, to also address COVID-19. The Stalking Horse Bidder's willingness to take assignment of the Lease will further the Debtors' charitable mission to ensure continued critical health care access to the communities formerly served by the Hospital through continued partnership with the State to address the COVID-19 pandemic post-closing.

Finally, the Debtors anticipate that the prepetition secured creditors and the Official Committee of Unsecured Creditors will support the proposed Sale and Bidding Procedures.

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

Accordingly, the Debtors respectfully request that the Court grant the Motion for an emergency hearing because the proposed expedited hearing will not prejudice any parties and is in the best interests of the Debtors' estates and creditors.

I.

BASIS FOR THE REQUESTED RELIEF

The Debtors seek approval of the Bidding Procedures and the Sale as expeditiously as possible for the reasons set forth above. The Motion is based upon §§ 105, 363, and 365, Bankruptcy Rules 2002, 6004, 6006, 9007, and 9014, and LBRs 6004-1(b) and 9013-1, the attached Memorandum of Points and Authorities, the *Declaration of Richard Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Decl."), the *Declaration of James M. Moloney in Support of the Debtors' Memorandum in Support of Entry of an Order: (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; (B) Authorizing the Assumption and Assignment of Designated Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* [Docket No. 2220] (the "Prior Moloney Decl."); the Declarations of Richard G. Adcock (the "Adcock Decl.") and James M. Moloney (the "Moloney Decl.") filed concurrently herewith, the arguments and statements of counsel to be made at the hearing on the Motion, and any other admissible evidence properly brought before the Court. The Debtors request that the Court take judicial notice of the record in the Debtors' Cases and any other judicially noticeable facts in support of the Motion, as appropriate, including all documents filed with the Court in these Cases that relate to the SGM Sale and the prior sale of hospitals to Santa Clara County.

II.

RESPONSES

Any party opposing or responding to the Motion may present such response (the "Response") at any time before or at the hearing on the Motion. *See* LBR 9075-1(a)(8). A Response must be a complete written or oral 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. Pursuant to LBR 9013-1(h), the

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

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.

III.

SERVICE OF MOTION

Counsel to the Debtors will serve this Motion, the attached Memorandum of Points and Authorities, the Adcock Decl., the Moloney Decl., and any notice required by the Court on: (i) the California Attorney General; (ii) the Official Committee of Unsecured Creditors; (iii) the Debtors' prepetition secured creditors; (iv) the Stalking Horse Bidder; (v) the Office of the United States Trustee; and (vi) any other parties on the Limited Service List set forth in the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132]. To the extent necessary, the Debtors request that the Court waive compliance with LBR 9075-1(a)(6) and approve service (in addition to the means of service set forth in such LBR) by overnight delivery.

IV.

RESERVATION OF RIGHTS

Nothing contained herein is intended or shall be construed as: (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors' or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any claim against the Debtors; or (iii) a waiver of any claims or causes of action which may exist against any creditor or interest holder.

V.

CONCLUSION

For all the foregoing reasons and such additional reasons as may be advanced at or prior to the hearing regarding this Motion, the Debtors respectfully request that the Court hold a hearing on an emergency basis to consider the Debtors request for an order: (a) approving a process by which interested parties may Bid to purchase the Purchased Assets of the Sellers, including procedures related to the assumption and assignment of Assumed Executory Contracts and payment of Cure Costs; (b) approving the Stalking Horse Bidder as the stalking-horse bidder

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

and approving the Stalking Horse Bidder Protections; (c) approving the form of the Stalking Horse APA; (d) approving Bid Procedures; (e) if the Debtors receive one or more Qualified Bids (as defined in the Motion), in addition to the Stalking Horse Bid, scheduling an auction of the Purchased Assets; (f) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid.; and (g) granting such other and further relief as is just and appropriate under the circumstances.

Dated: March 30, 2020

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

By */s/ Tania M. Moyron*
Tania M. Moyron

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

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

TABLE OF CONTENTS

Emergency Motion 1

I. Basis for the Requested Relief 3

II. Responses 3

III. Service of Motion 4

IV. Reservation of Rights 4

V. Conclusion 4

Memorandum of Points and Authorities 1

I. Introduction 1

II. Jurisdiction and Venue 3

III. Statement of Facts 3

A. General Background 3

B. Facts Relevant to Motion 5

a. Prepetition Sale Efforts 5

b. DIP Facility 5

c. Postpetition Sale Efforts 5

d. The First Sale Process 6

e. Closure of the Hospital 7

f. Marketing Process 2020 7

g. The Stalking Horse Bidder 8

IV. Proposed Sale and Bidding Procedures 8

A. The Primary Terms of the Stalking Horse APA 9

B. Requirements to Participate in the Auction 15

C. Prepetition Secured Creditor's Right to Credit Bid 16

D. The Stalking Horse Bidder Protections 17

E. Auction 17

F. Representations and Warranties 17

G. Acceptance of the Winning Bid 18

H. The Sale Hearing 19

I. Return of Deposits 20

J. Notice Procedures 20

K. Assumption and Assignment of Executory Contracts and Unexpired Leases and Procedures Related Thereto 21

V. Argument 23

A. Approval of the Bidding Procedures Is Appropriate and in the Best Interests of the Debtors' Estates and Stakeholders. 23

B. The Stalking Horse Bidder Protections Have A Sound Business Purposes and Are Necessary to Preserve the Value of the Debtors' Estates. 26

C. The Procedure for Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Is Appropriate. 29

D. Approval of the Sale Is Warranted under § 363 30

a. The Sale of the Assets is Authorized by § 363 as a Sound Exercise of the Debtors' Business Judgment. 30

b. The Sale of the Debtors' Assets Free and Clear of Liens and Other Interests is Authorized by § 363(f) 32

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

c. The Winning Bidder Should be Afforded All Protections Under § 363(m) as A Good Faith Purchaser. 34

E. Relief From the 14-Day Waiting Period under Bankruptcy Rules 6004(h) and 6006(d) Is Appropriate. 34

F. The Applicable Requirements of LBR 6004-1 Are Satisfied. 35

VI. Conclusion 36

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

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

TABLE OF AUTHORITIES

Page(s)

Cases

In re 995 Fifth Ave. Assocs.,
96 B.R. 24 (Bankr. S.D.N.Y. 1989) 27

In re Abbotts Dairies of Pa., Inc.,
788 F.2d 143 (2d Cir. 1986) 31

In re America West Airlines, Inc.,
166 B.R. 908 (Bankr. D. Ariz. 1994) 27

In re Atlanta Packaging Prods., Inc.,
99 B.R. 124 (Bankr. N.D. Ga. 1988) 25

In re Bon Ton Rest. & Pastry Shop, Inc.,
53 B.R. 789 (Bankr. N.D. Ill. 1985) 29

Burtch v. Ganz (In re Mushroom Transp. Co.),
382 F.3d 325 (3d Cir. 2004) 25

In re Bygaph, Inc.,
56 B.R. 596 (Bankr. S.D.N.Y. 1986) 30, 33

Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.),
181 F.3d 527 (3d Cir. 1999) 25, 27

Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.),
103 B.R. 524 (Bankr. D.N.J. 1989) 29

In re Case Engineered Lumber, Inc.,
No. 09–22499 (Bankr. N.D. Ga. Sept. 1, 2009) 28

Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.),
722 F.2d 1063 (2d Cir. 1983) 31

Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.),
60 B.R. 612 (Bankr. S.D.N.Y. 1986) 31

In re CXM, Inc.,
307 B.R. 94 (Bankr. N.D. Ill. 2004) 27

In re Dan River, Inc.,
No. 04-10990 (Banker. N.D. Ga. Dec. 17, 2004) 27

In re Delaware & Hudson Ry. Co.,
124 BR. 169 (D. Del. 1991) 31

In re Dundee Equity Corp.,
1992 Bankr. LEXIS 436 (Bankr. S.D.N.Y. Mar. 6, 1992).....33

In re Energytec, Inc.
739 F.3d 215 (5th Cir. 2013).....34

In re Ewell,
958 F.2d 276 (9th Cir. 1992).....34

Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.),
107 F.3d 558 (8th Cir. 1997).....25, 31

GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.,
331 B.R. 251 (N.D. Tex. 2005).....32

In re Hupp Indus.,
140 B.R. 191 (Bankr. N.D. Ohio 1997).....26, 27

In re Lajijani,
325 B.R. 282 (B.A.P. 9th Cir. 2005).....32

In re Lake Burton Dev., LLC,
2010 WL 5563622 (Bankr. N.D. Ga. Mar. 18, 2010).....27

In re Marrose Corp.,
1992 WL 33848 (Bankr. S.D.N.Y. 1992).....26

Meyers v. Martin (In re Martin),
91 F.3d 389 (3d Cir. 1996).....31

Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.),
930 F.2d 1132 (6th Cir. 1991).....33

In re Natco Indus., Inc.,
54 B.R. 436 (Bankr. S.D.N.Y. 1985).....29

Nostas Assocs. v. Costich (In re Klein Sleep Prods., Inc.),
78 F.3d 18 (2d Cir. 1996).....29

Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.),
147 B.R. 650 (S.D.N.Y. 1992).....25, 26, 27, 31

Official Comm. of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.),
973 F.2d 141 (2d Cir. 1992).....31

Onouli-Kona Land Co. v. Estate of Richards (In re Onouli-Kona Land Co.),
846 F.2d 1170 (9th Cir. 1988).....34

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

Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095 (2d Cir. 1993) 29

Paulman v. Gateway Venture Partners III, L.P. (In re Filtercorp, Inc)., 163 F.3d 570 (9th Cir. 1998) 34

In re S.N.A. Nut Co., 186 B.R. 98 (Bankr. N.D. Ill. 1995) 27

In re T Asset Acquisition Company, LLC, No. 09-31853 (Bankr. C.D. Cal. Jan. 28, 2010) 28

In re Tama Beef Packing Inc., 321 B.R. 469 (B.A.P. 8th Cir. 2005) 28

In re Titusville Country Club, 128 B.R. 396 (W.D. Pa. 1991) 31

In re Verity Health System of California, Inc., No. 18-20151 (Bankr. C.D. Cal. Oct. 30, 2018) 1, 28

In re Women First Healthcare, Inc., 332 B.R. 115 (Bankr. D. Del. 2005) 27

In re WPRV-TV, Inc., 143 B.R. 315 (D.P.R. 1991) 32

Statutes

11 U.S.C. § 105(a) 24, 33

11 U.S.C. § 363(b) 31, 34

11 U.S.C. § 363(b)(1) 24, 30

11 U.S.C. § 363(f) 32, 33, 34

11 U.S.C. § 363(m) 14, 19, 34

11 U.S.C. § 365(a) 29

11 U.S.C. § 365(f)(2) 29

28 U.S.C. § 157 3

28 U.S.C. § 1334 3

28 U.S.C. § 1408 3

28 U.S.C. § 1409 3

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

Rules

FED. R. BANKR. P. 2002 .....21, 24

FED. R. BANKR. P. 6004 .....24, 31

FED. R. BANKR. P. 6004(h).....35

FED. R. BANKR. P. 6006(d).....35

FED. R. BANKR. P. 6004(f) 24

Local Bankruptcy Rule 6004-1(b) 1

Local Bankruptcy Rule 9013-1 1

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

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

MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

Verity Health System of California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in possession (collectively, the "Debtors" or the "Verity Health System") in the above-captioned chapter 11 bankruptcy cases (the "Cases"), hereby move, on an emergency basis (the "Motion"),[4] pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"),[5] Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR"), for the entry of an order: (a) approving a process by which interested parties may bid (a "Bid") to purchase (the "Sale") certain assets (the "Purchased Assets") of Debtors St. Vincent Medical Center ("SVMC" or "St. Vincent"),[6] Verity Holdings, LLC ("Holdings"), and VHS (together with SVMC and Holdings, the "Sellers"), including procedures related to the assumption and assignment of Assumed Executory Contracts and payment of Cure Costs (as such terms are defined in the Motion); (b) approving the Chan Soon-Shiong Family Foundation or its permitted assignee (the "Stalking Horse Bidder" or the "Foundation") as the stalking-horse bidder and approving the termination payment, expense reimbursement and related bidding protections (the "Stalking Horse Bidder Protections") set forth in Section 9.3 of its Asset Purchase Agreement attached as **Exhibit "A"** hereto (the "Stalking Horse APA"); (c) approving the form of the Stalking Horse APA; (d) setting bid procedures (the "Bid Procedures") to establish

---

[4] The Debtors request that the Court hold a hearing on the Motion on an emergency basis on **April 1, 2020, at 10:00 a.m. (Pacific Time)**, to meet the deadlines set forth in the Bid Procedures as outlined on page 2 hereof.

[5] All references to "§" are to sections of the Bankruptcy Code.

[6] The Purchased Assets related to SVMC include the hospital facilities formerly known as St. Vincent Medical Center, located at 2131 W. 3rd Street, Los Angeles, CA 90057, including the hospital pharmacy, laboratory and emergency department as well as the medical office buildings and clinics owned and formerly operated by SVMC (collectively, the "Hospital") and are defined as the "Assets" under the Stalking Horse APA (as defined below).

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

guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (e) if the Debtors receive one or more Qualified Bids (as defined in the Motion), in addition to the Stalking Horse Bid, scheduling an auction of the Purchased Assets; (f) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid; and (g) granting such other and further relief as is just and appropriate under the circumstances.

In support of the Motion, the Debtors rely on the *Declaration of Richard Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Decl."), the *Declaration of James M. Moloney in Support of the Debtors' Memorandum in Support of Entry of an Order: (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; (B) Authorizing the Assumption and Assignment of Designated Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* [Docket No. 2220] (the "Prior Moloney Decl."); the Declarations of Richard Adcock (the "Adcock Decl.") and James M. Moloney (the "Moloney Decl.") filed concurrently herewith, any other admissible evidence properly brought before the Court, and respectfully state as follows:

The Debtors propose the following Sale timeline (all times are Pacific Time):

Date	**Event**
April 1, 2020	Service of approved Bidding Procedures, Auction and Sale Notice
April 3, 2020, at 5:00 p.m.	Bid Deadline for Qualified Bids
April 6, 2020, at 10:00 a.m.	Auction
April 7, 2020, at 5:00 p.m.	Deadline to file any objections to Sale
April 8, 2020, at 10:00 a.m.	Sale Hearing

The Debtors have vigorously marketed the Purchased Assets since before the Petition Date and have specifically marketed the Purchased Assets on a going concern basis and as stand-alone assets (including as real estate) since the SGM Sale (defined below) did not close. The Debtors have received multiple indications of interest from a number of parties who have submitted bids or expressions of interest and conducted due diligence including in the extensive

Virtual Data Room (which includes current title work, surveys, inspections and other recent reports) and site visits.

For the reasons set forth below in greater detail, and in order to conduct a full and fair bidding process for the purpose of maximizing the consideration to be received by the Debtors' estate for the Purchased Assets, the Debtors respectfully request that the Court grant the Motion.

II.

JURISDICTION AND VENUE

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The venue of these Cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

III.

STATEMENT OF 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 the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court"). Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108. On September 14, 2018, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors [Docket No. 197].

2. 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, Saint Louise Regional Hospital, and SVMC, and currently operates St. Francis Medical Center and Seton Medical Center, including its Coastside campus.

3. As of the Petition Date, the Verity Health System operated as a nonprofit healthcare system in the State of California, 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. *See* First-Day Decl. at ¶ 12. The scope of the services provided by the Verity Health System is exemplified by the fact that in 2017, the system

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

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

hospitals provided medical services to over 50,000 inpatients and approximately 480,000 outpatients. *Id.* The Verity Health System was originally established by the Daughters of Charity of St. Vincent de Paul, Province of the West, to support the mission of the Catholic Church through a commitment to the sick and poor. *Id.*

4. St. Vincent Medical Center was founded as the first hospital in Los Angeles in 1856. *Id.* at ¶ 34. In 1971, a new facility was constructed at the Hospital's current location at 2131 West Third Street, Los Angeles, CA 90057. *Id.* Prior to its closure, the hospital had expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, and multi-organ transplant services. *Id.* The Hospital served both local residents and residents from Los Angeles, San Bernardino, Riverside, and Orange Counties. *Id.* As a provider of healthcare services for a high percentage of elderly patients, many of the Hospital's services and programs were focused on the treatment of various chronic diseases. *Id.*

5. St. Vincent is a jointly "obligated" party with its affiliates on approximately $461.4 million of outstanding secured debt consisting of: (a) $259.4 million outstanding tax exempt revenue bonds, Series 2005 A, G and H issued by the California Statewide Communities Development Authority (the "2005 Bonds"), which loaned the bond proceeds to certain Debtors to provide funds for capital improvements and to refinance certain tax exempt bonds previously issued in 2001 by the Daughters of Charity Health System, and (b) $202.0 million outstanding tax exempt revenue notes, Series 2015 A, B, C, and D and Series 2017 issued by the California Public Finance Authority. *Id.* at ¶ 121.

6. In addition, Holdings was created in 2016 to hold and finance Verity's interests in six medical office buildings whose tenants are primarily physician and other practicing medical groups and certain of the Verity Hospitals. *Id.* at ¶ 123. Holdings is the borrower on approximately of $66 million on two series of nonrecourse financing secured by separate deeds of trust, revenue and accounts pledges, including lease rents on each medical buildings (collectively "MOB Financing"), certain of which are among the Purchased Assets. *Id.* The secured lenders for the MOB Financings are affiliates of NantWorks, LLC. *Id.*

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

B. FACTS RELEVANT TO MOTION

a. Prepetition Sale Efforts

7. Prior to the Petition Date, the Debtors engaged in substantial efforts to market and solicit interest in their assets, including the five hospitals and related assets (collectively, the "Assets"). *See* Prior Moloney Decl. at ¶ 4. In June 2018, Debtors engaged Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), to assist in identifying potential buyers of some or all of the Assets and commenced discussions with those potential Buyers. *Id.* Cain prepared a Confidential Investment Memorandum and organized an online data site to share information with potential buyers and contacted strategic and financial buyers beginning in July 2018. *Id.* In this initial marketing process, Cain contacted more than 100 potential partners to evaluate their interest in exploring a transaction involving some or all of the Assets. *Id.* By August 2018, as a result of its ongoing and broad marketing process, Cain had received 11 "Indications of Interest" from potential buyers of some or all of the Assets. *Id.*

b. DIP Facility

8. At the commencement of the Cases, the Debtors obtained court approval for a DIP financing facility with up to $185 million of availability from Ally Bank subject to a borrowing base (the "DIP Facility"). *See* Docket No. 409. The DIP Facility was secured by substantially all of the Debtors' assets and also provided for super priority administrative priority status for all obligations under the facility. *Id.* The DIP Facility enabled Debtors to operate the system hospitals while they continued their efforts to find a purchaser for their assets and to reach agreements with key constituents. On September 6, 2019, the Debtors received authority to pay off the DIP Facility and continue funding operations through the consensual use of cash collateral [Docket No. 3022].

c. Postpetition Sale Efforts

9. Postpetition, Cain continued to work with potential buyers for some or all of the Assets. *See* Prior Moloney Decl., at ¶ 5. Based on these discussions, the Debtors determined that seeking a buyer for the Assets in Santa Clara and a separate buyer for the other Assets would most likely yield higher net proceeds for the Debtors' estates. *Id.* As a result, the sale of the

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

Santa Clara Assets to Santa Clara County was approved by the Court on December 27, 2018 [Docket No. 1153].

10. Thereafter, Cain focused on marketing the Debtors' remaining Assets, including the Hospital. *See* Prior Moloney Decl., at ¶ 6. As a part of this process, Cain contacted more 189 potential parties to evaluate potential stalking-horse bidders for some or all of the Debtors' remaining Assets of which 92 had executed an NDA and 18 submitted written proposals. *Id.* Subsequent to receiving access to the virtual data room and being offered additional information via conference calls and site visits, many of the potential purchasers indicated that they were not interested in being the stalking-horse bidder. *Id.* During November and December 2018, the Debtors and their advisors had substantial discussions with those potential buyers remaining, during which Prime Healthcare and SGM emerged as the leading potential candidates to be selected as the stalking-horse bidder for the Debtors' remaining Assets. *Id.*

d. The First Sale Process

11. After extensive negotiations with both parties and careful review of the proposed transactions by the Debtor and its advisors, the Debtors selected SGM as the stalking-horse bidder for the Debtors' remaining Assets pursuant to that certain asset purchase agreement [Docket No. 2305-1] (the "SGM APA"). *Id.* at ¶ 7.

12. Cain sent the approved bidding procedures to the 90 parties with whom the Debtor had previously executed NDAs and included the timetable for the sale of the Debtors' remaining Assets. *See* Prior Moloney Decl., at ¶ 8. Cain also requested that each party confirm that each party continued access to the data room and were interested in continuing to evaluate the purchase of some or all of the Debtors' remaining assets. *Id.* Nineteen of those parties confirmed that were still evaluating the transaction and requested continued access to the data room. *Id.*

13. Cain facilitated due diligence by potential buyers, including arranging site visits, organizing calls with the Debtors' leadership team and facilitated follow-up from the Debtors and their advisors to address diligence requests. *Id.* at ¶ 9. Of these nineteen interested parties, certain parties evaluated acquiring all the Debtors' remaining Assets, others evaluated acquiring

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

individual hospitals, and others were real estate companies that evaluated purchasing Seton to convert its campus to non-hospital uses. *Id.*

14. At the end of the marketing period, two parties submitted qualified bids, one for SVMC and one for St. Francis Medical Center, one party submitted a non-qualified Bid for St. Francis Medical Center and one party submitted a non-qualified bid for all of the assets. *Id.* at ¶ 10. Accordingly, no auction was held and the Debtors declared SGM the "winning bidder" of the hospitals. *See* Docket No. 2503, at 2. On May 2, 2019, the Court approved [Docket No. 2306] the sale (the "SGM Sale").

15. SGM did not close the SGM Sale. [Docket No. 3899].

e. Closure of the Hospital

16. On January 6, 2020, the Debtors filed a motion to close the Hospital based on, among other things, St. Vincent's continuing economic losses, and (ii) the Debtors' need to have sufficient cash on hand for the orderly closure of St. Vincent. On January 9, 2020, the Court entered an order granting the motion. *See* Docket No. 3934. Since entry of the order, the Debtors have filed status reports with the Court [Docket Nos. 3982, 4053, 4126, 4219, 4308] and completed the Court-approved closure plan for the Hospital.

f. Marketing Process 2020

17. After the SGM Sale did not close, Cain renewed the marketing process to identify parties interested in acquiring the Purchased Assets. *See* Moloney Decl., at ¶ 5. On January 3, 2020, Cain contacted all parties that had previously executed an NDA concerning their continued interest in SVMC. *Id.* In addition, Cain updated the SVMC Confidential Information Memorandum (CIM), which it posted to the data room on December 30, 2019. *Id.* In total, 61 parties executed an NDA and were given access to the data site. *Id.* On January 15, 2020, Cain contacted all interested parties and requested that parties submit "indications of interest" (each an "IOI") on or before February 7, 2020. *Id.* The Debtors received twelve IOIs from parties that had experience in similar investments and a wherewithal to close.

18. On February 26, 2020, Cain requested that parties submit proposed asset purchase agreements on or before March 6, 2020. *See* Moloney Decl., at ¶ 6. The Debtors received ten

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

proposed asset purchase agreements from interested bidders. *See id.* On March 16, 2020, the Debtors' representatives received an updated bid from the Stalking Horse Bidder. *See id.*

g. The Stalking Horse Bidder

19. The Foundation was established in 2009 as a non-profit private foundation with core funding from Patrick Soon-Shiong, M.D. and his wife Michele B. Chan.[7] The mission of the Foundation is to inspire hope and improve lives—to actively support innovations in healthcare with a focus on the poor and the underserved to overcome life threatening conditions. The Foundation encourages collaboration and partnerships with organizations committed to advancements in science and medicine. The Foundation works hand-in-hand with interdisciplinary organizations to help provide the tools, research, and resources to make these innovative visions and quality of life advancements a reality.

20. In light of the national crisis of the COVID -19 pandemic there is an emergency need to support facilities to serve patients with infection and to protect the healthcare professionals who risk their lives helping the underserved in the Los Angeles neighborhoods surrounding St. Vincent. The Foundation desires to support the activities at the facilities on an expedited basis in order to coordinate with the State of California (the "State") and the local government to provide the needed support for the facilities to be put to best use in this time of crisis and to help to mitigate the high fatality rate this virus may cause, especially in the homeless population in this underserved area of Los Angeles.

IV.

PROPOSED SALE AND BIDDING PROCEDURES

21. In connection with the proposed sale (the "Sale") of the Purchased Assets, the Debtors submit that conducting an Auction in accordance with the bidding procedures among

[7] The Foundation is an affiliate of NantWorks LLC, a diversified holding company with direct and indirect beneficial interests as a Prepetition Secured Creditor of the Sellers through the MOB Lenders and the 2017 Working Capital Notes. Other affiliates of NantWorks LLC are unsecured creditors of the Debtors, including but not limited to, as a lessor of certain equipment used by the Debtors' in their hospitals, including SVMC, and through the Debtors' rejected management agreement with Integrity Healthcare LLC.

Qualified Bidders will obtain the highest and best offer for the Purchased Assets and will maximize the value of the Debtors' estates. The Debtors respectfully submit an expedited timeline is warranted under the circumstances, as described below. The proposed bidding procedures (the "Bidding Procedures") are attached hereto as **Exhibit "B."**[8] A summary of some of the significant provisions of the Bidding Procedures is set forth below. If there exists any omission or discrepancy between the following summary and the actual terms of the Bidding Procedures, the actual terms of the Bidding Procedures shall control.

A. THE PRIMARY TERMS OF THE STALKING HORSE APA

22. The Stalking Horse APA contemplates the sale of the Purchased Assets to the Stalking Horse Bidder, subject to higher or better bids, on the following material terms:[9]

Stalking Horse APA Provision	Summary Description
APA Parties	St. Vincent Medical Center, Verity Holdings, LLC and Verity Health System of California, Inc. ("Sellers"). The Chan Soon-Shiong Family Foundation, a Delaware nonprofit corporation ("Purchaser").
Consideration APA § 1.1	Purchase price equal to an aggregate cash payment of One Hundred Thirty-Five Million Dollars ($135,000,000.00).
Assets to be Purchased APA § 1.7	"Assets" means the following as they exist on the Closing Date, and to the extent not included in the Excluded Assets: (a) all of Sellers' interest in and to the Owned Real Property; (b) all of the tangible personal property owned by Sellers and currently located at the Owned Real Property, including inventories and supplies utilized for the operation and maintenance of the Owned Real Property, equipment, furniture, machinery, and office furnishings, excluding any vehicles or other items excluded from sale pursuant

[8] Unless otherwise defined herein, all capitalized terms have the definitions set forth in the Bidding Procedures. The terms of the Bidding Procedures shall control to the extent the descriptions in this Motion conflict with the terms of the Bidding Procedures.

[9] The summary of the terms contained in this Motion highlights some of the material terms of the Stalking Horse APA. This summary is qualified in its entirety by reference to the provisions of the Stalking Horse APA. In the event of any inconsistencies between the provisions of the Stalking Horse APA and the summary set forth herein, the terms of the Stalking Horse APA shall govern. Unless otherwise defined in the summary set forth in the accompanying text, capitalized terms shall have the meanings ascribed to them in the Stalking Horse APA.

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

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

Stalking Horse APA Provision	Summary Description
	to Section 1.8(c) and, to the extent assignable or transferrable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property; (c) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(c); (d) all of Sellers' interest in, and all of Sellers' obligations due under from and after the Effective Time, all Assigned Leases, pursuant to Section 1.11 and appearing on Schedule 2.8; and (e) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital.
Excluded Assets APA § 1.8	"Excluded Assets" are all assets other than the Assets and include cash, cash equivalents and investments; all accounts receivable, QAF payments, trauma payments and disproportionate share payments; all claims, counterclaims and causes of action of Sellers or Sellers' bankruptcy estate; personal property and vehicles listed on Schedule 1.8(c); Seller insurance policies; tax refunds; inventory and supplies previously utilized in the Sellers' patient care operations; and Utility Deposits.
Transferred Obligations APA § 1.9	"Transferred Obligations" include all the Assigned Contracts, after Sellers pay the Cure Costs; all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Assets on or after the Effective Time; all liabilities and obligations related to the employees of Sellers hired by Purchaser arising on or following the Effective Time; all unpaid non-delinquent real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6; all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6; the Assigned Leases; and any other obligations and liabilities identified in Schedule 1.9(g).
Excluded Liabilities APA § 1.10	Purchaser shall have those duties, obligations and liabilities set forth in the Stalking Horse APA, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, Purchaser is not assuming any liabilities of Sellers related to the Assets or the Hospitals, and to the maximum extent permitted by law shall not

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

Stalking Horse APA Provision	Summary Description
	be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets.
Assumption of Transferred Contracts and Assignment APA § 1.11	Purchaser may review and evaluate for assumption or rejection the contracts and leases listed in Schedule 1.11 (collectively, all such contracts and leases, the "Evaluated Contracts"), and each Seller will assign to Purchaser the contracts and leases that are selected by Purchaser for assignment and assumption from such Evaluated Contracts in accordance with the terms of Section 1.11. Not later than 4:00 pm Pacific Time on the day immediately preceding the date of the Auction (defined below), or, if no Auction occurs, then not later than 4:00 pm Pacific Time on April 7, 2020, Purchaser shall notify Sellers in writing of which Evaluated Contracts are to be assumed and assigned to the Purchaser (all such Evaluated Contracts assumed and assigned to Purchaser, the "Assigned Contracts"). All other Evaluated Contracts that are not Assigned Contracts shall be rejected by Sellers (any such rejected Evaluated Contracts, the "Rejected Contracts"). For the avoidance of doubt, Purchaser shall have no obligation or liability as it relates to any Rejected Contract.
Good Faith Deposit APA § 1.2	Purchaser has deposited an amount equal to Eight Million One Hundred Thousand Dollars ($8,100,000) (the "Deposit") by wire transfer to Chicago Title Insurance Company as Escrow Agent. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser's and/or Sellers' termination of the Agreement pursuant to Sections 9.1 (a), (c), (d), (f), (g), (h), (i), or (j). Upon Closing, the Deposit will be credited against the Purchase Price.
Closing Date APA § 1.3	The Closing Date shall occur within five (5) business days following the receipt of the Bankruptcy Court Approval.
Payment of Cure Costs APA § 4.4	On or about the Closing Date, Sellers shall pay or escrow an amount equal to the Cure Costs to each counter party to an Assigned Contract so that each such Assigned Contract may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of § 365. For purposes of the Stalking Horse APA, "Cure Costs" means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to §§ 365(b)(1)(A) and (B) in connection with the assumption and/or assignment of the Assigned Contracts to Purchaser as provided herein. The obligation of Seller to pay the Cure Costs, if not fully paid as of the Closing Date, shall survive the Closing.

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

Stalking Horse APA Provision	Summary Description
Stalking Horse Bidder Protections APA § 9.3	In the event that a Competing Bid is consummated, or the Stalking Horse APA is terminated for any reason after the Bidding Procedure Order approving Section 9.3 has been entered other than a material breach of Purchaser, in consideration for the Purchaser having expended considerable time and expense in connection with the Stalking Horse APA and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from Purchaser or any other application to or order of the Bankruptcy Court, (i) the Deposit shall be returned to Purchaser in accordance with the Bidding Procedures Order and (ii) Sellers shall jointly and severally, pay (or cause to be paid to) Purchaser, in accordance with the terms hereof, and subject to the entry of and terms of the Bidding Procedures Order, (1) a termination payment solely in the event of a successful competing bid in an amount equal to Three Million Seven Hundred Fifty Thousand Dollars ($3,750,000) (two and seventy eight one hundredths percent (2.78%) of the cash consideration component of the Purchase Price) (the "Termination Payment") and (2) all reasonable out-of-pocket and documented fees and expenses (including reasonable attorneys' fees and expenses) incurred by Purchaser in connection with or related to Purchaser's evaluation, consideration, analysis, negotiation, and documentation of the Stalking Horse APA and the transactions contemplated thereby, in an amount not to exceed One Million Dollars ($1,000,000) in the aggregate (the "Expense Reimbursement" and together with the Termination Payment, the "Stalking Horse Bidder Protections"). In the event Sellers become obligated under the Stalking Horse APA to pay any or all of the Stalking House Bidder Protections, Sellers shall pay such Stalking Horse Bidder Protections in immediately available funds to such account or accounts as may be specified in written notice by Purchaser. The Stalking Horse Bidder Protections shall, upon approval of the Bid Procedures Order, (a) constitute an allowed administrative expense claim of Sellers' estates under §§ 503(b) and 507 and (b) notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second (2nd) business day following the date of consummation of a Competing Bid or termination of the Stalking Horse APA under Section 9.1(a), (c), (d) (f), (g), (h), (i) or (j) (provided that the Termination Payment shall only be payable from the proceeds of a successful Competing Bid) if no material breach by Purchaser of the Stalking Horse APA has occurred. The Bidding Procedures Order shall provide for payment by Sellers of the Stalking Horse Bidder Protections as and when such amounts are due and payable hereunder. Nothing in Section 9.3(a) shall relieve Purchaser or

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

Stalking Horse APA Provision	Summary Description
	Sellers of any liability for a breach of the Stalking Horse APA prior to the date of termination.
Requested Findings as to Good Faith APA § 6.1	Sellers agree, subject to the exercise of their fiduciary duties, to proceed in good faith to obtain Bankruptcy Court approval of the sale contemplated by the Stalking Horse APA with a determination that Purchaser is a good faith purchaser within the meaning of § 363(m) and in good faith to file such declarations and other evidence as may be required to support a determination.
Buyer's Termination Rights APA § 9.1	The Stalking Horse APA may be terminated by Purchaser if: (A) a material breach has been committed by Sellers, which material breach is materially adverse to Purchaser, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides Sellers of a written notice which describes the nature of such breach; *provided*, *however*, Purchaser shall not be permitted to terminate pursuant to this clause if Purchaser is also in material breach of the Stalking Horse APA; (B) satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under the Stalking Horse APA or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date); (C) the Bankruptcy Court approves the Bid Procedures and (i) fails to approve the sale of the Assets to Purchaser in an order reasonably acceptable to Purchaser or (ii) enters an order that precludes the consummation of the transactions contemplated by the Stalking Horse APA; (D) Sellers designate an entity other than Purchaser as the Successful Bidder, unless the Purchaser has agreed to act as a Back-up Bidder, in which case, the Stalking Horse APA will terminate automatically upon consummation of such Successful Bidder's Winning Bid; (E) the Closing has not occurred (other than through the failure

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

Stalking Horse APA Provision	Summary Description
	of any Party seeking to terminate the Stalking Horse APA to comply fully with its obligations under the Stalking Horse APA) on or before June 1, 2020; (F) (i) prior to the Closing Date, one or more of the Bankruptcy Cases is converted to cases under chapter 7 of the Bankruptcy Code, one or more of the Bankruptcy Cases is dismissed, or a trustee or an examiner is appointed in the Bankruptcy Cases; (ii) the Bankruptcy Court enters an order pursuant to § 362 lifting the automatic stay with respect to any material Asset; (iii) (1) following entry by the Bankruptcy Court of the Bidding Procedures Order, such order is (A) amended, modified or supplemented in a manner materially adverse to Purchaser without Purchaser's prior written consent or (B) voided, reserved or vacated or is subject to a stay such that the Bidding Procedures Order is not in full force and effect as of April 17, 2020 or (2) following entry of the Sale Order, such order is (A) amended, modified or supplemented in a manner materially adverse to Purchaser without Purchaser's prior written consent or (B) the Sale Order is voided, reversed or vacated or is subject to a stay such that the Sale Order is not in full force and effect as of April 24, 2020; (v) the Bankruptcy Court shall not have entered (1) the Bidding Procedures Order by April 3, 2020 or (2) the Sale Order by April 10, 2020; and (vi) any document, including any amendment, modification or supplement thereto, listed in Section 4.5(e) is not reasonably acceptable to Purchaser; or (G) a "major loss" to the Owned Real Property occurs, meaning: (i) loss or damage to the Owned Real Property or any portion thereof such that the cost of repairing or restoring the premises in question to a condition substantially identical to that of the premises in question prior to the event of damage would be, in the opinion of an architect selected by Sellers and reasonably approved by Purchaser, equal to or greater than Five Million Dollars ($5,000,000), and (ii) any loss equal to or greater than Five Million Dollars ($5,000,000) due to a condemnation.
Limitation on Liability **APA § 11.1**	If Purchaser commits any material default under this Agreement prior to Closing, Sellers shall be entitled to sue for damages or specific performance; provided, that in no event shall Sellers be entitled to damages in excess of the Deposit (and Sellers shall be entitled to retain the Deposit to the extent of such damages).

23. Importantly, the Stalking Horse Bidder is aware of the lease agreement [Docket No. 4315] between the Debtors and the State of California (the "State"), wherein the State is

leasing the primary facility, the Hospital, to provide services related to the SARS-CoV-2 virus and the related infectious disease ("COVID-19") pandemic. The Stalking Horse Bidder intends to cooperate with the State and use the additional buildings that comprise the St. Vincent campus, including three medical office buildings and Seton Hall, to also address COVID-19. The Stalking Horse Bidder's willingness to take assignment of the Lease will further the Debtors' charitable mission to ensure continued critical health care access to the communities formerly served by the Hospital through continued partnership with the State to address the COVID-19 pandemic post-closing.

B. REQUIREMENTS TO PARTICIPATE IN THE AUCTION

24. The Bidding Procedures provide that only Qualified Bidders may participate in the Auction. To be a Qualified Bidder, a party wishing to submit a Bid must first become a Potential Bidder, which requires that an interested party execute, or shall be currently subject to, an NDA in form and substance satisfactory to the Debtors. Further, a Potential Bidder must submit financial information to the Debtors to evidence such Potential Bidder's ability to consummate the Sale, which information must be satisfactory to the Debtors after consultation with the "Consultation Parties" (as that term is defined in the Bidding Procedures). Upon qualifying as a Potential Bidder, a party may receive due diligence information from the Debtors, including access to the Debtors' on-line data room, the CIM, and potentially other non-public information relating to the Debtors' assets.

25. The Bidding Procedures also set forth the requirements for a Potential Bidder to become a Qualified Bidder, including (without limitation) that a Potential Bidder: (i) submit a Bid by the Bid Deadline to the Bid Deadline Recipients identified in the Bidding Procedures (including the Debtors, certain Prepetition Secured Creditors (as defined in the Bidding Procedures), Cain, and the Unsecured Creditors Committee); (ii) provide a clean and marked-up copy of the proposed asset purchase agreement (which form shall be consistent with the form of the Stalking Horse APA posted in the Debtors' on-line data room); (iii) provide a copy of the draft Sale Order marked to reflect any amendments and modifications compared to the form of the Sale Order posted in the Debtors' on-line data room; (iv) unless it is a Credit Bid, deliver to the Debtors a Deposit by wire

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

transfer in an amount equal to 10% of the proposed Purchase Price; (v) demonstrate that it has the financial wherewithal and ability to consummate the Sale; and (vi) disclose any connections to the Debtors and affiliated persons. The Bidding Procedures further provide that a Bid shall propose cash consideration, and that Bids shall be evaluated based upon the amount of cash consideration.

26. A Bid that satisfies each of the Bid Requirements (including, but not limited to, those mentioned in the foregoing paragraph), as determined by the Debtors in their reasonable discretion, in consultation with the Consultation Parties, shall constitute a "Qualified Bid," and such Potential Bidder submitting such Bid will be deemed a "Qualified Bidder." Prior to, or immediately before the commencement of any Auction, the Debtors shall file and serve on each Potential Bidder a notice indicating the identity of all Qualified Bidders, and shall announce the Bid which is deemed to be the Opening Bid at the Auction. The Bidding Procedures further provide that the Stalking Horse Bidder is a Qualified Bidder and that the Stalking Horse Bid is a Qualified Bid.

C. PREPETITION SECURED CREDITOR'S RIGHT TO CREDIT BID

27. Any party with a valid, properly perfected prepetition or postpetition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

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

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

D. THE STALKING HORSE BIDDER PROTECTIONS

28. To increase the competitive nature of the sale process, the Debtors have agreed to provide the Stalking Horse Bidder with the following Stalking Horse Bidder Protections: (i) a termination payment in an amount equal to $3,750,000 (2.78% of the cash consideration portion of the Purchase Price) (the "Termination Payment") and (ii) payment of all reasonable out-of-pocket and documented fees and expenses (including reasonable attorneys' fees and expenses) incurred by the Stalking Horse Bidder in connection with or related to the Stalking Horse Bidder's evaluation, consideration, analysis, negotiation and documentation of the Stalking Horse APA and the transactions contemplated thereunder, in an amount not to exceed $1,000,000 (the "Expense Reimbursement"). The Stalking Horse APA provides that, upon entry of the Bidding Procedures Order (as defined therein), the Stalking Horse Bidder Protections shall constitute an allowed administrative expense claim of the Sellers' estates under §§ 503(b) and 507 and notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second business day following the date of consummation of a Competing Bid (as defined in the Stalking Horse APA) or termination of the Stalking Horse APA, subject to the conditions provided therein, including that the Termination Payment shall only be payable from the proceeds of a Competing Bid. No other bidder is permitted to require any termination payments, expense reimbursement or other bidding protections of any nature.

E. AUCTION

29. If the Debtors receive more than one Qualified Bid, the Debtors will conduct an Auction virtually, by such means as they deem appropriate, on April 6, 2020, at 10:00 a.m. (Pacific Time) in accordance with the Bidding Procedures. Among other things, the Debtors reserve the right to conduct the Auction by phone or to let certain Qualified Bidders or other parties to participate in the Auction by phone. The Auction shall be governed by the procedures set forth in the Bid Procedures.

F. REPRESENTATIONS AND WARRANTIES

30. Except as explicitly set forth in the Winning Bid APA (as defined below), the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without

representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

G. ACCEPTANCE OF THE WINNING BID

31. Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall be required to execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA".

32. The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is thirty (30) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder.

33. Within two (2) business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals ten percent (10%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit"), provided that the Stalking Horse Bidder shall not be required to deposit any additional amount under the Bidding Procedures.

34. If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) any additional Deposit required as a result of a bid submitted at the

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

Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid

H. THE SALE HEARING

35. As part of this Motion, the Debtors ask this Court to schedule a sale hearing (the "Sale Hearing") on April 8, 2020, at 10:00 a.m. (Pacific Time). The Debtors will present the results of the Auction to the Court at the Sale Hearing, at which time certain findings will be sought from the Court regarding the Auction, including, among other things, that: (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with the Bidding Procedures; (ii) the Auction was fair in substance and procedure; (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid; (iv) the closing of the Sale in accordance with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest or otherwise best value for the Purchased Assets and is in the best interests of the Debtors; and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m).

36. At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in accordance with the "Final DIP Order" [Docket No. 409] and the "Intercreditor Agreement" (as defined in the Final DIP Order).

37. At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-

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

Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

I. RETURN OF DEPOSITS

38. Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

39. The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) thirty (30) days after entry of the Sale Order.

J. NOTICE PROCEDURES

40. The Debtors propose that any objections to the Sale (other than an Assumption Objection (defined herein) which shall be governed by the procedures set forth below) (a "Sale Objection"), must: (i) be in writing; (ii) comply with the Rules and the LBR; (iii) set forth the specific basis for the Sale Objection; (iv) be filed with the Court at 255 East Temple St. (Attn: Judge E. Robles), Los Angeles, CA 90012, together with proof of service, on or before the Sale Objection Deadline set forth in the Bidding Procedures Order; and (v) be served, so as to be actually received on or before the Sale Objection Deadline, upon the Notice Parties. If a Sale Objection is not filed and served on or before the Sale Objection Deadline, the Debtors request that the objecting party be barred from objecting to the Sale and not be heard at the Sale Hearing, and this Court may enter the Sale Order without further notice to such party. The Debtors also request that the Court approve the form of the notice of sale procedures (the "Procedures Notice") substantially in the form attached hereto as **Exhibit "C."** The Debtors will serve a copy of the Procedures Notice on the Notice Parties and all parties which the Debtors are required to serve

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

pursuant to LBR 6004-1(b)(3) and the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132] (the "Procedures Notice Parties").

41. The Debtors propose to file with the Court and serve the Procedures Notice within one (1) business day following entry of the Bidding Procedures Order, by first-class mail, postage prepaid on the Procedures Notice Parties. The Procedures Notice provides that any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion or the Bidding Procedures Order, including all exhibits thereto, may make such a request in writing to Dentons US LLP, Attn: Tania M. Moyron, 601 S. Figueroa St., Suite 2500, Los Angeles, CA 90017 or by emailing tania.moyron@dentons.com or calling (213) 623-9300.

42. The Debtors submit that the foregoing notices comply fully with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the Bidding Procedures, Auction and Sale, and Sale Hearing to the Debtors' creditors and other parties in interests as well as to those who have expressed an interest or are likely to express an interest in bidding on the Purchased Assets. Based on the foregoing, the Debtors respectfully request that this Court approve these proposed notice procedures.

K. ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND PROCEDURES RELATED THERETO

43. As part of the Sale, the Debtors also seek to assume and assign certain of their executory contracts and unexpired leases (collectively, the "Assumed Executory Contracts") pursuant to § 365.

44. The Assumed Executory Contracts will be those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; provided, that, the Winning Bidder may choose to exclude (or to add) contracts or leases to the list of Assumed Executory Contracts, subject to notice to the counter-parties to any Assumed Executory Contracts which are added.

45. The Debtors will file with the Court and serve a cure notice, substantially in the form attached hereto as **Exhibit "D"** (the "Cure Notice"), (along with a copy of this Motion) upon each counterparty to the Assumed Executory Contracts. The Cure Notice will state the date

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

by which any objection (an "Assumption Objection") to the assumption and assignment of Assumed Executory Contracts (including the Cure Amount (defined below)) must be filed and served and the date, time and place of a hearing on such Assumption Objections (the "Assumption Objection Hearing"). The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assumed Executory Contract in order to cure any defaults that exist under such contract (the "Cure Amounts"). The Debtors respectfully request that the Court set (i) **April 9, 2020,** as the deadline for the Debtors to file and serve the Cure Notice, (ii) **April 16, 2020, at 5:00 p.m. (Pacific Time)**, as the deadline for counterparties to file and serve Assumption Objections (the "Assumption Objection Deadline"), (iii) **April 23, 2020** as the deadline to file any replies to an Assumption Objection, and (iv) **April 30, 2020, at 10:00 a.m. (Pacific Time)** as the Assumption Objection Hearing.

46. The inclusion of a contract, lease, or other agreement on the Cure Notice shall not constitute or be deemed a determination or admission by the Debtors and their estates or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, and any and all rights with respect thereto shall be reserved.

47. If a Contract or Lease is assumed and assigned pursuant to Court Order, then unless the Assumed Executory Contract counterparty properly files and serves an objection to the Cure Amount contained in the Cure Notice by the Assumption Objection Deadline (defined below), the Assumed Executory Contract counterparty will receive at the time of the Closing of the Sale (or as soon as reasonably practicable thereafter), the Cure Amount as set forth in the Cure Notice, if any. If an objection is filed by a counterparty to an Assumed Executory Contract, the Debtors propose that such objection must set forth a specific default in the executory contract or unexpired lease, claim a specific monetary amount that differs from the amount, if any, specified by the Debtors in the Cure Notice, and set forth any reason why the counterparty believes the executory contract or unexpired lease cannot be assumed and assigned to the Winning Bidder.

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

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

48. If any counterparty objects for any reason to the assumption and assignment of an Assumed Executory Contract (including to a Cure Amount), the Debtors propose that the counterparty must file the objection and serve it so as to be actually received on or before the Assumption Objection Deadline. After receipt of an Assumption Objection, the Debtors will attempt to reconcile any differences in the Cure Amount or otherwise resolve the objection with the counterparty.

49. The Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under §365(b) in connection with the proposed assignment of any Assumed Executory Contract, and the failure to provide adequate assurance of future performance to any counterparty to any Assumed Executory Contract shall not excuse the Winning Bidder from performance of any and all of its obligations pursuant to the Winning Bid APA. The Debtors propose that the Bankruptcy Court make its determinations concerning adequate assurance of future performance under the Assumed Executory Contacts pursuant to § 365(b) at the Assumption Objection Hearing. Cure Amounts disputed by any counterparty will be resolved by the Bankruptcy Court at the Assumption Objection Hearing or such later date as may be agreed to or ordered by the Bankruptcy Court.

50. Except to the extent otherwise provided in the Winning Bid APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to § 365(k).

V.

ARGUMENT

A. APPROVAL OF THE BIDDING PROCEDURES IS APPROPRIATE AND IN THE BEST INTERESTS OF THE DEBTORS' ESTATES AND STAKEHOLDERS.

Section 363(b)(1) provides that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate [.]" 11 U.S.C. § 363(b)(1). Section 105(a) provides in pertinent part that "[t]he Court may issue any order, process or judgment that is necessary and appropriate to carry out the provisions of this title." 11

U.S.C. § 105(a). Bankruptcy Rules 2002 and 6004 govern the scope of the notice to be provided in the event a debtor elects to sell property of the estate under § 363.

With respect to the procedures to be adopted in conducting a sale outside the ordinary course of a debtor's business, Bankruptcy Rule 6004 provides only that such sale may be by private sale or public auction, and requires only that the debtor provide an itemized list of the property sold together with the prices received upon consummation of the sale. Fed. R. Bankr. P. 6004(f). LBR 6004-1 provides, in pertinent part, as follows:

> **(b) Motion for Order Establishing Procedures for the Sale of Estate Property.**
>
> (2) Contents of Notice [of a Sale Procedure Motion]. The notice must describe the proposed bidding procedures and include a copy of the proposed purchase agreement. If the purchase agreement is not available, the moving party must describe the terms of the sale proposed, when a copy of the actual agreement will be filed with the court, and from whom it may be obtained. The notice must describe the marketing efforts undertaken and the anticipated marketing plan, or explain why no marketing is required. […]
>
> (3) Service of the Notice and Motion. The moving party must serve the motion and notice of the motion and hearing by personal delivery, messenger, telephone, fax, or email to the parties to whom notice of the motion is required to be given by the FRBP or by these rules, any other party that is likely to be adversely affected by the granting of the motion, and the United States trustee. The notice of hearing must state that any response in opposition to the motion must be filed and served at least 1 day prior to the hearing, unless otherwise ordered by the court. […]
>
> (6) Break-Up Fees. If a break-up fee or other form of overbid protection is requested in the Sale Procedure Motion, the request must be supported by evidence establishing: (A) That such a fee is likely to enhance the ultimate sale price; and (B) The reasonableness of the fee. […]

LBR 6004-1(b).

Neither the Bankruptcy Code nor the Bankruptcy Rules contain specific provisions with respect to the procedures to be employed by a debtor in conducting a public or private sale. Nonetheless, as one court has stated, "[i]t is a well-established principle of bankruptcy law that the objective of bankruptcy rules and the [debtors'] duty with respect to such sales is to obtain the

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

highest price or greatest overall benefit possible for the estate." *In re Atlanta Packaging Prods., Inc.*, 99 B.R. 124, 131 (Bankr. N.D. Ga. 1988). Additionally, courts have long recognized the need for competitive bidding at hearings; "[c]ompetitive bidding yields higher offers and thus benefits the estate. Therefore, the objective is 'to maximize bidding, not restrict it.'" *Id.*; *see also Burtch v. Ganz (In re Mushroom Transp. Co.)*, 382 F.3d 325, 339 (3d Cir. 2004) (finding that debtor's fiduciary duties included maximizing and protecting the value of the estate's assets); *Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.)*, 107 F.3d 558, 564-65 (8th Cir. 1997) ("[A] primary objective of the [Bankruptcy] Code [is] to enhance the value of the estate at hand."). Courts uniformly recognize that procedures established for the purpose of enhancing competitive bidding are consistent with the fundamental goal of maximizing the value of a debtor's estate and, therefore, are appropriate. *See Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.)*, 181 F.3d 527, 536-37 (3d Cir. 1999) (noting that bidding procedures that promote competitive bidding provide benefit to debtor's estate); *Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.)*, 147 B.R. 650, 659 (S.D.N.Y. 1992) (such sale procedures "encourage bidding and to maximize the value of the Assets").

Here, the Bidding Procedures are designed to promote the paramount goal of any proposed sale of property of the Debtors' estates: maximizing the value of sale proceeds received by the estates. The Bidding Procedures provide for an orderly and appropriately competitive process through which interested parties may submit offers to purchase the Purchased Assets. Specifically, the Debtors, with the assistance of their advisors, have structured the Bidding Procedures to promote active bidding by interested parties and to confirm the highest or otherwise best offer reasonably available for the Purchased Assets. Additionally, the Bidding Procedures will allow the Debtors to conduct the Auction in a fair and transparent manner that will encourage participation by financially capable bidders with demonstrated ability to consummate a timely Sale. The timing contemplated under the Bidding Procedures is necessary and appropriate given, among other things (i) the fact that St. Vincent has been widely and intensely marketed through multiple sale processes over more than 19 months, and (ii) the uncertain impact of COVID-19 on

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

capital markets that may affect a sale approved on regular notice, including the potential impact on purchasers' access to financing and the value of the Purchased Assets. Accordingly, the Bidding Procedures should be approved because, under the circumstances, they are reasonable, appropriate and in the best interests of the Debtors, their estates, creditors, and all parties in interest.

B. THE STALKING HORSE BIDDER PROTECTIONS HAVE A SOUND BUSINESS PURPOSES AND ARE NECESSARY TO PRESERVE THE VALUE OF THE DEBTORS' ESTATES.

The Debtors submit that the proposed Stalking Horse Bidder Protections are normal, and oftentimes necessary, components of sales outside the ordinary course of business under § 363. In particular, such a protection encouraged the Stalking Horse Bidder to invest the requisite time, money, and effort to conduct due diligence and sale negotiations with the Debtors despite the inherent risks and uncertainties of the chapter 11 process. *See*, *e.g.*, *Integrated Resources*, 147 B.R. at 660 (noting that fees may be legitimately necessary to convince a "white knight" to offer an initial bid, for the expenses such bidder incurs and the risks such bidder faces by having its offer held open, subject to higher and better offers); *In re Hupp Indus.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1997) (without any reimbursement, "bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder's. . . due diligence"); *In re Marrose Corp.*, 1992 WL 33848, at *5 (Bankr. S.D.N.Y. 1992) (stating that "agreements to provide reimbursement of fees and expenses are meant to compensate the potential acquirer who serves as a catalyst or 'stalking horse' which attracts more favorable offers"); *In re 995 Fifth Ave. Assocs.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (finding that bidding incentives may be "legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking") (citations omitted).

A proposed bidding incentive, such as a Termination Payment, should be approved when it is in the best interests of the estate. *See In re S.N.A. Nut Co.*, 186 B.R. 98, 104 (Bankr. N.D. Ill. 1995); *see also In re America West Airlines, Inc.*, 166 B.R. 908 (Bankr. D. Ariz. 1994); *In re*

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

Hupp Indus., Inc., 140 B.R. 191 (Bankr. N.D. Ohio 1992). Typically, this requires that the bidding incentive provide some benefit to the debtor's estate. *Calpine Corp. v. O'Brien Envtl. Energy, Inc. (In re O'Brien Envtl. Energy, Inc.)*, 181 F.3d 527, 533 (3d Cir. 1999) (holding even though bidding incentives are measured against a business judgment standard in non-bankruptcy transactions the administrative expense provisions of § 503(b) govern in the bankruptcy context).

In evaluating the appropriateness of a bid protections, the appropriate question for the Court to consider is whether the bid protection "served any of three possible useful functions: (1) to attract or retain a potentially successful bid; (2) to establish a bid standard or minimum for other bidders to follow; or (3) to attract additional bidders." *In re Integrated Resources, Inc.*, 147 B.R. at 662 (where the Court heard testimony that the average breakup fee in the industry is 3.3%). Termination payments, such as break-up fees, in the same general range as the proposed Termination Payment have been routinely approved in the context of bankruptcy sales. *See In re CXM, Inc.*, 307 B.R. 94, 103–04 (Bankr. N.D. Ill. 2004) (court approved termination payment in amount equal to the actual expenses that the stalking-horse incurred in connection with its bid to buy the Sale Assets, subject to a maximum cap of $200,000, which equaled 3% of the cash purchase price); *In re Women First Healthcare, Inc.*, 332 B.R. 115, 118 (Bankr. D. Del. 2005) (court approved termination payment that equaled 4.7% percent of the purchase price*; In re Dan River, Inc.*, No. 04-10990 (Banker. N.D. Ga. Dec. 17, 2004) (court approved termination payment equal to 5.3% of the cash purchase price); *In re Lake Burton Dev., LLC*, 2010 WL 5563622, *43 (Bankr. N.D. Ga. Mar. 18, 2010) (court approved termination payment equal to 4.75% of cash purchase price); *In re Case Engineered Lumber, Inc.*, No. 09–22499 (Bankr. N.D. Ga. Sept. 1, 2009) (approving termination payment equal to 3.5% of the cash purchase price); *In re Tama Beef Packing Inc.*, 321 B.R. 469, 498 (B.A.P. 8th Cir. 2005) (noting that the bankruptcy court correctly concluded that termination payments are "usually limited to one to four perfect of the purchase price"). Notably, this Court has also approved break-up fees within the range of the proposed Termination Payment. *See In re Verity Health System of California, Inc.*, No. 18-20151 (Bankr. C.D. Cal. Oct. 30, 2018) (J. Robles) (approving break-up fee equal to 4% of the cash purchase

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

price); *In re T Asset Acquisition Company, LLC*, No. 09-31853 (Bankr. C.D. Cal. Jan. 28, 2010) (J. Robles) (approving break-up fee equal to 3% of the cash purchase price).

The Debtors submit that all of the bidding procedures the Debtors are seeking to have this Court approve, including the proposed Stalking Horse Bidder Protections in favor of the Stalking Horse Bidder, satisfies all three of the useful functions set forth above: (1) to attract or retain a potentially successful bid; (2) to establish a bid standard or minimum for other bidders to follow; and (3) to attract additional bidders. The proposed Termination Payment of 2.78% of the purchase price, plus an Expense Reimbursement of up to $1,000,000 is well within, and below, the percentage parameters that have been approved by many other courts. Thus, the Debtors believe that the proposed Stalking Horse Bidder Protections fairly and reasonably compensate the Stalking Horse Bidder for taking actions that will benefit the Debtors' estates. More to the point, the Stalking Horse Bidder Protections compensate the Stalking Horse Bidder for diligence and professional fees incurred in negotiating the terms of the Stalking Horse APA on an expedited timeline.

Additionally, the Debtors do not believe that the Stalking Horse Bidder Protections will have a chilling effect on the sale process. Rather, the Stalking Horse Bidder has increased the likelihood that the best possible price for the Purchased Assets will be received, by permitting other qualified bidders to rely on the diligence performed by the Stalking Horse Bidder, and moreover, by allowing qualified bidders to utilize the Stalking Horse APA as a platform for negotiations and modifications in the context of a competitive bidding process.

Finally, any Termination Payment will be paid only if, among other things, the Debtors enter into a transaction for the Purchased Assets with a bidder other than the Stalking Horse Bidder. Accordingly, no Termination Payment will be paid unless a higher and better offer is received and consummated. In sum, the Stalking Horse Bidder Protections are reasonable under the circumstances and will enable the Debtors to maximize the value for the Purchased Assets while limiting any chilling effect in the sale process.

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

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

C. THE PROCEDURE FOR ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IS APPROPRIATE.

Section 365(a) provides that, subject to the court's approval, a trustee "may assume or reject any executory contracts or unexpired leases of the debtor." 11 U.S.C. § 365(a). Upon finding that a trustee has exercised its sound business judgment in determining to assume an executory contract or unexpired lease, courts should approve the assumption under § 365(a). *See Nostas Assocs. v. Costich (In re Klein Sleep Prods., Inc.)*, 78 F.3d 18, 25 (2d Cir. 1996); *see also Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1099 (2d Cir. 1993).

Pursuant to § 365(f)(2), a trustee may assign an executory contract or unexpired lease of nonresidential real property if:

> (A) the trustee assumes such contract or lease in accordance with the provisions of this section; and
>
> (B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

11 U.S.C. § 365(f)(2).

The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, and should be given "practical, pragmatic construction." *See Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.)*, 103 B.R. 524, 538 (Bankr. D.N.J. 1989); *see also In re Natco Indus., Inc.*, 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) ("Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.").

Among other things, adequate assurance may be given by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. *In re Bygaph, Inc.*, 56 B.R. 596, 605-6 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance is present when prospective assignee of lease has financial resources and expressed

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

willingness to devote sufficient funding to business to give it strong likelihood of succeeding; chief determinant of adequate assurance is whether rent will be paid).

The Debtors and the Winning Bidder will present evidence at the Sale Hearing to prove the financial credibility, willingness, and ability of the Winning Bidder to perform under the contracts or leases. The Court and other interested parties therefore will have the opportunity to evaluate the ability of any Winning Bidder to provide adequate assurance of future performance under the contracts or leases, as required by § 365(b)(1)(C).

In addition, the Debtors submit that the cure procedures set forth herein are appropriate, reasonably calculated to provide notice to any affected party, and afford the affected party to opportunity to exercise any rights affected by the Motion, and consistent with § 365. To the extent that any defaults exist under any Assumed Executory Contracts, any such defaults will be cured pursuant to the Winning Bid APA. Except as otherwise limited by § 365, any provision in the Assumed Executory Contracts that would restrict, condition, or prohibit an assignment of such contracts will be deemed unenforceable pursuant to § 365(f)(1).

Accordingly, the Debtors submit that the cure procedures for effectuating the assumption and assignment of the Assumed Executory Contracts as set forth herein are appropriate and should be approved.

D. APPROVAL OF THE SALE IS WARRANTED UNDER § 363.

As discussed above, § 363(b)(1) provides that a debtor "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1).

a. The Sale of the Assets is Authorized by § 363 as a Sound Exercise of the Debtors' Business Judgment.

In accordance with Bankruptcy Rule 6004, sales of property rights outside the ordinary course of business may be by private sale or public auction. The Debtors have determined that the Sale of the Purchased Assets by public auction will enable it to obtain the highest and best offer for these assets (thereby maximizing the value of the estate) and is in the best interests of the Debtors' creditors. The Debtors have determined in their business judgment that a sale of the

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

Purchased Assets through a competitive, public auction is the best way to maximize the value of those assets.

Sections 363 provides that a trustee, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although § 363 does not specify a standard for determining when it is appropriate for a court to authorize the use, sale or lease of property of the estate, a sale of a debtor's assets should be authorized if a sound business purpose exists for doing so. *See, e.g., Meyers v. Martin (In re Martin)*, 91 F.3d 389, 395 (3d Cir. 1996); *In re Abbotts Dairies of Pa., Inc*., 788 F.2d 143 (2d Cir. 1986); *In re Titusville Country Club*, 128 B.R. 396 (W.D. Pa. 1991); *In re Delaware & Hudson Ry. Co*., 124 BR. 169, 176 (D. Del. 1991); *see also Official Comm. of Unsecured Creditors v. The LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143 (2d Cir. 1992); *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986).

The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See, e.g., In re Food Barn Stores, Inc*., 107 F.3d 558, 564-65 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the value of the estate at hand"); *Integrated Resources*, 147 B.R. at 659 ("It is a well-established principle of bankruptcy law that the. . . [trustee's] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.") (*quoting In re Atlanta Packaging Prods., Inc*., 99 BR. 124, 130 (Bankr. N.D. Ga. 1988)). As long as the sale appears to enhance a debtor's estate, court approval of a debtor's decision to sell should only be withheld if the debtor's judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. *GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd*., 331 B.R. 251, 255 (N.D. Tex. 2005); *In re Lajijani*, 325 B.R. 282, 289 (B.A.P. 9th Cir. 2005); *In re WPRV-TV, Inc*., 143 B.R. 315, 319 (D.P.R. 1991) ("The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on

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

whether to approve proposed sales, but the trustee's business judgment is subject to great judicial deference.").

Applying § 363, the proposed Sale of the Purchased Assets should be approved. As set forth above, the Debtors have determined that the best method of maximizing the recovery of the Debtors' creditors would be through the Sale of the Purchased Assets. As assurance of value, bids will be tested through the Auction consistent with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and pursuant to the Bidding Procedures approved by the Court. Consequently, the fairness and reasonableness of the consideration to be paid by the Winning Bidder ultimately will be demonstrated by adequate "market exposure" and an open and fair auction process—the best means, under the circumstances, for establishing whether a fair and reasonable price is being paid.

In addition to the Debtors' prior marketing efforts, the Debtors' investment banker has been contacting potential interested parties and has assembled a data room which is available upon the execution of an appropriate confidentiality agreement. There is a limited universe of potential acquirers of the Purchased Assets, and the Debtors and their advisors have been in active discussions with many of these potential purchasers.

b. The Sale of the Debtors' Assets Free and Clear of Liens and Other Interests is Authorized by § 363(f).

The Debtors further submit that it is appropriate to sell the Purchased Assets free and clear of liens pursuant to § 363(f), with any such liens attaching to the sale proceeds of the Purchased Assets to the extent applicable. Section 363(f) authorizes a trustee to sell assets free and clear of liens, claims, interests and encumbrances if:

> (1) applicable nonbankruptcy law permits the sale of such property free and clear of such interests;
>
> (2) such entity consents;
>
> (3) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;
>
> (4) such interest is in bona fide dispute; or

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

> (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). This provision is supplemented by § 105(a), which provides that "[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

Because § 363(f) is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Debtor's Assets "free and clear" of liens and interests. *In re Dundee Equity Corp*., 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6, 1992) ("Section 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met.*"); In re Bygaph, Inc*., 56 B.R. 596, 606 n.8 (Bankr. S.D.N.Y. 1986) (same); *Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.)*, 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (stating that § 363(f) is written in the disjunctive; holding that the court may approve the sale "free and clear" provided at least one of the subsections of § 363(f) is met).

At least one of the tests of § 363(f) is satisfied with respect to the transfer of the Purchased Assets pursuant to the APA. Additionally, at least § 363(f)(2) will be met in connection with the transactions proposed under the Purchase Agreement because each of the parties holding liens on the Purchased Assets will consent or, absent any objection to this motion, will be deemed to have consented to the Sale. Any lienholder also will be adequately protected by having its liens, if any, in each instance against the Debtors or their estates, attach to the sale proceeds ultimately attributable to the Purchased Assets in which such creditor alleges an interest, in the same order of priority, with the same validity, force and effect that such creditor had prior to the Sale, subject to any claims and defenses the Debtors may possess with respect thereto. Moreover, all rights under the Final DIP Order and the Intercreditor Agreement are being preserved. Accordingly, § 363(f) authorizes the transfer and conveyance of the Purchased Assets free and clear of any such claims, interests, liabilities, or liens.

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

c. The Winning Bidder Should be Afforded All Protections Under § 363(m) as A Good Faith Purchaser.

Section 363(m) protects a good-faith purchaser's interest in property purchased from the debtor's estate notwithstanding that the sale conducted under § 363(b) is later reversed or modified on appeal. Specifically, § 363(m) states that:

> The reversal or modification on appeal of an authorization under [section 363(b)] . . . does not affect the validity of a sale . . . to an entity that purchased . . . such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale were stayed pending appeal.

11 U.S.C. § 363(m). Section 363(m) "codifies Congress's strong preference for finality and efficiency" in bankruptcy proceedings. *In re Energytec, Inc*. 739 F.3d 215, 218-19 (5th Cir. 2013). The Ninth Circuit has repeatedly held that, under § 363(m), "[w]hen a sale of assets is made to a good faith purchaser, it may not be modified or set aside unless the sale was stayed pending appeal." *Paulman v. Gateway Venture Partners III, L.P. (In re Filtercorp, Inc).*, 163 F.3d 570, 576 (9th Cir. 1998); *In re Ewell*, 958 F.2d 276, 282 (9th Cir. 1992) ("Because the Buyer was a good faith purchaser, under 11 U.S.C. § 363(m) the sale may not be modified or set aside on appeal unless the sale was stayed pending appeal."); *Onouli-Kona Land Co. v. Estate of Richards (In re Onouli-Kona Land Co.)*, 846 F.2d 1170, 1172 (9th Cir. 1988) ("Finality in bankruptcy has become the dominant rationale for our decisions . . . .").

The selection of the Winning Bidder will be the product of arms' length, good faith negotiations in an anticipated competitive purchasing process. The Debtors intend to request at the Sale Hearing a finding that the Winning Bidder is a good faith purchaser entitled to the protections of § 363(m).

E. RELIEF FROM THE 14-DAY WAITING PERIOD UNDER BANKRUPTCY RULES 6004(H) AND 6006(D) IS APPROPRIATE.

Bankruptcy Rule 6004(h) provides that an "order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Similarly, Bankruptcy Rule 6006(d) provides that an "order authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed until the expiration of 14

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

days after the entry of the order, unless the court orders otherwise." The Debtors request that the Order be effective immediately by providing that the 14-day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. *See* Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Rules 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court should "order otherwise" and eliminate or reduce the 14-day stay period, *Collier* suggests that the 14-day stay period should be eliminated to allow a sale or other transaction to close immediately "where there has been no objection to the procedure." *Collier on Bankruptcy*, ¶ 6004.11 (Alan N. Resnick & Henry J. Sommer eds., 16th ed.). Furthermore, *Collier* provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. *Id.*

The Debtors hereby request that the Court waive the 14-day stay periods under Bankruptcy Rules 6004(h) and 6006(d) or, in the alternative, if an objection to the Sale is filed, reduce the stay period to the minimum amount of time needed by the objecting party to file its appeal.

F. THE APPLICABLE REQUIREMENTS OF LBR 6004-1 ARE SATISFIED.

Here all of the applicable requirements of LBR 6004-1(b) pertaining to the Motion and the request therein to approve the Bidding Procedures have been satisfied. First, as required by LBR 6004-1(b)(2), the Notice of Motion describes the proposed Bidding Procedures and includes a copy of the Stalking Horse APA. Second, as required by LBR 6004-1(b)(2), the Notice of the Bid Procedures Motion and this Memorandum describe marketing efforts undertaken and the anticipated marketing of the Purchased Assets through the deadline for prospective overbidders to submit bids for the Auction. Third, the Debtors provided notice of the Notice of Motion, Motion, and this Memorandum pursuant to LBR 6004-1(b)(3) and the *Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice* [Docket No. 132]. Therefore, the Debtors submit

that service of the Notice of Motion, Motion, and this Memorandum by such means was adequate and appropriate.

VI.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an order: (i) granting the relief requested herein; and (ii) granting such other and further relief as the Court may deem proper.

Dated: March 30, 2020

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

By */s/ Tania M. Moyron*
Tania M. Moyron

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

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

DECLARATION OF RICHARD G. ADCOCK

I, Richard G. Adcock, hereby state and declare as follows:

1. I submit this declaration (the "Declaration") in support of the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* (the "Motion").[10]

2. I am the Chief Executive Officer ("CEO") of Verity Health System of California, Inc. ("VHS"). I became VHS' CEO effective January 2018. Prior thereto, I served as VHS' Chief Operating Officer ("COO") beginning in August 2017. In my roles as COO and CEO at VHS, I have become intimately familiar with all aspects of the Debtors as well as those affiliated entities that are not in bankruptcy.

3. I have worked for more than 25 years in the healthcare arena, with 15 years in not for profit operations. During this period, I have accumulated extensive senior level experience in the areas of not-for-profit healthcare, especially in healthcare delivery, hospital acute care services, health plan management, product management, acquisitions, integrations, population health management, budgeting, disease management and medical devices. I also have meaningful experience in other related areas, including human resources and personnel management.

4. My background and familiarity with the Debtors' day-to-day operations, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 bankruptcy cases are set forth more fully in my *Declaration filed in Support of Emergency First-*

[10] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

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

Day Motions [Docket No. 8] filed on the Petition Date, and are incorporated by reference into this Declaration.

5. The Debtors concluded, in their business judgment, that the Sale on an emergency basis is in the best interests of the Debtors, their estates, and stakeholders, as follows: (i) the Stalking Horse Bidder desires to use the facilities on an expedited basis in order to coordinate with the State of California (the "State") and the local government to ensure that the facilities are being put to the best use in this critical time and to facilitate critical research related to the COVID-19 (as defined below) pandemic; (ii) given this need, the Stalking Horse Bidder desires to purchase facilities to facilitate and implement its plan and may acquire facilities from another seller if the proposed Sale is not approved on an emergency basis; (iii) St. Vincent has been widely and intensely marketed and the value of the proposed Sale is significant, particularly since it will generate at least $135 million in cash for the estates that continue to incur losses; and (iv) the Debtors seek to avoid the uncertain impact of COVID-19 on capital markets that may affect a sale approved on regular notice, including the potential impact on purchasers' access to financing and the value of the Purchased Assets.

6. The Stalking Horse Bidder is aware of the lease agreement [Docket No. 4315] between the Debtors and the State of California (the "State"), wherein the State is leasing the primary facility, the Hospital, to provide services related to the SARS-CoV-2 virus and the related infectious disease ("COVID-19") pandemic. The Stalking Horse Bidder intends to cooperate with the State and use the additional buildings that comprise the St. Vincent campus, including three medical office buildings and Seton Hall, to also address COVID-19. The Stalking Horse Bidder's willingness to take assignment of the Lease will further the Debtors' charitable mission to ensure continued critical health care access to the communities formerly served by the Hospital through continued partnership with the State to address the COVID-19 pandemic post-closing.

7. As set forth more fully in the accompanying Moloney Declaration, the Debtors received ten proposed asset purchase agreements from interested bidders as a result of renewed marketing efforts for the Purchased Assets after the SGM Sale did not close. On March 16, 2020,

the Debtors' representatives received an updated bid from the Foundation. The Foundation entered into substantive negotiations with the Debtors, which ultimately resulted in the Stalking Horse APA. A true and correct copy of the Stalking Horse APA is attached to the Motion as Exhibit "A."

8. The Debtors, the VHS board of directors, and the SVMC board of directors, in consultation with Cain and their other advisors, selected the Foundation offer to serve as the Stalking Horse Bidder to acquire the Purchased Assets. In selecting the Stalking Horse Bidder, the Debtors considered, among other things, the considerations set forth in paragraphs 5 and 6 hereof. Further, the Debtors concluded, in their business judgment after consultation with Cain and their other advisors, that conducting the Sale pursuant to the Bid Procedures (attached to the Motion as Exhibit "B") is most likely to result in the highest and best offer for the Purchased Assets and is in the best interests of the Debtors, their estates, creditors, stakeholders, and mission of service to their communities.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 30th day of March, 2020, at Los Angeles, California.

RICHARD G. ADCOCK

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

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

DECLARATION OF JAMES M. MOLONEY

I, James M. Moloney, hereby state and declare as follows:

1. I submit this declaration (the "Declaration") in support of the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* (the "Motion").[11]

2. I am a managing director of Cain Brothers ("Cain"), which is a division of KeyBanc Capital Markets Inc., a wholly-owned broker/dealer subsidiary of KeyCorp and an affiliate of KeyBank National Association. I am located in Cain's San Francisco office which is located at One California Street, Suite 2400, San Francisco, California. Mr. Carsten Beith and I are the co-heads of Cain's Health Systems Mergers & Acquisition group. I am over the age of 18 and competent to testify as to the facts set forth herein and will do so if called upon.

3. As set forth in Cain's previous declarations, beginning in June 2018, Cain began working with the Debtors to collect and review financial, operational and other information about the historic, current and project future operations and financial performance of each of the Debtors. Cain also began searching for a buyer or buyers for the Debtors' assets and created a potential list of buyers for the Verity Heath System as a whole or in parts. Mr. Beith and I led the marketing and sale efforts on behalf of Verity and advised Verity in connection with Verity's selection of Strategic Global Management, Inc. ("SGM") as the stalking horse bidder for the Debtors' hospitals and related assets (the "SGM Sale").

---

[11] Unless otherwise defined, capitalized terms used herein shall have the same meaning as in the Motion.

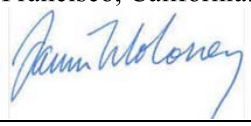
4. The previous marketing and sale process conducted in 2019 yielded no qualified bid for the Hospital as a stand-alone hospital. The Debtors proceeded toward closing the SGM Sale.

5. After the SGM Sale did not close, Cain renewed the marketing process to identify parties interested in acquiring the Purchased Assets. On January 3, 2020, Cain contacted all parties that had previously executed an NDA concerning their continued interest in SVMC. In addition, Cain updated the SVMC Confidential Information Memorandum (CIM), which it posted to the data room on December 30, 2019. In total, 61 parties executed an NDA and were given access to the data site. On January 15, 2020, Cain contacted all interested parties and requested that parties submit "indications of interest" (each an "IOI") on or before February 7, 2020. The Debtors received twelve IOIs from parties that had experience in similar investments and a wherewithal to close.

6. On February 26, 2020, Cain requested that parties submit proposed asset purchase agreements on or before March 6, 2020. The Debtors received ten proposed asset purchase agreements from interested bidders. On March 16, 2020, the Debtors' representatives received an updated bid from the Stalking Horse Bidder.

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

Executed this 30th day of March, 2020, at San Francisco, California.



JAMES M. MOLONEY

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

Exhibit A

Stalking Horse APA

ASSET PURCHASE AGREEMENT

By and Among

**ST. VINCENT MEDICAL CENTER, VERITY HOLDINGS, LLC,
and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

(as "Sellers")

and

THE CHAN SOON-SHIONG FAMILY FOUNDATION

(as "Purchaser")

Dated March 30, 2020

TABLE OF CONTENTS

Page

INDEX OF SCHEDULES & EXHIBITS

Schedules

Schedule 1.4.3	Owned Real Property
Schedule 1.7(c)	Assigned Contracts
Schedule 1.7(I)	State of California Lease
Schedule 1.8(c)	Excluded Personal Property
Schedule 1.8(bb)	Certain Other Excluded Assets
Schedule 1.9(g)	Other Obligations
Schedule 1.11	Evaluated Contracts
Schedule 2.4	Brokers and Finders (Sellers)
Schedule 2.5	Required Consents (Sellers)
Schedule 2.6	Legal Proceedings (Sellers)
Schedule 2.8	Leases
Schedule 3.4	No Violation (Purchaser)
Schedule 3.7	Legal Proceedings (Purchaser)
Schedule 11.3(b)	Tax Allocation Schedule

Exhibits

No.	*Description*	*Status*
Exhibit 1.2	Escrow Agreement	to come
Exhibit 1.4.1	Bill of Sale	to come
Exhibit 1.4.2	Real Estate Assignment Agreements	to come
Exhibit 1.4.3	Grant Deeds	to come
Exhibit 1.4.4	Transfer Agreement	to come
Exhibit 8.6	Pro Forma	To come

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "**Agreement**") is made and entered into as of March 30, 2020 (the "**Signing Date**") by and among St. Vincent Medical Center, a California nonprofit public benefit corporation ("**SVMC**"), Verity Holdings, LLC ("**Verity Holdings**"), a California limited liability company and Verity Health System of California, Inc., a California nonprofit public benefit corporation ("**VHS**" and, together with SVMC and Verity Holdings, the "**Sellers**" and each individually a "**Seller**") and The Chan Soon-Shiong Family Foundation, a Delaware nonprofit corporation ("**Purchaser**"). Each of the Purchaser and each Seller is referred to herein as a "**Party**" and, collectively, the "**Parties**".

RECITALS

A. SVMC historically operated the hospital known as St. Vincent Medical Center, located at 2131 W 3rd Street, Los Angeles, CA 90057, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by SVMC (collectively, the "**Hospital**"). On January 6, 2020, SVMC announced the closure of its Hospital and has ceased all operations other than those necessary to maintain the Owned Real Property (defined below).

B. VHS is the sole member of SVMC and Verity Holdings. Verity Holdings owns and rents certain properties on or near the Hospital campus.

C. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below for the consideration and upon the terms and conditions contained in this Agreement. Subject to Section 13.2, Purchaser may elect to take title to some or all of the assets through one or more affiliated nominees.

D. On August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the "**Bankruptcy Court**"), which is jointly administered with its affiliates under Case No. Case No. 18-20151 (the "**Bankruptcy Cases**").

E. By March 30, 2020, Sellers will file a motion, seeking approval of, among other things, (1) bidding procedures for conducting a sale and auction of the Assets (as defined below) (the "**Bidding Procedures**"), which Bidding Procedures shall be in form and substance reasonably acceptable to Purchaser, (2) scheduling a hearing before the Bankruptcy Court to approve and authorize the sale of the Assets free and clear of all liens, claims and encumbrances pursuant to the terms of this Agreement and a sale order of the Bankruptcy Court, which sale order shall be in form and substance reasonably acceptable to the Purchaser (the "**Sale Order**"), (3) approving procedures relating to the debtors' assumption and assignment of executory contracts and unexpired leases to Purchaser as provided in this Agreement, and (4) authorizing Sellers' performance of their obligations under this Agreement, including but not limited to the Stalking Horse Bidder Protections (as defined below), subject to the terms and conditions of this Agreement, which motion (the "**Bidding Procedures Motion**") and order (the "**Bidding Procedures Order**") shall be in form and substance reasonably acceptable to Purchaser.

F. The Parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets as approved by the Bankruptcy Court pursuant to Section 363 of the Bankruptcy Code.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the Parties agree as follows:

ARTICLE 1
SALE AND TRANSFER OF ASSETS;
CONSIDERATION; CLOSING

1.1 Purchase Price

. Subject to the terms and conditions of this Agreement, the purchase price ("**Purchase Price**") shall consist of:

(a) An aggregate cash payment of One Hundred Thirty-Five Million Dollars ($135,000,000.00) for the Owned Real Property and the Personal Property; and

(b) An amount determined in accordance with Section 1.6.

1.2 Deposit

. Purchaser has deposited an amount equal to Eight Million One Hundred Thousand Dollars ($8,100,000) (the "**Deposit**") by wire transfer to Chicago Title Insurance Company. 10 South LaSalle St. Suite 3100, Chicago, IL 60603 Attention: Beata Lewis ("**Escrow Agent**") pursuant to that certain Escrow Agreement attached hereto as Exhibit 1.2. All fees of the Escrow Agent shall be paid by Purchaser. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser's and/or Sellers' termination of the Agreement pursuant to Sections 9.1 (a), (c), (d), (f), (g), (h), (i), or (j) hereof. Upon Closing, the Deposit will be credited against the Purchase Price.

1.3 Closing Date

. The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of the Escrow Agent (the day on which Closing actually occurs, the "**Closing Date**") within five (5) business days following the receipt of the Bankruptcy Court Approval set forth in Sections 7.4 and 8.4 below. The Closing shall be deemed to occur and to be effective as of 12:00 a.m. Pacific time on the day immediately prior to the Closing Date (the "**Effective Time**").

1.4 Items to be Delivered by Sellers at Closing

. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Escrow Agent the following:

1.4.1 a Bill of Sale substantially in the form of Exhibit 1.4.1 attached hereto (the "Bill of Sale"), duly executed by each Seller;

1.4.2 Real Estate Assignment Agreements (the "**Real Estate Assignments**") in the form of Exhibit 1.4.2 attached hereto with respect to the leases included in the Assigned Contracts (the "**Assigned Leases**"), each duly executed by the applicable Sellers;

1.4.3 Grant Deeds in the form of Exhibit 1.4.3 attached hereto with respect to the real property listed in Schedule 1.4.3 (the "**Owned Real Property**") duly executed by SVMC and Verity Holdings as applicable;

1.4.4 an Assigned Contract Transfer Agreement (the "**Transfer Agreement**") in the form of Exhibit 1.4.4 attached hereto, duly executed by the applicable Sellers;

1.4.5 evidence of payment or escrowing of all Cure Costs;

1.4.6 favorable certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.4.7 a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing the due execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.4.8 a certified copy of the Sale Order;

1.4.9 a duly executed affidavit of each Seller stating that such Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act in the form of Exhibit 1.4.9 attached hereto, and a duly executed California Form 593 from each Seller;

1.4.10 to the extent not previously delivered to Purchaser, any contracts and licenses and permits with respect to the Owned Real Property, if any, in the possession of Sellers or Sellers' agents, together with such property files and records which are material in connection with the operation and maintenance of the Owned Real Property;

1.4.11 a duly executed Owner's Affidavit in a form approved by the Title Company from each Seller;

1.4.12 Any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing

. At or before the Closing, Purchaser shall deliver or cause to be delivered to Escrow Agent the following:

1.5.1 payment of the Purchase Price;

1.5.2 a duly executed certificate of an officer of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions with respect to Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.5.3 favorable certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.5.4 the Bill of Sale, duly executed by Purchaser;

1.5.5 the Real Estate Assignment(s), duly executed by Purchaser;

1.5.6 Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Owned Real Property, duly executed by Purchaser;

1.5.7 the Transfer Agreement, duly executed by Purchaser; and

1.5.8 any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

All closing documents shall be on a As Is, Where Is basis with no ongoing recourse to the Seller post-Closing, except for Seller's obligations to pay the Cure Costs, if any, which shall survive the Closing.

1.6 Prorations and Utilities

. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

1.6.1 [Reserved]

1.6.2 Other than the Utility Deposits (defined below), which are governed by Section 1.8(o), and other than with respect to Cure Costs, the following costs and expenses shall, unless paid by the State of California pursuant to the State of California Lease (defined below), be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same

are attributable: (i) all real estate and personal property lease payments, non-delinquent real estate and personal property taxes, real estate assessments and other similar charges against real estate, (ii) power and utility charges, (iii) [reserved] and (iv) other similar costs for items or services which continue past the Effective Time and are expressly assumed by Purchaser (collectively, the "**Prorated Charges**"). Unless paid by the State of California pursuant to the State of California Lease, Sellers shall pay at or prior to the Closing (or Purchaser shall receive credit for) any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for or, to the extent previously paid by Sellers, pay to Sellers at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The Parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, "final readings" as of the Closing Date shall be ordered from the utilities; the cost of obtaining such "final readings," if any, shall be paid by Purchaser.

1.6.3 All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the Parties; *provided, however*, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either Sellers or Purchaser shall be entitled to an adjustment to correct the same, provided that said Party makes written demand on the Party from whom it is entitled to such adjustment within fifteen (15) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration.

1.6.4 Sellers shall pay (a) the fees of any counsel representing it in connection with this transaction; (b) the fees for recording the deed conveying the Owned Real Property to Purchaser; (c) any transfer tax, documentary stamp tax or similar tax which becomes payable by reason of the transfer of the Owned Real Property; (d) one-half (½) of any escrow fee which may be charged by Escrow Agent, and (e) the CLTA portion of the premium for the Title Policy. Subject to the Expense Reimbursement, Purchaser shall pay (x) the fees of any counsel representing Purchaser in connection with this transaction; (y) premium for the ALTA portion of the Title Policy and the costs of any endorsements thereto; and (z) one-half (½) of any escrow fees charged by Escrow Agent. Except with respect to the Expense Reimbursement, all other costs and expenses incident to this transaction and the closing thereof shall be paid by the Party incurring same.

1.6.5 This Section 1.6 shall survive Closing.

1.7 Transfer of Sellers' Assets

. On the Closing Date, subject to the terms and conditions of this Agreement, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all liens and encumbrances other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of Sellers' right, title and interest in and to only the following assets and properties, as such assets shall exist on the

Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time (the "**Assets**"):

(a) all of Sellers' interest in and to the Owned Real Property;

(b) all of the tangible personal property owned by Sellers and currently located at the Owned Real Property, including inventories and supplies utilized for the operation and maintenance of the Owned Real Property, equipment, furniture, machinery, and office furnishings, excluding any vehicles or other items excluded from sale pursuant to Section 1.8(c) (the "**Personal Property**") and, to the extent assignable or transferrable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property;

(c) all of Sellers' interest in, and all of Sellers' obligations due under from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(c);

(d) all of Sellers' interest in, and all of Sellers' obligations due under from and after the Effective Time, all Assigned Leases, pursuant to Section 1.11 and appearing on Schedule 2.8; and

(e) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepaids**").

As used herein, the term "**Permitted Exceptions**" means (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable, subject to adjustment as provided in Section 1.6; (ii) zoning ordinances and other similar encumbrances affecting real property; (iii) items appearing of record and identified in the pro forma policy attached hereto as Exhibit 8.6; (iv) the lease with the State of California described in Schedule 1.7(I) (the "**State of California Lease**"); and (v) holdover tenants associated with Assigned Leases. For the avoidance of doubt, Seller, at its sole cost and expense, shall cause to be removed, at or prior to the Closing, any Schedule B exceptions appearing on the Title Commitment, which are not Permitted Exceptions; provided, however, Sellers' obligations with respect to the foregoing shall be limited to the following: (x) delivery to the Escrow Agent all items set forth in Section 1.4, including, but not limited to, a certified copy of the Sale Order and a duly executed Owner's Affidavit in a form approved by the Title Company from each Seller; and (y) proration and payment of all real estate taxes and assessments in accordance with Section 1.6.

1.8 Excluded Assets

. Notwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets owned directly or indirectly by it (or any of Sellers' affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of Sellers (collectively, the "**Excluded Assets**"):

(a) cash, cash equivalents and short-term investments;

(b) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, quality assurance fee payments, trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller cost report settlements, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded, for services, goods, products and supplies provided by Sellers prior to the Effective Time whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, "**Accounts Receivable**") and all licenses, Medicare/Medi-Cal agreements and private payor agreements;

(c) all of the tangible Personal Property owned by Sellers currently located at the Owned Real Property, including any vehicles, and listed on Schedule 1.8(c);

(d) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the Accounts Receivable;

(e) all of Sellers' intangible personal property, including trademarks, copyrights and ownership interests in or rights to control the activities of any affiliate, subsidiary, or charitable foundation;

(f) all shares, membership interests or other ownership rights or interests in and to any other corporation or entity, including St. Vincent Foundation and St. Vincent Dialysis Center, Inc.;

(g) all benefit plans of Sellers and the assets of all benefit plans of Sellers and any asset that would revert to the employer upon the termination of any benefit plan of Sellers, including, without limitation, any assets representing a surplus or overfunding of any benefit plan of Sellers;

(h) all contracts that are not Assigned Contracts;

(i) all inventory and supplies previously utilized in the Sellers' patient care operations;

(j) the portions of Prepaids, and other assets disposed of, expended or canceled, as the case may be, by Sellers after the Signing Date and prior to the Effective Time in the ordinary course of business;

(k) assets owned by vendors of services or goods to the Hospital;

(l) all of Sellers' organizational or corporate record books, minute books and tax records;

(m) all claims, counterclaims and causes of action of Sellers or Sellers' bankruptcy estate (including parties acting for or on behalf of Sellers' bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Cases (the "**Committee**") or any subsequent liquidating trust), including, without limitation, (A) causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code (such actions, "**Avoidance Actions**"), (B) any claims, counterclaims and causes of action under applicable non-bankruptcy law (including claims, counterclaims and causes of action against any health plan or other third party payors related to services provided prior to the Effective Time), and (C) any rights to challenge liens asserted against property of the Sellers' bankruptcy estate (including, but not limited to, liens attaching to the Purchase Price paid to the Sellers), and the proceeds from any of the foregoing; *provided, however,* that Purchaser shall acquire and be deemed to release and waive as of the Effective Time causes of action under Sections 544, 547, 548 and 550 of the Bankruptcy Code against counterparties to executory contracts and unexpired leases being assumed by Sellers and assigned (solely to the extent Assigned Contracts) to Purchaser pursuant to Section 1.11 hereof;

(n) all insurance policies and contracts and coverages obtained by Sellers or listing Sellers as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to (i) Assets prior to the Effective Time and/or (ii) Excluded Assets whether prior to or after the Effective Time;

(o) all deposits made with any entity that provides utilities to the Owned Real Property (the "**Utility Deposits**");

(p) all unclaimed personal property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(q) all bank accounts of Sellers;

(r) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(s) the rights of Sellers to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(t) all tax refunds and tax assets of Sellers;

(u) all documents, records, personnel files, operating manuals patient records and film pertaining to the Hospital;

(v) all patient records and medical records which are not part of any electronic medical record software transferred to Purchaser and are not required by law (including Section 351 of the Bankruptcy Code) to be maintained by Purchaser as of the Effective Time;

(w) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(x) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets and/or Excluded Liabilities;

(y) any rights or remedies provided to Sellers under this Agreement and each other document executed in connection with the Closing and the actions necessary to complete the sale of the Assets pursuant to this Agreement;

(z) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers' termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(aa) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC ("**Premier GP**"), Premier Healthcare Alliance, L.P. ("**Premier LP**"), Premier Healthcare Solutions, Inc. ("**PHSI**") and each of Premier, Inc.'s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, "**Premier**"), and on the other hand, VHS, as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS);

(bb) any intellectual property, including copyrights and trademarks, and any other any assets identified in Schedule 1.8(bb);

(cc) the Hospital's licenses, including its general acute care license; and

(dd) all Excluded Contracts and Excluded Leases.

For the avoidance of doubt, Purchaser is not acquiring any asset owned by any affiliate of Sellers.

1.9 Transferred Obligations

. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations (collectively, the "**Transferred Obligations**"):

(a) the Assigned Contracts, after Sellers pay the Cure Costs;

(b) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Assets on or after the Effective Time;

(c) all liabilities and obligations related to the employees of Sellers hired by Purchaser arising on or following the Effective Time;

(d) all unpaid non-delinquent real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(e) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(f) the Assigned Leases;

(g) any other obligations and liabilities identified in Schedule 1.9(g).

1.10 Excluded Liabilities

. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, Purchaser is not assuming any liabilities of Sellers related to the Assets or the Hospitals, and to the maximum extent permitted by law shall not be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets (the "**Excluded Liabilities**").

1.11 Designation of Assigned Contracts and Assigned Leases

. Purchaser may review and evaluate for assumption or rejection the contracts and leases listed in Schedule 1.11 (collectively, all such contracts and leases, the "**Evaluated Contracts**"), and each Seller will assign to Purchaser the contracts and leases that are selected by Purchaser for assignment and assumption from such Evaluated Contracts in accordance with the terms of this Section 1.11. Not later than 4:00 pm Pacific Time on the day immediately preceding the date of the Auction (defined below), or, if no Auction occurs, then not later than 4:00 pm Pacific Time on April 7, 2020, Purchaser shall notify Sellers in writing of which Evaluated Contracts are to be assumed and assigned to the Purchaser (all such Evaluated Contracts assumed and assigned to Purchaser, the "**Assigned Contracts**"). All other Evaluated Contracts that are not Assigned Contracts shall be rejected by Sellers (any such rejected Evaluated Contracts, the "**Rejected Contracts**"). For the avoidance of doubt, Purchaser shall have no obligation or liability as it relates to any Rejected Contract.

1.12 Disclaimer of Warranties; Release

.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, "AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS" WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE OWNED REAL PROPERTY WITH NO WARRANTY OF

HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED OR RECEIVED "AS IS, WHERE IS" ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser's judgment bear upon the Purchase Price, the Assets, the Sellers, the Hospital, the businesses of the Hospital and their value and suitability for Purchaser's purposes and is relying solely on Purchaser's own examination, review and inspection of the Assets and Transferred Obligations. Except with respect to any obligations of Seller to pay the Cure Costs, Purchaser hereby releases Sellers and their affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the businesses of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect at the Closing.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby severally and not jointly represent and warrant to Purchaser as to the following matters, as of the Signing Date and as of the Closing Date, except as disclosed in the disclosure schedule as may be amended pursuant to the terms of this Agreement (the "**Disclosure Schedule**"), delivered by Sellers to Purchaser:

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby. The person signing this Agreement on behalf of each Seller is authorized to do so.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect (including, without limitation approval of the Bankruptcy Court) and (b) limitations on the enforcement of equitable remedies.

2.3 Organization and Good Standing; No Violation.

(a) Each of SVMC and VHS is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Verity Holdings is a limited

liability company duly organized, validly existing and in good standing under the laws of the State of California. Each Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller's articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Brokers and Finders

. Except as set forth on Schedule 2.4, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder. Purchaser shall have no obligation or liability with respect to any finder, broker or agent set forth on Schedule 2.4.

2.5 Required Consents

. Except as set forth in Schedule 2.5 and as otherwise set forth in this Agreement, Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, material lien, deed of trust, material lease, material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

2.6 Legal Proceedings

. Except as described on Schedule 2.6, or as filed in the Bankruptcy Court and available through Sellers' claims and noticing agent's website at http://www.kcclcc.com/VERITYHEALTH, there are no claims, proceedings or investigations asserted against Sellers and pending or, to the best knowledge of Sellers, threatened against Sellers before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Sellers' ability to consummate the transactions contemplated hereby. Sellers are not subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Sellers which would adversely affect Sellers' ability to consummate the transactions contemplated hereby.

2.7 Title

. Sellers have delivered at their own expense for all Owned Real Property, (i) title commitments (the "**Title Commitments**") with effective dates of June 14, 2019 and February 5, 2020 issued by Chicago Title Insurance Company (the "**Title Company**"), (ii) copies of or access to all material underlying title documents listed on the Title Commitments, and (iii) Preliminary ALTA/NSPS Land Title Surveys based off one of the Title Commitments prepared by Buckley D. Blew, Blew & Associates, P.A. under Job Numbers 19-6306 & 19-6313, and coordinated by AEI Consultants under AEI Job #s 414552 & 414559 (the "**Surveys**").

2.8 Leases

Sellers are the lessor or landlord under the Assigned Leases. There are no leases or occupancy agreements to which any Seller is a party affecting the Owned Real Property other than with respect to those tenants listed on Schedule 2.8 attached hereto. To the best of Sellers' knowledge, there are no uncured defaults under any of the Assigned Leases by either party except set forth on Schedule 2.8. Except as may be set forth on Schedule 2.4, there are no leasing commissions related to any of the Assigned Leases that remain unpaid.

2.9 Condemnation

. No condemnation proceedings relating to the Owned Real Property are pending or, to Sellers' knowledge, threatened and Sellers have not received written notice of any condemnation proceedings related to the Owned Real Property.

2.10 OFAC

. Each Seller represents and warrants that (a) such Seller and, to such Seller's actual knowledge, each person or entity owning an interest in such Seller is (i) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "**List**"), and (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, and (iii) not an Embargoed Person (as hereinafter defined), (b) to such Seller's actual knowledge, none of the funds or other as-sets of such Seller constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person, and (c) to such Seller's actual knowledge, no Embargoed Person has any interest of any nature whatsoever in such Seller (whether directly or indirectly). The term "Embargoed Person" means any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder.

2.11 Evaluated Contracts

. To the knowledge of Sellers, true and complete copies of the Evaluated Contracts are contained in Phoenix Cain: Folder 4.2.4 of Seller's electronic data room.

2.12 No Violations

Except as set forth on Schedule 2.12, and other than any action or proceeding brought in the Bankruptcy Court and available through Sellers' claims and noticing agent's website at http://www.kcclcc.com/VERITYHEALTH, to the knowledge of Sellers, no Seller has received any written notice from a governmental agency of any uncured violations of any federal, state, county or municipal law, ordinance, order, regulation or requirement affecting the Owned Real Property.

2.13 Tax Appeals

. No tax appeals initiated by any Seller are pending or have been filed with respect to any of the Owned Real Property. Sellers have not received from any governmental authority or other entity having authority to impose such assessments, any written notice of actual or threatened special assessments or reassessments of the Owned Real Property.

2.14 Sellers' Knowledge

. References in this Agreement to "Sellers' knowledge" or "the knowledge of Sellers" means the actual knowledge of the Chief Executive Officer or Chief Financial Officer of each of the Sellers, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents and warrants to Sellers as to the following matters as of the Signing Date and as of the Closing Date:

3.1 Authorization

Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. The person signing this Agreement on behalf of Purchaser is authorized to do so.

3.2 Binding Agreement

. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing

. Purchaser is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation

. Except as set forth in Schedule **Error! Reference source not found.**, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions

contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority; (c) violate any law, rule, regulation or ordinance to which Purchaser is or may be subject; or (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders

. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers

. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that other than the representations of Sellers set forth in Article 2 hereof, Purchaser is not relying on any covenant, representation, warranty (expressed or implied, oral or otherwise) made by or on behalf of a Sellers, or any other provision of this Agreement, in entering into and performing under this Agreement. Purchaser further acknowledges that Sellers are not making any covenants, representations or warranties herein relating to the Assets or the operation of the Hospital on or after the Effective Time. In particular, Purchaser has reviewed the Title Commitments and Surveys and is prepared to close at the Purchase Price and other terms herein, subject to the Permitted Exceptions. Purchaser is aware of and acknowledges it is taking the Assets subject to the State of California Lease.

3.7 Legal Proceedings

. Except as described on Schedule **Error! Reference source not found.**, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of Sellers' Breach

. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by Sellers or of any condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through Sellers or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations, warranties or any other provision or condition under this Agreement, then, subject to Section 9.1(c), the effect shall be as if the covenants, representations and warranties or any other provision or condition of this Agreement had been modified in

accordance with the actual state of facts existing prior to the Effective Time; provided, that Purchaser must promptly notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of any covenant, representation or warranty or any other provision of this Agreement or any ancillary agreements entered into pursuant to this Agreement.

3.9 Ability to Perform

. Purchaser has the ability to obtain funds and at the Closing shall have cash in amounts necessary to consummate the transactions contemplated by this Agreement by means of cash, credit facilities or otherwise. Purchaser has provided Sellers with a letter from Merrill Lynch, Pierce, Fenner & Smith Incorporated regarding Purchaser's financial capacity.

3.10 Investigation

. As of the Closing Date, Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of Sellers for purposes of conducting a due diligence investigation of Sellers and the Assets. Purchaser has completed all of its due diligence of Sellers and the Assets and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

3.11 OFAC

. Purchaser and, to Purchaser's actual knowledge, each person or entity owning an interest in Purchaser is (i) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the OFAC and/or on any other similar List, (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, and (iii) not an "Embargoed Person", to Purchaser's actual knowledge, none of the funds or other assets of Purchaser constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person, and to Purchaser's actual knowledge, no Embargoed Person has any interest of any nature whatsoever in Purchaser (whether directly or indirectly).

3.12 Purchaser Knowledge

. References in this Agreement to "Purchaser's knowledge" or "the knowledge of Purchaser" means the actual knowledge of the Chief Financial Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

ARTICLE 4
COVENANTS OF SELLERS

4.1 Access and Information; Inspections

.

4.1.1 From the Signing Date through the Effective Time, (a) Sellers shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours to one of the Sellers' corporate headquarters in Los Angeles, California to inspect, the books, accounts, records and all other relevant documents and information with respect to the Assets (*provided* that Purchaser acknowledges that site visits to the Hospital may be subject to restrictions under the lease with the State of California) and (b) Sellers shall furnish Purchaser with such additional financial and operating data and other information in Sellers' possession as to the Assets as Purchaser or its representatives may from time to time reasonably request; *provided*, *however*, that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the purchase of the Assets by Purchaser; *provided*, *further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Sellers or their representatives. Purchaser's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of Sellers.

4.1.2 Notwithstanding anything contained herein, Sellers shall not be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

4.2 Consents

. Notwithstanding any provision to the contrary contained in this Agreement, Sellers shall not be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts from any party to any of the Assigned Contracts if any such contract or lease states that it is not assignable without such party's consent.

4.3 Sellers' Efforts to Close

. Sellers shall use their reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7, ARTICLE 7, and ARTICLE 8 to their or Purchaser's obligations under this Agreement to the extent that Sellers' action or inaction can control or materially influence the satisfaction of such conditions.

4.4 Cure Costs. On or about the Closing Date, Sellers shall pay or escrow an amount equal to the Cure Costs to each counter party to an Assigned Contract so that each such Assigned Contract may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, "**Cure Costs**", means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts to Purchaser as provided herein. The obligation of Seller to pay the Cure Costs, if not fully paid as of the Closing Date, shall survive the Closing.

4.5 Bankruptcy Court Matters

.

(a) As soon as reasonably practicable following execution of this Agreement, Sellers shall file the Bidding Procedures Motion. In the event that the Bidding Procedures Order is appealed, Sellers shall use commercially reasonable efforts to defend such appeal.

(b) Provided Purchaser is selected as the winning bidder in respect of the Assets at the auction, if any, undertaken in accordance with the Bidding Procedures Order (the "**Auction**"), or if no Competing Bid (as defined below) is submitted with respect to the Assets that constitutes a Qualified Bid (as defined in the Bidding Procedures Order), Sellers shall seek entry of the Sale Order and any other orders to close the sale of the Assets (any such orders, "**Related Orders**") by the Bankruptcy Court in accordance with the terms and conditions of the Bidding Procedures Order. In the event that the Sale Order or any Related Orders are appealed, Sellers shall use commercially reasonable efforts to defend such appeal.

(c) Provided Purchaser is selected as the winning bidder at the Auction, if any, or if no Competing Bid is submitted with respect to the Assets, Sellers shall file such motions or pleadings as may be appropriate or necessary to assume and assign the Assigned Contracts and to determine the amount of Cure Costs (the "**Contracts Assumption Motion**"), which Contracts Assumption Motion and any form of order approving such Contracts Assumption Motion (which, for the avoidance of doubt, may be the Sale Order), shall be in form and substance reasonably acceptable to Purchaser (the "**Contracts Assumption Order**").

(d) Sellers agree that the following documents, and any amendments, modifications and/or supplements thereto, shall be in form and substance reasonably acceptable to Purchaser:

(i) the Bidding Procedures, the Bidding Procedures Motion and the Bidding Procedures Order;

(ii) the Sale Order and any Related Orders; and

(iii) the Contracts Assumption Motion and the Contracts Assumption Order.

ARTICLE 5
COVENANTS OF PURCHASER

5.1 Purchaser's Efforts to Close

. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions.

5.2 Consents

. Purchaser shall be entitled, but not obligated, to seek to obtain any consents required under the applicable contracts in connection with Sellers' assignment to Purchaser of the Assigned Contracts. Purchaser's failure to obtain any or all of such consents as of the Closing Date shall not be a condition precedent to either Party's obligation to consummate the Closing and perform all transactions contemplated by this Agreement; *provided*, *however*, in the event such consent is not obtained, such contract shall no longer be an Assigned Contract.

ARTICLE 6
BANKRUPTCY COURT APPROVAL

6.1 Bankruptcy Court Approval

.

(a) Sellers and Purchaser acknowledge that this Agreement is subject to approval of the Bidding Procedures as set forth in the Bidding Procedures Order, and the consideration by the Sellers, in the exercise of their fiduciary duties, of higher or better competing bids in respect of all or any part of the Assets in accordance with the Bidding Procedures Order (whether individually or in combination with other assets of the debtors or otherwise) (each a, "**Competing Bid**").

(b) Sellers shall, at any hearing to consider approval of this Agreement, whether a hearing to approve the Bidding Procedures or this Agreement as the Winning Bid (any such hearing, a "**Sale Hearing**"), exercise commercially reasonable efforts to obtain, as applicable, the Bidding Procedures Order or the Sale Order approving this Agreement, subject to any Competing Bids in accordance with the Bidding Procedures Order. For purposes of this Agreement, the Sale Order shall authorize the sale of the Assets pursuant to Section 363(b) of the Bankruptcy Code (including the Sellers' assumption and assignment to Purchaser of the Assigned Contracts) on the terms and conditions set forth herein, free and clear of all liens and encumbrances (other than Permitted Exceptions) and Excluded Liabilities.

(c) Sellers agree, subject to the exercise of their fiduciary duties, to proceed in good faith to obtain Bankruptcy Court approval of the sale contemplated by this Agreement with a determination that Purchaser is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and in good faith to file such declarations and other evidence as may be required to support a determination.

(d) Sellers shall seek an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Sellers, whether or not arising in connection with this Agreement, solely in the Bankruptcy Court.

6.2 Appeal of Sale Order

. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall, in consultation with the

Purchaser, be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

ARTICLE 7
CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments

. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints

. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

7.3 Performance of Covenants

. Purchaser shall have in all material respects performed or complied with each and all of its obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

7.4 Bankruptcy Court Approval

. The Bankruptcy Court shall have entered the Sale Order.

7.5 Representations and Warranties

. All of the representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects as of the Closing Date (subject to appropriate modifications permitted under this Agreement and except as would not be materially adverse to Seller).

ARTICLE 8
CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Signing and Delivery of Instruments

. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

8.2 No Restraints

. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

8.3 Performance of Covenants

. Sellers shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by Sellers on or prior to the Closing Date; provided, however, that this condition will be deemed to be satisfied unless (a) Sellers were given written notice of such failure to perform or comply and did not or could not cure such failure to perform or comply within fifteen (15) business days after receipt of such notice and (b) the respects in which such obligations, covenants, agreements and conditions have not been performed would be materially adverse to Purchaser.

8.4 Bankruptcy Court Approval

(a) .

(a) (i) The Bankruptcy Court shall have entered the Sale Order, the form and substance of which shall be reasonably acceptable to the Purchaser and made a finding that Purchaser is a "good faith" purchaser and (ii) on the Closing Date, the Sale Order shall (1) be in full force and effect, (2) not have been voided, reserved or vacated or subject to a stay, (3) not have been amended, modified or supplemented in any way without Purchaser's prior written consent, and (4) be a Final Order, unless otherwise agreed by Purchaser and Sellers as part of an expedited closing. For purposes of this Agreement, a "**Final Order**" means an order of the Bankruptcy Court (A) as to which no appeal, notice of appeal, motion to amend or make additional findings of fact, motion to alter or amend judgment, motion for rehearing or motion for new trial, request for stay, motion or petition for reconsideration, application or request for review, or other similar motion, application, notice or request (each, a "**Pleading Challenge**") has been timely filed, or, if any of the foregoing has been timely filed, it has been disposed of in a manner that upholds and affirms the subject order in all respects without the possibility for further Pleading Challenge thereon; (B) as to which the time for instituting or filing a Pleading Challenge shall have expired; and (C) as to which no stay is in effect.

(b) On the Closing Date, the Bidding Procedures Order shall (i) be in full force and effect, (ii) not have been voided, reserved or vacated or subject to a stay, (iii) not have been amended, modified or supplemented in any way in a manner materially adverse to Purchaser without Purchaser's prior written consent, and (iv) be a Final Order, unless otherwise agreed by Purchaser and Sellers as part of an expedited closing.

(c) On the Closing Date, the objection deadline shall have passed for all counterparties to Assigned Contracts to object to the assumption and/or assignment of such

Assigned Contracts, including with respect to the Cure Costs contained in the respective cure notice, unless the deadline is extended as a result of a modification of the scope of Assigned Contracts to be assumed by Purchaser pursuant to the terms of this Agreement or the Bidding Procedures Order.

8.5 Representations and Warranties. All of the representations and warranties of Sellers contained in this Agreement shall be true and correct in all material respects as of the Closing Date (subject to appropriate modifications permitted under this Agreement and except as would not be materially adverse to Purchaser).

8.6 Title Policy. The Title Company shall have committed to issue, as of the Closing, an ALTA owner's policy of title insurance in the form of the pro forma attached hereto as Exhibit 8.6 (the "**Title Policy**"). Purchaser acknowledges that a Title Policy consistent with Section 3.6 hereof shall be satisfactory to it.

ARTICLE 9
TERMINATION

9.1 Termination

. This Agreement may be terminated at any time prior to Closing:

(a) by the mutual written consent of the Parties;

(b) by Sellers if a material breach of this Agreement has been committed by Purchaser, which material breach is materially adverse to Seller, and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after Sellers provide Purchaser of a written notice which describes the nature of such breach; *provided*, *however*, Sellers shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if Sellers are also in material breach of this Agreement;

(c) by Purchaser if a material breach of this Agreement has been committed by Sellers, which material breach is materially adverse to Purchaser, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides Sellers of a written notice which describes the nature of such breach; *provided*, *however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if Purchaser is also in material breach of this Agreement;

(d) by Purchaser if satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date);

(e) by Sellers if satisfaction of any such condition in ARTICLE 7 is or becomes impossible and Sellers have not waived such condition in writing (provided that the failure to

satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court approves the Bid Procedures and (i) fails to approve the sale of the Assets to Purchaser in an order reasonably acceptable to Purchaser or (ii) enters an order that precludes the consummation of the transactions contemplated hereunder;

(g) by Sellers or Purchaser if Sellers designate an entity other than Purchaser as the Successful Bidder, unless the Purchaser has agreed to act as a Back-up Bidder, in which case, this Agreement will terminate automatically upon consummation of such Successful Bidder's Winning Bid;

(h) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before June 1, 2020 (the "**Termination Date**");

(i) automatically upon consummation of a Competing Bid; and

(j) by Purchaser if:

(i) prior to the Closing Date, one or more of the Bankruptcy Cases is converted to cases under chapter 7 of the Bankruptcy Code, one or more of the Bankruptcy Cases is dismissed, or a trustee or an examiner is appointed in the Bankruptcy Cases;

(ii) the Bankruptcy Court enters an order pursuant to Section 362 of the Bankruptcy Code lifting the automatic stay with respect to any material Asset;

(iii) (1) following entry by the Bankruptcy Court of the Bidding Procedures Order, such order is (A) amended, modified or supplemented in a manner materially adverse to Purchaser without Purchaser's prior written consent or (B) voided, reserved or vacated or is subject to a stay such that the Bidding Procedures Order is not in full force and effect as of April 17, 2020 or (2) following entry of the Sale Order, such order is (A) amended, modified or supplemented in a manner materially adverse to Purchaser without Purchaser's prior written consent or (B) the Sale Order is voided, reversed or vacated or is subject to a stay such that the Sale Order is not in full force and effect as of April 24, 2020;

(iv) the Bankruptcy Court shall not have entered (1) the Bidding Procedures Order by April 3, 2020 or (2) the Sale Order by April 10, 2020; and

(v) any document, including any amendment, modification or supplement thereto, listed in Section 4.5(e) is not reasonably acceptable to Purchaser.

9.2 Termination Consequences

. If this Agreement is terminated pursuant to Section 9.1, subject to Section 9.3 below: (a) all further obligations of the Parties under this Agreement shall terminate, provided that the provisions of ARTICLE 11 and Section 9.3, shall survive, and (b) except as provided hereunder in connection with the Expense Reimbursement, each Party shall pay the costs and expenses incurred by it in connection with this Agreement; *provided, however*, that in the case of any termination based on Section 9.1(b) or Section 9.1(c), the consequences of such termination shall be determined in accordance with ARTICLE 11 hereof. Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such Party would not have entered into this Agreement.

9.3 Termination Payment; Expense Reimbursement

.

(a) In the event that a Competing Bid is consummated, or this Agreement is terminated for any reason after the Bidding Procedure Order approving this Section 9.3 has been entered other than a material breach of Purchaser, in consideration for the Purchaser having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from Purchaser or any other application to or order of the Bankruptcy Court, (i) the Deposit shall be returned to Purchaser in accordance with the Bidding Procedures Order and (ii) Sellers shall jointly and severally, pay (or cause to be paid to) Purchaser, in accordance with the terms hereof, and subject to the entry of and terms of the Bidding Procedures Order, (1) a termination payment solely in the event of a successful competing bid in an amount equal to Three Million Seven Hundred Fifty Thousand Dollars ($3,750,000) (two and seventy eight one hundredths percent (2.78%) of the cash consideration component of the Purchase Price) (the "**Termination Payment**") and (2) all reasonable out-of-pocket and documented fees and expenses (including reasonable attorneys' fees and expenses) incurred by Purchaser in connection with or related to Purchaser's evaluation, consideration, analysis, negotiation, and documentation of this Agreement and the transactions contemplated hereby, in an amount not to exceed $1,000,000 in the aggregate (the "**Expense Reimbursement**" and together with the Termination Payment, the "**Stalking Horse Bidder Protections**"). In the event Sellers become obligated under this Agreement to pay any or all of the Stalking House Bidder Protections, Sellers shall pay such Stalking Horse Bidder Protections in immediately available funds to such account or accounts as may be specified in written notice by Purchaser. The Stalking Horse Bidder Protections shall, upon approval of the Bid Procedures Order, (a) constitute an allowed administrative expense claim of Sellers' estates under sections 503(b) and 507 of the Bankruptcy Code and (b) notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second (2nd) business day following the date of consummation of a Competing Bid or termination of this Agreement under Section 9.1(a), (c), (d) (f), (g), (h), (i) or (j) (provided that the Termination Payment shall only be payable from the proceeds of a successful Competing Bid) if

no material breach by Purchaser of this Agreement has occurred. The Bidding Procedures Order shall provide for payment by Sellers of the Stalking Horse Bidder Protections as and when such amounts are due and payable hereunder. Nothing in this Section 9.3(a) shall relieve Purchaser or Sellers of any liability for a breach of this Agreement prior to the date of termination.

(b) Each of the Parties acknowledges and agrees that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the other Parties would not enter into this Agreement. Each of the Parties further acknowledges that the payment by Sellers of the Stalking Horse Bidder Protections is not a penalty, but rather liquidated damages in a reasonable amount that will compensate Purchaser, in the circumstances in which such Stalking Horse Bidder Protection is payable, for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision. The obligation to pay the Stalking Horse Bidder Protections in accordance with the provisions of this Agreement will (1) be binding upon and enforceable jointly and severally against each Seller immediately upon the Bankruptcy Court entering the Bidding Procedures Order and (2) survive the subsequent termination of this Agreement, solely to the extent permitted by applicable law. The obligation to pay the Stalking Horse Bidder Protections as and when required under this Agreement, are intended to be, and upon entry of the Bidding Procedures Order are, binding upon (A) each Seller, (B) any successors or assigns of any Seller and (C) any trustee, examiner or other representative of a Seller's estate (each of (A) through (C), a "**Successor**") as if such Successor were a Seller hereunder.

ARTICLE 10
POST-CLOSING MATTERS

10.1 Excluded Assets

. Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the Parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within five (5) business days following receipt or such longer period as reasonably necessary, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Purchaser for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Sellers shall remit to Purchaser any costs incurred by Purchaser in connection with the foregoing promptly upon Purchaser's written request, which shall be accompanied by documentation evidencing such costs. Purchaser shall not have the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each

calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

10.2 Access After the Closing

.

(a) Provided that Purchaser shall not incur any out of pocket costs and Sellers shall reimburse Purchaser for any employee costs for Purchaser's compliance with the following, Purchaser shall give reasonable cooperation to Sellers, their representatives, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**") and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Effective Time with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making any employees of Sellers hired by Purchaser available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees).

(b) In connection with (i) the transition of the Assets pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours and upon reasonable notice to the Owned Real Property and related books, personnel, accounts and records and all other relevant documents and information with respect to the Assets, liabilities and business of the Sellers as representatives of Sellers and Sellers' affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of Purchaser.

(c) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Effective Time, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

10.3 General Cooperation and Turnover Obligations

. The Parties shall reasonably cooperate to ensure that any and all payments that constitute "Excluded Assets" shall be paid to and received by Sellers, with any payments that constitute "Assets" transferred to Purchaser pursuant to Section 1.7 or that otherwise arise from services rendered by Purchaser on or after the Effective Time be paid to and received by Purchaser. In this regard, the Parties shall, within five (5) business days or such longer period as reasonably

necessary, of receipt, copy and send to the other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all bank accounts, from whatever payor or source of funds, that are received for services rendered on and after the Effective Time. In the event that payments that constitute a transferred Asset are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within five (5) business days of notice of the receipt of such payments shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party shall have the right, once a year, to audit by an independent and competent auditor, at the requesting Party's sole expense, of the bank records and remittance advices of the other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or an underpayment of funds due, the Party owing funds shall, within five (5) business days, make a payment of such funds to whom they are owed.

ARTICLE 11
DEFAULT AND TAXES

11.1 Purchaser Default

. If Purchaser commits any material default under this Agreement prior to Closing, Sellers shall be entitled to sue for damages or specific performance; provided, that in no event shall Sellers be entitled to damages in excess of the Deposit (and Sellers shall be entitled to retain the Deposit to the extent of such damages).

11.2 Sellers Default

. If Sellers commit any material default under this Agreement prior to Closing, Purchaser shall have the right to demand and receive a refund of the Deposit and payment of the Stalking Horse Bidder Protections, as provided under Section 9.3, and Purchaser may, in addition thereto, sue for damages or specific performance; provided, that in no event shall Purchaser be entitled to damages in excess of Eight Million One Hundred Thousand Dollars ($8,100,000) and the Stalking Horse Bidder Protections.

11.3 Tax Matters; Allocation of Purchase Price

.

(a) After the Effective Time, the Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Assets for all periods prior to the Effective Time and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The Parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Sellers' businesses.

(b) Solely for purposes of tax reporting, Schedule 11.3 sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the "**Allocation Schedule**"). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such Party. The Parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

11.4 Non-Recourse

11.5 . Notwithstanding anything in Sections 11.1 or 11.2 to the contrary, all claims or causes of action (whether in contract or in tort, in law or in equity) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), may be made only against the individuals, corporations, limited liability companies, partnerships, associations, trusts or other entities or organizations (each, a "**Person**") that are expressly identified as Parties. No Person who is not a named Party, including any of the Purchaser Parties or Seller Parties to the extent not a Party, shall have any liability (whether in contract or in tort, in law or in equity, or based upon any theory that seeks to impose liability of an entity Party against its owners or affiliates) for any obligations or liability arising under, in connection with or related to this Agreement or for any claim based on, in respect of, or by reason of this Agreement or its negotiation or execution; and each Party hereto waives and releases all such liabilities, claims and obligations against any such Purchaser Party or Seller Party that is not a Party.

ARTICLE 12
RISK OF LOSS

12.1 Minor Damage. In the event of loss or damage to the Owned Real Property or any portion thereof that is not "major" (as hereinafter defined), this Agreement shall remain in full force and effect provided Sellers perform any necessary repairs or, at Purchaser's option, assigns to Purchaser all of Sellers' right, title and interest to any claims and proceeds Sellers may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. In the event that Sellers elect to perform repairs upon the Owned Real Property, Sellers shall use reasonable efforts to complete such repairs promptly and the date of Closing shall be extended a reasonable time in order to allow for the completion of such repairs. If Sellers elect to assign a casualty claim to Purchaser, the Purchase Price shall be reduced by an amount equal to the deductible amount under Sellers' insurance policy or uninsured amount. Upon Closing, full risk of loss with respect to the Owned Real Property shall pass to Purchaser.

12.2 Major Damage. In the event of a "major" loss or damage, Purchaser may terminate this Agreement by written notice to Sellers, in which event the Deposit shall be returned to Purchaser. If Purchaser elects to proceed with Closing, Sellers shall assign to Purchaser all of Sellers' right, title and interest to any claims and proceeds Sellers may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question and the

Purchase Price shall be reduced by an amount equal to the deductible amount under Sellers' insurance policy and any uninsured loss.

12.3 Definition of "Major" Loss or Damage. For purposes of Sections 12.1 and 12.2 hereof, "major" loss or damage refers to the following: (i) loss or damage to the Owned Real Property or any portion thereof such that the cost of repairing or restoring the premises in question to a condition substantially identical to that of the premises in question prior to the event of damage would be, in the opinion of an architect selected by Sellers and reasonably approved by Purchaser, equal to or greater than Five Million and No/100 Dollars ($5,000,000.00), and (ii) any loss equal to or greater than Five Million and No/100 Dollars ($5,000,000.00) due to a condemnation. If Purchaser does not give notice to Sellers of Purchaser's reasons for disapproving an architect within five (5) business days after receipt of notice of the proposed architect, Purchaser shall be deemed to have approved the architect selected by Sellers.

ARTICLE 13
MISCELLANEOUS PROVISIONS

13.1 Further Assurances and Cooperation

. Each Party shall execute, acknowledge and deliver to the other Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by such Party at any time and shall take any and all other actions reasonably requested by such Party at any time for the purpose of consummating the transactions hereunder and fulfilling such Party's obligations hereunder. After consummation of the transactions contemplated in this Agreement, the Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

13.2 Successors and Assigns

1.1 . All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the Parties; *provided*, *however*, that no Party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other Parties (except that Purchaser may assign this Agreement to Dr. Patrick Soon-Shiong without the prior written consent of Sellers). Notwithstanding the foregoing, Purchaser may take title to some or all of the Assets through an entity or entities controlling, controlled by or under common control with Purchaser (such entity, a "**Purchaser Assignee**") so long as Purchaser notifies Sellers not less than three (3) business days prior to the Closing Date of such arrangement (including the name and signature block of the proposed transferee); *provided*, that no such arrangement shall relieve Purchaser of its obligations under this Agreement prior to the Closing Date unless expressly agreed in writing by Sellers.

13.3 Governing Law; Venue

. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws

thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect, as the sole forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The Parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

13.4 Amendments

. This Agreement may not be amended other than by written instrument signed by the Parties.

13.5 Exhibits, Schedules and Disclosure Schedule

. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. From the Signing Date until the Closing, the Parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule; provided, that the occurrence of a change to Sellers' representations that is materially adverse to Purchaser shall constitute the non-fulfillment of the condition set forth in Section 8.5. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of this Agreement merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular obligation, representation or warranty shall be deemed adequately disclosed as an exception with respect to all other obligations, representations or warranties, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other obligation, representations or warranties or an appropriate cross reference thereto.

13.6 Notices

. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder shall be deemed effectively given when either personally delivered, or when received by overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers:	Verity Health System of California, Inc. 601 South Figueroa St., Suite 4050 Los Angeles, CA 90017-5704 Attention: Chief Executive Officer
With a copies to: (which copies shall	Dentons US LLP 601 South Figueroa St., Suite 2500

not constitute notice)	Los Angeles, CA 90017-5704 Attention: Tania Moyron, Esq. Telephone: 213-243-6101
If to Purchaser:	The Chan Soon-Shiong Family Foundation 2040 E. Mariposa Avenue El Segundo, California 90245 Attention: General Counsel
With a copy to: (which copies shall not constitute notice)	Seyfarth Shaw LLP 601 South Figueroa St., Suite 3300 Los Angeles, CA 90017 Attention: Stacy N. Paek, Esq. Telephone: 213-270-9655
	Jones Day 250 Vesey St. New York, NY 10281 Attention: Bruce Bennett, Esq. Benjamin Rosenblum, Esq. Peter Saba, Esq. Telephone: 212-326-8312

or at such other address as one Party may designate by notice hereunder to the other Parties.

13.7 Headings

. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

13.8 Publicity

. Prior to and following the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases at least forty-eight (48) hours prior to issuance; *provided, however*, that nothing in this Section 13.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either Party's disclosure obligations imposed by law subject to reasonable prior notice to the other Party thereof.

13.9 Fair Meaning

. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

13.10 Gender and Number; Construction; Affiliates

. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

13.11 Third Party Beneficiary

. None of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the Parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

13.12 Expenses and Attorneys' Fees

. Except as otherwise provided in this Agreement with respect to the Expense Reimbursement, each Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Sellers. If any action is brought by any Party to enforce any provision of this Agreement, the prevailing Party shall be entitled to recover its court costs and reasonable attorneys' fees.

13.13 Counterparts

. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties. The Parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a Party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

13.14 Entire Agreement

. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements,

understandings, representations and statements, oral or written, between the Parties on the subject matter hereof (the "**Superseded Agreements**"), which Superseded Agreements shall be of no further force or effect.

13.15 No Waiver

. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

13.16 Severability

. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

13.17 Time is of the Essence

. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

[REMAINDER OF PAGE IS BLANK]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

PURCHASER:

The Chan Soon-Shiong Family Foundation

Signature:_____
Print Name:_____
Title:_____
Date:_____

SELLERS:

Verity Health System of California, Inc.

Signature:_____
Print Name:_____
Title:_____
Date:_____

Verity Holdings, LLC

Signature:_____
Print Name:_____
Title:_____
Date:_____

St. Vincent Medical Center

Signature:_____
Print Name:_____
Title:_____
Date:_____

Exhibit B

Bid Procedures

EXHIBIT 1

BIDDING PROCEDURES

Verity Health System of California, Inc., Verity Holdings, LLC and St. Vincent Medical Center (collectively , the "Debtors") propose to conduct an auction for the Sale (as defined under Paragraph 1 below) of the Purchased Assets (as defined under Paragraph 2 below) and will proceed in accordance with the following bid procedures ("Bidding Procedures") which have been approved pursuant to an Order entered by the United States Bankruptcy Court for the Central District of California, Los Angeles Division ("Bankruptcy Court") on April _, 2020 ("Bidding Procedures Order") in the jointly administered, Chapter 11 cases styled *Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER (the "Bankruptcy Cases").

The form of asset purchase agreement for the Sale was submitted by the Stalking Horse Bidder (as defined below), and is attached to the Motion as Exhibit [_] (the "Stalking Horse APA"). As provided for below, the Debtors are soliciting bids ("Bids") for the proposed acquisition of the Purchased Assets, in accordance with the procedures below, which require, among other requirements, that prospective bidders submit an executed asset purchase agreement, in the form of the Stalking Horse APA, along with a marked version evidencing any changes to the Stalking Horse APA. The Debtors will consider all Bids which comply with the terms of these Bidding Procedures; provided, that, Bids will be evaluated based upon the cash consideration provided by such offer.

1. **Sale Proposal.** These Bidding Procedures set forth the terms by which prospective bidders may qualify for and participate in the Auction (as defined under Paragraph 13 below), thereby competing to make the highest and best offer for the Purchased Assets. The sale of the Purchased Assets (a "Sale") shall be free and clear of any and all claims, liens, and other encumbrances, pursuant to § 363 of title 11 of the United States Code (the "Bankruptcy Code"),[1] with all such liens, claims and encumbrances attaching to the proceeds of the Sale to the same extent and with the same priority as such liens, claims and encumbrances attached to the Purchased Assets prior to the Sale.

2. **Purchased Assets.** For purposes of a Sale, the "Purchased Assets" shall have the meaning ascribed to the term "Assets" under the Stalking Horse APA.

3. **"As Is, Where Is" Sale.** Except as explicitly set forth in the Stalking Horse APA, any Sale of the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

4. **Consultation Parties**. "Consultation Parties" means, collectively, the Official Committee of Unsecured Creditors; UMB Bank, N.A., as successor Master

[1] Unless specified otherwise, all "§" or "Section" references are to the Bankruptcy Code.

Trustee ("UMB"); Wells Fargo Bank National Association, as bond indenture trustee under the bond indentures relating to the 2005 Bonds ("Wells Fargo"); U.S. Bank National Association, solely in its capacity as the note indenture trustee and as the collateral agent under the note indentures relating to the 2015 Working Capital Notes only ("U.S. Bank").[2] UMB, Wells Fargo and U.S. Bank as to the 2015 Working Capital Notes are collectively referred to herein as the "Prepetition Secured Creditors." Any party submitting a bid or credit bid of its own shall not be entitled to be consulted regarding late bid determinations under Section 8, qualified deposit size under Section 9(g), qualified closing risk under Section 9(h) or qualified bid determinations under Section 11.

5. **Potential Bidders / Execution of NDA/ Financial Information**. To participate in the Auction, any party (a "Potential Bidder") wishing to submit a Bid to purchase the Purchased Assets must execute, or have executed, a nondisclosure agreement ("NDA") in the form provided by Debtors' advisors and in form and substance satisfactory to the Debtors before such Potential Bidder may receive due diligence information from the Debtors, including access to the Debtors' on-line data room or other non-public information relating to the Purchased Assets. In addition, any Potential Bidder must submit financial information to the Debtors to evidence such Potential Bidder's ability to consummate the Sale, which information must be satisfactory to the Debtors after consultation with the Consultation Parties. For the avoidance of doubt, the Stalking Horse Bidder shall not be subject to the terms of this paragraph 5.

6. **Due Diligence**. After receipt of an executed NDA, the Debtors shall, upon request by the Potential Bidder, provide each Potential Bidder reasonable due diligence information as soon as reasonably practicable after such request, including access to the Debtors' on-line data room. The Debtors shall not furnish, and shall have no obligation to furnish, any confidential and/or non-public information relating to the Purchased Assets or the Debtors (collectively, "Confidential Information"), or grant access to the Debtors' on-line data room, to (i) any person that does not qualify as a Potential Bidder, or (ii) to Potential Bidders who, at such time and in the Debtors' reasonable business judgment, after consultation with the Consultation Parties, have not established, or who have raised doubt, that such Potential Bidder intends in good faith to, or has the capacity to, consummate the Sale. For the avoidance of doubt, the Stalking Horse Bidder shall not be subject to the terms of this paragraph 6.

7. **Representations and Warranties**. The Debtors make no representation or warranty as to the Confidential Information provided through the due diligence process or otherwise, except to the extent set forth in the Stalking Horse APA (or

[2] Such parties are further described in the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order").

as set forth in any Qualified APA (as defined under Paragraph 9 below) entered into between the Debtors and the Winning Bidder (as defined under Paragraph 13 below). No party may conduct any additional due diligence after the Bid Deadline (as defined under Paragraph 8 below).

8. **Bid Deadline.** Potential Bidders must submit their Bids so that such Bids are actually received by each of the following parties **no later than 5:00 p.m. (Pacific Time) on April [3], 2020** (the "Bid Deadline"): (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com (collectively, the "Bid Deadline Recipients"). Debtors may provide a copy of any bids received to counsel for the Stalking Horse Bidder. Potential Bidders must e-mail their Bids to the e-mail addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as facsimile, as being acceptable. The Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

9. **Qualified Bid**. In order to constitute a "Qualified Bid," a Bid must satisfy the following requirements (the "Bid Requirements"):

(a) be submitted (i) in writing and (ii) be received by the Bid Deadline Recipients by the Bid Deadline as set forth in Paragraph 8 of these Bidding Procedures, subject to Paragraph 11 of these Bidding Procedures;

(b) constitute a good faith, bona fide offer to purchase the Purchased Assets in accordance with the terms of the Qualified APA (as defined in this

Paragraph 9) for a proposed purchase price ("Purchase Price") identified in such Qualified APA and defined as the "Purchase Price" therein;

(c) identify the legal name of the Potential Bidder (including any direct or indirect equity holders, if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale);

(d) be accompanied by a clean and a duly executed copy of an asset purchase agreement (the "Qualified APA"), the form of which shall be consistent with the Stalking Horse APA and which shall not be inconsistent with these Bidding Procedures;

(e) be accompanied by a copy of the Qualified APA which is marked to reflect the amendments and modifications compared to the Stalking Horse APA;

(f) be accompanied by a copy of the draft Sale Order (as defined under Paragraph 15 below) marked to reflect the amendments and modifications (if any) compared to the form of draft Sale Order posted in the Debtors' on-line data room;

(g) unless it is a Credit Bid (as defined below), be accompanied by a deposit by wire transfer in the amount of [__ percent (__%)][3] of the aggregate Purchase Price in certified funds or such other amount acceptable to the Debtors, in consultation with the Consultation Parties ("Deposit"), to be held in escrow and treated in accordance with the provisions of Paragraph 16 of these Bidding Procedures;

(h) provide sufficient and adequate information to demonstrate to the satisfaction of the Debtors, in consultation with the Consultation Parties, that such Potential Bidder has the financial wherewithal and ability to consummate the Sale;

(i) include a written statement that the Potential Bidder agrees to be bound by the terms of the Bidding Procedures and the Bidding Procedures Order and consents to the jurisdiction of the Bankruptcy Court (including waiving any right to a jury trial) in connection with any disputes related to these Bidding Procedures as well as (*each as defined below*) the Auction, the Sale Hearing, the Sale Order and/or the closing of the Sale;

(j) include a written statement outlining the absence or presence, and details thereof, of any relationship, affiliation, or connection of any kind between the Potential Bidder, on the one hand, and the Debtors and/or any of their affiliates, current or former officers, directors, and/or investors;

[3] **[To match deposit in Stalking Horse APA.]**

(k) not be conditioned on any due diligence, financing, or other contingencies other than entry of the Sale Order, and any other contingencies solely to the extent set forth in the Qualified APA;

(l) remain irrevocable until forty-eight (48) hours after the conclusion of the Sale Hearing or such longer period of time as set forth below if the Potential Bidder is selected as the Winning Bidder or Back-Up Bidder (as defined below);

(m) states that the Potential Bidder is willing to serve as a Back-Up Bidder and that its Qualified Bid (or any Qualified Bid as modified at the Auction) shall constitute the Back-Up Bid if the Debtors determine that it qualifies as the Back-Up Bid in accordance with the provisions of Paragraph 14; and

(n) if such Qualified Bid includes a Credit Bid (as defined below), evidence of (a) the basis, amount and priority of the Credit Bidder's (as defined below) security interest in the Purchased Assets that are subject to the Credit Bid and (b) the basis of the Credit Bidder's authority to make such Credit Bid if the Credit Bidder's secured claim is held in a representative capacity. No Bid that includes a Credit Bid made pursuant to § 363(k) shall qualify as a Qualified Bid, whether made at the Auction or before, unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in such Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected liens that are senior in rank to the security interests of the Credit Bidder.

For the avoidance of doubt, the Stalking Horse Bid is a Qualified Bid and the Stalking Horse Bidding is a Qualified Bidder.

10. **Stalking Horse Bidder**. As set forth in the Motion, the Chan Soon-Shiong Family Foundation is the "Stalking Horse Bidder" and its bid is the "Stalking Horse Bid". As more fully described in, and subject to the conditions of, section 9.3(a) of the Stalking Horse APA, the Stalking Horse Bidder is entitled to the Stalking Horse Bidder Protections. Consistent with the foregoing, no other bidder may propose or condition its Bid on any break-up fee, expense reimbursement, termination fee or other bidding procedures or protections of any nature.

11. **Determination of Qualified Bids**. A Bid that satisfies each of the Bid Requirements, as determined by the Debtors in their reasonable discretion, in consultation with the Consultation Parties, constitutes a "Qualified Bid", and such Potential Bidder constitutes a "Qualified Bidder." The Debtors may determine that a Bid is not a Qualified Bid if the Qualified APA differs in any material respect from the Stalking Horse APA. One business day prior to the Auction, the

Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids. The Debtors shall file and serve on all Potential Bidders that submitted a Bid (regardless of whether such Bid was determined to be a Qualified Bid) a notice (the "Auction Notice") indicating which Potential Bidders have submitted Qualified Bids. If any Bids are designated as Qualified Bids, the Auction shall be conducted on April [6], 2020 as further described below.

12. **Credit Bid**. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

13. **Auction**. The Debtors shall conduct an auction on April [6], 2020, virtually by such means as they determine appropriate (the "Auction"). The Auction will be conducted to determine the highest and best Qualified Bid (the "Winning Bid," with such bidder being the "Winning Bidder"). Subject to paragraph 18 below, the Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

(a) only Qualified Bidders through principals or through duly-authorized representatives may bid at the Auction, and every Qualified Bidder must have at least one (1) such duly-authorized representative with authority to bind the Qualified Bidder participating in the Auction;

(b) only such authorized representatives of each of the Qualified Bidders, the Debtors, the Consultation Parties and their respective legal and financial advisors shall be permitted to participate in the Auction;

(c) prior to the commencement of the Auction, representatives of the Debtors, and/or the Consultation Parties may have discussions with each Qualified Bidder with respect to the terms and conditions of such Qualified Bids, and the Debtors will have selected, in consultation with the Consultation Parties, a Qualified Bid to become the opening bid at the Auction (the bid submitted by such Qualified Bidder shall be referred to as the "Opening

Bid" and the Qualified Bidder shall be referred to as the "Opening Bidder");

(d) bidding shall commence at the amount of the Opening Bid. The Opening Bid shall be announced by the Debtors at or before the commencement of the Auction which may be the existing Stalking Horse Bid. Other Qualified Bidders may then submit successive bids in increments of at least [$2,000,000] (plus, with respect to the first successive bid, the amount of the Stalking Horse Bidder Protections) higher than the Opening Bid, and all subsequent bids must be at least [$2,000,000] higher than the previous bid. To the extent the Stalking Horse Bidder submits higher bids, the Stalking Horse Bidder shall have the right (but not the obligation) to increase its Opening Bid by using, as a credit, an amount equal to the Stalking Horse Bidder Protection, and even after use of such credit, the Stalking Horse Bidder shall not be required to exceed any subsequent higher bid by the bid increment when determining whether the Stalking Horse Bidder has topped the previous bid by the required amount;

(e) Qualified Bidders shall have the right to submit additional bids that include modifications to their Qualified APA at the Auction, consistent herewith, provided that any such modifications to the Qualified APA, on an aggregate basis and viewed in whole, shall not be less favorable to the Debtors than any prior bid by such party (as determined by the Debtors, following consultation with the Consultation Parties). The Debtors, in consultation with the Consultation Parties, reserve the right to separately negotiate the terms of any Qualified Bids at the Auction, provided the terms are fully disclosed at the time such Qualified Bid is formally submitted;

(f) the bidding will be transcribed by a certified court reporter employed by the Debtors to ensure an accurate recording of the bidding at the Auction;

(g) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the proposed Sale and is not in violation of § 363(n); and

(h) absent irregularities in the conduct of the Auction, the Debtors will not consider any Potential Bids made after the Auction is closed.

14. **Acceptance of the Winning Bid and Designation of the Back-Up Bid**.

(a) Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder").

Each of the Winning Bidder and the Back-Up Bidder shall be required to execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA". The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is thirty (30) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder. For the avoidance of doubt, in the event that no Auction is held, the Stalking Horse Bidder shall be the Winning Bidder, and the Stalking Horse Bid shall be the Winning Bid.

(b) Except as provided in Paragraph 9(h) concerning Credit Bids, within two business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals ten percent (10%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit"); provided that, the Stalking Horse Bidder shall not be required to deposit any additional amount under this paragraph 14(b).

(c) If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) subject to paragraph 14(b), any additional Deposit required as a result of a bid submitted at the Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid.

15. **Sale Hearing**.

(a) The sale hearing is presently scheduled to take place **on April [8], 2020 at 10:00 a.m. (Pacific Time),** or as soon thereafter as counsel may be heard, before the Honorable Ernst M. Robles, Courtroom 1568, 255 E. Temple St., Los Angeles, California or if permitted by the Court, by telephonic hearing (the "Sale Hearing").

(b) By noon (Pacific Time) of the next business day after the conclusion of the Auction (and in advance of the Sale Hearing), the Debtors will file a notice of the Winning Bid and Back-Up Bid, along with copies of the Winning Bid APA, Back-Up Bid APA and the proposed Sale Order (the

"Notice of Winning Bid and Back-Up Bid"), redacted as necessary to protect commercially sensitive and/or confidential information. The Sale Order shall be in a form reasonably acceptable to the Prepetition Secured Creditors.

(c) Any objection to the approval of the Winning Bid and Back-Up Bid shall be filed no later than **April 7, 2020 at 5:00 p.m. (Pacific Time).**

(d) The Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing, at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with these Bidding Procedures, (ii) the Auction was fair in substance and procedure, (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid, (iv) closing of the Sale with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest and best value for the Purchased Assets and is in the best interests of the Debtors and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m).

(e) At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in accordance with the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

(f) At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

16. **Treatment Of Deposit**.

(a) The Deposit of each Potential Bidder shall be held pursuant to an escrow agreement acceptable to the Debtors, subject to the prior consent of the

Debtors as to the escrow agent and form of escrow agreement, where such consent is not to be unreasonably withheld.

(b) Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

(c) The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) thirty (30) days after entry of the Sale Order.

(d) The Deposit of any Potential Bidder who is determined not to be a Qualified Bidder shall be returned to such Potential Bidder within two (2) business days of such determination, pursuant to the terms of the applicable escrow agreement.

17. **Payment of the Stalking Horse Bidder Protections.** If the Stalking Horse Bidder is not the Winning Bidder, the Debtors shall pay the Termination Payment and the Expense Reimbursement to the Stalking Horse Bidder, in accordance with and as set forth in Section 9.3(a) of the Stalking Horse APA (collectively, the "Stalking Horse Bidder Protections").

18. **Reservation of Rights**. **THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS AND THE STALKING HORSE BIDDER THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS (EXCEPT FOR THE STALKING HORSE BID) IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II)**

NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE, IN EACH CASE, SUBJECT TO THE STALKING HORSE APA.

Exhibit C

Proposed Form of Procedures Notice

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

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

PLEASE TAKE NOTICE that on March __, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. ____] (the "Motion").[4] The Debtors seek, among other things, to sell St. Vincent Medical Center and related assets (the "Purchased Assets") to the winning bidder(s) (the "Winning Bidder"), at an auction free and clear of all liens, claims, encumbrances and other interests pursuant to §§ 363 and 365 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.*

PLEASE TAKE FURTHER NOTICE that, on [DATE], the Bankruptcy Court entered an order (the "Bidding Procedures Order") approving the Motion and the bidding procedures (the "Bidding Procedures"), which set the key dates and times related to the Sale of the Purchased Assets. **All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures**. To the extent that there are any inconsistencies between the Bidding Procedures Order (including the Bidding Procedures) and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures Order shall control.

PLEASE TAKE FURTHER NOTICE that only those parties that submit Qualified Bids may participate in the Auction. If you are interested in submitting a Qualified Bid, you must comply with the Bidding Procedures. Any party in interest wishing to receive relevant documents and available marketing materials may do so by contacting the Debtors' investment banker (the "Investment Banker"), Cain Brothers, a division of KeyBanc Capital Markets, 601 California Street, Suite 1505, San Francisco, CA 94108 (Attn: James Moloney (jmoloney@cainbrothers.com)).

PLEASE TAKE FURTHER NOTICE that any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion or the Bidding Procedures Order, including all exhibits thereto, may make such a request in writing to Dentons US LLP, Attn: Tania M. Moyron, 601 S. Figueroa St., Suite 2500, Los Angeles, CA 90017 or by emailing tania.moyron@dentons.com or calling (213) 623-9300.

PLEASE TAKE FURTHER NOTICE that any party that wishes to take part in the bidding process and submit a Qualified Bid for the Purchased Assets must submit its competing bid **by no later than 5:00 p.m. (prevailing Pacific Time) April 3, 2020** (the "Bid Deadline") so that such Bids are actually received by the Bid Deadline by all of the following parties: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400,

[4] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com) (collectively, the "Notice Parties").

PLEASE TAKE FURTHER NOTICE that Potential Bidders shall e-mail their Bids to the e-mail addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as facsimile, as being acceptable.

PLEASE TAKE FURTHER NOTICE that the Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bidding Procedures, an auction (the "Auction") to sell the Purchased Assets will be conducted on **April 6, 2020 at 10:00 a.m. (prevailing Pacific Time)** virtually by such means as they determine appropriate which logistics will be communicated to Qualified Bidder and other parties authorized to attend the Auction. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to approve the sale of the Purchased Assets to the Winning Bidder (the "Sale Hearing") before the Honorable Ernest Robles, United States Bankruptcy Judge, United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568, on **April 8, 2020, at 10:00 a.m. (prevailing Pacific Time)**, or at such time thereafter as counsel may be heard or at such other time as the Bankruptcy Court may determine which hearing may be telephonic if the Bankruptcy Court designates it as such. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing. Objections to the Sale shall be filed with the Bankruptcy Court and served **so as to be received no later than April 7, 2020, at 5:00 p.m. (prevailing Pacific Time)** on the Notice Parties.

PLEASE TAKE FURTHER NOTICE that this Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Motion, Bidding Procedures Order and Bidding Procedures, which Bidding Procedures Order shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. Any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a

copy of the Motion, the Bidding Procedures Order (including all exhibits thereto) may make such a request in email to Dentons US LLP (Attn: Tania M. Moyron (tania.moyron@dentons.com)).

PLEASE TAKE FURTHER NOTICE THAT THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE.

Dated: April _, 2020

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

By *[DRAFT]*
Tania M. Moyron

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 D

Proposed Form of Cure Notice

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

NOTICE TO COUNTERPARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF THE DEBTORS THAT MAY BE ASSUMED AND ASSIGNED

PLEASE TAKE NOTICE that, on March _, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. ____] (the "Motion").[5]

PLEASE TAKE FURTHER NOTICE that, on [DATE], the Court entered an Order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures requested in the Motion, which Bidding Procedures Order governs (i) the bidding process for the sale of certain assets (the "Purchased Assets") of the Debtors, and (ii) procedures for the assumption and assignment of certain of the Debtors' executory contracts and unexpired leases.

PLEASE TAKE FURTHER NOTICE that the Motion also seeks Court approval of the sale (the "Sale") of the Purchased Assets to the Winning Bidder(s), free and clear of all liens, claims, interests and encumbrances pursuant to § 363 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq*. including the assumption by the Debtors and assignment to the buyer(s) of certain executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code (the "Assumed Executory Contracts"), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale with the same priority, validity and enforceability as they had prior to such Sale. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder and serve such notice by fax, email or overnight mail to all counterparties whose contracts are to be assumed and assigned.

PLEASE TAKE FURTHER NOTICE that the Court held a hearing (the "Sale Hearing") on _____, 2020, at 10:00 a.m. (Pacific Time), approving the Sale. The Court set a further hearing to be held on **_____, 2020, at 10:00 a.m. (prevailing Pacific Time)**, before the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568 concerning any objections to the assumption and assignment of the Assumed Executory Contracts (the "Assumption Objection Hearing"). The Assumption Objection Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Assumption Objection Hearing.

PLEASE TAKE FURTHER NOTICE that, consistent with the Order, the Debtors may seek to assume an executory contract or unexpired lease to which you may be a party. The Assumed Executory Contract(s) are described on Exhibit A attached to this Notice. The amount

[5] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

shown on Exhibit A hereto as the "Cure Amount" is the amount, if any, which the Debtors assert is owed to cure any defaults existing under the respective Assumed Executory Contract.

PLEASE TAKE FURTHER NOTICE that, if you (i) disagree with the Cure Amount shown for the Assumed Executory Contract(s) on Exhibit A to which you are a party, and/or (ii) object to the assumption and assignment of the Assumed Executory Contract with respect to Winning Bidder's ability to provide adequate assurance of future performance under the Assumed Executory Contract, then you must file in writing with the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, an objection on or before **5:00 p.m. (prevailing Pacific Time) _____, 2020**. Any objection must set forth the specific default or defaults alleged and set forth any cure amount as alleged by you. If a contract or lease is assumed and assigned pursuant to a Court order approving same, then unless you properly file and serve an objection to the Cure Amount contained in this Notice, you will receive at the time of the closing of the sale (or as soon as reasonably practicable thereafter), the Cure Amount set forth herein, if any. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of the amount, if any, set forth in the attached Exhibit A.

PLEASE TAKE FURTHER NOTICE that any objection you may file must be served so as to be received by the following parties by the applicable objection deadline date and time: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Gregory A. Bray (gbray@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com)

PLEASE TAKE FURTHER NOTICE that the Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under 11 U.S.C. §§ 365(b) and (f) in connection with the proposed assignment of any Assumed Executory Contract. The Court shall make its determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to 11 U.S.C. §§ 365(b) and (f) at the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that except to the extent otherwise provided in the Winning Bid APA, the Debtors and the Debtors' estates shall be relieved of all liability

accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to 11 U.S.C. § 365(k).

PLEASE TAKE FURTHER NOTICE that nothing contained herein shall obligate the Debtors to assume any Assumed Executory Contracts or to pay any Cure Amount.[6]

PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND SERVE AN OBJECTION AS STATED ABOVE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITH NO FURTHER NOTICE.

PLEASE TAKE FURTHER NOTICE THAT ANY COUNTERPARTY TO ANY ASSUMED EXECUTORY CONTRACT WHO DOES NOT FILE A TIMELY OBJECTION TO THE CURE AMOUNT FOR SUCH ASSUMED EXECUTORY CONTRACT IS DEEMED TO HAVE CONSENTED TO SUCH CURE AMOUNT.

Dated: April _, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By *[DRAFT]*
Tania M. Moyron

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

[6] "Assumed Executory Contracts" are those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; however, the Winning Bidder may choose to exclude certain of the Debtors' contracts or leases from the list of Assumed Executory Contracts as part of their Qualifying Bid, causing such contracts and leases not to be assumed by the Debtors.

Exhibit A

(Assumed Executory Contracts)

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

EXHIBIT "I"

Docket #4398 Date Filed: 4/1/2020

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

Proposed Attorneys for the Chapter 11 Debtors and Debtors In Possession

FILED & ENTERED

APR 01 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.

☒ 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

Hon. Judge Ernest M. Robles

ORDER (1) APPROVING FORM OF ASSET PURCHASE AGREEMENT; (2) APPROVING AUCTION SALE FORMAT AND BIDDING PROCEDURES; (3) APPROVING STALKING HORSE BIDDER AND BID PROTECTIONS; (4) APPROVING FORM OF NOTICE TO BE PROVIDED TO INTERESTED PARTIES; (5) SCHEDULING A COURT HEARING TO CONSIDER APPROVAL OF THE SALE TO THE HIGHEST AND BEST BIDDER; AND (6) APPROVING PROCEDURES RELATED TO THE ASSUMPTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

[Related to Docket Nos. 4365, 4367]

Hearing:
Date: April 1, 2020
Time: 10:00 am
Place: Courtroom 1568,
255 E. Temple St., Los Angeles, CA

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

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

This matter coming before the Court on the motion [Docket No. 4365] (the "Motion")[1] of the above-captioned debtors and debtors in possession (the "Debtors") for the entry of the Order, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"),[2] Rules 2002, 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 6004-1(b) and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California ("LBR"), for the entry of an order: (a) approving a process by which interested parties may bid (a "Bid") to purchase (the "Sale") certain assets (the "Purchased Assets") of Debtors St. Vincent Medical Center ("SVMC"),[3] Verity Holdings, LLC ("Holdings"), and VHS (together with SVMC and Holdings, the "Sellers"), including the procedures related to assumption and assignment of Assumed Executory Contracts and the payment of Cure Costs (as such terms are defined in the Motion); (b) approving the Chan Soon-Shiong Family Foundation or its permitted assignee (the "Stalking Horse Bidder" or the "Foundation") as the stalking-horse bidder and approving the termination payment, expense reimbursement and related bidding protections (the "Stalking Horse Bidder Protections") set forth in Section 9.3 of its Asset Purchase Agreement attached as Exhibit "A" to the Motion (the "Stalking Horse APA"); (c) approving the form of the Stalking Horse APA; (d) setting bid procedures (the "Bid Procedures") to establish guidelines for parties interesting in making initial Bids and overbids to such initial Bids; (e) if the Debtors receive one or more Qualified Bids (as defined in the Motion), in addition to the Stalking Horse Bid, scheduling an auction of the Purchased Assets; (f) scheduling a sale hearing for the Court to approve the highest and best Qualified Bid; and (g) granting such other and further relief as is just and appropriate under the circumstances.

---

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

[2] All references to "§" are to sections of the Bankruptcy Code.

[3] The Purchased Assets related to SVMC include the hospital facilities formerly known as St. Vincent Medical Center, located at 2131 W. 3rd Street, Los Angeles, CA 90057, including the hospital pharmacy, laboratory and emergency department, as well as the medical office buildings and clinics owned and formerly operated by SVMC (collectively, the "Hospital") and are defined as the "Assets" under the Stalking Horse APA (as defined below).

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

The Court, having found that (i) the Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, (ii) venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409, (iii) this is a core proceeding pursuant to 28 U.S.C. § 157(b), and (iv) notice of the Motion was sufficient under the circumstances and properly given; and it appearing that no other or further notice need be provided; and any objections having been resolved or overruled as stated on the record at the hearing, and any other argument or evidence properly before the Court; and a hearing on the proposed Bid Procedures as detailed in the Motion having been held (the "Hearing"); and after due deliberation the Court having determined that the relief requested in the Motion with respect to the proposed Bid Procedures is in the best interests of the Debtors, their estates, and their creditors; and good and sufficient cause having been shown:

AND IT IS FURTHER FOUND AND DETERMINED THAT: [4]

A. The statutory and legal predicates for the relief requested in the Motion and provided for herein are §§ 105(a), 363, and 365, Bankruptcy Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1(b) and 9013-1.

B. In the Motion and at the Hearing, the Debtors demonstrated that good and sufficient notice of the relief granted by this Order has been given and no further notice is required. The Debtors have provided proper notice and service of the Motion pursuant to the Court's *Order Setting Hearing on Debtors' Emergency Motion to Approve Bidding Procedures for the Auction of St. Vincent Medical Center* [Docket No. 4367]. A reasonable opportunity to object or be heard regarding the relief granted by this Order has been afforded to those parties entitled to notice pursuant to Bankruptcy Rule 2002 and all other interested parties.

C. The Debtors' proposed Procedures Notice, Cure Notice, the Auction, the Bid Procedures, the hearing to approve the sale of the Purchased Assets (the "Sale Hearing"), and the hearing to approve the assumption and assignment of the Assumed Executory Contracts (the

[4] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

"Assumption Objection Hearing") are appropriate and reasonably calculated to provide all interested parties with timely and proper notice, and no other or further notice is required.

D. The amended Bidding Procedures substantially in the form attached hereto as **Exhibit "1"** are fair, reasonable, and appropriate and are designed to maximize the recovery from the Sale of the Purchased Assets.

E. The Stalking Horse Bidder Protections are reasonably calculated to: (1) attract or retain a potentially successful bid; (2) establish a bid standard or minimum for other bidders to follow; and (3) attract additional bidders. Accordingly, in light of the foregoing, the size and nature of the Sale, and the efforts that have been expended by the Stalking Horse Bidder, the Stalking Horse Bidder Protections are (x) reasonable and appropriate, (y) an integral part of the transactions contemplated by the Stalking Horse APA, and (z) a material inducement for, and a condition of, the Stalking Horse Bidder's entry into the Stalking Horse APA.

F. The form of the Stalking Horse APA is fair and reasonable and provides flexibility in the process to sell the Purchased Assets in a manner designed to maximize the value of the Purchased Assets.

G. The procedures for assumption and assignment of Assumed Executory Contracts (the "Assumption and Assignment Procedures") provided for herein and the Cure Notice are reasonable and appropriate and consistent with the provisions of § 365 and Bankruptcy Rule 6006. The Assumption and Assignment Procedures and the Cure Notice have been narrowly tailored to provide an adequate opportunity for all non-debtor counterparties to the Assumed Executory Contracts to assert any Assumption Objection.

H. Entry of (i) this Order at this time, (ii) an order approving the Sale (the "Sale Order") after the Sale Hearing, and (iii) an order approving the assumption and assignment of the Assumed Executory Contracts after the Assumption Objection Hearing is in the best interests of the Debtors, their estates and creditors, and all other parties in interest.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** as set forth herein.

2. Except as set forth in this Order, any other objections to the relief requested in the

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

Motion, insofar as it related to this Order, that have not been resolved herein, withdrawn, waived or settled are overruled.

3. The amended Bidding Procedures attached hereto as **Exhibit "l"** are **APPROVED**.

4. The Chan Soon-Shiong Family Foundation is hereby **APPROVED** to be designated the Stalking Horse Bidder as to the Purchased Assets pursuant to the Stalking Horse APA.

5. The form of Stalking Horse APA is hereby **APPROVED**.

6. The Stalking Horse Bidder Protections set forth in Section 9.3 of the Stalking Horse APA are **APPROVED.** In the event Sellers (as defined in the Stalking Horse APA) become obligated under the Stalking Horse APA to pay any or all of the Stalking Horse Bidder Protections, Sellers shall pay such Stalking Horse Bidder Protections in immediately available funds to such account or accounts as may be specified in written notice by the Stalking Horse Bidder. The Stalking Horse Bidder Protections (a) constitute an allowed administrative expense claim of Sellers' estates under §§ 503(b) and 507, and (b) notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second (2nd) business day following the date of consummation of a Competing Bid or termination of the Stalking Horse APA under section 9.1(a), (c), (d), (f), (g), (h), (i) or (j) thereunder (provided that the Termination Payment shall only be payable from the proceeds of a successful Competing Bid (as defined in the Stalking Horse APA)) if no material breach by the Stalking Horse Bidder of the Stalking Horse APA has occurred.

7. The Bid Deadline shall be **April 3, 2020 at 5:00 p.m. (prevailing Pacific Time)**.

8. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Court for cause; provided however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that

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

rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing in this Order or the exhibits hereto shall limit the rights of any party in interest to seek relief from this Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

9. The Debtors, after consultation with the Consultation Parties, shall determine, in their reasonable discretion, whether a Bid has satisfied each of the Bid Requirements. Notwithstanding the foregoing, a Qualified Bid (including the Stalking Horse Bid and any Winning Bid) must be consistent with this Court's *Order Granting Debtors' Emergency Motion to Approve Agreements with the State of California in Response to the COVID-19 Healthcare Emergency to (I) Provide Certain Healthcare Services at Seton Medical Center and (II) Lease St. Vincent Medical Center* [Docket No. 4315] (the "State Lease Order"). One business day prior to the Auction, the Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids. The State of California (the "State") shall constitute a Consultation Party solely and exclusively with respect to matters concerning that certain Lease Agreement (the "State Lease") by and between SVMC and VHS, on the one hand, and the State of California Department of Public Health, on the other hand, approved by the State Lease Order

10. If any Bids (other than the Stalking Horse Bid) are designated as Qualified Bids, the Auction shall be held on **April 6, 2020, at 10:00 a.m. (prevailing Pacific Time)** virtually by such means as the Debtors shall communicate to Qualified Bidders and other authorized attendees at the Auction. For the avoidance of doubt, the Stalking Horse Bid is a Qualified Bid and the Stalking Horse Bidder is a Qualified Bidder.

11. At the Auction, each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale, and the Auction shall be conducted openly and transcribed (with the Consultation Parties, and their respective legal and financial advisors, permitted to attend virtually). Upon the conclusion of the Auction (if such

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

Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable, but in no event later than prior to the Sale Hearing.

12. The Sale Hearing shall be held on **April 10, 2020, at 10:00 a.m. (prevailing Pacific Time)** before this Court, the U.S. Bankruptcy Court for the Central District of California, 255 E. Temple St., Courtroom 1568, Los Angeles, California 90012. **In view of the COVID-19 pandemic, the Courtroom will be unavailable for in-court appearances. Parties wishing to make a telephonic appearance should contact CourtCall at 888-882-6878, ext. 188 no later than one hour before the hearing.**

13. Upon entry of the Sale Order, the sale free and clear provisions of § 363(f) shall not apply to the State Lease, provided that no person or entity other than the State of California with respect to the State Lease may assert any lien, claim, or encumbrance on, or related to, the Purchased Assets.

14. Any objections to the Sale (other than an Assumption Objection (defined herein) which shall be governed by the procedures set forth below) (a "Sale Objection"), must: (i) be in writing; (ii) comply with the Rules and the LBRs; (iii) set forth the specific basis for the Sale Objection; (iv) be filed with the Court, 255 E. Temple St., Los Angeles, California 90012, together with proof of service, **April 7, 2020, at 5:00 p.m. (prevailing Pacific Time)** (the "Sale Objection Deadline"); and (v) be served, so as to be actually received on or before the Sale Objection Deadline, upon (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley

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

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

& McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Mark Shinderman (mshinderman@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders and the Stalking Horse Bidder: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com (collectively, the "Notice Parties"). If a Sale Objection is not filed and served on or before the Sale Objection Deadline, the objecting party may be barred from objecting to the Sale and may not be heard at the Sale Hearing, and this Court may enter the Sale Order without further notice to such party. Replies to any Sale Objections may be presented at the Sale Hearing.

15. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing, and the Debtors shall have the exclusive right, in the exercise of their fiduciary obligations and business judgment, and after consultation with the Consultation Parties, to cancel the Sale at any time subject to, and in accordance with, the terms of this Order and the Stalking Horse APA.

16. The following forms of notice are approved: (a) the Procedures Notice, in the form substantially similar to that attached hereto as **Exhibit "2"** and (b) the Cure Notice, in the form substantially similar to that attached hereto as **Exhibit "3."**

17. The Debtors shall file with the Court and serve a copy of this Order and the Procedures Notice by overnight courier, first class mail, postage prepaid or email on the Notice Parties and all parties that the Debtors are required to serve pursuant to LBR 6004-1(b)(3) and the

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

Order Granting Emergency Motion of Debtors for Order Limiting Scope of Notice [Docket No. 132] not later than **April 1, 2020**.

18. The Debtors shall file with the Court and serve the Cure Notice (along with a copy of this Bidding Procedures Order) upon each counterparty to the Assumed Executory Contracts by no later than **April 9, 2020**. If any counterparty to an Assumed Executory Contract wishes to file an Assumption Objection, such counterparty must file and serve it so as to be actually received by the Notice Parties by no later than: **April 16, 2020, at 5:00 p.m. (Pacific Time)**. Replies to any Assumption Objection shall be filed not later than **April 23, 2020**. The Court will hold a hearing on any Assumption Objections on **April 29, 2020, at 10:00 a.m. (Pacific Time)** (the "Assumption Objection Hearing"). The Cure Notice shall state (i) the date, time, and place of the Assumption Objection Hearing, and (ii) the date by which any Assumption Objection must be filed and served. The Cure Notice also will identify the amounts, if any, that the Debtors believe are owed to each counterparty to an Assumed Executory Contract in order to cure any defaults that exist under such contract (the "Cure Amounts"). The Court will make any and all determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to §§ 365(b) and (f)(2) at the Assumption Objection Hearing. Assumption Objections (including those related to adequate assurance of future performance) will be resolved by the Court at the Assumption Objection Hearing.

19. The inclusion of a contract, lease, or other agreement on the Cure Notice shall not constitute or be deemed a determination or admission by the Debtors and their estates or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, and any and all rights with respect thereto shall be reserved. Notwithstanding the foregoing, the Winning Bidder shall acquire the Purchased Assets subject to the State Lease, which shall be assumed by the Debtors and assigned to the Winning Bidder solely in connection with the closing of the Winning Bidder's transaction.

20. To the extent the Assumed Executory Contract counterparty wishes to object to the Cure Amount, if any, set forth in the Cure Notice, its Assumption Objection must set forth with

specificity each and every asserted default in any executory contract or unexpired lease and the monetary cure amount asserted by such counterparty to the extent it differs from the amount, if any, specified by the Debtors in the Cure Notice.

21. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of that set forth in the Cure Notice.

22. The Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under §365(b) in connection with the proposed assignment of any Assumed Executory Contract, and the failure to provide adequate assurance of future performance to any counterparty to any Assumed Executory Contract shall not excuse the Winning Bidder from performance of any and all of its obligations pursuant to the Winning Bid APA.

23. Except to the extent otherwise provided in the Winning Bid APA, the Debtors and their estates shall be relieved of all liability under the Assumed Executory Contracts accruing or arising after the assumption and assignment of such contracts pursuant to § 365(k).

24. All proceeds of the Sale of the Purchased Assets shall be paid by the Winning Bidder to the Debtors and such proceeds shall be deposited in accordance with paragraph 4 of the Final DIP Order, and all liens, claims, interests and encumbrances on the Purchased Assets sold pursuant to the Sale shall attach to the proceeds of the Sale with the same force, effect, validity and priority as such liens, claims, interests and encumbrances had on such Purchased Assets prior to the closing of the Sale to the Successful Bidder, subject, for the avoidance of doubt, to the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

25. To the extent the provisions of this Order are inconsistent with the provisions of any Exhibit referenced herein or with the Motion, the provisions of this Order shall control.

26. The Court shall retain exclusive jurisdiction over all matters arising from or related to the interpretation and implementation of this Order.

/ / /

/ / /

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

27. Notwithstanding the possible applicability of Bankruptcy Rules 6004, 6006, 7062, 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable.

###

Date: April 1, 2020

Ernest M. Robles
United States Bankruptcy Judge

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

Exhibit 1

Bidding Procedures

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

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

EXHIBIT 1
BIDDING PROCEDURES

Verity Health System of California, Inc., Verity Holdings, LLC and St. Vincent Medical Center (collectively , the "Debtors") propose to conduct an auction for the Sale (as defined under Paragraph 1 below) of the Purchased Assets (as defined under Paragraph 2 below) and will proceed in accordance with the following bid procedures ("Bidding Procedures") which have been approved pursuant to an Order entered by the United States Bankruptcy Court for the Central District of California, Los Angeles Division ("Bankruptcy Court") on April 1, 2020 ("Bidding Procedures Order") in the jointly administered, Chapter 11 cases styled *Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER (the "Bankruptcy Cases").

The form of asset purchase agreement for the Sale was submitted by the Stalking Horse Bidder (as defined below), and is attached to the Motion as Exhibit A (the "Stalking Horse APA"). As provided for below, the Debtors are soliciting bids ("Bids") for the proposed acquisition of the Purchased Assets, in accordance with the procedures below, which require, among other requirements, that prospective bidders submit an executed asset purchase agreement, in the form of the Stalking Horse APA, along with a marked version evidencing any changes to the Stalking Horse APA. The Debtors will consider all Bids which comply with the terms of these Bidding Procedures; provided, that, Bids will be evaluated based upon the cash consideration provided by such offer.

1. **Sale Proposal.** These Bidding Procedures set forth the terms by which prospective bidders may qualify for and participate in the Auction (as defined under Paragraph 13 below), thereby competing to make the highest and best offer for the Purchased Assets. The sale of the Purchased Assets (a "Sale") shall be free and clear of any and all claims, liens, and other encumbrances, pursuant to § 363 of title 11 of the United States Code (the "Bankruptcy Code"),[5] with all such liens, claims and encumbrances attaching to the proceeds of the Sale to the same extent and with the same priority as such liens, claims and encumbrances attached to the Purchased Assets prior to the Sale.

2. **Purchased Assets.** For purposes of a Sale, the "Purchased Assets" shall have the meaning ascribed to the term "Assets" under the Stalking Horse APA.

3. **"As Is, Where Is" Sale.** Except as explicitly set forth in the Stalking Horse APA, any Sale of the Purchased Assets will be transferred on an "as is, where is" basis, with all faults, and without representations or warranties of any kind, nature or description by the Debtors, their agents or estates, whether written, verbal, express, implied, or by operation of law.

4. **Consultation Parties**. "Consultation Parties" means, collectively, the Official Committee of Unsecured Creditors; UMB Bank, N.A., as successor Master Trustee ("UMB"); Wells Fargo Bank National Association, as bond indenture trustee under the bond indentures relating to the 2005 Bonds ("Wells Fargo"); U.S. Bank National Association, solely in its capacity as the note indenture trustee and as the collateral agent under the note indentures relating to the 2015 Working

[5] Unless specified otherwise, all "§" or "Section" references are to the Bankruptcy Code.

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

Capital Notes only ("U.S. Bank").[6] UMB, Wells Fargo and U.S. Bank as to the 2015 Working Capital Notes are collectively referred to herein as the "Prepetition Secured Creditors." Any party submitting a bid or credit bid of its own shall not be entitled to be consulted regarding late bid determinations under Section 8, qualified deposit size under Section 9(g), qualified closing risk under Section 9(h) or qualified bid determinations under Section 11.

5. **Potential Bidders / Execution of NDA/ Financial Information**. To participate in the Auction, any party (a "Potential Bidder") wishing to submit a Bid to purchase the Purchased Assets must execute, or have executed, a nondisclosure agreement ("NDA") in the form provided by Debtors' advisors and in form and substance satisfactory to the Debtors before such Potential Bidder may receive due diligence information from the Debtors, including access to the Debtors' on-line data room or other non-public information relating to the Purchased Assets. In addition, any Potential Bidder must submit financial information to the Debtors to evidence such Potential Bidder's ability to consummate the Sale, which information must be satisfactory to the Debtors after consultation with the Consultation Parties. For the avoidance of doubt, the Stalking Horse Bidder shall not be subject to the terms of this paragraph 5.

6. **Due Diligence**. After receipt of an executed NDA, the Debtors shall, upon request by the Potential Bidder, provide each Potential Bidder reasonable due diligence information as soon as reasonably practicable after such request, including access to the Debtors' on-line data room. The Debtors shall not furnish, and shall have no obligation to furnish, any confidential and/or non-public information relating to the Purchased Assets or the Debtors (collectively, "Confidential Information"), or grant access to the Debtors' on-line data room, to (i) any person that does not qualify as a Potential Bidder, or (ii) to Potential Bidders who, at such time and in the Debtors' reasonable business judgment, after consultation with the Consultation Parties, have not established, or who have raised doubt, that such Potential Bidder intends in good faith to, or has the capacity to, consummate the Sale. For the avoidance of doubt, the Stalking Horse Bidder shall not be subject to the terms of this paragraph 6.

7. **Representations and Warranties**. The Debtors make no representation or warranty as to the Confidential Information provided through the due diligence process or otherwise, except to the extent set forth in the Stalking Horse APA (or as set forth in any Qualified APA (as defined under Paragraph 9 below) entered into between the Debtors and the Winning Bidder (as defined under Paragraph 13 below). No party may conduct any additional due diligence after the Bid Deadline (as defined under Paragraph 8 below).

8. **Bid Deadline.** Potential Bidders must submit their Bids so that such Bids are actually received by each of the following parties **no later than 5:00 p.m.**

[6] Such parties are further described in the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order").

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

(Pacific Time) on April 3, 2020 (the "Bid Deadline"): (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Mark Shiderman (mshinderman@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com (collectively, the "Bid Deadline Recipients"). Debtors may provide a copy of any bids received to counsel for the Stalking Horse Bidder. Potential Bidders must e-mail their Bids to the e-mail addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as facsimile, as being acceptable. The Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

9. **Qualified Bid**. In order to constitute a "Qualified Bid," a Bid must satisfy the following requirements (the "Bid Requirements"):

(a) be submitted (i) in writing and (ii) be received by the Bid Deadline Recipients by the Bid Deadline as set forth in Paragraph 8 of these Bidding Procedures, subject to Paragraph 11 of these Bidding Procedures;

(b) constitute a good faith, bona fide offer to purchase the Purchased Assets in accordance with the terms of the Qualified APA (as defined in this Paragraph 9) for a proposed purchase price ("Purchase Price") identified in such Qualified APA and defined as the "Purchase Price" therein;

(c) identify the legal name of the Potential Bidder (including any direct or indirect equity holders, if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale);

(d) be accompanied by a clean and a duly executed copy of an asset purchase agreement (the "Qualified APA"), the form of which shall be consistent

with the Stalking Horse APA and which shall not be inconsistent with these Bidding Procedures;

(e) be accompanied by a copy of the Qualified APA which is marked to reflect the amendments and modifications compared to the Stalking Horse APA;

(f) be accompanied by a copy of the draft Sale Order (as defined under Paragraph 15 below) marked to reflect the amendments and modifications (if any) compared to the form of draft Sale Order posted in the Debtors' on-line data room;

(g) unless it is a Credit Bid (as defined below), be accompanied by a deposit by wire transfer in the amount of six percent (6% of the aggregate Purchase Price in certified funds or such other amount acceptable to the Debtors, in consultation with the Consultation Parties ("Deposit"), to be held in escrow and treated in accordance with the provisions of Paragraph 16 of these Bidding Procedures;

(h) provide sufficient and adequate information to demonstrate to the satisfaction of the Debtors, in consultation with the Consultation Parties, that such Potential Bidder has the financial wherewithal and ability to consummate the Sale, and if requested by the Court, to have a representative of such Potential Bidder testify to such financial wherewithal and ability to consummate the Sale;

(i) include a written statement that the Potential Bidder agrees to be bound by the terms of the Bidding Procedures and the Bidding Procedures Order and consents to the jurisdiction of the Bankruptcy Court (including waiving any right to a jury trial) in connection with any disputes related to these Bidding Procedures as well as (*each as defined below*) the Auction, the Sale Hearing, the Sale Order and/or the closing of the Sale;

(j) include a written statement outlining the absence or presence, and details thereof, of any relationship, affiliation, or connection of any kind between the Potential Bidder, on the one hand, and the Debtors and/or any of their affiliates, current or former officers, directors, and/or investors;

(k) not be conditioned on any due diligence, financing, or other contingencies other than entry of the Sale Order, and any other contingencies solely to the extent set forth in the Qualified APA;

(l) remain irrevocable until forty-eight (48) hours after the conclusion of the Sale Hearing or such longer period of time as set forth below if the Potential Bidder is selected as the Winning Bidder or Back-Up Bidder (as defined below);

(m) states that the Potential Bidder is willing to serve as a Back-Up Bidder and that its Qualified Bid (or any Qualified Bid as modified at the

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

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

Auction) shall constitute the Back-Up Bid if the Debtors determine that it qualifies as the Back-Up Bid in accordance with the provisions of Paragraph 14; and

(n) if such Qualified Bid includes a Credit Bid (as defined below), evidence of (a) the basis, amount and priority of the Credit Bidder's (as defined below) security interest in the Purchased Assets that are subject to the Credit Bid and (b) the basis of the Credit Bidder's authority to make such Credit Bid if the Credit Bidder's secured claim is held in a representative capacity. No Bid that includes a Credit Bid made pursuant to § 363(k) shall qualify as a Qualified Bid, whether made at the Auction or before, unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in such Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected liens that are senior in rank to the security interests of the Credit Bidder.

For the avoidance of doubt, the Stalking Horse Bid is a Qualified Bid and the Stalking Horse Bidding is a Qualified Bidder.

10. **Stalking Horse Bidder**. As set forth in the Motion, the Chan Soon-Shiong Family Foundation is the "Stalking Horse Bidder" and its bid is the "Stalking Horse Bid". As more fully described in, and subject to the conditions of, section 9.3(a) of the Stalking Horse APA, the Stalking Horse Bidder is entitled to the Stalking Horse Bidder Protections. Consistent with the foregoing, no other bidder may propose or condition its Bid on any break-up fee, expense reimbursement, termination fee or other bidding procedures or protections of any nature.

11. **Determination of Qualified Bids**. A Bid that satisfies each of the Bid Requirements, as determined by the Debtors in their reasonable discretion, in consultation with the Consultation Parties, constitutes a "Qualified Bid", and such Potential Bidder constitutes a "Qualified Bidder." The Debtors may determine that a Bid is not a Qualified Bid if the Qualified APA differs in any material respect from the Stalking Horse APA. One business day prior to the Auction, the Debtors shall determine, after consultation with the Consultation Parties, whether any submitted bids constitute Qualified Bids. The Debtors shall file and serve on all Potential Bidders that submitted a Bid (regardless of whether such Bid was determined to be a Qualified Bid) a notice (the "Auction Notice") indicating which Potential Bidders have submitted Qualified Bids. If any Bids are designated as Qualified Bids, the Auction shall be conducted on April [6], 2020 as further described below.

12. **Credit Bid**. Any party with a valid, properly perfected prepetition or post-petition security interest in any of the Purchased Assets may credit bid (any such bid, a "Credit Bid" and any party submitting a Credit Bid, each a "Credit Bidder") for such Purchased Assets in connection with the Sale in accordance with and pursuant to § 363(k), except as otherwise limited by the Bankruptcy Court for

cause; provided, however, that no Credit Bidder may Credit Bid unless (x) all secured creditors with a valid and perfected security interest in the Purchased Assets subject to the Credit Bid that rank equal or senior to the security interest of the Credit Bidder in the Purchased Assets consent in writing to such Credit Bid or (y) the Credit Bid expressly provides for the payment in full in cash at the closing on account of the Purchased Assets subject to valid and perfected security interests in the Purchased Assets that are equal or senior in rank to the security interests of the Credit Bidder. Nothing herein shall limit the rights of any party in interest to seek relief from the Bankruptcy Court related to the right or alleged right of any creditor to exercise a Credit Bid for any of the Purchased Assets.

13. **Auction**. The Debtors shall conduct an auction on April 6, 2020, virtually by such means as they determine appropriate (the "Auction"). The Auction will be conducted to determine the highest and best Qualified Bid (the "Winning Bid," with such bidder being the "Winning Bidder"). Subject to paragraph 18 below, the Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

(a) only Qualified Bidders through principals or through duly-authorized representatives may bid at the Auction, and every Qualified Bidder must have at least one (1) such duly-authorized representative with authority to bind the Qualified Bidder participating in the Auction;

(b) only such authorized representatives of each of the Qualified Bidders, the Debtors, the Consultation Parties and their respective legal and financial advisors shall be permitted to participate in the Auction;

(c) prior to the commencement of the Auction, representatives of the Debtors, and/or the Consultation Parties may have discussions with each Qualified Bidder with respect to the terms and conditions of such Qualified Bids, and the Debtors will have selected, in consultation with the Consultation Parties, a Qualified Bid to become the opening bid at the Auction (the bid submitted by such Qualified Bidder shall be referred to as the "Opening Bid" and the Qualified Bidder shall be referred to as the "Opening Bidder");

(d) bidding shall commence at the amount of the Opening Bid. The Opening Bid shall be announced by the Debtors at or before the commencement of the Auction which may be the existing Stalking Horse Bid. Other Qualified Bidders may then submit successive bids in increments of at least $1,000,000 (plus, with respect to the first successive bid, the amount of the Stalking Horse Bidder Protections) higher than the Opening Bid, and all subsequent bids must be at least $1,000,000 higher than the previous bid. To the extent the Stalking Horse Bidder submits higher bids, the Stalking Horse Bidder shall have the right (but not the obligation) to increase its Opening Bid by using, as a credit, an amount equal to the Stalking Horse Bidder Protection;

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

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

(e) Qualified Bidders shall have the right to submit additional bids that include modifications to their Qualified APA at the Auction, consistent herewith, provided that any such modifications to the Qualified APA, on an aggregate basis and viewed in whole, shall not be less favorable to the Debtors than any prior bid by such party (as determined by the Debtors, following consultation with the Consultation Parties). The Debtors, in consultation with the Consultation Parties, reserve the right to separately negotiate the terms of any Qualified Bids at the Auction, provided the terms are fully disclosed at the time such Qualified Bid is formally submitted;

(f) the bidding will be transcribed by a certified court reporter employed by the Debtors to ensure an accurate recording of the bidding at the Auction;

(g) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the proposed Sale and is not in violation of § 363(n); and

(h) absent irregularities in the conduct of the Auction, the Debtors will not consider any Potential Bids made after the Auction is closed.

14. **Acceptance of the Winning Bid and Designation of the Back-Up Bid**.

(a) Upon the conclusion of the Auction (if such Auction is conducted), the Debtors, in the exercise of their reasonable, good-faith business judgment and after consultation with the Consultation Parties, shall identify (i) the Winning Bid, which is the highest and best Qualified Bid submitted at the Auction; and (ii) the next highest and best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"). Each of the Winning Bidder and the Back-Up Bidder shall be required to execute a definitive Qualified Bid conformed to the provisions of the Winning Bid and the Back-Up Bid, as applicable, as soon as practicable but, in no event, prior to the Sale Hearing. For the purposes of these Bidding Procedures, the definitive agreement executed by the (i) Winning Bidder shall be defined as the "Winning Bid APA" and (ii) Back-Up Bidder shall be defined as the "Back-Up Bid APA". The Back-Up Bidder must keep the Back-Up Bid open and irrevocable until the earlier of (i) 5:00 p.m. (Pacific Time) on the date which is fourteen (14) days after the entry of the Sale Order (the "Outside Back-Up Date"), or (ii) the date of closing of the Sale to the Winning Bidder. For the avoidance of doubt, in the event that no Auction is held, the Stalking Horse Bidder shall be the Winning Bidder, and the Stalking Horse Bid shall be the Winning Bid.

(b) Except as provided in Paragraph 9(g) concerning Credit Bids, within two business days after the conclusion of the Auction, the Winning Bidder and the Back-Up Bidder shall each deposit with the Debtors an additional amount in cash such that, when combined with their existing Deposit, each such bidder's aggregate Deposit equals six percent (6%) of the Purchase Price reflected in the final bid of the Winning Bidder and of the

Back-Up Bidder, respectively (such additional amounts shall be included in the definition of the "Deposit").

(c) If an Auction is held, the Debtors shall be deemed to have accepted a Qualified Bid as the winner of the Auction (conditioned upon approval by the Bankruptcy Court) only when (i) such bid is declared the Winning Bid; (ii) definitive documentation has been executed in respect thereof; and (iii) subject to paragraph 14(b), any additional Deposit required as a result of a bid submitted at the Auction (as required by the Bidding Procedures) has been provided to the Debtors. Such acceptance is also conditioned upon approval by the Court of the Winning Bid and (if applicable) the Back-Up Bid.

15. **Sale Hearing**.

(a) The sale hearing is presently scheduled to take place **on April 10, 2020 at 10:00 a.m. (Pacific Time)**, or as soon thereafter as counsel may be heard, before the Honorable Ernst M. Robles by telephonic hearing (the "Sale Hearing"). In view of the COVID-19 pandemic, the Courtroom will be unavailable for in-court appearances. Parties wishing to make a telephonic appearance should contact CourtCall at 888-882-6878, ext. 188 no later than one hour before the hearing.

(b) By noon (Pacific Time) of the next business day after the conclusion of the Auction (and in advance of the Sale Hearing), the Debtors will file a notice of the Winning Bid and Back-Up Bid, along with copies of the Winning Bid APA, Back-Up Bid APA and the proposed Sale Order (the "Notice of Winning Bid and Back-Up Bid"), redacted as necessary to protect commercially sensitive and/or confidential information. The Sale Order shall be in a form reasonably acceptable to the Prepetition Secured Creditors.

(c) Any objection to the approval of the Winning Bid and Back-Up Bid shall be filed no later than **April 7, 2020 at 5:00 p.m. (Pacific Time).**

(d) The Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing, at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (i) the Auction was properly conducted, and the Winning Bidder and the Back-Up Bidder were properly selected, in accordance with these Bidding Procedures, (ii) the Auction was fair in substance and procedure, (iii) each of the Winning Bid and the Back-Up Bid was a Qualified Bid, (iv) closing of the Sale with the Winning Bid (or if applicable, the Back-Up Bid) will provide the highest and best value for the Purchased Assets and is in the best interests of the Debtors and (v) each of the Winning Bidder and the Back-Up Bidder are deemed to be purchasers of the Purchased Assets in good faith as set forth in § 363(m). Representatives of the Winning Bidder and Back-Up Bidder shall appear at the Sale Hearing to offer testimony in support of the requested good-faith finding if requested by the Court.

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

(e) At the Sale Hearing, the Debtors shall request the Bankruptcy Court to enter an order approving the Winning Bid and, if applicable, the Back-Up Bid (the "Sale Order"). Except to the extent revised by the Debtors in their discretion, after consultation with the Consultation Parties and the Winning Bidder, the proposed Sale Order presented to the Bankruptcy Court at the Sale Hearing shall be in the form submitted as part of the Winning Bid, and will preserve the rights of the Prepetition Secured Creditors with respect to any proceeds received from the Sale in accordance with the Final DIP Order and the Intercreditor Agreement (as defined in the Final DIP Order).

(f) At the Sale Hearing, the Debtors shall also request, as part of the Sale Order, authorization from the Bankruptcy Court to accept the Back-Up Bid as the Winning Bid, and consummate such bid, if the Winning Bid is not consummated when and as required by its terms without further order of the Bankruptcy Court. The Debtors and the Back-Up Bidder shall be bound to consummate the Back-Up Bid if the Winning Bid terminates, at which time the Back-Up Bidder shall be deemed the Winning Bidder. The Debtors shall promptly give notice to the Back-Up Bidder if the Winning Bid is terminated and shall provide the Back-Up Bidder a reasonable period within which to close as set forth in the Back-Up Bid APA.

16. **Treatment Of Deposit**.

(a) The Deposit of each Potential Bidder shall be held pursuant to an escrow agreement acceptable to the Debtors, subject to the prior consent of the Debtors as to the escrow agent and form of escrow agreement, where such consent is not to be unreasonably withheld.

(b) Upon closing of the Sale with the Winning Bidder, the Deposit of the Winning Bidder shall be credited to the Purchase Price. As shall be set forth in the Winning Bid APA, if the Winning Bidder fails to close, then the Deposit which is the subject of the Winning Bid shall be retained by the Debtors or returned to the Winning Bidder as shall be set forth in the Winning Bid APA or as otherwise ordered by the Bankruptcy Court.

(c) The Deposits of any Qualified Bidders other than the Winning Bidder and the Back-Up Bidder will be returned within two (2) business days after the conclusion of the Sale Hearing; provided, that, the Deposit of the Back-Up Bidder shall be returned to the Back-Up Bidder at the earlier of (i) the closing of the Sale to the Winning Bidder, and (ii) fourteen (14) days after entry of the Sale Order.

(d) The Deposit of any Potential Bidder who is determined not to be a Qualified Bidder shall be returned to such Potential Bidder within two (2) business days of such determination, pursuant to the terms of the applicable escrow agreement.

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

17. **Payment of the Stalking Horse Bidder Protections.** If the Stalking Horse Bidder is not the Winning Bidder, the Debtors shall pay the Termination Payment and the Expense Reimbursement to the Stalking Horse Bidder, in accordance with and as set forth in Section 9.3(a) of the Stalking Horse APA (collectively, the "Stalking Horse Bidder Protections").

18. **Reservation of Rights**. **THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS AND THE STALKING HORSE BIDDER THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS (EXCEPT FOR THE STALKING HORSE BID) IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE, IN EACH CASE, SUBJECT TO THE STALKING HORSE APA.**

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

Exhibit 2

Form of Procedures Notice

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

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

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

PLEASE TAKE NOTICE that on March 30, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. 4365] (the "Motion").[7] The Debtors seek, among other things, to sell St. Vincent Medical Center and related assets (the "Purchased Assets") to the winning bidder(s) (the "Winning Bidder"), at an auction free and clear of all liens, claims, encumbrances and other interests pursuant to §§ 363 and 365 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.*

PLEASE TAKE FURTHER NOTICE that, on April 1, 2020, the Bankruptcy Court entered an order (the "Bidding Procedures Order") approving the Motion and the bidding procedures (the "Bidding Procedures"), which set the key dates and times related to the Sale of the Purchased Assets. **All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures**. To the extent that there are any inconsistencies between the Bidding Procedures Order (including the Bidding Procedures) and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures Order shall control.

PLEASE TAKE FURTHER NOTICE that only those parties that submit Qualified Bids may participate in the Auction. If you are interested in submitting a Qualified Bid, you must comply with the Bidding Procedures. Any party in interest wishing to receive relevant documents and available marketing materials may do so by contacting the Debtors' investment banker (the "Investment Banker"), Cain Brothers, a division of KeyBanc Capital Markets, 601 California Street, Suite 1505, San Francisco, CA 94108 (Attn: James Moloney (jmoloney@cainbrothers.com)).

PLEASE TAKE FURTHER NOTICE that any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion or the Bidding Procedures Order, including all exhibits thereto, may make such a request in writing to Dentons US LLP, Attn: Tania M. Moyron, 601 S. Figueroa St., Suite 2500, Los Angeles, CA 90017 or by emailing tania.moyron@dentons.com or calling (213) 623-9300.

PLEASE TAKE FURTHER NOTICE that any party that wishes to take part in the bidding process and submit a Qualified Bid for the Purchased Assets must submit its competing bid **by no later than 5:00 p.m. (prevailing Pacific Time) April 3, 2020** (the "Bid Deadline") so that such Bids are actually received by the Bid Deadline by all of the following parties: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment

[7] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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

Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Mark Shinderman (mshinderman@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com) (collectively, the "Notice Parties").

PLEASE TAKE FURTHER NOTICE that Potential Bidders shall e-mail their Bids to the e-mail addresses listed above so that they are actually received by the Bid Deadline. The Debtors shall have no obligation to consider any other delivery format, such as facsimile, as being acceptable.

PLEASE TAKE FURTHER NOTICE that the Debtors may, in their sole discretion after consultation with the Consultation Parties, extend the Bid Deadline until the commencement of the Auction for one or more Potential Bidders without prior notice to any party, but shall have no obligation to do so under any circumstances.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bidding Procedures, an auction (the "Auction") to sell the Purchased Assets will be conducted on **April 6, 2020 at 10:00 a.m. (prevailing Pacific Time)** virtually by such means as they determine appropriate which logistics will be communicated to Qualified Bidders and other parties authorized to attend the Auction. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to approve the sale of the Purchased Assets to the Winning Bidder (the "Sale Hearing") before the Honorable Ernest Robles, United States Bankruptcy Judge, United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568, on **April 10, 2020, at 10:00 a.m. (prevailing Pacific Time)**, or at such time thereafter as counsel may be heard or at such other time as the Bankruptcy Court may determine. **In view of the COVID-19 pandemic, the Courtroom will be unavailable for in-court appearances. Parties wishing to make a telephonic appearance should contact CourtCall at 888-882-6878, ext. 188 no later than one hour before the hearing.** The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing. Objections to the Sale shall be filed with the Bankruptcy Court and served **so as to be received no later than April 7, 2020, at 5:00 p.m. (prevailing Pacific Time)** on the Notice Parties.

PLEASE TAKE FURTHER NOTICE that this Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Motion, Bidding Procedures Order and Bidding

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

Procedures, which Bidding Procedures Order shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. Any party that has not received a copy of the Motion or the Bidding Procedures Order that wishes to obtain a copy of the Motion, the Bidding Procedures Order (including all exhibits thereto) may make such a request in email to Dentons US LLP (Attn: Tania M. Moyron (tania.moyron@dentons.com)).

PLEASE TAKE FURTHER NOTICE THAT THE DEBTORS RESERVE THEIR RIGHTS TO MODIFY THESE BIDDING PROCEDURES IN ANY MANNER IN CONSULTATION WITH THE COMMITTEE AND WITH THE CONSENT OF THE PREPETITION SECURED CREDITORS AND THE STALKING HORSE BIDDER THAT WILL BEST PROMOTE THE GOALS OF THE BIDDING PROCESS. THE DEBTORS FURTHER RESERVE THEIR RIGHTS TO IMPOSE, AT OR PRIOR TO THE AUCTION, ADDITIONAL TERMS AND CONDITIONS ON THE SALE OF THE PURCHASED ASSETS, INCLUDING, WITHOUT LIMITATION, EXTENDING THE DEADLINES SET FORTH IN THESE BIDDING PROCEDURES, ADJOURNING THE AUCTION AT OR PRIOR TO THE AUCTION AND/OR ADJOURNING THE SALE HEARING PRIOR TO SUCH HEARING OR IN OPEN COURT WITHOUT FURTHER NOTICE, AND REJECTING ANY OR ALL QUALIFIED BIDS (EXCEPT FOR THE STALKING HORSE BID) IF, IN THE DEBTORS' REASONABLE, GOOD-FAITH BUSINESS JUDGMENT, FOLLOWING CONSULTATION WITH THE CONSULTATION PARTIES, THE DEBTORS DETERMINE THAT SUCH QUALIFIED BID IS (I) INADEQUATE OR INSUFFICIENT, (II) NOT IN CONFORMITY WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE OR ANY RELATED RULES OR THE TERMS SET FORTH HEREIN, OR (III) CONTRARY TO THE BEST INTERESTS OF THE DEBTORS. THE DEBTORS RESERVE THE RIGHT, AT ANY TIME, FOR ANY REASON AND IN THEIR REASONABLE, BUSINESS JUDGMENT, TO DECLINE TO PURSUE THE SALE AND TO WITHDRAW ANY MOTION FILED IN THE COURT SEEKING TO APPROVE THE SALE, IN EACH CASE SUBJECT TO THE STALKING HORSE APA.

Dated: April ____, 2020

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

By *[DRAFT]*
Tania M. Moyron

Attorneys for the Chapter 11 Debtors and Debtors In Possession

Exhibit 3

Form of Cure Notice

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

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

NOTICE TO COUNTERPARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF THE DEBTORS THAT MAY BE ASSUMED AND ASSIGNED

PLEASE TAKE NOTICE that, on March 30, 2020, the above-captioned debtors and debtors in possession (the "Debtors"), filed the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. 4365] (the "Motion").[8]

PLEASE TAKE FURTHER NOTICE that, on April 1, 2020, the Court entered an Order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures requested in the Motion, which Bidding Procedures Order governs (i) the bidding process for the sale of certain assets (the "Purchased Assets") of the Debtors, and (ii) procedures for the assumption and assignment of certain of the Debtors' executory contracts and unexpired leases.

PLEASE TAKE FURTHER NOTICE that the Motion also seeks Court approval of the sale (the "Sale") of the Purchased Assets to the Winning Bidder(s), free and clear of all liens, claims, interests and encumbrances pursuant to § 363 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq*. including the assumption by the Debtors and assignment to the buyer(s) of certain executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code (the "Assumed Executory Contracts"), with such liens, claims, interests and encumbrances to attach to the proceeds of the Sale with the same priority, validity and enforceability as they had prior to such Sale. In advance of the Sale Hearing and within two business days of the conclusion of the Auction (if such Auction is conducted), the Debtors shall file a notice with the Bankruptcy Court identifying the Winning Bidder and serve such notice by fax, email or overnight mail to all counterparties whose contracts are to be assumed and assigned.

PLEASE TAKE FURTHER NOTICE that the Court will hold a hearing (the "Sale Hearing") on April 10, 2020, at 10:00 a.m. (Pacific Time), approving the Sale. The Court set a further hearing to be held on **April 29, 2020, at 10:00 a.m. (prevailing Pacific Time)**, before the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, Courtroom 1568 concerning any objections to the assumption and assignment of the Assumed Executory Contracts (the "Assumption Objection Hearing"). **In view of the COVID-19 pandemic, the Courtroom will be unavailable for in-court appearances. Parties wishing to make a telephonic appearance should contact CourtCall at 888-882-6878, ext. 188 no later than one hour before the hearing.** The Assumption Objection Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Assumption Objection Hearing.

[8] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

PLEASE TAKE FURTHER NOTICE that, consistent with the Order, the Debtors may seek to assume an executory contract or unexpired lease to which you may be a party. The Assumed Executory Contract(s) are described on Exhibit A attached to this Notice. The amount shown on Exhibit A hereto as the "Cure Amount" is the amount, if any, which the Debtors assert is owed to cure any defaults existing under the respective Assumed Executory Contract.

PLEASE TAKE FURTHER NOTICE that, if you (i) disagree with the Cure Amount shown for the Assumed Executory Contract(s) on Exhibit A to which you are a party, and/or (ii) object to the assumption and assignment of the Assumed Executory Contract with respect to Winning Bidder's ability to provide adequate assurance of future performance under the Assumed Executory Contract, then you must file in writing with the United States Bankruptcy Court for the Central District of California, 255 E. Temple St., Los Angeles, California 90012, an objection on or before **5:00 p.m. (prevailing Pacific Time) April 16, 2020**. Any objection must set forth the specific default or defaults alleged and set forth any cure amount as alleged by you. If a contract or lease is assumed and assigned pursuant to a Court order approving same, then unless you properly file and serve an objection to the Cure Amount contained in this Notice, you will receive at the time of the closing of the sale (or as soon as reasonably practicable thereafter), the Cure Amount set forth herein, if any. Any counterparty to an Assumed Executory Contract that fails to timely file and serve an objection to the Cure Amounts shall be forever barred from asserting that a Cure Amount is owed in an amount in excess of the amount, if any, set forth in the attached Exhibit A.

PLEASE TAKE FURTHER NOTICE that any objection you may file must be served so as to be received by the following parties by the applicable objection deadline date and time: (i) counsel to the Debtors: Dentons US LLP, 601 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii) the Debtors' Investment Banker: Cain Brothers, a division of KeyBanc Capital Markets, 1 California Street, Suite 2400, San Francisco, CA 94111 (Attn: James Moloney (jmoloney@cainbrothers.com)); (iii) counsel to the Official Committee: Milbank, Tweed, Hadley & McCloy LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067 (Attn: Mark Shinderman (mshinderman@milbank.com)); (iv) counsel to the Master Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta (dsbleck@mintz.com, pricotta@mintz.com)); (v) counsel to the Series 2015 Notes Trustee: McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn: Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (vi) counsel to the Series 2017 Note Trustee: Maslon LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); and (vii) counsel to the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett, Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com; brosenblum@jonesday.com; and psaba@jonesday.com)

PLEASE TAKE FURTHER NOTICE that the Winning Bidder shall be responsible for satisfying any requirements regarding adequate assurance of future performance that may be imposed under 11 U.S.C. §§ 365(b) and (f) in connection with the proposed assignment of any Assumed Executory Contract. The Court shall make its determinations concerning adequate assurance of future performance under the Assumed Executory Contracts pursuant to 11 U.S.C. §§ 365(b) and (f) at the Assumption Objection Hearing.

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

PLEASE TAKE FURTHER NOTICE that except to the extent otherwise provided in the Winning Bid APA, the Debtors and the Debtors' estates shall be relieved of all liability accruing or arising after the assumption and assignment of the Assumed Executory Contracts pursuant to 11 U.S.C. § 365(k).

PLEASE TAKE FURTHER NOTICE that nothing contained herein shall obligate the Debtors to assume any Assumed Executory Contracts or to pay any Cure Amount.[9]

PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND SERVE AN OBJECTION AS STATED ABOVE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITH NO FURTHER NOTICE.

PLEASE TAKE FURTHER NOTICE THAT ANY COUNTERPARTY TO ANY ASSUMED EXECUTORY CONTRACT WHO DOES NOT FILE A TIMELY OBJECTION TO THE CURE AMOUNT FOR SUCH ASSUMED EXECUTORY CONTRACT IS DEEMED TO HAVE CONSENTED TO SUCH CURE AMOUNT.

Dated: April ___, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON

By *[DRAFT]*
Tania M. Moyron

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

[9] "Assumed Executory Contracts" are those contracts and leases that the Debtors believe may be assumed and assigned as part of the orderly transfer of the Purchased Assets; however, the Winning Bidder may choose to exclude certain of the Debtors' contracts or leases from the list of Assumed Executory Contracts as part of their Qualifying Bid, causing such contracts and leases not to be assumed by the Debtors.

Exhibit A

(Assumed Executory Contracts)

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

EXHIBIT "J"

大成 DENTONS

Sonia R. Martin

sonia.martin@dentons.com
D +1 415-882-2476

Dentons US LLP
One Market Plaza
Spear Tower, 24th Floor
San Francisco, CA 94105
United States

dentons.com

December 17, 2019

VIA EMAIL

Gary E. Klausner
Levene, Neale, Bender, Yoo & Brill L.L.P.
10250 Constellation Boulevard, Suite 1700
Los Angeles, California 90067
gek@lnbyb.com

Robert W. Lundy, Jr.
Hooper, Lundy & Bookman, P.C.
1875 Century Park East, Suite 1600
Los Angeles, California 90067
rlundy@health-law.com

Re: *In re Verity Health System of California, et al.*, Case No. 2:18-bk-20151-ER
Notice of Termination Effective Date

Dear Mr. Klausner and Mr. Lundy:

As you are aware, on November 25, 2019, November 27, 2019, and December 5, 2019, the Debtors sent Strategic Global Management, Inc. ("SGM") notices of SGM's material breaches under that certain asset purchase agreement [Docket No. 2305-1], dated January 8, 2019 (the "APA"), as approved by that certain *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* entered May 2, 2019 [Docket No. 2306].

As a result of each of the above material breach notices, the APA will terminate effective December 27, 2019.

Very truly yours,

Sonia R. Martin

cc: Samuel R. Maizel (samuel.maizel@dentons.com)
Tania M. Moyron (tania.moyron@dentons.com)
Claude D. Montgomery (claude.montgomery@dentons.com)

EXHIBIT "K"

Docket #0001 Date Filed: 1/3/2020

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
SONIA MARTIN (State Bar No. 191148)
sonia.martin@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
NICHOLAS A. KOFFROTH (Bar No. 287854)
nick.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

Counsel to Chapter 11 Debtors and
Debtors In Possession

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

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

Adversary No. _____.

COMPLAINT FOR BREACH OF CONTRACT, PROMISSORY FRAUD, AND TORTIOUS BREACH OF CONTRACT (BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING)

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation, ST. VINCENT DIALYSIS CENTER, INC., a California nonprofit public benefit corporation, and ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, SETON MEDICAL CENTER, a California nonprofit public benefit corporation, and VERITY HOLDINGS, LLC, a California limited liability company; and

Plaintiffs,

v.

KALI P. CHAUDHURI, M.D., an individual, STRATEGIC GLOBAL MANAGEMENT, INC., a California corporation, KPC HEALTHCARE HOLDINGS, INC. a California Corporation KPC HEALTH PLAN HOLDINGS, INC. a California Corporation, KPC HEALTHCARE, INC. a Nevada Corporation, KPC GLOBAL MANAGEMENT, LLC, a California Limited Liability Company, and DOES 1 through 500,

Defendants.

Plaintiffs Verity Health System of California, Inc. ("VHS"), St. Vincent Medical Center and its wholly-owned subsidiary ("collectively, St. Vincent"), St. Vincent Dialysis Center, Inc., St. Francis Medical Center ("St. Francis"), Seton Medical Center ("Seton," and together with St Francis and St. Vincent, the "Plaintiff Hospitals" or the "Hospitals"), and Verity Holdings, LLC ("Verity Holdings"), and the above-captioned debtors (collectively, the "Debtors" or "Plaintiffs"), for their Complaint against Kali P. Chaudhuri, M.D., Strategic Global Management, Inc., KPC Healthcare Holdings, Inc., KPC Health Plan Holdings, Inc., KPC Healthcare, Inc., and KPC Global Management, LLC (the foregoing also doing business as the KPC Group), and DOES 1 through 500 (collectively, "Defendants"), allege as follows:

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

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

PRELIMINARY STATEMENT

This case arises from breach of contract and intentional, misleading conduct by Defendants designed to wrongfully and fraudulently lock Plaintiffs into that certain asset purchase agreement (the "APA")[1] for the sale of four hospitals under the auspices of a Bankruptcy Court order, with which Defendants had no intention of complying. The Debtors expended tremendous human resources, time and effort with respect to the sale, while incurring significant additional expense performing under the APA and diligently preparing for a closing of the sale for nearly a year. During that time, the Plaintiffs suffered and were encouraged to sustain daily operating losses of $450,000. Once all contingencies precedent to close under the APA were satisfied, waived or passed, Defendants repeatedly defaulted under the APA and refused to close the sale, levied factually meritless and legally irrelevant accusations against Plaintiffs, and sought to coerce Plaintiffs into a re-trade at a substantially lower purchase price. Along the way, Defendants also violated the Bankruptcy Court's orders requiring them to close the sale and failed to even file a motion for stay of the orders before violating each of them.

Plaintiffs are informed and believe that Defendants had demanded conditions precedent to close the APA that Defendants had concluded imposed conditions that the Plaintiffs could never satisfy, irrespective of whether they were necessary. In particular, it now appears that Defendants never anticipated that Plaintiffs would obtain agreement from the Attorney General of California not to impose conditions on the sale transaction that materially differed from the conditions SGM developed and agreed to in Section 8.6 and Schedule 8.6 of the APA. Rather, Defendants believed they would never be obligated to pay the full purchase price (comprised of a cash payment $610 million, plus cure costs and assumption of liabilities) and instead concluded they would eventually be positioned to either walk away from the transaction or coerce the Plaintiffs into a re-trade at a significantly lower purchase price. In the meantime, Plaintiffs were obligated to continue operating the Plaintiff Hospitals at significant losses and were precluded from attempting to sell the Plaintiff Hospitals to anyone other than SGM.

Defendants' conduct was calculated, intentional, fraudulent and callous, designed to take

[1] [Docket No. 1279 (Ex. A), as subsequently amended by Docket No. 2305-1, and attached hereto as Exhibit "A" and incorporated herein by this reference.]

advantage of the Plaintiffs' good faith desire to ensure that the hospitals were sold to a purchaser who would keep them open, in order to continue providing critical access to health care in low income communities and jobs to thousands of employees. Defendants must be held accountable for the substantial damage they have caused to the Plaintiffs, the Hospitals, and their estates.

JURISDICTION AND VENUE

1. The Bankruptcy Court has jurisdiction over this adversary proceeding (the "Action"), pursuant to 28 U.S.C. §§ 157 and 1334.

2. The Action is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (M), (N), and (O).

3. The Action concerns an asset purchase agreement (defined as the APA below) executed by SGM, which states, in relevant part, as follows:

> 12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

4. Venue is proper pursuant to 28 U.S.C. § 1409 because the Action arises in, and is related to, the above captioned bankruptcy cases (the "Bankruptcy Cases") pending in the United States Bankruptcy Court of the Central District of California, Los Angeles Division (the "Bankruptcy Court").

5. Plaintiffs consent to the entry of final orders or judgments by the Bankruptcy Court even if it is determined that, absent consent of the parties, the Bankruptcy Court cannot enter final orders or judgments in this proceeding.

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

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

THE PARTIES

Plaintiffs

6. The Debtor and Plaintiff VHS is a California nonprofit public benefit corporation located at 601 S. Figueroa, Suite 4050, Los Angeles, California, and the sole corporate member of Plaintiff Hospitals.

7. The Debtor and Plaintiff St. Vincent is a California nonprofit public benefit corporation located at 2131 West Third Street in Los Angeles, California, doing business in the County of Los Angeles, and providing hospital and ancillary medical services on an inpatient and outpatient basis, including dialysis services.

8. The Debtor and Plaintiff St. Francis is a California nonprofit public benefit corporation located at 3630 East Imperial Highway in Lynwood, California, doing business in the County of Los Angeles providing hospital and ancillary medical services on an inpatient and outpatient basis.

9. The Debtor and Plaintiff Seton is a California nonprofit public benefit corporation with two hospitals located at 1900 Sullivan Avenue in Daly City, California and at 600 Marine Boulevard, Moss Beach, California, each doing business in the County of San Mateo providing hospital and ancillary medical services on an inpatient and outpatient basis.

10. The Debtor and Plaintiff Verity Holding is a California limited liability company, located at 1850 Sullivan Avenue in Daly City, California. Verity Holdings was created in 2016 to hold and finance VHS' interests in medical office buildings whose tenants are primarily physicians, medical groups, healthcare providers, and certain of VHS' hospitals.

Defendants

11. Defendants own and/or manage seven hospitals in Southern California, including Victor Valley Global Medical Center (Victorville, CA), Hemet Valley Medical Center (Hemet, CA), Menifee Valley Medical Center (Sun City, CA), Orange County Global Medical Center (Santa Ana, CA), South Coast Global Medical Center (Santa Ana, CA), Chapman Global Medical Center (Orange, CA), and Anaheim Global Medical Center (Anaheim, CA).

12. Plaintiffs are informed and believe that Defendant Strategic Global Management, Inc. ("SGM") is a California corporation in which Chaudhuri is the majority (or sole) shareholder. SGM is

the acquisition arm of the other Defendants for the SGM Sale (as defined below). According to filings with the California Secretary of State, dated August 12, 2016 and July 2, 2019, Chaudhuri is also the Chief Executive Officer and sole Director of SGM. William Thomas is listed in those same corporate filings as SGM's Secretary. SGM's corporate headquarters is located at 9 KPC Parkway, Suite 301, in Corona, CA.

13. Defendant Kali P. Chaudhuri, M.D. ("Chaudhuri") is an individual who is a resident of Hemet, California. According to thekpcgroup.com:

> Dr. Kali Pradip Chaudhuri, the Chairman and Founder of the KPC Group of Companies, has reached an unprecedented level of success through extraordinary vision, acute entrepreneurial spirit and relentless hard work. The KPC Group is engaged in numerous businesses around the world serving diverse industries such as healthcare services and facilities, pharmaceutical and biotechnology, education, real estate, infrastructure development, agriculture, architecture and engineering, alternative energy, waste management, travel services and information technology.
>
> * * *
>
> Dr. Chaudhuri diversified his quest for progress in many business verticals while enhancing his footprint in the healthcare services and facilities industry. During the last four months of 2010, Dr. Chaudhuri and his group acquired a $70 million note on four hospitals in California including Western Medical Center in Santa Ana, Western Medical Center in Anaheim, Chapman Medical Center and Coastal Communities Hospital in Orange County. In addition, Dr. Chaudhuri successfully acquired two hospitals: Hemet Valley Medical Center and Menifee Valley Medical Center for $172 million. His latest hospital acquisition includes Victor Valley Community Hospital in Victorville, California.
>
> A real estate entrepreneur with widely diversified property acquisitions worldwide, Dr. Chaudhuri has enhanced his footprint significantly over the last several years. The KPC Group has been contracted to execute the prestigious "City of Corona Redevelopment" project – worth $ 1.8 billion over a period of several years. The Group has acquired the multi-million dollar high profile 300,000 SF commercial complex in Corona, California and named it KPC Summit. In addition, Dr. Chaudhuri and his group are currently engaged in the development and construction of more than 3.3 million sq. ft. of commercial real estate comprising of hotels, resorts, apartments, old age homes and educational institutions.

14. Plaintiffs are informed and believe that Defendant KPC Healthcare Holdings, Inc. is a California corporation in which Chaudhuri is the majority (or sole) shareholder. According to filings with the California Secretary of State, dated July 18, 2019, Chaudhuri is the Chief Executive Officer of KPC Healthcare Holdings. William Thomas is listed in those same corporate filings as KPC Healthcare

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

Holdings' Secretary. Kali Priyo Chaudhuri, Chaudhuri's son, is listed in those same corporate filings as KPC Healthcare Holdings' Chief Financial Officer. KPC Healthcare Holdings' corporate headquarters is located at 9 KPC Parkway, Suite 301, in Corona, CA, on the same campus as its hospital, Orange County Global Medical Center.

15. Plaintiffs are informed and believe that Defendant KPC Healthcare, Inc. is a Nevada corporation in which Chaudhuri is the majority (or sole) shareholder and which has qualified to do business in California and is doing business in California. According to filings with the California Secretary of State, dated July 20, 2018, Peter Baronoff is the Chief Executive Officer of KPC Healthcare, Inc. William Thomas is listed in those same corporate filings as KPC Healthcare, Inc.'s Secretary. KPC Healthcare, Inc.'s corporate headquarters is located at 1301 North Tustin Avenue in Santa Ana, CA.

16. Plaintiffs are informed and believe that Defendant KPC Health Plan Holdings, Inc. ("KPC Health Plan") is a California corporation in which Chaudhuri is the majority (or sole) shareholder. According to filings with the California Secretary of State, dated August 17, 2018, Chaudhuri is also the Chief Executive Officer and sole Director of KPC Health. William Thomas is listed in those same corporate filings as KPC Health Plan's Secretary. Kali Priyo Chaudhuri is listed in those same corporate filings as KPC Health Plan's Chief Financial Officer. KPC Health Plan's corporate headquarters is located at 9 KPC Parkway, Suite 301, in Corona, CA.

17. Plaintiffs are informed and believe that Defendant KPC Global Management, LLC ("KPC Global") is a California limited liability company located at 890 West Stetson Avenue in Hemet, California. According to filings with the California Secretary of State, dated July 20, 2018, Chaudhuri is the sole manager or member of KPC Global. KPC Global, KPC Healthcare Holdings, Inc., KPC Healthcare, Inc., and KPC Health Plan are referred to herein, collectively, as "KPC."

Alter Ego Allegations

18. At all relevant times, as alleged more fully herein, each Defendant acted as an agent, servant, employee, co-conspirator, alter-ego and/or joint venturer of the other Defendants, and in doing the things alleged herein acted within the course and scope of such agency, employment, alter-ego

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

and/or in furtherance of the joint venture. Each of the Defendant's acts alleged herein was done with the permission and consent of each of the other Defendants.

19. Plaintiffs are informed and believe that, at all times relevant hereto, Defendants Chaudhuri and KPC were the alter egos of Defendant SGM, and there exists, and at all times herein mentioned has existed, a unity of interest and ownership between Defendants such that any separateness between them has ceased to exist in that Defendants Chaudhuri and KPC completely controlled, dominated, managed, and operated SGM to suit their convenience. Defendants operated as a single enterprise and should be treated as such.

20. Specifically, without limitation and discussed below, Plaintiffs are informed and believe that Defendants Chaudhuri and KPC: (1) controlled the business and affairs of SGM, including any and all of their affiliates; (2) disregarded legal formalities and failed to maintain arm's length relationships among the corporate entities; (3) inadequately capitalized SGM; (4) used the same office or business location and employed the same employees for the corporate entities; (5) held Chaudhuri himself out as personally liable for the debts of the corporate entities; (6) used the corporate entities as a mere shells, instrumentalities or conduits for Chaudhuri and/or his individual businesses; (7) manipulated the assets and liabilities between the corporate entities so as to concentrate the assets in one and the liabilities in another; (8) used corporate entities to conceal their ownership, management and financial interests and/or personal business activities; and/or (9) used the corporate entities to shield against personal obligations, and in particular the obligations as alleged in this Complaint.

21. At all times relevant thereto, Defendant SGM was not only influenced and governed by Defendants Chaudhuri and KPC, but there was such a unity of interest and ownership that the individuality, or separateness, of SGM, Chaudhuri and KPC has ceased. Defendants acted inequitably, such that adherence to the fiction of the separate existence of these entities and failure to recognize Defendants as alter egos of one another would, under these particular circumstances, sanction a fraud or promote injustice. Defendants on their website and in their public statements characterize themselves as a single enterprise and call themselves "The KPC Group." The KPC Group may include other entities and persons.

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

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

22. Plaintiffs are ignorant of the true names or capacities of the defendants sued under the fictitious names Does 1 through 500, inclusive. Plaintiffs will amend this Complaint to allege the true names and capacities of these Does when they have been ascertained. Plaintiffs are informed and believe that each of the defendants designated as a Doe is responsible in some manner for the events and happenings herein alleged.

Agency; Aiding and Abetting; and Conspiracy

23. At all times relevant to this Complaint, Defendants, and each of them, were acting as the agents, employees, and/or representatives of each other, and were acting within the course and scope of their agency and employment with the full knowledge, consent, permission, authorization, and ratification, either express or implied, of each of the other Defendants in performing the acts alleged in this Complaint.

24. As members of the conspiracies alleged more fully below, each of the Defendants participated and acted with or in furtherance of said conspiracy, or aided or assisted in carrying out the purposes of the conspiracy, and have performed acts and made statements in furtherance of the conspiracy and other violations of California and other applicable law.

25. Each Defendant acted both individually and in alignment with the other Defendants with full knowledge of their respective wrongful conduct. As such, Defendants conspired together, building upon each other's wrongdoing, in order to accomplish the acts set forth in this Complaint.

26. Defendants are individually sued as principals, participants, aiders and abettors, and co-conspirators in the wrongful conduct complained of and the liability of each arises from the fact that each has engaged in all or part of the improper acts, plans, schemes, conspiracies, or transactions complained of herein.

FACTUAL BACKGROUND

A. The Hospitals

27. As of August 31, 2018 (the "Petition Date"), VHS and its affiliated entities (collectively, the "Verity Health System"), including St. Vincent, St. Francis, and Seton, operated as an integrated 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.

28. Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate member of five Debtor California nonprofit public benefit corporations, including (i) two that operated O'Connor Hospital and Saint Louise Regional Hospital before they were sold to the County of Santa Clara, and (ii) three that operate the Plaintiff Hospitals.

29. St. Francis owns real property commonly known as: (i) 3630 E. Imperial Highway Lynwood, CA 90262, including the patient tower and all of the facilities thereon; (ii) 2700 E. Slauson Ave, Huntington Park, CA 90255, and the Huntington Park Medical Office Building thereon; and (iii) 5953 S. Atlantic Blvd., Maywood, CA 90270, and the Maywood Medical Office Building thereon.

30. St. Francis: (i) operates a 384 licensed bed, general acute care hospital located at 3630 East Imperial Highway in Lynwood, California; (ii) has an emergency department with 46 licensed emergency treatment stations and is designated a Level II Trauma Center; (iii) has nine surgical operating rooms and three cardiac catheterization labs for inpatient and outpatient cardiac catheterization services; (iv) offers a comprehensive range of services, including emergency and trauma care, neonatal intensive, cardiovascular, oncology, pediatrics, behavioral health, and maternity and child services; and (v) offers various outpatient services, including ambulatory surgical services, laboratory services, imaging services, infusion therapy, nuclear medicine services, respiratory therapy, and physical therapy. Other outpatient services are provided at the following clinics: Orthopedics Clinic, Wound Care Clinic, Industrial Clinic, Lynwood Clinic, Downey Clinic, and Huntington Park Clinic. St. Francis is accredited by The Joint Commission.

31. As of the Petition Date, St. Francis employed approximately 2,017 employees, of which 1,583 were full-time, 136 were part time, and 298 were per diem. St. Francis was incorporated in 1983 and is governed by a Board of Trustees.

32. St. Vincent owns real property commonly known as: (i) 2131 W 3rd Street, Los Angeles, CA 90057, including the hospital and all of the facilities located thereon; and (ii) vacant land in Salton Sea, California. St. Vincent was founded as the first hospital in Los Angeles in 1856. In 1971, a new facility was constructed at St. Vincent's current location at 2131 West Third Street, Los Angeles, CA

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

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

90057. It has expanded to a 366 licensed bed, regional acute care, tertiary referral facility, specializing in cardiac care, cancer care, total joint and spine care, and multi-organ transplant services. St. Vincent serves both local residents and residents from Los Angeles, San Bernardino, Riverside, and Orange Counties. As a provider of healthcare services for a high percentage of elderly patients, many of the St. Vincent Medical Center's services and programs are focused on the treatment of various chronic diseases.

33. As of the Petition Date, St. Vincent employed approximately 1,099 employees, of which 897 were full-time, 42 were part time and 160 were per diem.

34. Seton operates two distinct medical facilities: Seton Medical Center and Seton Medical Center Coastside. The Seton Medical Center and Seton Medical Center Coastside locations share a consolidated license. Seton Medical Center owns (i) real property commonly known as 1900 Sullivan Avenue, Daly City, CA 94015, and the hospital and the facilities thereon (the "Daly Property"), and (ii) an employee parking lot on the Daly Property. Seton Medical Center was originally founded as Mary's Help Hospital by the Daughters of Charity of St. Vincent De Paul in 1893. The original facility was destroyed in the San Francisco Earthquake of 1906, and by 1912, Mary's Help Hospital reopened a new facility in San Francisco. In 1965, the hospital was moved to its current location at 1900 Sullivan Avenue in Daly City. The hospital was renamed Seton Medical Center in 1983, is currently licensed for 357 beds and serves residents from San Francisco and San Mateo areas. Seton has an emergency department with 18 licensed treatment stations. It also has 13 surgical operating rooms and three cardiac catheterization labs. Of the hospital's 83 licensed skilled nursing beds, 39 are in suspense, and the remaining 44 beds are utilized as subacute care beds. Additionally, the hospital has 24 licensed acute psychiatric beds which have been placed in suspense. The hospital has a broad spectrum of medical services, including cancer, cardiac, emergency, surgical, rehabilitation, respiratory, orthopedic, and sub-acute care. The hospital is accredited by The Joint Commission.

35. Seton also operates a location doing business as Seton Medical Center Coastside ("Seton Coastside") located at 600 Marine Blvd, Moss Beach, CA 94038. Seton Coastside is not a separate legal entity from Seton Medical Center. Seton Coastside was founded as Moss Beach Rehabilitation Hospital in 1970. In 1980, the City of Half Moon Bay acquired ownership of the hospital and signed

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

an agreement for Daughters of Charity to manage operations of the hospital and rename it St. Catherine's Hospital. In 1993, St. Catherine's Hospital became Seton Coastside when it became integrated with Seton Medical Center. Today, Seton Coastside is licensed for 116 skilled nursing beds and five general, acute-care beds. Seton Coastside also operates the only 24-hour "standby" Emergency Department along the 55-mile stretch between Santa Cruz and Daly City. Under a consolidated license, Seton Medical Center and Seton Coastside share the same Board of Directors, executive leadership team, charity care policies, and union collective bargaining agreements.

36. As of the Petition Date, Seton Medical Center and Seton Coastside employed approximately 1,340 employees, of which 516 were full-time, 551 were part time and 273 were per diem.

37. The Plaintiff Hospitals have been operating and serving their communities for many decades. Since 1995, the Plaintiff Hospitals have incurred substantial operating losses. Efforts were made over many years to find a solution which would resolve the operating losses, either through a sale of some or all of the Plaintiff Hospitals, or a merger with a more financially sound partner. Despite continuous efforts to improve operations, operating losses continued to plague the health system due to, among other things, mounting labor costs, low reimbursement rates and the ever-changing healthcare landscape.

B. The Bankruptcy Cases

38. On the Petition Date, the Debtors and certain related entities filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").[2] The Bankruptcy Cases are jointly administered under Lead Case No. 2:18-bk-20151-ER [Docket No. 17].

39. In connection with the Bankruptcy Cases, the Debtors initiated a process to sell substantially all of their assets. To that end, the Debtors' investment banker, Cain Brothers, a division of KeyBanc Capital Markets ("Cain"), prepared a Confidential Investment Memorandum (the "CIM") and organized an online data site to share information with potential buyers, and contacted over 110

[2] All references to "§" or "section" herein are to the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.*, as amended.

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

strategic and financial buyers beginning in July 2018 to solicit their interest in exploring a transaction regarding the Debtors.

40. By August 2018, as a result of its ongoing and broad marketing process, Cain had received 11 Indications of Interest ("IOI"). Postpetition Cain continued to market the assets. Each potential buyer was given access to the data room and conducted its due diligence. Upon request, the Debtors provided each interested party with tours of the facilities and the opportunity to discuss operations with senior leadership. The Debtors, in consultation with Cain and its other advisors, selected SGM to be the stalking-horse bidder based on its offer to acquire the Purchased Assets for a purchase price (the "Purchase Price") that consisted of a cash payment in the amount $610,000,000, plus assumption of certain liabilities, and payment of cure costs associated with any assumed leases, contracts and assumption of other obligations. *See* APA, Section 1.1. The Debtors selected SGM in reliance on Defendants' representations and inducements.

41. The SGM offer, dated August 13, 2018, was issued on letterhead that included the KPC logo. The offer letter stated in relevant part as follows:

> Strategic Global Management, Inc. ("SGM" or "Strategic") is a venture company used to acquire assets and businesses, through companies which are affiliated or associated (through common ownership and otherwise) with SGM, but which are not subsidiaries of SGM. SGM and its associated and affiliated companies (collectively, the "SGM Companies") currently own, operate and/or manage several healthcare companies, including seven hospitals in Riverside, San Bernardino and Orange County, California. The SGM Companies also own and operate various ancillary providers, including without limitation, skilled nursing facilities, recovery centers, rehabilitation centers, diagnostic companies, surgery centers, urgent care and home health providers and others. In addition, SGM is affiliated with three medical groups and one IPA providing care to over 85,000 commercial equivalent members in Southern California. The SGM Companies also operate a medical college, nursing college and nutritional college and related operations in India.
>
> Consistent with the manner in which the SGM has structured other acquisitions and consistent with lender requirements for special purpose borrowing entities, SGM would cause this proposed acquisition to be accomplished through one or more special purpose acquisition entities, which would be fully and adequately funded.
>
> Hospitals affiliated with SGM ("SGM Hospitals") include the following:
>
> Victor Valley Global Medical Center ("VVGMC") is a safety net provider located in Victorville. It is one of the largest providers of Medi-Cal

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

Managed Care through an Inland Empire Health Plan ("IEHP") contract in the High Desert. It was acquired from a non-profit out of bankruptcy in 2012. It has faithfully satisfied all of the Attorney General's five-year conditions for approval of the transaction.

Physicians for Healthy Hospitals ("PHH") acquired Hemet Valley Medical Center and Menifee Valley Medical Center, as well as a skilled nursing facility, Hemet Valley Recovery Center, and a nationally respected inpatient and outpatient chemical dependency center, Hemet Valley Recovery Center and Sage Retreat, from Valley Health System, a district hospital system, out of bankruptcy in 2010.

KPC Healthcare, Inc. ("KPC Health") owns and, through subsidiaries, operates Anaheim Global Medical Center ("Anaheim"), Chapman Global Medical Center ("Chapman"), Orange County Global Medical Center ("OC") and South Coast Global Medical Center "South Coast"), which are all safety net providers. Orange County Global Medical Center is a key Level II Trauma center located in central Orange County. All four facilities have contracts for Medi-Cal Managed Care through a Cal-OPTIMA contract. Pursuant to contracts with the County of Orange, Anaheim is the primary provider of behavioral health services and correctional health services for the County.

We are proud of the SGM Hospitals' accomplishments under SGM's stewardship. Some of the key accomplishments are as follows:

- All SGM Hospitals service large economically depressed populations with significant medical needs.

- All SGM hospitals were in danger of closing if SGM did not assume ownership.

- When VVGMC was acquired out of bankruptcy in 2012, many of its services were closed or suspended. In the first year of SGM operations, the laboratory that was closed by CLIA was reopened for all services, including microbiology and is fully accredited. The diagnostic cardiac catheterization lab was taken out of suspension and new modifications are being done to bring it up to standards for interventional work. The NICU and GI laboratory were taken out of suspension and reopened.

- VVGMC received full Joint Commission accreditation for the first time in 2014. It currently also maintains accreditation through the Health Facilities Accreditation Program. It is the only facility in the High Desert that is dual accredited.

- VVGMC financial performance has improved from a pre-acquisition monthly loss of $500,000 to positive EBITDA within six months.

- VVGMC is the largest Medi-Cal provider in the High Desert area and the largest provider for IEHP.

- The PHH facilities, which pre-acquisition had annual losses in excess of $6,000,000, have generated positive EBITDA since their acquisition.

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

- KPC Health has been sold to an Employee Stock Ownership Plan ("ESOP") and now operates for the benefit of its employees but remains managed by SGM affiliates under a long-term agreement. The KPC Health facilities have been consistently profitable under SGM management.

42. On December 3, 2018, Mr. Thomas provided to James Moloney of Cain a letter regarding the asserted availability of certain liquidity (the "Letter") from Chaudhuri. [redacted]

43. On December 14, 2018, a meeting was held between numerous representatives of "KPC Group," including, but not limited to, Chaudhuri and Peter Baronoff, Verity's CEO Richard Adcock, and the Debtors' investment bankers, James Moloney and Carsten Beith of Cain, to discuss St. Francis, St. Vincent, Seton, Seton Coastside, and Defendants' proposal to acquire them.

44. The Debtors, in consultation with Cain and its other advisors, selected SGM to serve as the stalking-horse bidder based on its offer to acquire the Hospitals at the Purchase Price. On January 8, 2019, SGM executed the APA to acquire the Plaintiff Hospitals and related assets for the Purchase Price.

45. If Defendants had indicated that they were not serious about closing, or would not be able to close the Sale transaction in accordance with the APA at the Purchase Price, then Plaintiffs would have pursued other options for the sale and disposition of these assets and reduced ongoing operational losses.

46. The APA is incorporated herein by reference. The APA provided, in relevant part, as follows:

1.12 Disclaimer of Warranties; Release. (b) Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospitals, the Assets and the Assumed Obligations) and shall expire, and be of no further force or effect after January 8, 2019 (the period from the Signing Date until January 8, 2019, the "Final Diligence Period") [.]

* * *

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any representation or warranty (expressed or implied, oral or otherwise) made on behalf of any Seller other than as expressly set forth in this Agreement. Purchaser further acknowledges that no Seller is making any representations or warranties herein relating to the Assets or the operation of the Hospital on and after the Effective Time.

* * *

3.8. No Knowledge of a Seller's Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any representation or warranty by any Seller or of any other condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of its representations and warranties under this Agreement, then the effect shall be as if the representations and warranties had been modified in this Agreement in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' representations and warranties in relation to such information; provided, however, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of any representation or warranty. If any such information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise, including through updated schedules, and whether before or after the Signing Date) that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c), Purchaser must immediately notify Sellers if any such information comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver of such right in relation to the relevant breach.

* * *

3.9 Ability to Perform. Purchaser has the ability to obtain funds in cash in amounts equal to the Purchase Price by means of credit facilities or otherwise and will at the Closing have immediately available funds in cash, which are sufficient to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to consummate the transactions contemplated by this Agreement.

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

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

* * *

3.11. Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of each Seller and the Hospital for purposes of conducting a due diligence investigation of each Seller and the Hospital. Purchaser has conducted a reasonable due diligence investigation of each Seller and the Hospital and has received satisfactory answers to all inquiries it has made respecting each Seller and the Hospital and has received all information it considers necessary to make an informed business evaluation of each Seller and the Hospital. In connection with its due diligence investigation of each Seller and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by any Seller, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby.

* * *

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the parties on the subject matter hereof (the "Superseded Agreements"), which Superseded Agreements shall be of no further force or effect; provided, that notwithstanding the foregoing, the letter Confidentiality Agreement dated July 12, 2018 between Purchaser and Cain Brothers, a division of KeyBanc Capital Markets Inc., on behalf of Sellers and their related entities shall not be a Superseded Agreement and shall continue in full force in effect in accordance with its terms schedules, and the documents referred to in this Agreement contain the entire understanding.

C. The SGM Sale

47. On January 17, 2019, the Debtors filed the Debtors' *Motion for the Entry of (I) an Order (1) 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* (the "Sale and Bidding Procedures Motion") [Docket No. 1279].

48. On February 6, 2019, the Bankruptcy Court held a hearing on the approval of the APA. During that hearing, Gary Klausner, counsel for SGM, stated on the record to the Bankruptcy Court:

> [L]et me tell you a little bit about Strategic Global, which is an affiliate of a larger organization called The KPC Group.
>
> Starting in 2007 I was representing an entity called Valley Health System, which was a healthcare district, in a Chapter 9 case that was in Riverside County in front of Judge Peter Carroll. During the course of that case, the board of trustees decided that the best course of action to take was for the district to sell the three hospitals it was then operating.
>
> So, we went through a sale process, and an entity that's affiliated with KPC called PHH, was Physicians for Healthy Hospitals, was the successful bidder. We had a contested confirmation hearing where there was a competing bidder who was arguing against our plan and against the sale. Ultimately, Judge Carroll approved our Chapter 9 plan of adjustment and he approved the sale.
>
> PHH, the affiliate of the KPC Group, then went ahead and closed the sale, and has continued to operate those facilities and has turned them around successfully.
>
> I also had occasion to work with the KPC people in connection with the Victor Valley Chapter 11 case, in which Mr. Maizel was debtor's counsel. I represented the KPC Group that was a purchaser. And in that case, there was another purchaser there. The sale went up for approval to the Attorney General. The Attorney General turned them down. We were then the backup bidder. We stepped forward.
>
> My client went ahead and closed that transaction. By the way, the Valley Health transaction was in excess of $100,000,000. I don't remember the exact number of Victor Valley. But in that case, your Honor, our client did close that transaction. Our client was approved by the Attorney General. Our client successfully met all of the conditions that the Attorney General had set forth.
>
> Our client also was involved in the purchase of two troubled Orange County hospitals, which it not only turned around, but in 2015, again, the affiliate of KPC Group, sold those hospitals to four employee stock ownership plans, ESOP's. And I believe it was the first acute care hospital system in the United States to be wholly owned by the employees. And KPC continues to operate those facilities.
>
> The point of all this being, that our client is very familiar with not only the ownership and management of hospitals in Southern California, but has a very good track record with the Attorney General's office.

[Transcript of February 6, 2019 Hearing at 13:2-14:22.]

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

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

49. During the hearing on February 6, 2019, Mr. Klausner made clear that the purpose of the evaluation period (the "Evaluation Period") under the APA was to prevent SGM from being required to close the sale if there was a risk that the Supplemental Sale Order could be overturned on appeal. SGM further admitted that it would be required to close the sale if the Supplemental Sale Order became final and nonappealable. Specifically, Mr. Klausner stated: "If the Debtor can get us a final, non-appealable order, meaning that if there's an appeal, it gets resolved in the Debtor's favor or maybe gets dismissed, at that point we will be obligated to close the transaction, as long as all the other conditions to closing have been satisfied." [Transcript of February 6, 2019 Hearing at 20:7–21:6.]

50. On February 19, 2019, the Bankruptcy Court held a hearing on the Sale and Bidding Procedures Motion and certain changes to the APA were set forth on the record. Thereafter, the Bankruptcy Court entered an order approving the Sale and Bidding Procedures Motion (the "Bidding Procedures Order") [Docket No. 1572]. Among other things, the Bankruptcy Court approved the APA, as amended, and SGM as the stalking-horse bidder, as set forth in the Bidding Procedures Order.

51. On March 11, 2019, Mr. Thomas sent an email to the Debtors' investment banker, James Moloney of Cain, requesting permission to populate "KPC's dataroom with Verity's confidential information" in order to provide "KPC's potential financing partners" with access to such information.

52. After the marketing process with respect to the Plaintiff Hospitals, there were two "Qualified Bidders" (as defined in the Bidding Procedures Order, Docket No. 1572) for partial bids for different Hospitals (one for St. Vincent and one for St. Francis) and no Qualified Full Bid. After consultation with the Consultation Parties (as defined in the Bidding Procedures Order), the Debtors determined to not conduct either a Partial Bid or Full Bid auction, as set forth in the *Notice That No Auction Shall Be Held Re Debtors' Motion and Motion for the Entry of (I) An Order (1) Approving Form of Asset Purchase Agreement for Stalking Horse Bidder and for Prospective Overbidders; (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. 2053] filed

by the Debtors on April 4, 2019. Accordingly, under the terms of the APA and the Bidding Procedures Order, no auction was held and the Debtors declared SGM the "winning bidder" of the Plaintiff Hospitals.

53. On May 2, 2019, after briefing and a hearing, the Bankruptcy Court entered the *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] (the "Sale Order"), approving the sale to SGM pursuant to the APA (the "SGM Sale").

54. The Sale Order is incorporated herein by reference, and provides, in relevant part:

> In accordance with the APA, concurrently with the Closing, SGM shall pay that portion of the Purchase Price due at Closing, by wire transfer of immediately available funds, to Debtors' Escrow Deposit Accounts (defined below), subject to the adjustments set forth in the APA. Any direct expenses of the Sale shall be disclosed by Debtors to the DIP Agent, the Prepetition Secured Creditors, and the Committee in advance of the Closing.

[*Id.* at 15:10-14.]

55. On May 17, 2019, Chaudhuri filed an Early Termination Notice with the Federal Trade Commission regarding the SGM Sale. The filing lists the "Acquiring Party" as "Kali P. Chaudhuri, trustee," and the "Acquired Party" as "Verity Health System of California, Inc."

56. Defendants thereafter described the SGM Sale on their websites as an acquisition by KPC and Chaudhuri. For example, kpcgroup.com describes the transaction as follows:

> KPC Health, a Santa Ana, California-based healthcare company, announced Wednesday that **a federal bankruptcy judge approved the $610 million purchase** of four hospitals owned by financially-troubled Verity Health System.
>
> KPC Health will take ownership of St. Francis Medical Center, St. Vincent Medical Center, Seton Medical Center, and Seton Coastside in Moss Beach. The company also acquired St. Vincent Dialysis Center as part of the deal. [. . .]
>
> "Today marks an important milestone for KPC Health's bid to acquire four Verity Health hospitals," Dr. Kali P. Chaudhuri, chairman of KPC Health, said in a statement. "We look forward to working with Verity Health on a successful acquisition and welcoming these important community hospitals into our integrated healthcare system."

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

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

> The acquisition of four Verity Health hospitals adds to KPC Health's seven acute care hospitals in southern California as well as seven long-term acute care hospitals and two skilled nursing facilities in multiple states.[3]

57. Likewise, kpchealth.com states the following regarding the Sale:

> KPC Group founder Kali Chaudhuri is attempting to do what a private capital firm, a nonprofit charity, and Los Angeles' wealthiest person couldn't—turn around a struggling regional hospital system.
>
> The Business Journal reported last month that Chaudhuri's KPC planned to pay $610 million to acquire assets of bankrupt Verity Holdings LLC, a Redwood City-based firm that owned four hospitals—including Lynwood's St. Francis Medical Center, a 384-bed trauma center in L.A. County—and a nursing facility.
>
> Chaudhuri's plan to revitalize those facilities may be to give the unionized workers a chance to own part of the hospital, something he's done with other hospitals he turned around in Orange County.
>
> "I came to America with $8 in my pocket," Chaudhuri told the Business Journal. "The reason I work hard in America is because I own my own business, and our employees will work hard because they are owners."
>
> The ownership plan for Verity won't immediately be available, as KPC will initially focus on restructuring.[4]

58. Plaintiffs are informed and believe that SGM had concluded that the APA imposed conditions that the Plaintiffs could never satisfy (i.e., conditions to closing). In particular, it now appears that SGM never anticipated the Debtors would obtain agreement from the Attorney General not to impose conditions on the sale transaction that materially differed from the conditions SGM developed and set forth in Section 8.6 and Schedule 8.6 of the APA. Accordingly, it now appears that SGM believed that it would never be obligated to pay the full Purchase Price under the APA, and instead believed that it would eventually be positioned to either walk away from the transaction or coerce the Debtors to submit to a significantly lower purchase price. In the meantime, Plaintiffs were obligated to continue operating the Plaintiff Hospitals at a daily estimated loss of $450,000 and were precluded from attempting to sell the Plaintiff Hospitals to anyone other than SGM. Particularly egregious is

[3] http://thekpcgroup.com/2019/04/20/kpc-wins-bid-for-verity-hospitals/
[4] http://kpchealth.com/kpc-chaudhuri-aims-for-kaiser-like-integration/

Defendants' seeming belief that Plaintiffs would be forced to accept a lower purchase price because of Plaintiff's averred dedication to ensuring all Plaintiff Hospitals remained open and operating.

D. Plaintiffs Devote Substantial Time and Resources In Reliance On The Sale.

59. Plaintiffs expended tremendous time, expenses and resources to prepare for and close the SGM Sale in reliance on the APA and the Sale Order. Those efforts included but are by no means limited to the efforts described below.

60. Transfer of Operations. The transfer of operations for the Hospitals and related regulatory approval presents an enormous undertaking, and consumed thousands of hours on the part of Plaintiffs and their advisors. By way of example: (i) Plaintiffs sent "WARN notices" to approximately 4,900 employees, pursuant to the federal Worker Adjustment and Retraining Notification Act of 1988, at three different times, as KPC continued to postpone the "closing date"; (ii) thousands of counterparties to executory contracts and unexpired leases, including physicians, relied on the Sale Order and continued to provide services in reliance on the finality of that Sale Order; (iii) Plaintiffs spent months facilitating an efficient close of the sale, with approximately 20 different workstreams, meeting at least weekly with employees of KPC to ensure a smooth transition of operations and continued care of patients; (iv) government agency personnel, including the California Department of Public Health and the Board of Pharmacy, diligently undertook to process SGM's change of ownership applications for licenses and permits in reliance on the finality of the Sale Order; (v) the Attorney General's office conducted a lengthy review process, including review of the Application (as defined below) and multiple hearings; (vi) Plaintiffs and each of their six unions spent months successfully negotiating and finalizing modified collective bargaining agreements; (vii) the medical groups affiliated with Plaintiffs sent termination notices to their remaining physicians; (viii) Plaintiffs coordinated changes in insurance coverages and insurance policies to ensure seamless coverage for employees and patients; and (ix) Plaintiffs created plans to shut off certain services after the close of the SGM Sale.

61. Chapter 11 Plan. On September 3, 2019, the Debtors filed the Debtors' Chapter 11 Plan of Liquidation (Dated September 3, 2019 [Docket No. 2993] (the "Plan")) and their related disclosure statement [Docket No. 2994] (the "Disclosure Statement"). As more fully described in the Disclosure

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

Statement, the Debtors' Plan provided for, among other things, deemed substantive consolidation and the distribution of proceeds from certain sale transactions, including the SGM Sale.

62. Cash Collateral Agreement. On September 6, 2019, the Court granted the Debtors' motion to use cash collateral [Docket No. 2962, 2968] and entered *the Final Order (A) Authorizing Continued Use of Cash Collateral, (B) Granting Adequate Protection, (C) Modifying Automatic Stay, and (D) Granting Related Relief* [Docket No. 3022] (the "Supplemental Cash Collateral Order"). The Supplemental Cash Collateral Order authorized the Debtors' consensual use of cash collateral pursuant to an agreement with certain of its secured lenders (the "Cash Collateral Agreement"). Pursuant to the Cash Collateral Agreement, the Debtors were obligated to meet certain milestones, including confirmation of the Debtors' plan by December 15, 2019 an effective date on or before December 31, 2019.

63. Attorney General Approval. One of the conditions to closing under the APA was (i) the approval by the Attorney General Of California (the "Attorney General"), pursuant to California Corporations Code § 5914 and title 11 of the California Code of Regulations, § 999.5, and (ii) that the Attorney General did not impose any conditions that were "materially different" that those set forth in Schedule 8.6 to the APA. Under Section 8.6 of the APA, the APA also provided that SGM "shall reasonably cooperate in any efforts to render the Supplemental Sale Order a final, non-appealable order."

64. Plaintiffs undertook tremendous efforts to secure Attorney General approval in order to satisfy Section 8.6 of the APA. Among other efforts, (i) Plaintiffs were required to pay approximately $500,000 for an expert retained by the Attorney General, (ii) Plaintiffs incurred significant costs, including attorneys' fees, preparing and submitting an application (which, including exhibits, totaled more than 5,826 pages) (the "Application") to the Attorney General for approval of the SGM Sale, (iii) Plaintiffs participated in public meetings related to same, and negotiated intensely with the Attorney General through multiple meetings, emails and documents, and (iv) Plaintiffs filed pleadings in the Bankruptcy Court wherein they prevailed.

65. By the Application, dated May 7, 2019, Plaintiffs provided notice to, and requested written consent from, the Attorney General for the proposed SGM Sale, pursuant to California

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

Corporations Code § 5914 and title 11 of the California Code of Regulations, § 999.5. On May 13, 2019, Plaintiffs supplemented their Application to the Attorney General.

66. During the week of August 26, 2019, Deputy Attorney General Scott Chan held public hearings at each of the Hospitals to solicit comments regarding the SGM Sale. At those public meetings, Peter Baronoff, as CEO and a representative of Defendants, made public statements to the effect that SGM is the acquisition arm of KPC, but that KPC and SGM are one and the same business entity led by Chaudhuri.

67. Specifically, at the August 26, 2019 Attorney General Public Meeting regarding St. Francis, Mr. Baronoff stated:

> SGM is pleased to be here this morning. For those of you that don't know, Strategic Global Management is the acquisition entity that is part of the KPC group. For those of you who do not know KPC, KPC is an integrated healthcare system. Our system consists of seven hospitals: Two in Riverside County, located in Hemet and Menifee; one in San Bernardino County, Victor Valley Global Medical Center; and four in Orange County, Orange County Global Medical Center, Chapman Global Medical Center, Anaheim Global Medical Center and South Coast Global Medical Center.
>
> * * *
>
> KPC has been extremely diligent in our pursuit of these, and this is not our first time showing interest for the Verity assets. We come to the table with vast experience in operating safety net hospitals, very similar to many of those facilities which are now part of the Verity system.
>
> * * *
>
> We believe there is a great fit with Verity. Saint Francis is a Level 2 trauma center and our Orange County Global is a Level 2 trauma center. The management team has done what it could in bankruptcy, but it is time for the Verity system to move on. We, at KPC, have had a great relationship with labor, with physicians, with payers and IPAs. We work closely with these groups to make our hospitals successful. We certainly get to know our communities and community leadership, and we certainly want to get to know those here as well.
>
> * * *
>
> KPC is here today because we want to move forward. We want to move forward with 8.6. It's essential that the Attorney General's Office works with us so that the folks in this room never have to be back here today.

[August 26, 2019 Transcript, at 12:2-14:21.]

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

68. Likewise, at the August 27, 2019 Attorney General Public Meeting regarding St. Vincent, Mr. Baronoff stated in part:

> I'm the CEO of KPC Healthcare. SGM, our acquisition entity, will be a part of KPC. For a few moments, let me tell you a little bit about KPC. KPC is an integrated healthcare system. We operate seven acute care hospitals: Two in Riverside County, located in Hemet and Menifee; one in San Bernardino County, Victor Valley Global Medical Center; and four in Orange County, Orange County Global Medical Center, South Coast Global Medical Center, Chapman Global Medical Center and Anaheim Global Medical Center.
>
> * * *
>
> In the ancillary side […] we also own and operate seven long-term acute care hospitals. These hospitals are located in Baton Rouge, Louisiana; in Vicksburg, Mississippi; in Wichita Falls, Texas; Dallas, Texas; Kansas City; and Salt Lake City, Utah; and Mesa Arizona.
>
> * * *
>
> Where others fail, we find a way to succeed. And it's through a partnership between the employees and the physicians along with ourselves in management understanding the community's needs that we're able to move forward.
>
> With this turnaround experience, we've seen failing hospitals and we see what happens if they do fail. We've seen hospitals close -- hospital closures -- never under our watch, but we've watched our competitors close hospitals. We find a way to implement strategy to turn these troubled hospitals around; hospitals just like this that have gone through severe financial difficulty.
>
> * * *
>
> Today, we see opportunities with the Verity system where many others have not. We see that it's a great fit for our system with our locations in Orange County, Riverside County and San Bernardino County.
>
> * * *
>
> In working forward towards the future of these hospitals, we have to be able to implement a strategy and a plan that will get us to the next level and ensure that the people behind me have stable viable futures with hospitals and communities they love. That's what keep [KPC] is all about. We've done it at seven. We plan to do it at these four and we look forward to the opportunity, and we hope the Attorney General takes a good hard look at 8.6 and agrees that it's the only way to go.

[August 27, 2019 Transcript, at 13:1-16:3.]

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

69. Further, at the August 29, 2019 Attorney General Public Meeting concerning Seton Medical Center, Mr. Baronoff stated:

> I'm the CEO and managing director of the KPC Healthcare Group. Some of you today are hearing our name as SGM, but make no mistake, we are KPC. That is our acquisition vehicle. Before I make my remarks about Seton, I'd like to say a couple of words about who KPC is.
>
> * * *
>
> Well, KPC has a track record of turning around troubled hospitals. Our integrated health system, which consists of seven hospitals in Southern California, including a trauma hospital, including physician groups in the areas of emergency medicine, anesthesia, radiology, hospitalists, medical specialty groups in a variety of areas, and ancillaries in skilled nursing, skilled nursing facilities, three of them, long-term acute care hospitals. Seven located in Louisiana, Mississippi, Texas, Arizona, Utah and Kansas.
>
> We understand that to move forward in this business one has to roll up their sleeves and know what they are getting into. We have the turnaround experience to do just that.
>
> In one example in Victor Valley, in San Bernardino County we had attorney general conditions and we complied with all.
>
> In Riverside County, we saw hospitals survive through Chapter 9 bankruptcies. We work closely with laborers, physicians, payors, IPAs, and we are a community partner in all cases.
>
> We plan to do the same thing here. But people ask me why are you jumping into this. Why are you jumping into an environment with $70 million of losses. There is a reason. We believe that Seton Medical Center's best days are in front of it. We understand there are seismic issues; we understood there are IT issues; we understand there are payor-related issues; we understand there are management-related issues; we understand there are clinical-documentation issues; we understand that there is case mix index issues. We understand all that.
>
> * * *
>
> Now, how do you get started here and how do you take on this huge task. Well, we started the process by meeting with management. We followed that process by meeting with physicians, reviewing numerous areas, engaging with employees, bringing teams of people here, from capital sponsors onwards.
>
> * * *
>
> But rest assured, a turnaround of $70 million, for a variety of reasons, is no easy task to tackle. San Mateo County, the City of Daly City needs the Seton Medical Center. Those developers who only had an eye on the 20 acres of real estate didn't understand the community passion. Well,

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

> this buyer does. And rest assured, when KPC gets involved, me, as the leader will make sure the voices are heard.

[August 29, 2019 Transcript, at 12:9-16:3.]

70. On September 25, 2019, the Attorney General consented to the SGM Sale, subject to 2019 conditions that included additional conditions that were materially different than those SGM contractually agreed to in Schedule 8.6 (the "2019 Conditions"). Accordingly, Plaintiffs filed a motion which sought the entry of an order enforcing the Sale Order, finding that the SGM Sale was free and clear of the 2019 Conditions, and limiting the SGM Sale to only those conditions that SGM developed and then contractually agreed to in Schedule 8.6 of the APA (the "Enforcement Motion"). [Docket No. 3188.]

71. On October 23, 2019, the Bankruptcy Court issued a *Memorandum of Decision Granting the Debtors' Emergency Motion to Enforce the Sale Order [Doc. No. 3188]*. [Docket No. 3446.] In the memorandum, the Bankruptcy Court ruled for the Plaintiffs on all issues, holding, among other things, that the Attorney General's conditions that were materially different than the conditions in Schedule 8.6 were not enforceable under the Bankruptcy Code and state law.

72. Following negotiations, Plaintiffs and the Attorney General reached a *Stipulation Resolving "Debtors Emergency Motion for the Entry of an Order: (I) Enforcing the Sale 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" [Docket No. 3188]* [Docket No. 3572] and lodged a related order [Docket No. 3574]. SGM objected to the proposed order. [Docket No. 3582.]

73. The Bankruptcy Court held a hearing on SGM's objection to the proposed order. At the hearing, the SEIU United Healthcare Workers-West withdrew its limited objection [Docket No. 3324] to the Enforcement Motion. Although the California Nurses Association only filed a responsive statement [Docket No. 3325], it withdrew the same to the extent it would be considered an objection.

74. On November 14, 2019, the Bankruptcy Court issued an *Order Granting "Debtors Emergency Motion for the Entry of an Order: (I) Enforcing the Sale Order Authorizing the Sale to*

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

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] (the "Enforcement Order"). [Docket No. 3611.]

75. The Enforcement Order provided, in relevant part, that "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). The Assets (as defined in the APA) are being 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)." [Docket No. 3611.] The findings in the Enforcement Order mirrored the findings required under the APA.

76. After the entry of the Enforcement Order, SGM's conduct increasingly contravened its obligations under the APA, as set forth below. It now appears that SGM did not anticipate such a favorable order would be entered, but instead anticipated that a supplemental sale order would trigger the Evaluation Period under Section 8.6 of the APA, which would give SGM the option to withdraw from the transaction and/or coerce the Plaintiffs to agree to a substantially reduced purchase price.

77. Transfer Of Medicare and Medi-Cal Agreements. The APA also required that Plaintiffs secure the transfer of Medicare and Medi-Cal Provider Agreements to SGM. To that end, on November 19, 2019, Plaintiffs obtained a settlement with the Centers for Medicare and Medicaid Services, an agency of the United States Department of Health & Human Services, providing for the transfer of their Medicare Provider Agreements to SGM without successor liability, thereby satisfying their remaining obligations under Article 8.7 of the APA. [Docket No. 3680.] With respect to California Department of Health Care Services ("DHCS"), Plaintiffs secured an Order [Docket No. 3372] from the Bankruptcy Court authorizing the transfer free and clear of any interests asserted by DHCS, in addition to the Sale Order which terminated any creditor's recoupment rights [Docket No. 2306]. Those Orders afforded equal or greater protection to SGM than any settlement could have, thereby satisfying Section 8.7. SGM disagreed that the DHCS Order and the Sale Order satisfied Section 8.7. Consequently, although not necessary but given SGM's position, on November 22, 2019, Plaintiffs reached a settlement agreement with DHCS, which the Bankruptcy Court approved. [Docket Nos. 3786 & 3787.]

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

E. Defendants Fail To Work With Alacrity Towards A Close

78. Despite the Plaintiffs' good faith efforts to work towards a prompt close of the SGM Sale, and the APA's requirement that "[t]ime is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement" (APA §12.17), Defendants dragged their feet and frustrated Plaintiffs' efforts. Defendants failed to ensure that financing, resources, management and personnel were in place for Defendants to assume operations of these four hospitals in 2019. Defendants did so knowing that Plaintiffs were continuing to operate at a loss of approximately $450,000 per day, which imposed significant costs upon the estates and upon creditors. Defendants continuously failed to disclose to Plaintiffs that they did not have funding in place to close the Sale pursuant to the APA.

79. Defendants failed to timely engage with Plaintiffs' primary revenue providers—health plans and physician groups—to provide assurances that their business relationships with the Hospitals would continue after the close date. Defendants failed to actively engage with them for nearly five months until it was too late. In the interim, as a result of the uncertainty caused by Defendants' failure to communicate with those groups, many of them started moving patients to other facilities, which resulted in a negative revenue impact.

80. For example, beginning in May 2019, Debtors' co-counsel, Mr. Henry Kevane at Pachulski Stang Ziehl & Jones, sent a series of emails to Defendants' counsel, Gary Klausner, regarding Plaintiffs' proposed approach to the risk pool agreements that would result in assignment and closure of open issues. The majority of Mr. Klausner's responses repeated that he would check with his client, and provided no further response. Defendants' non-responsiveness on this point in turn required Plaintiffs to stipulate to multiple continuances of objections related to cure issues (*see, e.g.*, Docket Nos. 2169, 2464, 2669, 2820, 2960, 3114, 3331, 3450, 3458, 3556), and to explain to concerned and frustrated parties why Defendants did not engage in a meaningful dialogue. In addition to Mr. Kevane's correspondence, there were numerous telephone calls and substantial efforts by Plaintiffs and their financial advisors at Berkeley Research Group to move these issues forward on a weekly basis.

81. Defendants' delays on other fronts were also detrimental to operations. For example, Defendants (i) failed to onboard a sufficient management team to run the Plaintiff Hospitals (in part

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

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

because it has failed to make financially viable offers to potential candidates), and engaged in eleventh hour efforts to hire away key members of Plaintiffs' management team, (ii) delayed developing a hiring protocol that was compliant with the collective bargaining agreements in place, and instead asked the Debtors to create one despite that being the buyer's obligation, (iii) failed to effectuate a hiring process to promptly identify the employees it wishes to hire and extend offers to them, which resulted in employee anxiety and turnover at all levels of the organization, and (iv) delayed decisions on assumption or rejection on thousands of contracts, which created uncertainty for thousands of counterparties to leases and contracts. As a result of these and other failures by Defendants, Plaintiffs were required to devote even more of their own time and resources to efforts to make up for Defendants' shortcomings and ensure the continued operation for the benefit of Defendants.

82. Further, after the Debtors repeatedly requested Defendants provide evidence of financing, on October 3, 2019, Defendants provided to Plaintiffs a non-binding discussion draft term sheet [redacted]

F. The Court Orders SGM To Close By No Later Than December 5, 2019

83. APA Section 1.3 obligated SGM to close the sale "promptly but no later than ten (10) business days following the satisfaction" of all conditions precedent. On November 18, 2019, the

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

Bankruptcy Court entered an order (the "Section 8.6 Order") [Docket No. 3633] and related memorandum [Docket No. 3632] finding that: "The Debtors have complied with their obligation under the APA to obtain a final, nonappealable Supplemental Sale Order. Consequently, SGM is now obligated to promptly close the SGM Sale, provided that all other conditions to closing have been satisfied."

84. On November 19, 2019, the Debtors obtained a settlement with the Centers for Medicare and Medicaid Services providing for the transfer of their Medicare Provider Agreements to SGM, thereby satisfying their remaining obligations under Article 8.7 of the APA. [Docket No. 3680.] SGM approved the terms of the Medicare settlement. With respect to DHCS, the Debtors had previously obtained an order [Docket No. 3372] from the Bankruptcy Court authorizing the transfer free and clear of any interests asserted by DHCS on October 11, 2019, in addition to the Sale Order which terminated any creditor's recoupment rights [Docket No. 2306]. Those Orders afforded equal or greater protection to SGM than any settlement could have, thereby satisfying Section 8.7. In addition, on November 22, 2019, the Debtors reached a settlement with DHCS to the same effect. SGM approved the terms of the DHCS settlement.

85. The conditions to close under the APA had been satisfied on November 19, 2019, and the transaction should have promptly closed by December 5, 2019. Accordingly, on November 20, 2019, the Debtors sent a letter to SGM, stating (i) the conditions to close under the APA had been satisfied on November 19, 2019, and that (ii) the transaction should promptly close by December 5, 2019. *See* Status Report at 1. The letter requested "immediate written assurances that SGM intend[ed] to proceed with the transaction and abide by its obligations under the APA not later than close of business on Friday, November 22, 2019." *Id.*

G. Defendants Finally Reveal Their Lack Of Financing, And Engage In Bad Faith Attempts To Force A Re-Trade

86. On or about November 18, 2019, SGM's CEO, Peter Baronoff, telephoned Carsten Beith, at the Debtors' investment banker Cain, and stated that SGM could not obtain sufficient financing for the transaction, contrary to Section 3.9 of the APA. [Docket No. 3644.] That telephone call immediately resulted in the Debtors' request for an order [entered at Docket No. 3646] continuing the

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

hearing on the Debtors' motion [Docket No. 2995] for approval of its disclosure statement [Docket No. 2994].

87. Recognizing that the existence of financing is not a condition to close, SGM resorted to making unfounded and self-serving assertions that the Debtors breached the APA and embarked on impermissible manipulations to substantially reduce the purchase price without regard to: (i) the language in the APA; (ii) the indisputable fact that SGM's diligence period had expired in January 2019; (iii) SGM's prior representations; and (iv) the fact that all conditions of the Debtors to close had been satisfied. SGM even sought meetings with the Debtors' constituents in an effort to purportedly obtain concessions that would substantially reduce SGM's financial obligations, despite the Debtors' request that it not do so.

88. On November 22, 2019, SGM sent the Debtors letters from Gary Klausner, Esq. of Levene, Neale, Bender, Yoo & Brill L.L.P. and Robert W. Lundy, Jr. of Hooper, Lundy & Bookman, P.C. (with enclosures), setting forth the issues that SGM had asserted amounted to a "Material Adverse Effect" under the APA [Docket No. 3705] (the "November 22, 2019 Letters").[5] The issues SGM raised at the eleventh hour were not "new"—they were all known or discoverable during the diligence period that had expired at least nine months earlier. And none of the issues raised changed the inescapable conclusion that the SGM Sale was required to close by December 5, 2019, because the Debtors and SGM negotiated the sale as an "AS IS, WHERE IS" sale under the express terms of the APA. SGM's untimely, baseless and immaterial complaints were nothing more than a transparent attempt to delay the closing and manufacture a basis to coerce the Plaintiffs into submitting to a substantially reduced purchase price.

89. On November 26, 2019, the Bankruptcy Court held a Status Conference. In advance of the Status Conference, SGM filed a Reservation of Rights, alleging (among other things) that "there are no genuine disputes of material fact as to the [sic] whether there have been Material Adverse Effects under the terms of the APA." [Docket No. 3701.] In addition, the Debtors submitted to the Bankruptcy

[5] The November 22, 2019 Letters were filed under seal pursuant to an order of the Bankruptcy Court [Docket No. 3699], and should be maintained as confidential because they contain false and disparaging statements about the Plaintiff Hospitals.

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

Court SGM's November 22, 2019 Letters under seal. [Docket Nos. 3697 & 3705.] At the status conference, the Court rejected SGM's arguments, stating (among other things) that "[a]s far as the Court is concerned" SGM is the "proud owner" of the Debtors' assets as set forth in the APA, and that SGM "has an obligation to close" the transaction pursuant to the APA. [Nov. 26, 2019 Hr'g Tr. at 12:22-24, 14:10-11.] The Bankruptcy Court further stated:

> After reviewing the statement of [S]trategic, I don't want to cast any negative aspersions at all. But I want to make clear that I believe that it is operating very closely within the satellite of bad faith. I think it has an obligation to close. I think it wants to negotiate a better deal. I think it believes that it will be unpalatable for the Court and for others here to see patients, young, old, infirmed, being wheeled or carted out of the hospitals. That's a cynical view and I don't adhere to it.
>
> ***
>
> All right. I'll do the following. First, I won't take the bait either. What I stated was not really founded on any letters, actually. It was founded just on the representations that were made in the statement. I think it was a reservation of rights as far as the purchaser was concerned, which I found wholly inapposite to my understanding of the APA. It appears to the Court that perhaps the purchaser felt that the asset purchase agreement wasn't actually an asset purchase agreement. It was a contract to contemplate the purchase of an asset after the Attorney General removed his conditions. And so once the Attorney General did that, then it become -- became the proverbial dog that caught the car. They didn't know what to do.
>
> So I think that's the situation we have. With all due respect to counsel, I respect them, but I think the position of his client doesn't hold water. And again, that's not based upon any letters. That's just my review of the asset purchase agreement and the clear terms of that or where the terms have not been clear they have been made clear by the Court. As I've indicated, I've given a definition of "material adverse effect."

[*Id.* at 14:7-16, 20:1-22.]

90. On November 27, 2019, the Bankruptcy Court issued an order finding that, "[p]ursuant to § 1.3 of the APA, SGM is obligated to close the SGM Sale by no later than December 5, 2019" ("Closing Order"). [Docket No. 3724.] The Memorandum Decision supporting the Closing Order concluded, among other things, that (i) "Adjudication of SGM's Obligations Under the APA Does Not Require an Adversary Proceeding," (ii) "Adjudication of SGM's Obligations Under the APA Is Not Premature," (iii) "SGM Is Not Entitled to Appeal the Bankruptcy Court's Determination Regarding a Material Adverse Effect," (iv) "No Material Adverse Effect Has Occurred," (v) "All Conditions

Precedent to Closing Have Been Satisfied." [Docket No. 3723.] The Bankruptcy Court further concluded that:

> SGM's contention that it is not obligated to close is a cynical attempt to extract a better purchase price. A key component of SGM's negotiation strategy is its attempt to delay as long as possible the adjudication of its obligations under the APA. The Court will not facilitate SGM's dubious tactics.
>
> * * *
>
> By presenting non-meritorious arguments as to why it is not obligated to close, SGM is holding the estates, creditors, and patients of the Hospitals hostage in an attempt to extort a better purchase price. SGM's cynical tactics are especially offensive given the significant harm that closure of the Hospitals would impose upon patients. For example, two of the Hospitals that would likely close upon failure of the SGM Sale contain large populations of long-term patients suffering from severe illnesses, all of whom would have to be relocated to other facilities.

[*Id.*, pp. 6-7.]

91. On November 27, 2019, the Debtors sent correspondence to SGM, reiterating their demand that it close the transaction by December 5, 2019 and restating the Debtors' commitment to cooperating with SGM towards a prompt and smooth closing. Despite the Debtors' repeated requests that SGM provide assurances of its ability to finance the SGM Sale transaction in accordance with the APA and the Purchase Price therein, SGM refused to respond.

92. On November 29, 2019, the Debtors then sent a further letter to SGM, reiterating their demand that it timely close the transaction in accordance with the APA no later than December 5, 2019.

93. On November 29, 2019, SGM filed two notices of appeal [Docket Nos. 3726 & 3727] related to (i) the order granting the Enforcement Motion [Docket No. 3611], and (ii) the order finding that SGM is obligated to promptly close the transaction under Section 8.6 of the APA provided all other conditions to closing are satisfied [Docket No. 3633]. The appeals were frivolous and designed solely to delay and frustrate these proceedings and the closing of the SGM Sale.

94. Beginning Monday, December 2, 2019, SGM representatives failed to participate in at least five pre-scheduled operations closing calls, stating that they were doing so on the advice of SGM's counsel, Gary Klausner.

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

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

95. On December 3, 2019, the Debtors emailed SGM, expressing continued concern for SGM's delay and the impact on the Hospitals, including that many employees no longer have confidence that SGM will purchase the hospitals given that they are still waiting for formal offers, that the Hospitals continue to flex staff and registry to manage patient care, and that vendors and the Hospitals' risk pool participants/IPAs have expressed concern that SGM does not intend to close the transaction. The Debtors again demanded that SGM affirm whether it had financial ability to proceed with the transaction in accordance with the APA, and whether it intended to close the transaction. In response, SGM announced that it would not close the Sale by December 5, and that it had filed a notice of appeal [Docket No. 3746] of the Bankruptcy Court's Closing Order.

96. On December 4 and 5, 2019, the Debtors sent additional demands to SGM for information and assurances bearing on whether it had the financial ability to perform in accordance with the APA and whether it intended to do so. SGM did not provide the requested information to Debtors.

97. On December 5, 2019, the Debtors were prepared to close the Sale, pursuant to the APA and in accordance with the Bankruptcy Court's Sale Order and Closing Order. SGM failed to do so. Accordingly, the Debtors sent a notice of default to SGM, dated December 5, 2019.

98. On December 17, 2019, the Debtors sent a notice to SGM citing various notices of breaches, and stating that the APA would terminate effective December 27, 2019.

99. SGM did not formally offer or request a different closing date with respect to closing the SGM Sale at the Purchase Price.

COUNT I: BREACH OF CONTRACT

(All Plaintiffs Against All Defendants)

Plaintiffs restate and reallege all paragraphs as if fully set forth herein.

100. As described above, Defendants have materially and continually breached the APA by (among other things): (a) failing to consummate and close the Sale transaction in accordance with the APA; (b) failing to have funds available to close the Sale at the price set forth in the APA; (c) representing in Section 3.9 of the APA and elsewhere that they had the ability to obtain "funds in cash in amounts equal to the purchase price;" (d) attempting to coerce Plaintiffs to agree to a substantially reduced purchase price, (e) failing to cooperate with Plaintiffs and move with alacrity

towards closing the SGM Sale; (f) making unfounded and untimely assertions of alleged Material Adverse Effects; (g) asserting entitlement to an "Evaluation Period" when no such period existed after the entry of the Enforcement Order, the Section 8.6 Order and the Closing Order; (h) appealing the Enforcement Order to avoid its' obligation to close and despite the APA's requirement that Defendants cooperate to render it a final, nonappealable order; and (i) filing meritless and frivolous Notices of Appeal.

101. As a direct and proximate result of the aforementioned breaches, each Plaintiff has been damaged, the exact amount to be proven. As a result of Defendants' breaches, and as part of their damages, Plaintiffs are also entitled to the recovery of attorneys' fees associated with this dispute pursuant to Section 12.12 of the APA.

COUNT II: PROMISSORY FRAUD

(All Plaintiffs Against All Defendants)

Plaintiffs restate and reallege all paragraphs as if fully set forth herein.

102. As described more fully above, Defendants promised to perform in accordance with the terms of the APA. Plaintiffs are informed and believe that, at the time those promises were made, Defendants had no intention of performing in accordance with the APA, including (without limitation) by paying the $610 million purchase price. Defendants concealed their true intention not to fund the $610 million purchase price under the APA, and instead to hold the estates, creditors, and patients of the Plaintiff Hospitals hostage in an attempt to extort a lower purchase price.

103. Defendants intended to induce Plaintiffs to detrimentally rely on their promise to perform in accordance with the APA by (among other things) having Plaintiff select SGM as the successful bidder, enter into the APA, and devote almost a year to performing under the APA.

104. Plaintiffs justifiably relied upon the misrepresentation of Defendants, and each of them, and as a proximate result suffered, and will continue to suffer damages in an amount to be proved at the time of trial.

105. Plaintiffs are informed and believe and thereon allege that these acts were willful, despicable, oppressive and/or fraudulent as contemplated by California Civil Code § 3294, and that all were done with the knowledge, approval and ratification of Defendants, and each of them, by or through

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

their managerial agents. In order to deter such conduct by Defendants, and each of them, in the future, and to prevent repetition of such conduct as a practice, Plaintiffs pray for exemplary and punitive damages.

COUNT III: TORTIOUS BREACH OF CONTRACT (BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING)

(All Plaintiffs Against All Defendants)

Plaintiffs restate and reallege all paragraphs as if fully set forth herein.

106. The APA contains an implied covenant of good faith and fair dealing, whereby Defendants agreed to act in good faith and deal fairly with Plaintiffs, and to refrain from taking any action which would interfere with Plaintiffs' rights under the APA.

107. Defendants, and each of them, tortiously breached the APA and the implied covenant of good faith and fair dealing owed to Plaintiffs by (among other things) intentionally, fraudulently, unreasonably, oppressively, and without proper cause: (a) entering the APA with no intention to perform their obligations thereunder; (b) failing to consummate and close the Sale transaction in accordance with the APA; (c) failing to have funds available to close the Sale at the Purchase Price set forth in the APA; (d) attempting to coerce Plaintiffs to engage in a re-trade; (e) failing to cooperate with Plaintiffs and move with alacrity towards closing the SGM Sale; (f) making unfounded and untimely assertions of alleged Material Adverse Effects; (g) asserting entitlement to an "Evaluation Period" following entry of the Enforcement Order, Section 8.6 Order and Closing Order; (h) filing meritless and frivolous Notices of Appeal; and (i) failing to respond to Plaintiffs inquiries regarding SGM's intent and financial ability to perform the APA.

108. Defendants intended and/or knew that their conduct described herein would cause severe harm in the form of, *inter alia*, substantial consequential damages to Plaintiffs. As a direct and proximate result of Defendants' tortious breach of the APA and breach of the implied covenant of good faith and fair dealing, Plaintiffs have suffered damages in an amount to be proved.

109. As a further direct and proximate result of Defendants' tortious breach of the APA and the implied covenant of good faith and fair dealing, Plaintiffs have been compelled to incur operational

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

expenses, attorney's fees and other expenses to pursue their right to benefits due under the APA, causing Plaintiffs to suffer further loss in an amount to be proved.

110. Plaintiffs are informed and believe and thereon allege that Defendants, and each of them, intentionally engaged in a course of conduct which was intended or expected to injure Plaintiffs, in conscious disregard of Plaintiffs' right under the APA, as alleged in this Complaint. Plaintiffs are informed and believe and thereon allege that these acts were willful, despicable, oppressive and/or fraudulent as contemplated by California Civil Code § 3294, and that all were done with the knowledge, approval and ratification of Defendants, and each of them, by or through their managerial agents. In order to deter such conduct by Defendants, and each of them, in the future, and to prevent repetition of such conduct as a practice, Plaintiffs pray for exemplary and punitive damages.

WHEREFORE, Plaintiffs pray for judgment as hereinafter set forth.

PRAYER

Plaintiffs pray for judgment against Defendants, and each of them, as follows:

1. For special and consequential damages in an amount to be proved at trial;

2. For attorney's fees;

3. For punitive damages in an amount to punish or make an example of Defendants' conduct;

4. For prejudgment and post-judgment interest allowed by law;

5. For costs of suit incurred herein; and

6. For such other and further relief as the Bankruptcy Court deems just and proper.

Dated: January 3, 2020

Respectfully submitted,

DENTONS US LLP
SAMUEL R. MAIZEL
SONIA R. MARTIN
TANIA M. MOYRON

By: */s/ Samuel R. Maizel*
Counsel to Plaintiffs and 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

EXHIBIT A

FINAL VERSION

ASSET PURCHASE AGREEMENT

By and Among

Verity Health System of California, Inc., Verity Holdings, LLC,

St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Inc., Seton Medical Center

and

Strategic Global Management, Inc.

Dated January 8, 2019

TABLE OF CONTENTS

Page

ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING....2

1.1 Purchase Price....2
1.2 Deposit....3
1.3 Closing Date....4
1.4 Items to be Delivered by Sellers at Closing....4
1.5 Items to be Delivered by Purchaser at Closing....5
1.6 Prorations and Utilities....6
1.7 Transfer of Assets of Sellers....7
1.8 Excluded Assets....10
1.9 Assumed Obligations....13
1.10 Excluded Liabilities....14
1.11 Designation of Assumed Contracts and Assumed Leases....14
1.12 Disclaimer of Warranties; Release....15

ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF SELLERS....16

2.1 Authorization....16
2.2 Binding Agreement....16
2.3 Organization and Good Standing; No Violation....16
2.4 Contracts....16
2.5 Brokers and Finders....17
2.6 Seller Knowledge....17
2.7 Non-Contravention....17
2.8 Compliance with Legal Requirements....17
2.9 Required Consents....17
2.10 Environmental Matters....17
2.11 Title....18
2.12 Certain Other Representations with Respect to the Hospitals....18
2.13 Financial Statements....18
2.14 Legal Proceedings....19
2.15 Employee Benefits....19
2.16 Personnel....19
2.17 Insurance....19
2.18 Accounts Receivable....20
2.19 Payer Contracts....20
2.20 Excluded Individuals....20

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER....20

3.1 Authorization....20
3.2 Binding Agreement....20
3.3 Organization and Good Standing....20
3.4 No Violation....21
3.5 Brokers and Finders....21
3.6 Representations of Sellers....21

TABLE OF CONTENTS
(continued)

Page

3.7 Legal Proceedings....21
3.8 No Knowledge of a Seller's Breach....21
3.9 Ability to Perform....22
3.10 Purchaser Knowledge....22
3.11 Investigation....22

ARTICLE 4 COVENANTS OF SELLERS....22

4.1 Access and Information; Inspections....22
4.2 Cooperation....23
4.3 Other Bidders....23
4.4 Sellers' Efforts to Close....24
4.5 Termination Cost Reports....24
4.6 Conduct of the Business....24
4.7 Contract With Unions....25

ARTICLE 5 COVENANTS OF PURCHASER....25

5.1 Purchaser's Efforts to Close....26
5.2 Required Governmental Approvals....26
5.3 Certain Employee Matters....27
5.4 Excluded Assets....27
5.5 Waiver of Bulk Sales Law Compliance....28
5.6 Attorney General....28
5.7 Conduct Pending Closing....28
5.8 Cure Costs....28
5.9 Operating Covenant....28
5.10 HSR Filing....28
5.11 Contract with Unions....29

ARTICLE 6 SELLERS' BANKRUPTCY AND BANKRUPTCY COURT APPROVAL....29

6.1 Bankruptcy Court Approval; Overbid Protection and Break-Up Fee....29
6.2 Appeal of Sale Order....30

ARTICLE 7 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS....31

7.1 Signing and Delivery of Instruments....31
7.2 No Restraints....31
7.3 Performance of Covenants....31
7.4 Governmental Authorizations....31
7.5 Attorney General Provisions....31
7.6 Bankruptcy Court Approval....31
7.7 HSR Act....31
7.8 CSCDA Acknowledgement....32

ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER....32

8.1 Governmental Authorizations....32

TABLE OF CONTENTS
(continued)

Page

8.2 Bankruptcy Court Approval 32
8.3 Signing and Delivery of Instruments 32
8.4 Performance of Covenants 32
8.5 No Restraints 32
8.6 Attorney General Provisions 32
8.7 Medicare and Medi-Cal Provider Agreements 34
8.8 HSR Act 34

ARTICLE 9 TERMINATION 34

9.1 Termination 34
9.2 Termination Consequences 35

ARTICLE 10 POST-CLOSING MATTERS 36

10.1 Excluded Assets 36
10.2 Preservation and Access to Records After the Closing 36
10.3 Closing of Financials 38
10.4 Medical Staff 39
10.5 Shared Intangible Assets 39

ARTICLE 11 DEFAULT, TAXES AND COST REPORTS 39

11.1 Purchaser Default 39
11.2 Seller Default 39
11.3 Tax Matters; Allocation of Purchase Price 39
11.4 Cost Report Matters 40

ARTICLE 12 MISCELLANEOUS PROVISIONS 40

12.1 Further Assurances and Cooperation 40
12.2 Successors and Assigns 40
12.3 Governing Law; Venue 41
12.4 Amendments 41
12.5 Exhibits, Schedules and Disclosure Schedule 41
12.6 Notices 41
12.7 Headings 42
12.8 Publicity 42
12.9 Fair Meaning 43
12.10 Gender and Number; Construction; Affiliates 43
12.11 Third Party Beneficiary 43
12.12 Expenses and Attorneys' Fees 43
12.13 Counterparts 43
12.14 Entire Agreement 43
12.15 No Waiver 44
12.16 Severability 44
12.17 Time is of the Essence 44

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "**Agreement**") is made and entered into as of the 8th day of January, 2019 (the "**Signing Date**") by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation ("**Verity**"), Verity Holdings, LLC, a California limited liability company ("**Verity Holdings**"), St. Francis Medical Center, a California nonprofit public benefit corporation ("**St. Francis**"), St. Vincent Medical Center, a California nonprofit public benefit corporation ("**St. Vincent**"), St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation ("**St. Vincent Dialysis**"), and Seton Medical Center, a California nonprofit public benefit corporation ("**Seton**" and together with St. Francis Medical Center, St. Vincent Medical Center and St. Vincent Dialysis, collectively, the "**Hospital Sellers**") (Verity, Verity Holdings, St. Francis, St. Vincent, St. Vincent Dialysis and Seton are each referred to herein individually as a "**Seller**" and collectively as the "**Sellers**"), and Strategic Global Management, Inc., a California corporation ("**Purchaser**").

RECITALS:

A. St. Francis engages in the business of the operation of the hospital known as St. Francis Medical Center, located at 3630 E. Imperial Highway, Lynwood, CA 90262, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by St. Francis (collectively, the "**St. Francis Hospital**").

B. St. Vincent engages in the business of the operation of the hospital known as St. Vincent Medical Center, located at 2131 W 3rd Street, Los Angeles, CA 90057, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by St. Vincent (collectively, the "**St. Vincent Hospital**").

C. Seton engages in the business of the operation of two general acute care hospitals under a single license, consisting of: (i) the hospital known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, CA 94015, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by Seton (collectively, the "**Seton Hospital**") and (ii) the hospital known as Seton Medical Center Coastside, located at 600 Marine Blvd, Moss Beach, CA 94038, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by Seton (collectively, the "**Seton Coastside Hospital**" and together with the St. Francis Medical Center Hospital, the St. Vincent Medical Center Hospital and the Seton Hospital, the "**Hospitals**"; the business of the operation of the Hospitals is referred to herein as the "**Businesses**").

D. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below (the "**Assets**") owned by Sellers and used with respect to the Businesses, for the consideration and upon the terms and conditions contained in this Agreement.

E. Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "**Bankruptcy Court**"), lead Case No. 2:18-bk-201510ER, jointly administered or to be jointly administered with their affiliates (the "**Bankruptcy Cases**").

F. The parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets approved by the Bankruptcy Court pursuant to Section 363 of Title 11 of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the parties hereto agree as follows:

ARTICLE 1

SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the purchase price ("**Purchase Price**") shall consist of the following:

(i) Cash payment to Sellers (the "**Cash Consideration**") of Six Hundred Ten Million Dollars ($610,000,000.00), which shall be allocated Four Hundred Twenty Million Dollars ($420,000,000) to St. Francis Medical Center, One Hundred Twenty Million Dollars ($120,000,000) to St. Vincent Medical Center, and Seventy Million Dollars ($70,000,000) to Seton for Seton Hospital and Seton Coastside Hospital, provided, that if the CA AG's approval does not include a requirement that Seton Hospital remain open as an acute care hospital or that Seton Coastside Hospital remain open as a skilled nursing facility, then an amount to be determined by Purchaser, in its sole discretion, of such Cash Consideration shall be re-allocated from St. Francis to Seton;

(ii) Assumption of Sellers' accrued vacation and other paid time off as of the Closing, to be provided only with respect to Hired Employees (as defined in Section 5.3(a)) in the form of credited vacation and PTO, subject to compliance with applicable law and regulation, including consent of such employees if required;

(iii) Assumption of all liabilities of Seton as Obligated Party and Property Owner under the (i) Agreement to Pay Assessment and Finance Improvements dated May 17, 2017 with California Statewide Communities Development Authority ("**CSCDA**") and (ii) Agreement to Pay Assessment and Finance Improvements dated May 18, 2017 with CSCDA (collectively

the "**Special Assessments**") each associated with of the Property Assessed Clean Energy ("**PACE**") (seismic and clean energy) loans (collectively the "**PACE Obligations**"); and

(iv) Payment of Cure Costs (defined below) associated with any Assumed Leases and/ or Assumed Contracts and assumption of the other Assumed Obligations (as defined below).

(b) Purchaser (i) is acquiring the Assets and (ii) is only assuming (x) the PACE Obligations and (y) the Assumed Obligations (as defined below).

(c) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Cash Consideration, minus the Net QAF Reduction Amount (defined below), if any, plus the Net QAF Increase Amount (defined below), if any, plus any amounts (x) held by the PACE Trustee as an interest or fee reserve on account the PACE Obligations on the Closing Date and (y) remitted to CSCDA by Seton pursuant to the Special Assessments from and after the date of execution of this Agreement by Buyer up to and including the Closing Date, minus the Deposit (defined below).

(d) For purposes of this Agreement, the "**QAF Program**" means the California Department of Health Care Services Hospital Quality Assurance Fee Programs IV ("**QAF IV**") and V ("**QAF V**"). During the period prior to Closing, Sellers shall pay any fees owing under QAF IV and QAF V, and Sellers shall be entitled to retain all payments received under QAF IV and QAF V. At Closing, Sellers shall credit to the Cash Consideration the amount by which payments received under QAF IV and QAF V between the Signing Date and Closing exceed the sum of (i) fees paid under QAF IV and QAF V during such period plus (ii) the amount of fees which are unpaid and owing as of the Closing in respect of invoices received by Sellers prior to Closing under QAF IV and QAF V (the "**Net QAF Reduction Amount**"), as provided above in Section 1.1(c). At Closing, Purchaser shall pay Sellers (as an increase to the Cash Consideration) the amount by which the sum of (i) fees paid under QAF IV and QAF V between the Signing Date and Closing plus (ii) the amount of fees which are unpaid and owing as of Closing in respect of invoices received by Sellers prior to Closing under QAF IV and QAF V exceeds payments received under QAF IV and QAF V during such period (the "**Net QAF Increase Amount**"), as provided above in Section 1.1(c).

(e) Purchaser shall, prior to Closing, be permitted to communicate with holders of secured debt of the Sellers regarding the possible assumption by Purchaser of all or a portion of such debt at the Closing. If Purchaser agrees to assume any such debt at the Closing, Purchaser and Sellers shall negotiate an appropriate credit to the Purchase Price for such assumption of debt.

1.2 Deposit. Purchaser, by wire transfer to an account designated by Sellers has made a good faith deposit in the amount of Thirty Million Dollars ($30,000,000) on the date hereof (the "**Deposit**"). The Deposit shall be non-refundable in all events, except as provided in Section 6.1(b) or Section 6.2, or in the event Purchaser has terminated this Agreement pursuant to Section 9.1 (other than Section 9.1(b)) or as set forth in Section 9.2, in which case Seller shall immediately return the Deposit to Purchaser with all interest earned thereon. Upon Closing, the Deposit will

be credited against the Purchase Price. Pending the Closing, or until this Agreement is terminated, the Deposit shall be deposited in an interest bearing account, with interest credited to Purchaser, at a federally-insured financial institution mutually acceptable to Purchaser and Sellers. In addition, on the Signing Date, Purchaser shall deliver to Sellers executed letters from its financing sources, in form and substance satisfactory to Sellers in their discretion.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at 10:00 a.m. local time at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually occurs, the "**Closing Date**") promptly but no later than ten (10) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The Closing shall be deemed to occur and to be effective as of 11:59 p.m. Pacific time on the Closing Date (the "**Effective Time**").

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

1.4.1 a Bill of Sale substantially in the form of **Exhibit 1.4.1** attached hereto (the "**Bill of Sale**"), duly executed by each Seller, with respect to the Assets;

1.4.2 Real Estate Assignment and Assumption Agreements (the "**Real Estate Assignments**") in the form of **Exhibit 1.4.2** attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by each Seller;

1.4.3 a Quitclaim Deed (the "**Deed**") in the form of **Exhibit 1.4.2** attached hereto with respect to the real property listed in Schedule 1.4.3, together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (collectively, the "**Owned Real Property**") duly executed by each Seller;

1.4.4 an Assumption Agreement (the "**Assumption Agreement**") in the form of **Exhibit 1.4.2** attached hereto with respect to the Assumed Obligations duly executed by each Seller;

1.4.5 favorable original certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.4.6 a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing (I) the transfer of the Assets and transfer of the Assumed Obligations by such Seller to Purchaser and (II) the due execution, delivery and performance of this Agreement and all additional documents contemplated

by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.4.7 a certified copy of the Sale Order (as defined below);

1.4.8 a Transition Services Agreement (the "**Transition Services Agreement**") in form and substance satisfactory to Sellers and Purchaser, in their reasonable discretion, granting to Sellers use of certain assets, systems and personnel identified in such agreement solely in connection with Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases and the dissolution of Sellers (and following completion of such wind-down, Bankruptcy Cases and dissolution of Sellers, such Transition Services Agreement shall automatically terminate);

1.4.9 acknowledgements by CSCDA and the PACE Trustee that Purchaser is the Successor Property Owner and Obligated Party under the PACE Obligations and releases of the Sellers from any and all claims arising or accruing prior to the Closing Date, and

1.4.10 any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

1.5.1 payment of the Cash Consideration subject to credits or plus payment to Sellers of all amounts as provided under Section 1.6;

1.5.2 evidence of payment of all Cure Costs required hereunder to be paid by Purchaser;

1.5.3 a duly executed certificate of the Secretary of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

1.5.4 favorable original certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

1.5.5 the Bill of Sale, duly executed by Purchaser;

1.5.6 the Real Estate Assignment(s), duly executed by Purchaser;

1.5.7 the Assumption Agreement, duly executed by Purchaser;

1.5.8 the License Agreement referenced in Section 1.7(q);

1.5.9 the Transition Services Agreement; and

1.5.10 any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

1.6.1 All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

1.6.2 Other than the Utility Deposits (defined below), which are governed by Section 1.8(j), and other than with respect to Cure Costs payable by Purchaser, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments, other than the PACE Special Assessments and other similar charges against real estate, and power and utility charges (collectively, the "**Prorated Charges**") on the Assets. Each Seller shall pay its respective portion at or prior to the Closing (or Purchaser shall receive credit for) of any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall assume as an Assumed Liability or, to the extent previously paid by any Seller, pay to such Seller at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, "final readings" as of the Closing Date shall be ordered from the utilities; the cost of obtaining such "final readings," if any, shall be paid by Purchaser.

1.6.3 Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time ("**Pre Effective Time Lease Amounts**"), and Purchaser shall be entitled to all rents and other payments under tenant leases accruing for the period after the Effective Time ("**Post Effective Time Lease Amounts**" and together with the Pre Effective Time Lease Amounts, the "**Lease Amounts**"). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance with the immediately preceding sentence. All Lease Amounts that are accrued but uncollected as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the "**Unpaid Amounts**") shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall promptly remit any of such amounts to the applicable Seller within ten (10) days after

Purchaser's receipt of same. For the avoidance of doubt, all rental payments received after Closing shall be first applied to any amounts owed to the Sellers under this Section 1.6.3.

1.6.4 All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the parties; provided, however, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either the applicable Seller or Purchaser shall be entitled to an adjustment to correct the same, provided that said party makes written demand on the party from whom it is entitled to such adjustment within thirty (30) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration. This Section 1.6 shall survive Closing.

1.7 Transfer of Assets of Sellers. On the Closing Date and subject to the terms and conditions of this Agreement, each Seller shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all liens, claims, interests and encumbrances other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of each Seller's right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, in each case (notwithstanding anything else in this Agreement) solely to the extent used primarily in the conduct of the Businesses and to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time:

(a) all of the tangible personal property owned by such Hospital Seller, or to the extent assignable or transferable by each Hospital Seller, leased, subleased or licensed by such Hospital Seller, and used by such Seller in the operation of the Hospital of such Hospital Seller, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the "**Personal Property**");

(b) all of such Hospital Seller's rights, to the extent assignable or transferable, to all Medicare and Medi-Cal provider agreements, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to such Seller for use in the operation of the Hospital of such Hospital Seller (the "**Licenses**"), including, without limitation, the Licenses and Medicare/Medi-Cal Provider Agreements set forth on **Schedule 1.7(b)**, except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of such Hospital Seller's interest in and to the Owned Real Property and all of such Hospital Seller's interest, to the extent assignable or transferable, in and to all of the following (the "**Assumed Leases**"): (i) personal property leases with respect to the operation of the Hospital of such Hospital Seller (including leases for assets described in Section 1.7(i), (ii) the real property leases for all real property leased by such Hospital Seller and set forth on **Schedule 1.7(c)(ii)** (the "**Leased Real Property**"), and (iii) the real property leased or subleased by such Seller to a third party and set forth on **Schedule 1.7(c)(iii)** (the "**Tenant Leases**");

(d) all of such Hospital Seller's interest, to the extent assignable or transferable, in and to all contracts and agreements (including, but not limited to, purchase orders) with respect

to the operation of the Hospital of such Hospital Seller that have been designated by Purchaser as a contract to be assumed pursuant to Section 1.11 (the "**Assumed Contracts**");

(e) other than the Excluded Settlements and Actions (defined below), all claims, rights, interests and proceeds (whether received in cash or by credit to amounts otherwise due to a third party) with respect to amounts overpaid by such Seller to any third party health plans with respect to periods prior to the Effective Time (e.g. such overpaid amounts may be determined by billing audits undertaken by such Seller or such Seller's consultants), except with respect to any causes of action or proceeds thereof arising under Chapter 5 of the Bankruptcy Code other than with respect to Assumed Contracts and Assumed Leases and other items described in Section 1.8(h);

(f) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital of such Seller or (ii) used in the operation of the Hospital of such Seller (the "**Inventory**") except as set forth in Section 1.8(e);

(g) other than Utility Deposits, all prepaid rentals, deposits, prepayments (excluding prepaid insurance and prepaid taxes) and similar amounts relating to the Assumed Contracts and/or the Assumed Leases, which were made with respect to the operation of the Hospital of such Hospital Seller (the "**Prepaids**");

(h) to the extent assignable or transferrable, all of the following that are not proprietary to such Seller and/or owned by or proprietary to such Hospital Seller's affiliates: operating manuals, files and computer software with respect to the operation of the Hospital of such Hospital Seller, including, without limitation, all patient records, medical records, employee records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; *provided*, *however*, that any patient records and medical records which are not required by law to be maintained by such Hospital Seller as of the Effective Time shall be an Excluded Asset;

(i) to the extent assignable or transferrable (and if leased, to the extent the associated lease is transferrable), including any assignment which is made effective pursuant to the Sale Order where the consent of a third party is required pursuant to the terms of an applicable agreement but not obtained, all systems, servers, computers, hardware, firmware, middleware, telecom equipment, networks, data communications lines, routers, hubs, switches and all other information technology equipment, and all associated documentation owned, leased or licensed by Sellers and used by Sellers with respect to the operations of the Hospitals;

(j) all Measure B trauma funding received after the Signing Date to be paid related to service periods ending on or after the Signing Date (pro rated between Purchaser and Sellers for any such payments covering service periods which include days both before and after the Signing Date based upon the number of days in the relevant payment period before the Signing Date (for the account of Sellers) and after the Signing Date (for the account of Purchaser));

(k) Except for as stated in Section 1.7(j), all accounts and interest thereupon, notes and interest thereupon and other receivables of such Seller, including, without limitation,

accounts, notes or other amounts receivable, disproportionate share payments and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, and Seller Cost Report settlements related thereto, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital of such Seller, billed and unbilled, recorded and unrecorded, for services, goods, products and supplies provided by such Seller prior to the Effective Time whether payable by Medicare, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, "**Accounts Receivable**");

(l) all rights, claims and causes of action of such Seller to the extent related to and/or to the extent arising out of the Accounts Receivable acquired by Purchaser at the Closing;

(m) other than the Excluded Settlements and Actions, all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to all cost reports filed by Sellers for payment or reimbursement from government payment programs and other payors with respect to periods after the Signing Date;

(n) other than the Excluded Settlements and Actions, all casualty insurance proceeds arising in respect of casualty losses occurring after the Signing Date in connection with the ownership or operation of the Assets;

(o) other than the Excluded Settlements and Actions, all surpluses arising out of any risk pools, shared savings program or accountable care organization arrangement to which any Seller is party on the Closing Date, in each case to the extent Purchaser assumes the underlying contract relating to such risk pools, shared savings program or accountable care organization arrangement;

(p) all transferable unclaimed property of any Person in Sellers' possession as of the Closing Date, including, without limitation, property which is subject to applicable escheat laws;

(q) to the extent assignable or transferable by Sellers without out-of-pocket expense to Sellers, all warranties (including warranties of any manufacturer or vendor) on or in connection with the Assets (including the Personal Property) in favor of the Hospitals or Sellers;

(r) the right to use the names "St. Francis Medical Center", "St. Vincent Medical Center", "Seton Medical Center" and "Seton Medical Center Coastside", including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know- how, trade secrets and the corporate or company names of Sellers and the names of the Hospitals, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing; at the Closing, Purchaser will execute and deliver to Sellers the Transition Services Agreement granting to Sellers an unlimited, royalty free, irrevocable license to use any and all of the foregoing solely in connection with the wind-down of the Businesses, the completion of the

Bankruptcy Cases and the dissolution of Sellers (and following completion of such wind-down, Bankruptcy Cases and dissolution of Sellers, such license shall automatically terminate);

(s) all goodwill of the Hospital of such Hospital Seller evidenced by or associated with any of the Assets;

(t) to the extent transferable or assignable, such Hospital Seller's right or interest in the telephone and facsimile numbers and uniform resource locaters used with respect to the operation of the Hospital of such Hospital Seller;

(u) each such Hospital Seller's Medicare and Medi-Cal provider agreements and lockbox account(s) identified on **Schedule 1.7(u)**;

(v) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the Accounts Receivable;

(w) with respect to Verity Holdings, the assets represented by the assessor's parcel numbers (APN's) listed in **Schedule 1.7(w)** hereof (the "**Purchased Verity Holdings Assets**");

(x) except for the Excluded Assets, to the extent assignable or transferable, and subject to the Permitted Exceptions, any other assets owned by such Hospital Seller (which are not otherwise specifically described above in this Section 1.7) that are used in the operation of the Hospital of such Hospital Seller;

(y) all of Seton's interest in and to the PACE Obligations; and

(z) all QAF V and subsequent QAF program payments received after the Closing (e.g., QAF VI and QAF VII).

As used herein, the term "**Permitted Exceptions**" means (i) the Assumed Obligations; (ii) the PACE Obligations; (iii) liens for taxes not yet due and payable (iv) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (v) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital; (vi) any agreements made with any governmental authority in order to obtain any consent or approval, including, without limitation, in connection with the Medicare and Medi-Cal provider agreements; and (vii) other imperfections of title or encumbrances that are expressly identified on **Schedule 1.7** hereof.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, each Seller shall retain all interests, rights and other assets owned directly or indirectly by it (or any of such Seller's affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of such Seller (collectively, the "**Excluded Assets**"):

(a) cash, cash equivalents and short-term investments;

(b) all Seller Plans (defined below) and the assets of all Seller Plans and any asset that would revert to the employer upon the termination of any Seller Plan, including, without limitation, any assets representing a surplus or overfunding of any Seller Plan;

(c) all contracts that are not Assumed Contracts;

(d) all leases that are not Assumed Leases;

(e) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by such Seller after the Signing Date and prior to the Effective Time in the ordinary course of business;

(f) assets owned and provided by vendors of services or goods to the Hospital of such Hospital Seller;

(g) all of such Seller's organizational or corporate record books, minute books, tax returns, tax records and reports, data, files and documents, including electronic data related thereto;

(h) all claims, counterclaims and causes of action of such Seller or such Seller's bankruptcy estate (including parties acting for or on behalf of such Seller's bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Cases), including, without limitation, rights of recovery or set-off of every kind and character against third parties, causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code and any related claims, counterclaims and causes of action under applicable non-bankruptcy law, and any rights to challenge liens asserted against property of such Seller's bankruptcy estate, including, but not limited to, liens attaching to the Purchase Price paid to such Seller, and the proceeds from any of the foregoing;

(i) other than casualty insurance proceeds described in Section 1.7(m), all insurance policies and contracts and coverages obtained by such Seller or listing such Seller as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to Assets prior to the Closing Date;

(j) all deposits made with any entity that provides utilities to the Hospital (the "**Utility Deposits**");

(k) all rents, deposits, prepayments, and similar amounts relating to any contract or lease that is not an Assumed Contract or Assumed Lease;

(l) all non-transferrable unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(m) all other bank accounts of such Sellers not listed on **Schedule 1.7(u)**;

(n) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(o) the rights of such Seller to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(p) all director and officer insurance;

(q) all tax refunds of such Seller;

(r) all documents, records, operating manuals and film pertaining to the Hospital that the parties agree that such Seller is required by law to retain;

(s) all patient records and medical records which are not required by law to be maintained by such Seller as of the Effective Time;

(t) all documents, records, correspondence, work papers and other patient records that may not be transferred under applicable law, and any other documents, records, or correspondence (including with respect to any employees) that may not be transferred under applicable law;

(u) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(v) any rights or remedies provided to such Seller under this Agreement and each other document executed in connection with the Closing;

(w) any (i) personnel files for employees of such Seller who are not hired by Purchaser; (ii) other books and records that such Seller is required by Law to retain; provided, however, that except as prohibited by Law and subject to Article 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which such Seller is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and such Seller shall be entitled to retain a copy of such documents for any period ending on or prior to the Closing Date;

(x) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets;

(y) all rights, claims and causes of action of such Seller to the extent related to and/or to the extent arising out of the receivables identified in **Schedule 1.8(y)** and rights to settlements and retroactive adjustments, if any, whether arising under a Seller Cost Report or otherwise, for any reporting periods ending on or prior to the Effective Time, whether open or closed, arising from or against the United States government under the terms of the Medicare

program or TRICARE (formerly the Civilian Health and Medical Program of the Uniformed Services);

(z) all pre-Closing settlements or settlements pursuant to adversary proceedings in the Bankruptcy Cases, including, without limitation, any proceedings identified in Section 1.8(h) or 1.8(y) (together with the items identified in Section 1.8(h) and 1.8(y), the "**Excluded Settlements and Actions**");

(aa) for the avoidance of doubt, all QAF IV and QAF V payments actually received prior to the Signing Date;

(bb) all assets of Verity Holdings other than the Purchased Verity Holdings Assets and all assets of any of the tenants located in the leased premises of the purchased Verity Holdings properties; and

(cc) any assets identified in **Schedule 1.8(cc)**.

1.9 Assumed Obligations. On the Closing Date, each Seller shall assign, and Purchaser shall assume and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations of such Seller and only the following liabilities and obligations (collectively, the "**Assumed Obligations**"):

(a) the Assumed Contracts and all liabilities of such Seller under the Assumed Contracts, including related Cure Costs;

(b) the Assumed Leases and all liabilities of such Seller under the Assumed Leases, including related Cure Costs;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) all accrued vacation and other paid time off, to the extent assumed under Section 1.1(a)(ii);

(e) all liabilities and obligations of such Seller related to the Hired Employees arising on or following the Effective Time;

(f) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(g) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(h) any documentary, sales and transfer tax liabilities of such Seller incurred as a result of the consummation of the transaction contemplated by this Agreement;

(i) all liabilities or obligations provided for in Section 5.3;

(j) any obligations or liabilities Purchaser may desire or need to assume in order to have the Certifications/Licenses/Permits identified on Schedule 1.7(b) reissued to Purchaser, as well as any liabilities or obligations associated with Sellers' Medicare and Medi-Cal provider agreements, but only to the extent assumed by Purchaser, and any Medi-Cal liabilities or obligations needed to support ongoing Hospital Quality Assurance Fee Program payments; and

(k) any other obligations and liabilities identified in **Schedule 1.9(k)**.

1.10 Excluded Liabilities. Purchaser shall not assume or become responsible for any duties, obligations or liabilities of any Seller that are not assumed by Purchaser pursuant to the terms of this Agreement, the Bill of Sale, the Assumption Agreement or the Real Estate Assignment(s) (the "**Excluded Liabilities**"), and each Seller shall remain fully and solely responsible for all of such Seller's debts, liabilities, contract obligations, expenses, obligations and claims of any nature whatsoever related to the Assets or the Hospital unless assumed by Purchaser under this Agreement, in the Bill of Sale, the Assumption Agreement or in the Real Estate Assignment(s).

1.11 Designation of Assumed Contracts and Assumed Leases.

(a) Except as provided in Section 1.11(b), all contracts and leases will be subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). Not later than seven (7) days prior to the date of the auction for the Assets (i) Purchaser shall notify each Seller in writing of which Evaluated Contracts are to be assumed by such Seller and assigned to Purchaser and (ii) Purchaser shall notify each Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by such Seller (collectively, the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate additional Evaluated Contracts for assumption up to thirty (30) days prior to Closing. Each Seller shall file such motions in the Bankruptcy Court and take such other actions as are reasonably necessary to ensure that final and non-appealable orders are entered (x) assuming and assigning the respective Assumed Contracts or Assumed Leases applicable to such Seller to Purchaser and (y) rejecting the Rejected Contracts. With respect to each Assumed Lease, the applicable Seller shall execute and deliver to Purchaser an Assignment and Assumption of Lease. Notwithstanding anything to the contrary set forth in this Agreement, the Rejected Contracts shall constitute part of the Excluded Assets pursuant to, and as defined in, this Agreement.

(b) At Closing and pursuant to an order of the Bankruptcy Court, each Seller will assume and immediately assign to Purchaser the leases of such Seller for Leased Real Property and the Tenant Leases.

(c) Notwithstanding the foregoing, Purchaser's obligation to consummate the transactions contemplated by this Agreement are not contingent upon the assumption, assignment or rejection of any contract or lease, or on the amount of any payment or other performance needed to cure any default thereunder.

1.12 Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, "AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS" WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE ASSUMED OBLIGATIONS ARE BEING ACQUIRED OR ASSUMED "AS IS, WHERE IS" ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser will be examining, reviewing and inspecting all matters which in Purchaser's judgment bear upon the Assets, the Sellers, the Hospitals, the business of the Hospitals and their value and suitability for Purchaser's purposes and is relying solely on Purchaser's own examination, review and inspection of the Assets and Assumed Obligations. Purchaser releases each Seller and its affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the business of the Hospitals or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospitals, the Assets and the Assumed Obligations) and shall expire, and be of no further force or effect after January 8, 2019 (the period from the Signing Date until January 8, 2019, the "**Final Diligence Period**"), except that the Sale Order Date Representations shall expire, and be of no further force or effect upon the Sale Order Date, and in each case Sellers shall not have any liability in respect of any breach thereof following such expiration.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date and as of the last day of the Final Diligence Period, except as would not have a material adverse effect upon the Hospitals, taken as a whole (a "**Material Adverse Effect**") and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the "**Disclosure Schedule**"), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.8 (Compliance with Legal Requirements), 2.9 (Required Consents), 2.11 (Title) and 2.14 (Legal Proceedings) (the "**Sale Order Date Representations**") shall also be made as of immediately prior to the entry of the Sale Order (the "**Sale Order Date**"):

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by such Seller and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of such Seller enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies. Except for such corporate actions which have been taken on or before the date hereof, no other corporate action on the part of Sellers is necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby.

2.3 Organization and Good Standing; No Violation.

(a) Such Seller is an entity duly organized, validly existing and in good standing under the laws of the State of California. Such Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller's articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in Schedule 2.4, upon entry of the Sale Order and Purchaser's payment of the Cure Costs, to Seller's knowledge, Seller is not in material breach or default of the Assumed Contracts or Assumed Leases. No provision of this Section 2.4 shall apply to any failure to obtain consents to the assignment of the Assumed Contracts and Assumed Leases from third parties to the Assumed Contracts and Assumed Leases for which consent is required to

assign the Assumed Contracts and Assumed Leases to Purchaser (the "**Contract and Lease Consents**").

2.5 Brokers and Finders. Except as set forth on Schedule 2.5, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

2.6 Seller Knowledge. References in this Agreement to "Sellers' knowledge or "the knowledge of Sellers" means the actual knowledge of the Chief Executive Officer or Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

2.7 Non-Contravention. Neither the execution and delivery by Sellers of this Agreement and each Ancillary Agreement nor performance of any of the material provisions hereof by Sellers, will violate, conflict with or result in a breach of any material provisions of the articles of incorporation or bylaws of Sellers.

2.8 Compliance with Legal Requirements. Except as set forth in Schedule 2.8, to the knowledge of Sellers: each Seller, with respect to the operation of the Hospitals, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, policies, guidelines, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, "**Legal Requirements**"). Except as set forth in Schedule 2.8, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospitals, has been charged in writing with or been given written notice of or is under investigation with respect to, any material violation of, or any obligation to take material remedial action under, any applicable Legal Requirements.

2.9 Required Consents. Except as set forth in Schedule 2.9, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the CA AG (defined below), Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or material contract or any material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

2.10 Environmental Matters.

(a) Sellers have provided Purchasers with the Phase I Environmental Site Assessments set forth in said Schedule 2.10(a).

(b) Except as disclosed in Schedule 2.10(b), to the knowledge of Sellers, the operations of the Hospitals are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term "**Environmental Laws**" shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term "**Hazardous Substances**" shall mean (i) any hazardous or toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.11 Title. Prior to December 21, 2018, Sellers have delivered at their own expense (i) for all the Real Property preliminary title reports issued by First American Title Insurance Company (the "**Title Commitments**"), (ii) for all of the Real Property all underlying title documents listed on the Title Commitments (the "**Underlying Title Documents**"), and (iii) for all of the Hospitals an as-built ALTA Surveys (the "**Surveys**", and collectively with the Title Commitment and the Underlying Title Documents, the "**Title Documents**").

2.12 Certain Other Representations with Respect to the Hospitals.

(a) Except as set forth in Schedule 2.12, all Licenses which are material and necessary to the operation of the Hospitals or the Hospitals by Sellers are valid and in good standing and Sellers are in compliance with the terms and conditions of all such Licenses in all material respects, in each case except where the failure to be valid and in good standing or in compliance would not have a material adverse effect on the Assets or the Hospitals. Except as set forth in Schedule 2.12, as of the Closing Date Sellers will have any and all material Licenses required under Legal Requirements to conduct the Hospitals as presently conducted by Sellers, except where the failure to have any such License would not have a material adverse effect on the Assets or the Hospitals. To the knowledge of Sellers, no loss or expiration of any License is pending or threatened.

(b) Sellers are certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which they participate, and have current and valid provider agreements with each such program, except where the failure to be so certified or have such provider agreements would not have a material adverse effect.

(c) Sellers have not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against Sellers.

2.13 Financial Statements.

(a) Schedule 2.13(a) hereto contains the following financial statements (the "Historical Financial Statements"): (i) the unaudited balance sheets of the Sellers as of June 30,

2018; (ii) unaudited income statements of the Sellers for the twelve-month periods ended June 30, 2018; (iii) the audited consolidated income statements of Sellers for the years ended 2016 and 2017; and (iv) the unaudited consolidated balance sheet of Sellers as of June 30, 2018.

(b) the income statements contained in the Historical Financial Statements present, fairly in all material respects the results of the operations of the Sellers as of and for the periods covered therein and, except as set forth on Schedule 2.13(b), the balance sheets contained in the Historical Financial Statements (i) are true, complete and correct in all material respects; (ii) present, fairly in all material respects the financial condition of the Sellers as of the dates indicated thereon; and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.14 Legal Proceedings. Except as set forth on Schedule 2.14, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers' claims and noticing agent's website at http://www.kcclcc.com/VERITYHEALTH/, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospitals or the Hospitals by Sellers before any governmental authority. Except as set forth on Schedule 2.14, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers, Sellers are not subject to any government order with respect to the ownership or operation by Sellers of the Hospitals or the other Assets or the Hospitals and are in substantial compliance with respect to each such government order.

2.15 Employee Benefits. Schedule 2.15(a) contains a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee pension benefit plan" as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee welfare benefit plan" as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Seller with respect to the operation of the Hospital, in which any employee of Seller participates in his capacity as such (collectively, the "**Seller Plans**").

2.16 Personnel. Schedule 2.16 sets forth a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and scheduled bonus, and the accrued paid time off pay of all employees of Sellers (including employees of the Hospitals and employees of Verity and Verity Holdings) immediately prior to December 21, 2018, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Sellers's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "**Hospital Employees**") and indicating whether the Hospital Employee is full- time or part-time. Sellers shall have the right to update to Schedule 2.16(a) to reflect changes in employment status or new hires and terminations occurring after December 21, 2018 by providing a revised schedule to Purchase no later than five (5) Business Days before the date scheduled for the Closing.Insurance. Schedule 2.17 contains a list of all material insurance maintained by Sellers with respect to the Assets and the Businesses, as of the Signing Date.

2.18 Accounts Receivable. To the knowledge of Sellers, all Accounts Receivable included in the Assets at Closing result from the bona fide provision of products or services in the ordinary course of business. All Sellers Accounts Receivable are currently deposited, either electronically or manually, into the bank accounts listed on Schedule 4.25(b).

2.19 Payer Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, Schedule 2.19 sets forth a complete list of all written contracts with private third party payers including insurance companies and HMOs ("**Payer Contracts**"). Sellers have provided Purchasers with a true and correct copy of all material Payer Contracts, whether or not entered into in the ordinary course of business, or otherwise required to be disclosed on Schedule 2.20, in each case together with all amendments thereto.

2.20 Excluded Individuals. Except as set forth on Schedule 2.20, to the knowledge of Sellers: neither Sellers, Hospitals nor any director, officer or employee of Sellers or Hospitals (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an "**Excluded Individual**"); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospitals; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents, warrants and covenants to Sellers as to the following matters as of the Signing Date and, except as otherwise provided herein, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly

authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in **Schedule 3.4**, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Purchaser is or may be subject, (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any representation or warranty (expressed or implied, oral or otherwise) made on behalf of any Seller other than as expressly set forth in this Agreement. Purchaser further acknowledges that no Seller is making any representations or warranties herein relating to the Assets or the operation of the Hospital on and after the Effective Time.

3.7 Legal Proceedings. Except as described on **Schedule 3.7**, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would materially adversely affect the properties, business condition (financial or otherwise) of Purchaser or any affiliate of Purchaser or which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which materially adversely affects the condition (financial or otherwise), operations or business of Purchaser or any affiliate of Purchaser or which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of a Seller's Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any representation or warranty by any Seller or of any other condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of its representations and warranties under this Agreement, then the effect shall be as if the representations and warranties had been modified in this Agreement in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' representations and warranties in relation to such information; *provided, however*, that Purchaser must immediately notify Sellers if any such breach comes to its attention

on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of any representation or warranty. If any such information comes to Purchaser's attention on or before the Closing Date (whether through a Seller or otherwise, including through updated schedules, and whether before or after the Signing Date) that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c), Purchaser must immediately notify Sellers if any such information comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver of such right in relation to the relevant breach.

3.9 Ability to Perform. Purchaser has the ability to obtain funds in cash in amounts equal to the Purchase Price by means of credit facilities or otherwise and will at the Closing have immediately available funds in cash, which are sufficient to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to consummate the transactions contemplated by this Agreement.

3.10 Purchaser Knowledge. References in this Agreement to "Purchaser's knowledge" or "the knowledge of Purchaser" means the actual knowledge of the Chief Executive Officer, Chief Financial Officer or Chief Operating Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

3.11 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of each Seller and the Hospital for purposes of conducting a due diligence investigation of each Seller and the Hospital. Purchaser has conducted a reasonable due diligence investigation of each Seller and the Hospital and has received satisfactory answers to all inquiries it has made respecting each Seller and the Hospital and has received all information it considers necessary to make an informed business evaluation of each Seller and the Hospital. In connection with its due diligence investigation of each Seller and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by any Seller, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby.

ARTICLE 4

COVENANTS OF SELLERS

4.1 Access and Information; Inspections.

4.1.1 From the Signing Date through the Effective Time, (a) each Seller shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Seller's corporate headquarters in El Segundo, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital of such Seller and the plant and property of the Hospital of such Seller at the Hospital of such Seller and (b) each Seller shall furnish Purchaser with such additional financial and operating data and other information in such Seller's possession

as to businesses and properties of the Hospital of such Seller as Purchaser or its representatives may from time to time reasonably request; *provided, however*, that such Seller is not obligated to disclose information which is proprietary to such Seller and would not be essential to the ongoing operation of the Hospital of such Seller by Purchaser; *provided, further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and such Seller. Purchaser's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of any Seller or the Hospital.

4.1.2 Notwithstanding anything contained herein, no Seller shall be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

4.2 Cooperation.

4.2.1 Each Seller shall reasonably cooperate with Purchaser and its authorized representatives and attorneys: (a) in Purchaser's efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities) or which Purchaser reasonably deems necessary or appropriate, (b) in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) in Purchaser's efforts to effectuate the assignment of Assumed Contracts to Purchaser as of the Closing Date. Except as may be otherwise requested by a Seller in order to comply with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filings costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to (x) carry out the transactions contemplated by this Agreement, including but not limited to medical licenses and/or (y) transfer any of the Assets, including any Licenses. To the extent Purchaser needs certain information and data which is in the possession of a Seller in order for Purchaser to complete Purchaser's license and permit approval applications, Purchaser shall receive, upon request, reasonable assistance from such Seller in connection with the provision of such information.

4.2.2 Notwithstanding any provision to the contrary contained in this Agreement (including Section 8.7), no Seller shall be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assumed Contracts or Assumed Leases, from any party to any of the Assumed Contracts or Assumed Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.3 Other Bidders. Purchaser expressly acknowledges and agrees that each Seller has an obligation to seek out and determine the best and highest offer reasonably available for such

Seller's assets in accordance with the Bankruptcy Code, and nothing herein shall amend, modify, alter, diminish or affect such obligation.

4.4 Sellers' Efforts to Close. Each Seller shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Purchaser's obligations under this Agreement to the extent that such Seller's action or inaction can control or materially influence the satisfaction of such conditions; provided, however, that such Seller shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than filing or application fees).

4.5 Termination Cost Reports. Each Seller shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (a) the transfer of the Assets of such Seller to Purchaser and (b) the transactions contemplated by this Agreement with respect to such Seller, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit each Seller access to all Hospital books and records to prepare such reports and shall assist such Seller in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by the applicable Seller in a manner that is consistent with current laws, rules and regulations. Each Seller shall be responsible for filing governmental cost reports for the period of January 1, 2019 through the Closing Date. Purchaser shall be responsible for its own cost report filings relating to the Hospitals beginning on the day immediately following the Effective Time.

4.6 Conduct of the Business. From the Signing Date until the Closing, or the earlier termination of this Agreement, without the prior written consent of Purchaser, Sellers shall, with respect to the ownership of the Assets and the operation of the Hospitals, use commercially reasonable efforts to, in each case except as would not have a Material Adverse Effect (except as otherwise noted):

(a) without regard to Material Adverse Effect, carry on Sellers' ownership of the Assets and the operation of the Hospitals consistent with past practice, but subject to the Bankruptcy Cases and Sellers' obligations and actions in connection therewith;

(b) maintain in effect the insurance and equipment replacement coverage with respect to the Assets;

(c) if and as permitted by the Bankruptcy Court, pay any bonuses payable under the Key Employee Retention Plan and Key Employee Incentive Plan of Sellers;

(d) maintain the Assets in materially the same condition as at present, ordinary wear and tear excepted;

(e) perform its obligations under all contracts with respect to the Assets in compliance with the Bankruptcy Code;

(f) following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives (which shall include the right to send written materials, all of which shall be subject to Sellers' reasonable approval prior to delivery) to make offers of post-

Closing employment to any of Sellers' personnel (including access by Purchasers and their representatives for the purpose of conducting open enrollment sessions for Purchasers' employee benefit plans and programs) and to establish relationships with physicians, medical staff and others having business relations with Sellers;

(g) with respect to material deficiencies, if any, cited by any governmental authority (other than the Attorney General of the State of California and other than with respect to Seismic requirements) or accreditation body in the most recent surveys conducted by each, cure or develop and timely implement a plan of correction that is acceptable to such governmental authority or such accreditation body;

(h) timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due;

(i) without regard to Material Adverse Effect, beginning on February 21, 2019 and in accordance with the Sellers' budget under their debtor in possession financing, timely pay any fees that are or become due and payable under QAF IV and QAF V;

(j) comply in all material respects with all Legal Requirements (including Environmental Laws) applicable to the conduct and operation of the Hospitals; and

(k) without regard to Material Adverse Effect, maintain all material approvals, permits and environmental permits relating to the Hospitals and the Assets.

4.7 Contract With Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement. The parties recognize that an applicable Seller's failure to secure a modification to any collective bargaining agreement, or to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement, provided that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in renegotiating, the collective bargaining agreements during the period between the Signing Date and the Closing Date, Sellers and Purchaser will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce Sellers' labor cost structure, including, but not limited to, seeking to reject the collective bargaining agreement(s).

ARTICLE 5

COVENANTS OF PURCHASER

5.1 Purchaser's Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement, Purchaser shall be permitted to communicate and meet with (a) counter-parties to the agreements and contracts of the Hospitals, included those included in Assumed Obligations, regarding the terms and conditions under which they may be assumed and assigned to Purchaser, and (b) applicable governmental and regulatory authorities regarding prospective compliance with regulatory requirements and related issues; so long as, in the case of each of (a) and (b) (i) such communications and meetings do not interfere with the operation of the Businesses or the conduct of the Bankruptcy Cases and (ii) any communications or meetings with any governmental authority are approved in advance by Sellers as to timing and content (and Sellers are copied on such communications and afforded the opportunity to participate in such meetings).

5.2 Required Governmental Approvals.

(a) Purchaser, at its sole cost and expense (a) shall use its best efforts to secure, as promptly as practicable before the Closing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled (and provide Sellers copies of all materials relating to such consents, approvals, authorizations, clearances and licenses upon submission and all materials received from third parties in connection with such consents, approvals, authorizations, clearances and licenses upon receipt), and (b) will provide such other information and communications to governmental and regulatory authorities as any Seller or such authorities may reasonably request. Purchaser will provide Sellers periodic and timely updates regarding all such consents, approvals, authorizations, clearances and licenses. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Effective Time. Purchaser shall, promptly, but no later than thirty (30) business days after the entry of the Sale Order or sooner if required by applicable governmental or regulatory authorities, file all applications, licensing packages and other similar documents with all applicable governmental and regulatory authorities which are a prerequisite to obtaining the material licenses, permits, authorizations and provider numbers described in Section 8.1. Purchaser shall be entitled, but not obligated, to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and obtain estoppel certificates from any third party to any Leased Real Property. Purchaser's failure to obtaining any or all of the Contract and Lease Consents or estoppel certificates as of the Closing Date shall not be a condition precedent to either party's obligation to close the transactions contemplated by this Agreement.

(b) Purchaser and Sellers agree that because the change of ownership and regulatory approval process in connection with the transactions contemplated by this Agreement may take an extended period of time, Purchaser and Sellers agree to an initial closing effective upon the approval of the court and upon the approval of the transaction by the CA AG (as defined below) in accordance with Sections 7.5 and 8.6, at which time the Assets (less the portion of the Assets constituting drugs or other pharmacy assets) will be sold to Purchaser and immediately leased back

to Sellers, with a concurrent management agreement entered into at that time upon terms mutually agreeable to the parties in their reasonable business judgment. The Sale Leaseback Agreement and Interim Management Agreement will terminate at the Closing when the Purchaser is issued the Licenses necessary to operate the Hospitals directly (namely, the Hospital Licenses and pharmacy permits).

5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) (the "**Hospital Employees**") who, immediately prior to the Effective Time are: (i) employees of any Seller; (ii) employees of any affiliate of any Seller which employs individuals at the Hospital and are listed on **Schedule 5.3**; or (iii) employed by an affiliate of any Seller and are listed on **Schedule 5.3**. For the avoidance of doubt, the Hospital Employees shall not include any employees of Verity or any other affiliate of Seller unless such individual is listed on **Schedule 5.3**. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the "**Hired Employees**." All employees who are Hired Employees shall cease to be employees of the applicable Seller or its affiliates as of the Effective Time.

(b) Purchaser shall give all Hired Employees full credit for paid time off pay to such employees as of the Closing Date by crediting such employees the time off reflected in the employment records of the applicable Seller and/or any of its affiliates immediately prior to the Effective Time, subject to compliance with applicable law and regulation, including consent of such employees if required.

(c) After the Closing Date, Purchaser's human resources department will give reasonable assistance to each Seller and its affiliates with respect to such Seller's and such Seller's affiliates' post-Closing administration of such Seller's and such Seller's affiliates' pre-Closing employee benefit plans for the Hospital Employees. Within five (5) days after the Closing Date, Purchaser shall provide to each Seller a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(d) With respect to any collective bargaining agreements or labor contract with respect to any employees, Purchaser shall comply with the applicable laws and bankruptcy court orders relating to collective bargaining agreements or labor contracts.

(e) The provisions of this Section 5.3 are solely for the benefit of the parties to this Agreement, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Excluded Assets. As soon as practicable after the Closing Date, Purchaser shall deliver to each Seller or such Seller's designee any Excluded Assets of such Seller found at the

Hospital on and after the Effective Time, without imposing any charge on any Seller for Purchaser's storage or holding of same on and after the Effective Time.

5.5 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.6 Attorney General. Promptly after entry of the Sale Order, but in any event within ten (10) calendar days, Purchaser shall, at its sole cost and expense, make any notices or other filings with the Attorney General of the State of California (the "**CA AG**"). Each Seller shall reasonably cooperate with Purchaser in such notices or other filings.

5.7 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser's representations and warranties set forth in ARTICLE 4 to be inaccurate or untrue as of the Closing.

5.8 Cure Costs. Purchaser, upon assumption, shall pay the Cure Costs for each Assumed Contract and Assumed Lease so that each such Assumed Contract and Assumed Lease may be assumed by the applicable Seller and assigned to Purchaser in accordance with the provisions of section 365 of the Bankruptcy Code. For purposes of this Agreement, "**Cure Costs**", means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assumed Contracts and Assumed Leases to Purchaser as provided herein.

5.9 Operating Covenant. Purchaser shall act in good faith and use Purchaser's commercially reasonable efforts to serve the medical needs of each Hospital's service area.

5.10 HSR Filing. Purchaser and each Seller will as promptly as practicable, and in any event no later than five business days after the date of the Sale Order, file with the Federal Trade Commission and the Department of Justice the notification and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), which notification and report forms and supplemental information will comply in all material respects with the requirements of the HSR Act. Purchaser shall pay all filing fees required with respect to the notification, report and other requirements of the HSR Act. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, any governmental authority under the HSR Act, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, such governmental authorities. Purchaser shall take such action (including divestitures or hold separate arrangements) as may be required by any governmental authority in order to resolve with the minimum practicable delay any objections such governmental authorities may have to the transactions contemplated by this Agreement under the HSR Act.

5.11 Contract with Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement to be assumed by Purchaser. The parties recognize that an applicable Seller's failure to secure a modification to any collective bargaining agreement, or to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement. In addition, Sellers may, in their discretion, seek to reject any or all of the collective bargaining agreement(s).

ARTICLE 6

SELLERS' BANKRUPTCY AND BANKRUPTCY COURT APPROVAL

6.1 Bankruptcy Court Approval; Overbid Protection and Break-Up Fee.

(a) Sellers and Purchaser acknowledge that this Agreement and the sale of the Assets and the assumption and assignment of the Assumed Contracts and Assumed Leases are subject to Bankruptcy Court approval, and that this Agreement is subject to termination in its entirety in the event any Seller receives a better and higher offer for the Assets in accordance with the Bankruptcy Code and subject to the terms stated herein.

(b) Promptly following the execution of this Agreement by all parties, the Seller shall file a motion with the Bankruptcy Court (the "**Sales Procedures Motion**"), the content of which shall be subject to the reasonable approval by Purchaser, for entry of an order approving bid procedures and overbid protections containing substantially the following terms and conditions:

(1) the Seller shall not accept any offer to sell the Assets subject to this Agreement ("**Overbid**") to another purchaser ("**Overbidder**") unless that offer exceeds the Purchase Price by an amount sufficient to pay the Break-Up Fee and such offer includes the purchase of substantially all Assets subject of this Agreement;

(2) in the event that an overbidder (and not the Purchaser) is the successful bidder for the purchase of the Assets (the "**Alternate Transaction**") and the Alternative Transaction is approved by the Bankruptcy Court, (a) the Deposit, and any interest earned thereon, shall be returned to Purchaser immediately upon the entry of such sale order, and (b) Purchaser shall be paid a break-up fee of three and one-half percent (3.25%) of the Cash Consideration ($19,825,000.00) plus reimbursement of reasonably documented reasonable costs and expenses incurred by Purchaser related to its due diligence, and pursuing, negotiating, and documenting the transactions contemplated by this Agreement in an amount not to exceed $2,000,000.00 ((the "**Break-Up Fee**"); provided, however, that in the event that

the Purchaser is successful as to some but not all of the Assets, the Break-Up Fee shall be reduced pro rata to the percentage of Assets not actually purchased by the Purchaser, based on the allocation of the Purchase Price as described in Section 1.1(a)(i), as compared to the Assets which were the subject of this Agreement; in the event that Purchaser terminates this Agreement in accordance with Section 8.6 hereof, expenses of Purchaser incurred in satisfaction of Section 8.6 shall be reimbursed up to $500,000; and

(3) The Break-Up Fee shall be deemed to be an allowed expense of the kind specified in Section 503(b) of the Bankruptcy Code to be paid solely from the proceeds of the Alternate Transaction, pursuant to the Sale Order. The Break-Up Fee shall not be paid if the Alternate Transaction was pursued due to a material breach by the Purchaser or the Purchaser's failure or refusal to consummate the transaction after the satisfaction or waiver of all closing conditions.

The Sales Procedures Motion will contain bid procedures as set forth in the bid procedures attached hereto as **Schedule 6.1(b)(3)**.

If Sellers fails to obtain Bankruptcy Court approval for the Sales Procedures Motion by no later than four weeks after the end of the Final Diligence Period, Purchaser shall have the right to terminate this Agreement, without recourse or liability, and Seller shall immediately thereafter return to Purchaser the Deposit and any interest earned thereon.

(c) Each Seller shall at the Sale Hearing exercise reasonable efforts to obtain a "Sale Order" approving this Agreement, subject to its obligations in respect of any better and higher offer for such Seller's assets in accordance with the Bankruptcy Code. For purposes of this Agreement, the term "**Sale Order**" shall mean an order of the Bankruptcy Court authorizing the sale of the Assets (including the assumption and assignment of the Assumed Contracts and Assumed Leases) to Purchaser consistent with this Agreement and in a form reasonably satisfactory to Purchaser.

(d) Each Seller agrees to proceed in good faith to obtain Bankruptcy Court approval of the sale contemplated herein with a determination that Purchaser is a good faith purchaser pursuant to Bankruptcy Code section 363(m) and to file such declarations and other evidence as may be required to support a finding of good faith.

(e) Each Seller shall seek an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against such Seller as debtor solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal; provided, however, Purchaser, at its option, shall have the right to

participate as a party in interest in such appeal. In the event a stay is issued by any appellate court, including the United States District Court, which prevents the sale from closing, as scheduled, Purchaser shall have the right to terminate this Agreement if such stay is not vacated on or before 45 days from the date of the stay is issued, and Purchaser shall be entitled to the prompt return of the Deposit and any interest earned thereon.

ARTICLE 7

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and shall remain in effect on the Closing Date, and further, no governmental entity shall have commenced any action or suit before any court of competent jurisdiction or other governmental authority that seeks to restrain or prohibit the consummation of the transactions contemplated hereby.

7.3 Performance of Covenants. Purchaser shall have in all respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

7.4 Governmental Authorizations. Purchaser shall have obtained all material licenses, permits and authorizations from governmental agencies or governmental bodies that are necessary or required for completion of the transactions contemplated by this Agreement, including reasonable assurances that any material licenses, permits and authorizations not actually issued as of the Closing will be issued following Closing (which may include oral assurances from appropriate governmental agencies or bodies).

7.5 Attorney General Provisions. The conditions to Purchaser's obligations to close set forth in Section 8.6 shall have been satisfied.

7.6 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

7.7 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

7.8 CSCDA Acknowledgement. The CSCDA and PACE Trustee shall have executed acknowledgements in form and substance acceptable to Sellers that Purchaser is the Successor Property Owner and Obligated Party under the PACE Obligations, and releases of the Sellers from any and all claims arising or accruing prior to the Closing Date.

ARTICLE 8

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Governmental Authorizations. Except as otherwise set forth in this Agreement, Purchaser and Sellers shall have obtained licenses, permits and authorizations from governmental agencies or governmental bodies that are required for the purchase, sale and operation of the Hospitals, including without limitation approval of the CA AG (subject to Section 8.6), except in such case where failure to obtain such license, permit or authorizations from a governmental agency or governmental body does not have a Material Adverse Effect.

8.2 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a "good faith" purchaser under Section 363(m) of the Bankruptcy Code.

8.3 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to all of the provisions of this Agreement.

8.4 Performance of Covenants. Sellers shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by Sellers on or prior to the Closing Date; *provided*, *however*, this condition will be deemed to be satisfied unless (a) Sellers were given written notice of such failure to perform or comply and did not or could not cure such failure to perform or comply within fifteen (15) business days after receipt of such notice and (b) the respects in which such obligations, covenants, agreements and conditions have not been performed have had or would have a Material Adverse Effect.

8.5 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction and shall remain in effect on the Closing Date, and further, no governmental entity shall have commenced any action or suit before any court of competent jurisdiction or other governmental authority that seeks to restrain or prohibit the consummation of the transactions contemplated hereby.

8.6 Attorney General Provisions. Purchaser recognizes that the transactions contemplated by this Agreement may be subject to review and approval of the CA AG. Purchaser

agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the CA AG are substantially consistent with the conditions set forth, as Purchaser Approved Conditions, in Schedule 8.6. In the event the CA AG imposes conditions on the transactions contemplated by this Agreement, or on Purchaser in connection therewith, which are materially different than the Purchaser Approved Conditions set forth on Schedule 8.6 (the "Additional Conditions"), Sellers shall have the opportunity to file a motion with the Bankruptcy Court seeking the entry of an order ("Supplemental Sale Order") finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions without the imposition of any other conditions, which would adversely affect the Purchaser. For purposes of this Section 8.6, Additional Conditions which individually or collectively impose a direct or indirect cost to Purchaser of $5 million, or more, shall be conclusively deemed to be "materially different." If Sellers determine not to seek such Supplemental Sale Order, or fail to obtain such Supplemental Sale Order within 60 days of the Attorney General's imposition of Additional Conditions, Purchaser shall be entitled to terminate this Agreement and receive the return of its Good Faith Deposit. If Sellers timely obtain such Supplemental Sale Order from the Bankruptcy Court or another court, Purchaser shall have a period of 21 business days from the entry of such order (the "Evaluation Period") to determine, in the exercise of the Purchaser's reasonable business judgment and in consultation with Purchaser's financing sources, whether to proceed to consummate the transactions contemplated by this Agreement; provided, however, (i) Purchaser shall not terminate or provide notice of termination of the Stalking Horse APA based on the Seller's failure to satisfy the condition set forth under this Section 8.6 until the expiration of the Evaluation Period as may be extended herein, and (ii) the Evaluation Period may be extended by the Debtors, in consultation with the Consultation Parties, by up to 90 days for any appeal properly perfected with respect to the Supplemental Sale Order (the "Extended Evaluation Periods"). For the avoidance of doubt, if the Debtors or any of the Consultation Parties dispute the reasonableness of the exercise of the Purchaser's business judgment, such dispute shall be determined by the Bankruptcy Court only in the context of an adversary proceeding. If, at the conclusion of the Extended Evaluation Periods, such Supplemental Sale Order has not become a final, non-appealable order and Purchaser determines not to proceed, Purchaser shall have the right within ten (10) business days after the conclusion of the Extended Evaluation Periods to terminate this Agreement and receive the return of its Good Faith Deposit. Sellers shall provide Purchaser with prompt written notice of the conclusion of the Extended Evaluation Periods and whether the Supplemental Sale Order has become a final, non-appealable order. For purposes of this Section 8.6, "a final, non-appealable order" shall include a Supplemental Sale Order (i) which has been affirmed or the appeal of which has been dismissed by any appellate court and for which the relevant appeal period has expired (other than any right of appeal to the U.S. Supreme Court), or (ii) which has been withdrawn by the appellant. If the Supplemental Sale Order becomes a final, non-appealable order prior to the expiration of the Evaluation Period or, if applicable, the Extended Evaluation Periods, Purchaser shall consummate the Sale provided that all other conditions to closing have been satisfied. During any Evaluation Period or Extended Evaluation Periods, Purchaser shall reasonably cooperate in any efforts to render the Supplemental Sale Order a final, non-appealable order, including timely taking reasonable steps in preparation for closing of the transactions described in this Agreement; provided, however, Purchaser shall not be obligated to expend more than $500,000. For the avoidance of doubt, neither this provision, nor any of the rights granted to the Purchaser herein,

shall constitute a waiver of any party in interest's right to argue that any appeal from the Sale Order should be dismissed on statutory, Constitutional or equitable mootness grounds.

8.7 Medicare and Medi-Cal Provider Agreements. Sellers shall transfer their Medicare provider agreements pursuant to a settlement agreement with the Centers for Medicare and Medicaid Services (**"CMS"**) and shall transfer their Medi-Cal provider agreements pursuant to a settlement agreement with the California Department of Health Care Services (**"DHCS"**), which such settlement agreements shall result in: (i) resolution of all outstanding financial defaults under any of Sellers' Medicare and Medi-Cal provider agreements and (ii) full satisfaction, discharge, and release of any claims under the Medicare or Medi-Cal provider agreements, whether known or unknown, that CMS or DHCS, as applicable, has against the Seller or Purchaser for monetary liability arising under the Medicare or Medi-Cal provider agreements before the Effective Time; provided, however, that Purchaser acknowledges that it will succeed to the quality history associated with the relevant Medicare or Medi-Cal provider agreements assigned and shall be treated, for purposed of survey and certification issues as if it is the relevant Seller and no change of ownership occurred.

8.8 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

ARTICLE 9

TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to Closing:

(a) by the mutual written consent of the parties;

(b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after service by Sellers upon Purchaser of a written notice which describes the nature of such breach;

(c) by Purchaser if, in its sole and absolute discretion, it is not satisfied with either (i) the results of its due diligence examination of the Hospitals, or (ii) the contents of any schedule or exhibit that was not completed and attached to this Agreement, but which has been provided to Purchaser after the Signing Date, and Purchaser has notified Seller of its election to terminate the Agreement under this Section 9.1(c) on or prior to January 8, 2019, which notice may be given by facsimile or email correspondence; provided, that for the avoidance of doubt, following expiration of the Final Diligence Period, notwithstanding anything else in this Agreement, Purchaser shall not be entitled to terminate this Agreement (or not Close) as a result of the breach of any representation or warranty made by Sellers (or any of them) other than the breach of a Sale Order Date Representation, but in each case solely to the extent such breach of a Sale Order Date Representation would result in a Material Adverse Effect; provided, further, that any dispute between Purchaser and Sellers as to whether a Material Adverse Effect has occurred for any purpose under this Agreement shall be exclusively settled by a determination made by the Bankruptcy Court;

(d) by Purchaser if a material breach of this Agreement has been committed by Sellers and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after service by Purchaser upon Sellers of a written notice which describes the nature of such breach;

(e) by Purchaser if satisfaction of any of the conditions in ARTICLE 8 has not occurred by December 31, 2019 or becomes impossible, and Purchaser has not waived such condition in writing (provided that the failure to satisfy any of the applicable condition or conditions in Sections 8.1 through 8.5 inclusive has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date); provided that upon the imposition of Additional Conditions by the CA AG, Section 8.6 must be satisfied or waived by Purchaser by no later than sixty (60) days thereafter.

(f) by Sellers if satisfaction of any of the conditions in ARTICLE 7 has not occurred by December 31, 2019 or becomes impossible, and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(g) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Cases or fails to approve the Sales Procedures Motion by the date specified in Section 6.1(b);

(h) by Sellers if, in connection with the Bankruptcy Cases, any Seller accepts an Alternate Transaction and pays the Break-Up Fee;

(i) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before December 31, 2019; or

(j) by Purchaser if a force majeure event (such as acts of God, storms, floods, landslides, earthquakes, lightning, riots, fires, pandemics, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities, other national or international calamity, one or more acts of terrorism, or failure of energy sources) shall have occurred between the Signing Date and Closing Date, which event is reasonably likely to have a Material Adverse Effect.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Sections 6.1(b), 6.2 or 9.1: (a) all further obligations of the parties under this Agreement shall terminate (other than Purchaser's right to receive the Break-Up Fee if applicable), provided that the provisions of ARTICLE 12, shall survive; and (b) each party shall pay only its own costs and expenses incurred by it in connection with this Agreement; provided, in the case of any termination based on Sections 9.1(b) or (d) the consequences of such termination shall be determined in

accordance with ARTICLE 11 hereof. In addition, if this Agreement is terminated pursuant to Sections 6.1(b), 6.2 or 9.1 (other than Section 9.1(b)), Seller shall immediately return the Deposit to Purchaser with all interest earned thereon. Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such Party would not have entered into this Agreement.

ARTICLE 10

POST-CLOSING MATTERS

10.1 Excluded Assets.

Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within five (5) business days following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to the applicable Seller. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to any Seller under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to any Seller because of, outstanding claims, liabilities or obligations asserted by Purchaser against any Seller. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to the applicable Seller in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Seller (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to the applicable Seller.

10.2 Preservation and Access to Records After the Closing.

(a) From the Closing Date until seven (7) years after the Closing Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records (including, without limitation, electronic medical records), patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including, without limitation, color laser copies) of, such records with respect to time periods prior to the Effective Time (including, without limitation, access to records of patients treated at the Hospital prior to the Effective Time) during normal business hours after the Effective Time, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations

relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties does not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Effective Time with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees); provided that Purchaser shall not be required to incur any out of pocket costs in association therewith. In addition, Sellers and their affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of their affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or their applicable affiliate's use of such records.

(c) In connection with (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and their affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.

(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either

(i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 with respect to the operation of the Hospital on and after the Effective Time.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting to HFAP for the remainder of the quarterly period in which the Closing has occurred.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Effective Time, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

(h) Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assumed Contract or Assumed Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assumed Contract or Assumed Lease, as the case may be, thereunder. If, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both (a) provide Purchaser with the benefits of or under any such Assumed Contract or Assumed Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assumed Contract or Assumed Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor. Any payments received by Sellers after the Closing Date from patients, payors, clients, customers, or others who are the obligors on Accounts Receivables transferred to Purchaser as a part of the Assets on the Closing Date shall be paid over to Purchaser within ten (10) business days after receipt by Seller.

10.3 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the "**Post-Effective Time CFO**") to cooperate with Sellers' representatives in order to complete the standardized closing of Sellers' financial records through the Closing Date including, without limitation, the closing of general ledger account reconciliations (collectively, the "**Closing of Financials**"). Purchaser shall cause the Post-Effective Time CFO to use his or her good faith efforts to cooperate with Sellers' representatives in order to complete the Closing of Financials by no later than the date which is thirty (30) calendar days after the Closing Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to

Sellers for a period of no less than one hundred eighty (180) calendar days after the Closing Date to assist Sellers in the completion of Sellers' post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO's other duties.

10.4 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital's medical staff members in good standing as of the Effective Time shall maintain medical staff privileges at the Hospital as of the Effective Time. On and after the Effective Time, the medical staff will be subject to the Hospital's Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.5 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates which are not being sold to Purchaser ("**Shared Intangible Assets**") and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals; provided, however, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

ARTICLE 11

DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If Purchaser commits any material default under this Agreement, Sellers shall have the right to sue for damages; provided, however that the amount of such damages shall never exceed $60,000,000.00. For the avoidance of doubt, Sellers shall have no right to sue for specific performance under this Agreement.

11.2 Seller Default. If Sellers commit any material default under this Agreement, Purchaser shall have the right to demand and receive a refund of the Deposit, and Purchaser may, in addition thereto, pursue any rights or remedies that Purchaser may have under applicable law, including the right to sue for damages or specific performance.

11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Closing Date, the parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Effective Time and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The parties shall also make available to each other to the extent

reasonably required, and at the reasonable cost of the requesting party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) The Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income Tax purposes) shall be allocated among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder as set forth in **Schedule 11.3(b)** (such schedule the "**Allocation Schedule**"). The Allocation Schedule shall be for Sellers' and Purchaser's tax purposes only, and shall not limit the Sellers' creditors in any way.

11.4 Cost Report Matters.

(a) Consistent with Section 4.5, Sellers shall, at Purchaser's expense, prepare and timely file all cost reports relating to the periods ending prior to the Effective Time or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the "**Seller Cost Reports**").

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers' preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser's provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit conferences or meetings. Sellers shall have no obligations after the Effective Time with respect to Seller Cost Reports except for preparation and filing thereof.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1 Further Assurances and Cooperation. Sellers shall execute, acknowledge and deliver to Purchaser any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by Purchaser at any time and shall take any and all other actions reasonably requested by Purchaser at any time for the purpose of more effectively assigning, transferring, granting, conveying and confirming to Purchaser, the Assets. After consummation of the transaction contemplated in this Agreement, the parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; *provided, however,* that no party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other parties which consent shall not be unreasonably withheld or delayed, except that Purchaser

may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date.

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the parties hereto.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. From the Signing Date until the Closing, the parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, but subject to Section 9.2(c), should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of Article III merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular representation or warranty shall be deemed adequately disclosed as an exception with respect to all other representations or warranties to the extent that the relevance of such item to such representations or warranties is reasonably apparent on the face of such disclosure, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers: Verity Health System of California, Inc.
2040 East Mariposa St.

El Segundo, CA 90245
Attention: Rich Adcock, CEO
Telephone: 424-367-0630

With copies to: (which copies shall not constitute notice)
Dentons US LLP
601 South Figueroa St., Suite 2500
Los Angeles, CA 90017-5704
Attention: Samuel R. Maizel, Esq.
Telephone: 213-892-2910
Facsimile: 213-623-9924

If to Purchaser:
Strategic Global Management, Inc.
9 KPC Parkway, Suite 301
Corona, CA 92879
Attention: William E. Thomas
Facsimile: 951-782-8850

With copies to: (which copies shall not constitute notice)
Levene, Neale, Bender, Yoo & Brill L.L.P.
10250 Constellation Blvd., Suite 1700
Los Angeles, CA 90067
Attention: Gary E. Klausner, Esq.
Facsimile: 310-229-1244

and
Loeb & Loeb LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, California 90067
Attention: Allen Z. Sussman, Esq.
Facsimile: 310-919-3934

or at such other address as one party may designate by notice hereunder to the other parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases prior to issuance; *provided*, *however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making

any disclosure that its counsel deems necessary or advisable in order to satisfy either party's disclosure obligations imposed by law subject to reasonable prior notice to the other party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all parties hereto.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

12.12 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover its court costs and reasonable attorneys' fees.

12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the parties hereto. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the parties on the subject matter hereof (the "**Superseded Agreements**"), which

Superseded Agreements shall be of no further force or effect; provided, that notwithstanding the foregoing, the letter Confidentiality Agreement dated July 12, 2018 between Purchaser and Cain Brothers, a division of KeyBanc Capital Markets Inc., on behalf of Sellers and their related entities shall not be a Superseded Agreement and shall continue in full force in effect in accordance with its terms.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof but only by a written notice signed by the party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a party shall not be deemed to be a waiver of any preceding breach by any other party of any term, covenant or condition of this Agreement, other than the failure of such other party to perform the particular duties so accepted, regardless of the accepting party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

PURCHASER:

STRATEGIC GLOBAL MANAGEMENT, INC.,
a California corporation

Signature By: _____
Print Name: KALI P. CHAUDHURI
Title: CHAIRMAN/CEO
Date: MAY 3, 2019

SELLERS:

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By: _____
Print Name: _____
Title: _____
Date: _____

ST. VINCENT MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By: _____
Print Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

PURCHASER:

STRATEGIC GLOBAL MANAGEMENT, INC.,
a California corporation

Signature By:_____
Print Name:_____
Title:_____
Date:_____

SELLERS:

ST. FRANCIS MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By:_____
Print Name: Rich Adcock
Title: CEO, VHS
Date: 5-3-19

ST. VINCENT MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By:_____
Print Name: Rich Adcock
Title: CEO VHS
Date: 5-3-19

ST. VINCENT DIALYSIS CENTER, INC.
a California nonprofit public benefit corporation

Signature By: _____
Print Name: Rich Adams
Title: CEO VHS
Date: 5-3-19

SETON MEDICAL CENTER,
a California nonprofit public benefit corporation

Signature By: _____
Print Name: Rich Adams
Title: CEO, VHS
Date: 5-3-19

VERITY HOLDINGS, LLC,
a California limited liability company

Signature By: _____
Print Name: Rich Adams
Title: CEO, VHS
Date: 5-3-19

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.,
a California nonprofit public benefit corporation

Signature By:_____
Print Name:_____
Title:_____
Date:_____

B1040 (FORM 1040) (12/15)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)	**ADVERSARY PROCEEDING NUMBER** (Court Use Only)

PLAINTIFFS	**DEFENDANTS**
VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation; ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation and ST FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, SETON MEDICAL CENTER, a California nonprofit public benefit corporation; VERITY HOLDINGS, LLC, a California limited liability company	KALI P. CHAUDHURI, M.D., an individual, STRATEGIC GLOBAL MANAGEMENT, INC., a California corporation, KPC HEALTHCARE HOLDINGS, INC., a California Corporation, KPC HEALTH PLAN HOLDINGS, INC., a California Corporation, KPC HEALTHCARE, INC., a Nevada Corporation, KPC GLOBAL MANAGEMENT, LLC, a California Limited Liability Company, and DOES 1 through 500
ATTORNEYS (Firm Name, Address, and Telephone No.) Samuel R. Maizel (SBN 189301) samuel.maizel@dentons.com Sonia Martin (SBN 191148) sonia.martin@dentons.com Tania M. Moyron (SBN 235736) tania.moyron@dentons.com Nicholas A. Koffroth (SBN 287854) nick.koffroth@dentons.com Dentons US LLP 601 South Figueroa Street, Suite 2500 Los Angeles, CA 90017-5704 T: (213) 623-9300 F: (213) 623-9924	**ATTORNEYS** (If Known) Gary E. Klausner (SBN 69055) gek@lnbyb.com Levene, Neale, Bender, Yoo & Brill 10250 Constellation Boulevard, Suite 1700 Los Angeles, CA 90067 T: (310) 229-1234 F: (310) 229-1244
PARTY (Check One Box Only) ☒ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☐ Creditor ☐ Other ☐ Trustee	**PARTY** (Check One Box Only) ☐ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☐ Creditor ☒ Other ☐ Trustee

CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)
Breach of Contract, Promissory Fraud, and Tortious Breach of Contract (Breach of Implied Covenant of Good Faith and Fair Dealing)

NATURE OF SUIT

(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)

American LegalNet, Inc.
www.FormsWorkFlow.com

B1040 (FORM 1040) (12/15)

FRBP 70 01(1) – Recovery of Money/Property
- ☐ 11-Recovery of money/propert y - §542 turnover of property
- ☐ 12-Recovery of money/property - §547 preference
- ☐ 13-Recovery of money/property - §548 fraudulent transfer
- ☐ 14-Recovery of money/property - other

FRBP 70 01 (2) – Validity, Priority or Extent of Lien
- ☐ 21-Validity, priority or extent of lien or other interest in property

FRBP 7001(3) – Approval of Sale of Property
- ☐ 31-Approval of sale of property of estate and of a co-owner - §363(h)

FRBP 7001(4) – Objection/ Revocation of Discharge
- ☐ 41-Objection/re vocation of discharge - §727(c),(d),(e)

FRBP 7001(5) – Revocation of Confirmation
- ☐ 51-Revocation of confirmation

FRBP 7001(6) – Dischargeability
- ☐ 6 6 -Dischargeability - §523(a)(1),(14),(14A) priority tax claims
- ☐ 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud
- ☐ 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny

(continued next column)

FRBP 70 01(6) – Dischargeability (continued)
- ☐ 61 -Dischargeability- §523(a)(5), domestic support
- ☐ 68-Dischargeability - §523(a)(6), willful and malicious injury
- ☐ 63-Dischargeability - §523(a)(8), student loan
- ☐ 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)
- ☐ 6 5 -Dischargeability - other

FRBP 70 01(7) – Injunctive Relief
- ☐ 71 -Injunctive relief- imposition of stay
- ☐ 72-Injunctive relief - other

FRBP 70 01(8) Subordination of Claim or Interest
- ☐ 81 -Subordination of claim or interest

FRBP 70 01(9) Declaratory Judgment
- ☐ 91 -Declaratory judgment

FRBP 70 01(10) Deter mi nation of Remove d Act ion
- ☐ 01 -Determination of removed claim or cause

Other
- ☐ SS-SIPA Case - 15 U.S.C. §§78aaa *et.seq.*
- ☒ 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

☒ Check if this case involves a substantive issue of state law	☐ Check if this is asserted to be a class action under FRCP 23
☐ Check if a jury trial is demanded in complaint	☐ Demand $

Other Relief Sought
Demand: Damages to be Proved at Trial

American LegalNet, Inc.
www.FormsWorkFlow.com

B1040 (FORM 1040) (12/15)

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR VERITY HEALTH SYSTEM OF CALIFORNIA, INC., et al.	BANKRUPTCY CASE NO. 2:18-bk-20151-ER	
DISTRICT IN WHICH CASE IS PENDING Central District of California	DIVISION OFFICE Los Angeles	NAME OF JUDGE Hon. Ernest M. Robles
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF None	DEFENDANT None	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF) /s/Samuel Maizel		
DATE January 3, 2020	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Samuel Maizel	

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and **Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

American LegalNet, Inc.
www.FormsWorkFlow.com

EXHIBIT "L"

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM
2:18-20151 Verity Health System of California, Inc. **Chapter 11**
Adv#: 2:20-01001 VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a Califo v.

#17.00 Hearing set re [15] *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding*

Docket 0

Matter Notes:

2/11/2020

The tentative ruling will be the order.
Party to lodge order: As set forth in the Amended Tentative Ruling

POST PDF OF TENTATIVE OR AMENDED TENTATIVE RULING TO CIAO

Tentative Ruling:

2/11/2020

(Amended after hearing in RED.) For the reasons set forth below, SGM's motion to stay this adversary proceeding (the "Stay Motion") is DENIED. Subject to any additional argument that may be presented at the hearing, the Committee's emergency motion to intervene, for the limited purpose of opposing the Stay Motion, is GRANTED.

Pleadings Filed and Reviewed:

1) Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding (the "Stay Motion") [Adv. Doc. No. 19]
2) Debtors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding [Adv. Doc. No. 24]
3) Official Committee of Unsecured Creditors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding [Adv. Doc. No. 25]

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

4) Reply to Oppositions to "Strategic Global Management, Inc.'s … Motion to Stay Adversary Proceeding" [Adv. Doc. No. 26]
5) Official Committee of Unsecured Creditors' Emergency Notice of Motion and Motion to Intervene Re: Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding (the "Intervention Motion") [Adv. Doc. No. 27]

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. The Debtors' cases are being jointly administered. *See* Doc. No. 17.

As of the Petition Date, the Debtors operated six acute care hospitals in the state of California. On December 27, 2018, the Court authorized the Debtors to sell two of their hospitals—O'Connor Hospital and Saint Louise Regional Hospital—to Santa Clara County (the "Santa Clara Sale"). The Santa Clara Sale closed on February 28, 2019.

A. The Asset Purchase Agreement Between the Debtors and Strategic Global Management

On February 6, 2019, the Court conducted a hearing to establish bidding procedures for the auction of the Debtors' four remaining hospitals—St. Francis Medical Center ("St. Francis"), St. Vincent Medical Center (including St. Vincent Dialysis Center) ("St. Vincent"), Seton Medical Center ("Seton"), and Seton Medical Center Coastside ("Seton Coastside") (collectively, the "Hospitals"). That hearing required the Court to determine whether to approve an Asset Purchase Agreement (the "APA") between the Debtors and Strategic Global Management ("SGM"). The APA provided that SGM would serve as the stalking-horse bidder for the auction of the Hospitals.

At the February 6, 2019 hearing, the Court found that the termination rights granted to SGM in the APA were unduly broad. In response to the Court's concerns, the Debtors renegotiated the APA to limit SGM's termination rights. On February 19, 2019, the Court entered an order establishing bidding procedures for the auction of the Hospitals and approving the renegotiated APA (the "Bidding Procedures Order") [Bankr. Doc. No. 1572].

The renegotiated provision of the APA—set forth in Section 8.6—pertained to SGM's ability to terminate the transaction in the event that the California Attorney

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

General (the "Attorney General") sought to impose conditions on the sale that were not substantially consistent with those conditions that SGM had agreed to accept (the "Purchaser Approved Conditions"). In the event that the Attorney General sought to impose conditions materially different from the Purchaser Approved Conditions (the "Additional Conditions"), the APA provided the Debtors an opportunity to seek an order from the Court that the Hospitals could be sold free and clear of the Additional Conditions under § 363(f) of the Bankruptcy Code (an order granting such relief, the "Supplemental Sale Order").

Notwithstanding thorough marketing efforts, the Debtors did not receive any qualified bids for all of the Hospitals. The Debtors received one bid to purchase only St. Vincent and one bid to purchase only St. Francis. After consulting with the Official Committee of Unsecured Creditors (the "Committee") and the largest secured creditors, the Debtors determined not to conduct an auction. On May 2, 2019, the Court entered an order finding that SGM was the winning bidder and approving the sale of the Hospitals to SGM for $610 million (the "SGM Sale"). *See* Bankr. Doc. No. 2306 (the "Sale Order").

B. The Supplemental Sale Order

Pursuant to Cal. Corp. Code § 5914, the Debtors submitted the SGM Sale to the Attorney General for review. On September 25, 2019, the Attorney General consented to the SGM Sale, subject to Additional Conditions that were materially different from the Purchaser Approved Conditions. In response, the Debtors moved for entry of a Supplemental Sale Order. On October 23, 2019, the Court issued a *Memorandum of Decision Granting the Debtors' Emergency Motion to Enforce the Sale Order* (the "Sale Enforcement Memorandum") [Bankr. Doc. No. 3446]. The Sale Enforcement Memorandum found that the Debtors were entitled to entry of a Supplemental Sale Order, on the ground that § 363 of the Bankruptcy Code authorized the Debtors to sell the Hospitals free and clear of the Additional Conditions. The Sale Enforcement Memorandum directed the Debtors to lodge a proposed form of the Supplemental Sale Order.

Between October 23 and November 8, 2019, the Debtors, the Attorney General, and SGM attempted to negotiate a consensual form of the Supplemental Sale Order. *See* Bankr. Doc. No. 3573 (Debtors' description of attempts to arrive upon a consensual form of order). The Debtors reached an agreement with the Attorney General, under which the Attorney General would not appeal the Supplemental Sale Order, but only if the Court entered the Supplemental Sale Order in the exact form

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

negotiated by the Debtors and the Attorney General.

SGM objected to the form of order negotiated between the Debtors and the Attorney General. On November 13, 2019, the Court conducted a hearing on SGM's objections. The Court overruled SGM's objections and entered the Supplemental Sale Order in the form negotiated between the Debtors and the Attorney General. *See* Doc. Nos. 3620 (transcript of hearing addressing SGM's objections) and 3611 (form of the Supplemental Sale Order entered by the Court). On November 29, 2019, SGM appealed the Supplemental Sale Order. *See* Bankr. Doc. No. 3726 (Notice of Appeal). The appeal is currently pending before the District Court (Case No. 2:19-cv-10352-DSF).

C. The Section 8.6 Memorandum of Decision and Order

At the hearing on SGM's objections to the form of the Supplemental Sale Order, SGM argued that after entry of the Supplemental Sale Order, it would have 21 business days to evaluate, in the exercise of its reasonable business judgment, whether the Supplemental Sale Order was acceptable (the "Evaluation Period"), pursuant to § 8.6 of the APA.

On November 18, 2019, the Court entered a memorandum of decision and accompanying order rejecting SGM's argument that it was entitled to the Evaluation Period. *See* Bankr. Doc. Nos. 3632 (the "Section 8.6 Memorandum") and 3633 (the "Section 8.6 Order"). The Court found that under the plain language of the APA, SGM was entitled to the Evaluation Period only if the Supplemental Sale Order was subject to a pending appeal. *See* Section 8.6 Memorandum at 3. The Court further found that based upon representations SGM had made at a February 6, 2019 hearing regarding the purpose of § 8.6 of the APA, SGM was judicially estopped from asserting that it was entitled to the Evaluation Period. *Id.* at 3–4. The Section 8.6 Order provided in relevant part: "The Debtors have complied with their obligation under the APA to obtain a final, non-appealable Supplemental Sale Order. Consequently, SGM is now obligated to promptly close the SGM Sale, provided that all other conditions to closing have been satisfied." Section 8.6 Order at ¶ 1.

On November 29, 2019, SGM appealed the Section 8.6 Order. *See* Bankr. Doc. No. 3727 (Notice of Appeal). The appeal is currently pending before the District Court, and has been consolidated with SGM's appeal of the Supplemental Sale Order.

D. The Material Adverse Effect Memorandum of Decision and Order

On November 27, 2019, the Court entered a memorandum of decision and

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

accompanying order rejecting SGM's allegation that the Debtors had failed to comply with certain of the conditions and obligations imposed upon them by the APA, and that these alleged failures to perform had resulted in a Material Adverse Effect which relieved SGM of its obligation to close the SGM Sale. *See* Bankr. Doc. Nos. 3723 (the "Material Adverse Effect Memorandum") and 3724 (the "Material Adverse Effect Order"). The Court stated: "Article 1.3 [of the APA] obligates SGM to close the sale 'promptly but no later than ten (10) business days following the satisfaction' of all conditions precedent. As all conditions precedent were satisfied on November 19, 2019, SGM is obligated to close the sale by no later than December 5, 2019." Material Adverse Effect Memorandum at 7. The Material Adverse Effect Order provided in relevant part: "Pursuant to § 1.3 of the APA, SGM is obligated to close the SGM Sale by no later than December 5, 2019." Material Adverse Effect Order at ¶ 1.

On December 3, 2019, SGM appealed the Material Adverse Effect Order. *See* Bankr. Doc. No. 3746 (Notice of Appeal). The appeal is currently pending before the District Court, and has been consolidated with SGM's appeals of the Section 8.6 Order and Supplemental Sale Order.

E. The Memorandum of Decision and Order Denying the Debtors' Application for Issuance of an Order Requiring SGM to Show Cause Why it Failed to Close the SGM Sale

SGM did not close the SGM Sale by December 5, 2019. On December 6, 2019, the Debtors moved for issuance of an order requiring SGM to show cause why it had failed to close the sale. *See* Bankr. Doc. No. 3773. On December 9, 2019, the Court issued a memorandum of decision and accompanying order denying the Debtors' application for an Order to Show Cause. *See* Bankr. Doc. Nos. 3783 (the "OSC Memorandum") and 3784 (the "OSC Order"). The Court held:

> Requiring SGM's representatives to testify as to SGM's reasons for not closing the SGM Sale would not increase the likelihood of the sale actually closing. By failing to close, SGM risks the loss of its $30 million good-faith deposit as well as the possibility of damages for breach of contract in an amount of up to $60 million. Being compelled to offer testimony will not motivate SGM to close where the threat of the loss of up to $90 million has failed to accomplish that end. In the future, the Debtors will have the opportunity to litigate the issues of whether SGM has breached the APA and whether the Debtors are entitled to retain SGM's good-faith deposit. In the

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

meantime, the Debtors' efforts would be better spent ensuring the health and safety of the patients at the affected Hospitals.

OSC Memorandum at 2.

F. The Debtors' Complaint

On January 3, 2020, the Debtors filed a *Complaint for Breach of Contract, Promissory Fraud, and Tortious Breach of Contract (Breach of Implied Covenant of Good Faith and Fair Dealing)* (the "Complaint") [Adv. Doc. No. 1] against SGM, KPC Healthcare Holdings, Inc., KPC Health Plan Holdings, Inc., KPC Healthcare, Inc., KPC Global Management, LLC, and Kali P. Chaudhuri, M.D. (collectively, the "Defendants," and all KPC entities collectively, "KPC"). The material allegations of the Complaint may be summarized as follows:

Debtors entered into the APA with SGM based upon SGM's representations that it would have the ability to pay the $610 million purchase price and that it would work diligently to close the sale. Complaint at ¶¶ 40–45. SGM never anticipated that the Debtors would obtain a final, non-appealable Supplemental Sale Order. *Id.* at ¶ 58. Instead, SGM believed that even if the Debtors obtained the Supplemental Sale Order, that order would remain subject to an appeal, triggering the Evaluation Period under § 8.6 of the APA and giving SGM the option to withdraw from the transaction and/or coerce the Debtors to agree to a substantially reduced purchase price. *Id.* at ¶ 76. Had the Debtors known that SGM was not serious about paying the $610 million purchase price, they would have pursued other options for the sale and disposition of the Hospitals. *Id.* at ¶ 45.

Debtors expended tremendous time, expenses, and resources to prepare for and close the SGM Sale in reliance on the APA and Sale Order. *Id.* at ¶ 59. Among other things, Debtors (a) sent "WARN Notices" to approximately 4,900 employees, pursuant to the Worker Adjustment and Retraining Notification Act of 1988, at three different times, as KPC continued to postpone the closing date; (b) spent months facilitating an efficient close of the sale, with approximately twenty different workstreams, meeting at least weekly with employees of KPC to ensure a smooth transition of operations and continued care of patients; (c) successfully negotiated and finalized modified collective bargaining agreements with the six unions representing the Hospitals' employees; and (d) coordinated changes in insurance coverages and insurance policies to ensure seamless coverage for employees and patients. *Id.* at ¶ 60.

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Despite the Debtors' good faith efforts to work towards a prompt closing of the SGM Sale, Defendants dragged their feet and frustrated Debtors' efforts. Defendants failed to ensure that financing, resources, management, and personnel were in place for Defendants to assume operations of the Hospitals in 2019. Defendants did so knowing that the Debtors were continuing to operate at a loss of approximately $450,000 a day. *Id.* at ¶ 78. Among other things, Defendants (a) failed to timely engage with the Hospitals' primary revenue providers—health plans and physician groups—to provide assurances that their business relationships with the Hospitals would continue after the closing date; (b) failed to onboard a sufficient management team to run the Hospitals, and engaged in eleventh-hour efforts to hire away key members of the Debtors' management team; and (c) delayed decisions on the assumption or rejection of thousands of executory contracts, which created uncertainty for the counterparties to those contracts. *Id.* at ¶¶ 79–81.

On November 18, 2019, SGM's CEO, Peter Baranoff, telephoned Carsten Beith, at the Debtors' investment banker Cain, and stated that SGM could not obtain sufficient financing to close the SGM Sale. *Id.* at ¶ 86. Recognizing that the existence of financing is not a condition to close, SGM resorted to making unfounded and self-serving assertions that the Debtors breached the APA. *Id.* at ¶ 87. On November 22, 2019, SGM sent the Debtors letters setting forth issues that SGM asserted amounted to a Material Adverse Effect (the "November 22, 2019 Letters"). *Id.* at ¶ 88. The issues that SGM raised were not new—they were all known or discoverable during the diligence period that had expired at least nine months earlier. *Id.* And none of the issues altered SGM's obligation to close the SGM Sale by December 5, 2019, because the APA provided that the sale was "as is, where is." *Id.* Even after the Bankruptcy Court entered the Material Adverse Effect Order, which provided that SGM was required to close the SGM Sale by December 5, 2019, SGM refused to close the sale. *Id.* at ¶ 97.

Based upon the foregoing allegations, the Complaint asserts claims for breach of contract, promissory fraud, and tortious breach of contract for breach of the implied covenant of good faith and fair dealing. In Count I, for breach of contract, Debtors allege that the Defendants have materially and continually breached the APA by (a) failing to consummate and close the SGM Sale in accordance with the APA; (b) failing to have funds available to close the SGM Sale at the price set forth in the APA; (c) representing in § 3.9 of the APA and elsewhere that they had the ability to obtain "funds in cash in amounts equal to the purchase price"; (d) attempting to coerce the

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Debtors to agree to a substantially reduced purchase price; (e) failing to cooperate with the Debtors and move with alacrity towards closing the SGM Sale; (f) making unfunded and untimely assertions of alleged Material Adverse Effects; (g) asserting entitlement to an "Evaluation Period" when no such period existed after entry of the Sale Enforcement Order, the Section 8.6 Order and the Material Adverse Effect Order; (h) appealing the Sale Enforcement Order to avoid its obligation to close and despite the APA's requirement that the Defendants cooperate to render it a final, nonappealable order; and (i) filing meritless and frivolous Notices of Appeal. *Id.* at ¶ 100.

In Count II, for promissory fraud, Debtors allege that at the time Defendants entered into the APA, Defendants had no intention of performing in accordance with the APA, and that Defendants concealed their true intention not to fund the $610 million purchase price for the purpose of holding the estate, creditors, and patients at the Hospitals hostage in an attempt to extort a lower purchase price. *Id.* at ¶ 102.

In Count III, for tortious breach of contract, Debtors allege that Defendants tortiously breached the APA and the implied covenant of good faith and fair dealing by (a) entering into the APA with no intention to perform their obligations thereunder; (b) failing to consummate and close the SGM Sale in accordance with the APA; (c) failing to have funds available to close the SGM Sale at the $610 million purchase price set forth in the APA; (d) attempting to coerce Plaintiffs to engage in a re-trade at a lower price; (e) failing to cooperate with Debtors and move with alacrity towards closing the SGM Sale; (f) making unfounded and untimely assertions of alleged Material Adverse Effects; (g) asserting entitlement to an Evaluation Period to which Defendants were not entitled; (h) filing meritless Notices of Appeal; and (i) failing to respond to Debtors' inquiries regarding SGM's intent and financial ability to perform under the APA. *Id.* at ¶ 107.

G. SGM's Emergency Motion to Stay the Adversary Proceeding

On January 16, 2020, SGM filed an emergency motion to stay the adversary proceeding that had been commenced by the filing of the Complaint (the "Stay Motion"). The Court declined to set a hearing on the Stay Motion on 48 hours' notice, as requested by SGM. Instead, the Court *sua sponte* extended the deadline for Defendants to respond to the Complaint to February 19, 2020, to enable the Stay Motion to be heard on regular notice. *See* Doc. No. 15.

In the Stay Motion, SGM asserts that the Court lacks jurisdiction to adjudicate the adversary proceeding until final resolution of SGM's appeals of the Sale Enforcement

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Order, the Section 8.6 Order, and the Material Adverse Effect Order (collectively, the "Orders"). SGM argues that the issues raised by the Orders touch directly on the issues raised in the adversary proceeding. SGM contends that the Complaint relies heavily on the finding in the Material Adverse Effect Order that the Debtors had complied with all the conditions required for closing and that SGM was obligated to close on December 5, 2019. SGM further maintains that the Complaint overlaps with the Orders because the Complaint alleges that SGM breached the APA by (a) asserting entitlement to an Evaluation Period when no such period existed after entry of the Orders; (b) appealing the Sale Enforcement Order to avoid its obligation to close and despite the APA's requirement that Defendants cooperate to render the Sale Enforcement Order final and non-appealable; and (c) filing meritless and frivolous Notices of Appeal of the Orders.

H. The Debtors' Opposition to the Stay Motion

The Debtors arguments in opposition to the Stay Motion may be summarized as follows:

The divestiture rule provides that the filing of a notice of appeal "confers jurisdiction on the court of appeals and divests the district court of those aspects of the case involved in the appeal." *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982). The Ninth Circuit has held:

> The "divestiture of jurisdiction rule is not based upon statutory provisions or the rules of civil or criminal procedure. Instead, it is a judge made rule originally devised in the context of civil appeals to avoid confusion or waste of time resulting from having the same issues before two courts at the same time." *United States v. Claiborne*, 727 F.2d 842, 850 (9th Cir. 1984). Though *Griggs* referred to the "divestiture rule" as jurisdictional, the Supreme Court has since made clear that "[o]nly Congress may determine a lower federal court's subject-matter jurisdiction." *Hamer v. Neighborhood Hous. Services of Chicago*, —— U.S. ——, 138 S.Ct. 13, 17, 199 L.Ed.2d 249 (2017) (quoting *Kontrick v. Ryan*, 540 U.S. 443, 452, 124 S.Ct. 906, 157 L.Ed.2d 867 (2004)). Accordingly, "jurisdictional" rules derived from sources other than Congress are more accurately characterized as "mandatory claim-processing rules" that may be applied in a "less stern" manner than true jurisdictional rules.

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Rodriguez v. Cty. of Los Angeles, 891 F.3d 776, 790–91 (9th Cir. 2018).

As a pragmatic rule, divestiture (a) does not preclude the Court from exercising jurisdiction over all other matters that it must undertake to implement or enforce the judgment or order, and (b) in the absence of a stay pending appeal, only prohibits modification of the order on appeal. A careful reading of the Orders and the Complaint shows that application of the divestiture rule is not appropriate here. The Orders cover discrete issues concerning the Debtors' efforts to close the now-terminated SGM Sale. The Orders are not dispositive of the claims asserted in the Complaint. The Court acknowledged as much in the OSC Memorandum, which stated that "[i]n the future, the Debtors will have an opportunity to litigate the issues of whether SGM has breached the APA and whether the Debtors are entitled to retain SGM's good-faith deposit." OSC Memorandum at 2. The divestiture rule only prohibits the Court from altering or amending the Orders, and the Complaint does not seek such relief. *See Sherman v. SEC (In re Sherman)*, 491 F.3d 948, 967 (9th Cir. 2007) (internal citation omitted) (holding that where divestiture applies, the "bankruptcy court retains jurisdiction over all other matters that it must undertake 'to implement or enforce the judgment or order,' although it 'may not alter or expand upon the judgment.' If a party wants to stay all of the proceedings in bankruptcy court while an appeal is pending, it must file a motion for a stay.").

The divestiture rule is not properly invoked with respect to the Section 8.6 Order and Material Adverse Effect Order, because both orders are interlocutory. "Filing an appeal from an unappealable decision does not divest the district court of jurisdiction." *United States v. Hickey*, 580 F.3d 922, 928 (9th Cir. 2009). The Section 8.6 Order is interlocutory because its findings were limited to the Debtors' satisfaction of § 8.6 of the APA, and it did not address whether other conditions to closing had been satisfied. *See* Section 8.6 Order at 2 (finding that "SGM is now obligated to promptly close the SGM Sale, *provided that* all other conditions to closing are satisfied") (emphasis added). The Material Adverse Effect Order is interlocutory because it did not compel SGM to close the SGM Sale. Rather, it interpreted the Material Adverse Effect clause and closing conditions in the APA, determined that those provisions were satisfied, and, in light of those findings and the Debtors' outstanding contractual demand, determined that December 5, 2019 was the closing date under § 1.3 of the APA.

Even if the divestiture rule did apply—which it does not—the Court could still adjudicate the Complaint because the divestiture rule is subject to exceptions. As explained by the United States District Court for the Northern District of California:

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM
CONT... Verity Health System of California, Inc. **Chapter 11**

> [T]here are generally three situations where a notice of appeal does not divest the district court of jurisdiction: (1) where the issue before the district court is separate from, or collateral to, the matter involved in the appeal; (2) where application of the divestiture of jurisdiction rule would wholly undermine its purpose; and (3) where the appeal is clearly defective or frivolous, usually by reason of untimeliness, lack of essential recitals, or reference to a nonappealable order.

Ashker v. Cate, No. 09-cv-05796-CW, 2019 WL 1558932, at *3 (N.D. Cal. Apr. 10, 2019)
(quotations omitted).

The appeals of the Orders are constitutionally and equitably moot. As a result, the appeals are clearly defective and frivolous, and application of the divestiture rule would wholly undermine its purpose.

The relief set forth in each of the Orders contemplates the effectiveness and closing of the SGM Sale pursuant to the APA. The Court cannot grant relief with respect to closing the SGM Sale given the dramatic change in circumstances after SGM's refusal to close. The APA was terminated on December 27, 2019. The Debtors obtained orders authorizing them to undertake alternative transactions and authorizing the closure of St. Vincent Medical Center. It is no longer possible for the Debtors to close the transaction contemplated by the APA. Consequently, the Orders—which each pertain to the closing of the SGM Sale—are moot.

Finally, SGM has waived its ability to assert that the divestiture rule applies. The APA provides that disputes regarding the occurrence of a Material Adverse Effect "shall be exclusively settled by a determination made by the Bankruptcy Court …." APA at § 9.1(c). This provision constitutes an enforceable contractual appeal waiver. *See Minesen Co. v. McHugh*, 671 F. 3d 1332, 1339 (D.C. Cir. 2012) (extensive case law permits voluntary waivers of rights to appeal); *Slattery v. Ancient Order of Hibernians in Am.*, No. 97-7173, 1998 WL 135601, at *1 (D.C. Cir. Feb. 9, 1998) (dismissing appeal where parties "agree[d] not to appeal any decision by the district court relating to defendants' motion for attorneys' fees"). Because SGM has waived its appellate rights with respect to Material Adverse Effect determination, it cannot invoke the divestiture rule.

Section 12.3 of the APA provides that "the parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court." As a result of this waiver, SGM cannot invoke the divestiture rule with respect to the Sale Enforcement Order or the Section 8.6 Order.

I. The Committee's Opposition to the Stay Motion and the Committee's Motion to Intervene

The Official Committee of Unsecured Creditors (the "Committee") filed an opposition to the Stay Motion (the "Committee Opposition"). In its reply briefing, SGM asserted that the Committee Opposition should be stricken because the Committee (1) is not a party to the adversary proceeding, (2) has not obtained Court permission to intervene in the adversary proceeding, and (3) has no standing to participate in the adversary proceeding.

The Court authorized the Committee to notice a hearing on an emergency motion to intervene (the "Intervention Motion") concurrently with the hearing on the Stay Motion. The Committee seeks to intervene for the limited purpose of opposing the Stay Motion. The Committee has not yet decided whether it will move to intervene as to the remainder of the adversary proceeding.

In support of the Intervention Motion, the Committee argues that multiple circuit courts have held that, under § 1109(b), a creditors' committee may appear and be heard in *any proceeding* in the bankruptcy court—including adversary proceedings. *See, e.g.*, *In re Caldor Corp.*, 303 F.3d 161, 175-76 (2nd Cir. 2002) (term loan holder committee had unconditional right under Section 1109(b) to intervene in adversary proceeding against Chapter 11 debtors); *Matter of Marin Motor Oil, Inc.*, 689 F.2d 445, 451–54 (3rd Cir. 1982) (under Section 1109(b), creditors' committee had "absolute right" to intervene in adversary proceeding). In the alternative, the Committee asserts that it meets the requirements for intervention as of right under Civil Rule 24(a)(2). Specifically, the Committee maintains that it has a significant protectable interest in this matter, given that the Debtors' claims against SGM for breach of contract represent a significant source of money that might be available to provide a recovery to unsecured creditors.

The Committee's arguments in opposition to the Stay Motion may be summarized as follows:

The Stay Motion is nothing more than an attempt by SGM to indefinitely delay resolution of the Complaint. SGM's breach of the APA cost the estates not less than $100 million, resulted in a material loss of jobs, and adversely impacted local access

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

to healthcare.

The Committee is concerned that, in the course of the delay that SGM seeks, SGM's principals will strip SGM of its assets, negating its ability to satisfy a future judgment.

SGM's misconduct is illustrated by its appeal of the Supplemental Sale Order. The rationale for § 8.6 of the APA was that it might prove risky for SGM to close the sale if the Supplemental Sale Order was appealed, given that an appeal could expose SGM to the more onerous Additional Conditions that it had not agreed to accept. To that end, § 8.6 gave SGM the option to walk away if an appeal of the Supplemental Sale Order remained pending at the time of closing. It was never contemplated that SGM itself could trigger such optionality (i.e., grant itself a right to walk away) by filing an appeal of the very Supplemental Sale Order it needed for comfort. But this now appears to be precisely SGM's position.

J. SGM's Reply in Support of the Stay Motion

SGM's arguments in reply to the Debtors' opposition may be summarized as follows:

The divestiture rule applies where, as here, the issues in the lower court "involve aspects of the case that are the subject of the pending appeal." *Mercado-Guillen v. McAleenan*, 2019 WL 1995331, at *2 (N.D. Cal. May 6, 2019). At base, the Complaint seeks to hold SGM liable for failing to close the SGM Sale in accordance with the APA. Complaint at ¶ 100. However, it is undisputed that SGM had no duty to close the SGM Sale until the Debtors had satisfied all conditions precedent to closing. SGM has appealed the Material Adverse Effect Order, which found that the Debtors had satisfied all conditions precedent. The Bankruptcy Court cannot adjudicate the issue of whether the Debtors had satisfied the conditions precedent to closing while that same issue is being considered by the District Court in connection with the appeal.

The Debtors assert that the Court need not stay the adversary proceeding because SGM did not seek a stay of any of the appealed Orders. However, the Orders from which SGM appealed are not enforceable orders; if they were, the Debtors would not have filed the Complaint to obtain damages. SGM had no need to seek a stay until the Debtors filed the Complaint, which created the prospect of two courts ruling on the same issues at the same time.

The Debtors assert that the divestiture rule does not apply because SGM's appeals

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

are frivolous. It is not appropriate for the Bankruptcy Court to determine whether the appeals are frivolous; such a determination would usurp the authority of the District Court.

Along similar lines, the Debtors assert that the divestiture rule does not apply because the Orders were interlocutory. Questions about the District Court's jurisdiction over the appeals should be left to the District Court. However, the Debtors' contention that the Orders were interlocutory is mistaken. The Material Adverse Effect Memorandum unambiguously and finally decided that "all conditions precedent to closing have been satisfied" and that "SGM is obligated to close the sale by no later than December 5, 2019." Material Adverse Effect Memorandum at 7. This was a final order—after its entry, there were no other sale conditions left for the Court to interpret, and SGM was obligated to close the sale.

If SGM is not permitted to proceed with its appeals of the Orders prior to adjudication of the Complaint, then SGM will be subject to the Debtors' argument that the Orders preclude SGM from contesting the Complaint's allegations—in particular, the allegation that SGM failed to timely close the sale notwithstanding its obligation to do so. This would enable the Debtors to obtain a judgment in their favor on their breach of contract claims without the Defendants ever having had the opportunity to present evidence in defense of those claims.

There is no merit to the Debtors' contention that the appeals are moot because the APA has been terminated. It is true that it is no longer possible for the sale contemplated by the APA to close. But that has nothing to do with the Complaint, which requires a determination over which party breached the APA.

The Debtors' argument that SGM waived its rights to appeal or to invoke the divestiture rule are likewise without merit. The waiver of a right to appeal must be express. *In re Deepwater Horizon*, 785 F.3d 986, 997 (5th Cir. 2015). The "exclusively settled" and "sole judicial forum" language in §§ 9.3(c) and 12.3 of the APA simply provides the forum in which disputes arising under the APA would be adjudicated. Nothing in either section can reasonably be interpreted as an express waiver of the right to appellate review.

II. Findings and Conclusions

A. The Committee is Authorized to Intervene for the Limited Purpose of Opposing the Stay Motion

The Committee is authorized to intervene for the limited purpose of opposing the Stay Motion. The Court declines SGM's request to strike the Committee Opposition.

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

The Second and Third Circuits have both held that, pursuant to § 1109(b), a creditors' committee has an unconditional right to intervene in an adversary proceeding within a Chapter 11 case. *See Term Loan Holder Committee v. Ozer Group, LLC (In re Caldor Corp.)*, 303 F.3d 161, 176 (2d Cir. 2002) and *Committee v. Michaels (Matter of Marin Motor Oil, Inc.)*, 689 F.2d 445, 451 (3d Cir. 1982).

Here, the Committee has sought authorization to intervene solely for the purposes of opposing the Stay Motion. SGM acknowledges that the Committee has the authority to be heard on issues arising in the main bankruptcy case, but contends that the Committee's right to be heard does not apply to the instant adversary proceeding. However, SGM initially filed the Stay Motion in the main bankruptcy case; it re-filed the Stay Motion in the adversary proceeding only after being ordered to do so by the Court. SGM's decision to initially file the Stay Motion in the main bankruptcy case severely undercuts its assertion that the Committee lacks standing with respect to the Stay Motion.

Even if the Stay Motion had not initially been filed in the main bankruptcy case, the Court would find it appropriate to permit the Committee to intervene for the limited purpose of opposing the Stay Motion. The timing of the adjudication of the Complaint will significantly affect the creditors that the Committee represents. In the event the Debtors prevail, the creditors that the Committee represents may be entitled to a portion of the recovery. The Committee has an interest in assuring that the Complaint is not stayed pending the outcome of SGM's appeals of the Orders. That interest is significant enough to confer standing upon the Committee to oppose the Stay Motion.

In the event the Committee wishes to be heard in connection with future issues arising in this adversary proceeding, the Committee shall file a further motion to intervene.

B. The Stay Motion is Denied

"The filing of a notice of appeal is an event of jurisdictional significance—it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal." *Griggs v. Provident Consumer Disc. Co*., 459 U.S. 56, 58, 103 S.Ct. 400, 74 L.Ed.2d 225 (1982).

The premise of the Stay Motion is that the Orders contain findings which (a) preclude SGM from defending itself against the Complaint's allegations and (b) require the Court to enter judgment in the Debtors' favor on the breach of contract claim. Based upon this premise, SGM asserts that the adversary proceeding must be

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

stayed until the completion of its appeals of the Orders.

SGM's premise is not correct. The Orders do not adjudicate whether SGM had breached the APA; nor do the Orders contain findings that compel the Court to rule in the Debtors' favor with respect to the Complaint's breach of contract claim. The Orders were entered "[t]o facilitate an expeditious and successful resolution of these cases," Section 8.6 Order at 2. To that end, the Orders contained various findings necessary to allow the SGM Sale to proceed. The sole purpose of those findings was to provide the framework necessary for the Debtors and SGM to promptly close the SGM Sale. The findings were not intended to create a springboard for a claim for breach of contract against SGM.

Significantly, nothing in the Orders determined SGM's liability, if any, for breach of the APA. The limited scope of the Orders was made clear in the OSC Memorandum, in which the Court emphasized that the issue of whether SGM had breached the APA had not yet been decided: "*In the future*, the Debtors will have the opportunity to litigate the issues of whether SGM has breached the APA and whether the Debtors are entitled to retain SGM's good-faith deposit." OSC Memorandum at 2.

The APA was terminated on December 27, 2019. St. Vincent, one of the Hospitals whose sale was contemplated by the APA, has now closed. The SGM Sale is dead and cannot be resuscitated. The findings in the Orders—which the Court made only to facilitate the closing of the SGM Sale—cannot spring back to life in the entirely different context of the Debtors' breach of contract claim. The Orders do not preclude SGM from contesting the Debtors' allegation that SGM breached the APA. SGM remains free to present evidence in this proceeding in support of its position that as of December 5, 2019, it was not obligated to close the SGM Sale. The corollary is that the Debtors cannot rely solely upon the Material Adverse Effect Order to support their allegation that SGM was obligated to close as of December 5, 2019.

Because the findings in the Orders were limited to the failed SGM Sale, those findings are not dispositive of the claims asserted in the Complaint. Consequently, SGM's appeal of the Orders has not divested this Court of jurisdiction over the separate issues arising in the Complaint.

~~An additional reason for the inapplicability of the divestiture rule is that SGM has waived its right to appeal the Orders. To prevent abusive appeals undertaken "to run up an adversary's costs or to delay trial," the Court may decline to apply the divestiture rule if it certifies that an appeal has been waived. *Rodriguez v. Cty. of Los Angeles*, 891 F.3d 776, 791 (9th Cir. 2018). SGM has waived its right to appeal any of the Orders. With respect to the Material Adverse Effect Order, the APA provides that~~

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM
CONT... Verity Health System of California, Inc. **Chapter 11**

~~"any dispute between Purchaser [SGM] and Sellers [the Debtors] as to whether a Material Adverse Effect has occurred for any purpose under this Agreement *shall be exclusively settled* by a determination made by the Bankruptcy Court." APA at § 9.1(c) (emphasis added). With respect to the Sale Enforcement Order and the Section 8.6 Order, § 12.3 of the APA provides that "the parties irrevocably elect, *as the sole judicial forum* for the adjudication of any matters arising under or in connection with the Agreement, and consent to *the exclusive jurisdiction of*, the Bankruptcy Court …." The Court will certify to the District Court that SGM has waived its right to appeal the Orders. For this additional reason, the divestiture rule does not apply.~~

Based upon the foregoing, the Stay Motion is DENIED. The Court will prepare and enter an order denying the Stay Motion and an order granting the Intervention Motion. ~~and a certification that SGM has waived its right to appeal the Orders.~~

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, the Judge's Law Clerks, 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.

Party Information

Debtor(s):

Verity Health System of California, Represented By
Samuel R Maizel
John A Moe II
Tania M Moyron
Claude D Montgomery
Sam J Alberts
Shirley Cho
Patrick Maxcy
Steven J Kahn
Nicholas A Koffroth

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

Tuesday, February 11, 2020 **Hearing Room 1568**

10:00 AM

CONT... Verity Health System of California, Inc. **Chapter 11**

Defendant(s):

Kali P. Chaudhuri, M.D., an	Pro Se
Strategic Global Management, Inc.,	Pro Se
KPC Healthcare Holdings, Inc., a	Pro Se
KPC Health Plan Holdings, Inc., a	Pro Se
KPC Healthcare, Inc., a Nevada	Pro Se
KPC Global Management, LLC, a	Pro Se
Does 1 through 500	Pro Se

Plaintiff(s):

ST. VINCENT MEDICAL	Represented By Samuel R Maizel Tania M Moyron
St Vincent Dialysis Center, Inc., a	Represented By Samuel R Maizel Tania M Moyron
ST. FRANCIS MEDICAL	Represented By Samuel R Maizel Tania M Moyron
Seton Medical Center, a California	Represented By Samuel R Maizel Tania M Moyron
Verity Holdings, LLC, a California	Represented By Samuel R Maizel Tania M Moyron
VERITY HEALTH SYSTEM OF	Represented By Samuel R Maizel Tania M Moyron

EXHIBIT "M"

Docket #4530 Date Filed: 4/10/2020

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

FILED & ENTERED

APR 10 2020

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

CHANGES MADE BY COURT

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

Hon. Judge Ernest M. Robles

ORDER (A) AUTHORIZING THE SALE OF CERTAIN OF THE DEBTORS' ASSETS TO THE CHAN SOON-SHIONG FAMILY FOUNDATION OR ITS DESIGNEE(S) FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS; (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN ASSIGNED CONTRACTS RELATED THERETO; AND (C) GRANTING RELATED RELIEF

Hearing:
Date: April 10, 2020
Time: 1:30 p.m.
Location: Courtroom 1568
255 E. Temple St., Los Angeles, CA

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

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

This matter came before the Court on the *Debtors' Emergency Motion for the Entry of: (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format and Bidding Procedures; (3) Approving Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to Be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) an Order Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances* [Docket No. 4365] (the "Motion"),[1] filed by Verity Health System of California, Inc. ("VHS"), and the above-referenced affiliated debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (the "Debtors"), for the entry of an order, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1.[2] This Sale Order relates to the sale of certain Purchased Assets (as defined below) related to the former general acute care hospital known as "St. Vincent Medical Center," which are owned, as applicable, by St. Vincent Medical Center, a California nonprofit public benefit corporation ("SVMC"), VHS, and Verity Holdings LLC, a California limited liability company ("Holdings").

At the previous hearing on the Motion on April 1, 2020 (the "Bidding Procedures Hearing"), the Court granted the Motion [Docket No. 4398] (the "Bidding Procedures Order"). Any objections that were filed and overruled at the Bidding Procedures Hearing are not listed herein. The Bidding Procedures Order further provides that any counterparty to an Assigned Contract that wishes to file any objection (an "Assumption Objection") to the assumption and assignment of Assigned Contracts (including as to the Cure Amount), such counterparty must file and serve the Assumption Objection so as to be actually received by the Notice Parties by no later than April 16, 2020, at 5:00 p.m. (Pacific Time). The Court will hold a hearing on the any

[1] All capitalized terms not otherwise defined herein have the definitions set forth in the Motion.

[2] 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, and all "LBR" references are to the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California.

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

Assumption Objections on April 29, 2020, at 10:00 a.m. (Pacific Time) (the "Assumption Objection Hearing").

The Court, having reviewed the Memorandum [Docket No. 4518], the Declarations of Richard Adcock [Docket Nos. 8, 3906, 4365, 4518], James Moloney [Docket Nos. 3906, 4365, 4518], Douglas Reed Maughan [Docket No. 4521], and Hope Levy-Biehl [Docket No. 4526] in support thereof, the *Notice To Counterparties To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* [Docket No. 4517] (the "Cure Notice"), the *Notice of Sale Procedures, Auction Date, and Sale Hearing* [Docket No. 4399] (the "Auction Notice"), *SEIU-UHW's Response and Reservation of Rights to Debtors' Motion for Entry of Order Authorizing the Sale of St. Vincent (Doc. 4365)* [Docket No. 4456] (the "SEIU-UHW Reservation of Rights"), the *Limited Opposition of Belfor USA Group, Inc., to Debtors' Motion for an Order Authorizing the Sale of St. Vincent Medical Center Free and Clear of All Claims, Liens, and Encumbrances [Docket No. 4365]* [Docket No. 4462] (the "Belfor Objection"), the *Objection of California Attorney General to Sale of St. Vincent Medical Center "Free and Clear" of Attorney General's Review and Consent or With a "Good Faith" Finding as to the Purchaser [Doc. 4365; 4398; 4399]* [Docket No. 4474] ("Attorney General Objection"), and any withdrawals thereof, the *Official Committee of Unsecured Creditors' Joinder to Debtors' Memorandum in Support of the Sale of St. Vincent Medical Center* [Docket No. 4519], the *Purchaser's Reply to Objection of Attorney General to Sale of St. Vincent Medical Center "Free and Clear" of Attorney General's Review and Consent or With a "Good Faith" Findings as to the Purchaser* [Docket No. 4523], the Debtors' reply to the SEIU-UHW Reservation of Rights [Docket No. 4524], the statements, arguments and representations of the parties made at the Sale Hearing; and the entire record of these cases; and the Court, having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and that the legal and factual bases set forth in the Motion and presented at the Sale Hearing establish just cause for the relief granted herein ~~and for the reasons set forth in the Court's tentative ruling issued on April 10, 2020, which the Court adopts as its final ruling and which is incorporated~~

~~herein by reference~~; and all objections to the Motion, if any, having been withdrawn, continued or overruled; and after due deliberation and sufficient good cause appearing therefor:

THE COURT HEREBY FINDS AND CONCLUDES THAT:[3]

A. Jurisdiction and Venue. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of the Debtors' bankruptcy estates and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b)(2) (A), (M), (N) and (O). Venue of these cases is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Statutory Predicates. The statutory predicates for the relief requested in the Motion are (i) §§ 105(a), 363(b), (f), (k), (l) and (m), and 365, (ii) Rules 2002(a)(2), 2002(c)(1) and (d), 6004 (a), (b), (c), (e), (f) and (h), 6006(a), (c) and (d), 9006, 9007, 9013 and 9014, and (iii) LBR 6004-1 and 9013-1.

C. Notice. As evidenced by the affidavits of service previously filed with the Court, the Debtors have provided proper, timely, adequate and sufficient notice to all parties in interest (including any party holding, or purportedly holding, an Encumbrance (as defined below) with respect to Purchased Assets) with respect to the following: (i) the Motion and the relief sought therein, including the entry of this Sale Order and the transfer and sale of the assets (the "Purchased Assets"), as set forth in the Asset Purchase Agreement, dated March 30, 2020, a copy of which is attached as Exhibit "A" to Docket No. 4379 (the "APA"); (ii) the Sale Hearing; (iii) the Auction Notice; and (iv) the assumption and assignment of the executory contracts and unexpired leases and proposed cure amounts owing under such executory contracts and unexpired leases (the "Cure Amounts"); and no further notice of the Motion, the relief requested therein or the Sale Hearing is required. The Debtors have also complied with all obligations to provide notice of the Auction, the Sale Hearing, the proposed sale and otherwise, as required by the

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Rule 7052, made applicable to this proceeding pursuant to Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

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

Bidding Procedures Order. A reasonable opportunity to object and to be heard regarding the relief provided herein has been afforded to parties-in-interest.

D. Title in the Purchased Assets. The Purchased Assets constitute property of the Debtors' estates and title thereto is vested in the Debtors' estates within the meaning of § 541(a). The Debtors are the sole and lawful owner of the Purchased Assets.

E. Arm's Length Transaction. The APA and other documents and instruments (the "Transaction Documents") related to and connected with this transaction (the "Transaction") and the consummation thereof were negotiated and entered into by the Debtors and the Chan Soon-Shiong Family Foundation (the "Foundation") and its permitted assignees, Patrick Soon-Shiong IC, LLC, Patrick Soon-Shiong IC 2, LLC, and Patrick Soon-Shiong IC 3, LLC (the "Purchasers"), as Purchasers under the APA without collusion, in good faith and through an arm's length bargaining process. Neither the Purchasers nor any of their affiliates or representatives are an "insider" of the Debtors, as that term is defined in § 101(31). None of the Debtors, the Purchasers, or their respective representatives and advisors (i) engaged in any conduct that would cause or permit the APA, any of the other Transaction Documents or the Transaction to be avoided under § 363(n), or (ii) have acted in any improper or collusive manner. The terms and conditions of the APA and the other Transaction Documents, including, without limitation, the consideration provided in respect thereof, are fair and reasonable, and are not avoidable and shall not be avoided, and no damages may be assessed against the Purchasers or any other party as set forth in § 363(n). The consideration provided by the Purchasers is fair, adequate and constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and any other applicable laws of the United States or any of its jurisdictions or subdivisions, including the State of California.

F. Good Faith Purchasers. The Purchasers have proceeded in good faith and without collusion in all respects in connection with the sale process, in that: (i) the Purchasers, in proposing and proceeding with the Transaction in accordance with the APA, recognized that the Debtors were free to deal with other interested parties; (ii) the Purchasers agreed to provisions in the APA that would enable the Debtors to accept a higher and better offer; (iii) the Purchasers

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

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

complied with all of the provisions in the Bidding Procedures Order applicable to the Purchasers; (iv) all payments to be made by the Purchasers and other agreements entered into or to be entered into between the Purchasers and the Debtors in connection with the Transaction have been disclosed; (v) the negotiation and execution of the APA and related Transaction Documents were conducted in good faith and constituted an arm's length transaction; (vi) the Purchasers did not induce or cause the chapter 11 filings by the Debtors; and (vii) the APA was not entered into, and the Transaction being consummated pursuant to and in accordance with the APA is not being consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors. The Purchasers are therefore entitled to all of the benefits and protections provided to good-faith purchasers under § 363(m). Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Transaction shall not affect the validity of the Transaction, any terms or conditions of the Transaction or the Purchasers' status as "good faith" purchasers under § 363(m) of the Bankruptcy Code.

G. Justification for Relief. Good and sufficient reasons for approval of the APA and the other Transaction Documents and the Transaction have been articulated to this Court in the Motion and at the Bidding Procedures Hearing and Sale Hearing, and the relief requested in the Motion and set forth in this Sale Order is in the best interests of the Debtors, their estates, and their creditors. The Debtors have demonstrated through the Motion and other evidence submitted at the Sale Hearing that (i) good, sufficient and sound business purpose and justification and compelling circumstances exist for the transfer and sale of the Purchased Assets as provided in the APA outside the ordinary course of business, and (ii) such transfer and sale is an appropriate exercise of the Debtors' business judgment and in the best interests of the Debtors, their estates, and their creditors.

H. Free and Clear. In accordance with §§ 363(b) and 363(f), the consummation of the Transaction pursuant to the Transaction Documents shall be a legal, valid, and effective transfer and sale of the Purchased Assets and shall vest in the Purchasers, through the consummation of the Transaction, all of the Debtors' right, title, and interest in and to the Purchased Assets, free and clear of all liens (including, but not limited to, mechanics' liens), claims, encumbrances,

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

interests, rights of setoff, recoupment, netting and deductions, rights of first offer, first refusal and any other similar contractual property, legal or equitable rights, and any successor or successor-in-interest liability theories (collectively, the "Encumbrances"). The Debtors have demonstrated that one or more of the standards set forth in § 363(f)(1)-(5) have been satisfied. Those holders of Encumbrances who did not object, or who withdrew their objections, to the sale or the Motion are deemed to have consented pursuant to § 363(f)(2). Those holders of Encumbrances who did object fall within one or more of the other subsections of § 363(f). All holders of the Encumbrances in the Purchased Assets are adequately protected by having their respective Encumbrances attach to the Debtors' interests in the proceeds of the sale of the Purchased Assets under the APA (subject to any Challenge within the meaning of that certain *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order") that has been, or may be, timely filed), and any related documents or instruments delivered in connection therewith, whenever and wherever received (the "Sale Proceeds") to the extent and manner herein provided. The outcome of any Challenge (as defined in the Final DIP Order) does not affect the findings in this paragraph as it relates to Purchasers.

I. Prompt Consummation. The Debtors have demonstrated good and sufficient cause to waive the stay requirement under Rules 6004(h) and 6006(d). Time is of the essence in consummating the Transaction, and it is in the best interests of the Debtors and their estates to consummate the Transaction within the timeline set forth in the Motion and the APA. The Court finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth in this Order.

J. Assumption of Executory Contracts and Unexpired Leases. The Debtors have demonstrated that it is an exercise of their sound business judgment to assume and assign to the Purchasers the "Assigned Contracts" (as that term is defined in the APA), subject to the Purchasers' right to designate any Evaluated Contracts as "Rejected Contracts" (as that term is defined in the APA) pursuant to the APA and as modified by this Sale Order, in connection with

the consummation of the Transaction, and the assumption and assignment of the Assigned Contracts is in the best interests of the Debtors and their estates.

K. Rejection of Executory Contracts and Unexpired Leases. The Debtors will have demonstrated that it is a reasonable and appropriate exercise of their sound business judgment for SVMC to reject all of its executory contracts and unexpired leases, excluding (i) Assigned Contracts, (ii) any prepetition multiparty contract affecting more than one Debtor in addition to SVMC, (iii) any prepetition contract that is the subject of a Rule 9019 settlement motion prior to Closing, and (vi) any collective bargaining agreement (a "CBA"), pension plan or health and welfare plan providing collectively bargained benefits to which SVMC is a party or sponsor. The Debtors shall file an appropriate motion to reject the contracts, covered by this paragraph K, prior to Closing and shall request therein that the rejection be effective as of the Closing or as otherwise appropriate. The Court finds that the Purchasers have no liability with respect to any contract or lease of the Debtors, with the exception of the Assigned Contracts following the Effective Time (as defined in the APA) and following the payment of Cure Amounts, as set forth and in accordance with the APA.

L. Highest and Best Offer. The Debtors solicited offers for the Purchased Assets and noticed the Auction in accordance with the provisions of the Bidding Procedures Order. The Auction was duly noticed, the sale process was conducted in a non-collusive manner and the Debtors afforded a full, fair and reasonable opportunity for any person or entity to make a higher and better offer to purchase the Purchased Assets. Other than the Purchasers' Qualified Bid (as defined in the Bidding Procedures Order), the Debtors received no other Qualified Bids by the Bid Deadline (as defined in the Bidding Procedures Order). The Debtors properly consulted with the Consultation Parties in selecting the Purchasers' Bid as the highest and best bid pursuant to the Bidding Procedures Order. The transfer and sale of the Purchased Assets to the Purchasers on the terms set forth in the APA constitutes the highest and best offer for the Purchased Assets and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. The Debtors' determination, in consultation with the Consultation Parties (as defined in the Bidding Procedure Order), that the APA constitutes the highest and best offer

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

for the Purchased Assets constitutes a valid and sound exercise of the Debtors' business judgment.

M. No *De Facto* or *Sub Rosa* Plan of Reorganization. The sale of the Purchased Assets does not constitute a *de facto* or *sub rosa* plan of reorganization or liquidation because it does not propose to (i) impair or restructure existing debt of, or equity or membership interests in, the Debtors, (ii) impair or circumvent voting rights with respect to any plan proposed by the Debtors, (iii) circumvent chapter 11 safeguards, including those set forth in §§ 1125 and 1129, or (iv) classify claims or equity or membership interests.

N. Legal and Factual Bases. The legal and factual bases set forth in the Motion and at the Sale Hearing establish just cause for the relief granted herein.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The relief requested in the Motion is GRANTED and APPROVED in all respects to the extent provided herein.

2. All objections with regard to the relief sought in the Motion that have not been withdrawn, waived, settled, or accounted for herein or in the Bidding Procedures Order, including any reservation of rights included in such objections, are overruled on the merits with prejudice. To the extent of any inconsistency between this Sale Order and the Bidding Procedures Order, the terms of this Sale Order shall prevail.

3. Notice of the Sale Motion, the Auction, the Sale Hearing and the Sale was fair and equitable under the circumstances and complied in all respects with the Bidding Procedures, §§ 102(1), and 363, and Rules 2002, 6004, 6006, 9006, and 9007.

4. Pursuant to §§ 105(a), 363(b), and 363(f), the Transaction, including the transfer and sale of the Purchased Assets to the Purchasers on the terms set forth in the APA, is approved in all respects, and the Debtors are authorized and directed to consummate the Transaction in accordance with the APA, including, without limitation, by executing all of the Transaction Documents (and any ancillary documents, instruments or supplemental agreements that may be reasonably necessary or desirable to implement the APA or the Transaction) and taking all actions necessary and appropriate to effectuate and consummate the Transaction (including the

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

transfer and sale of the Purchased Assets) in consideration of the Purchase Price (as defined in § 1.1 of the APA) upon the terms set forth in the APA, including, without limitation, assuming and assigning to the Purchasers the Assigned Contracts. The Debtors and the Purchasers shall have the right to make any mutually agreeable non-material changes to the APA and execute any supplemental agreements that may be reasonably necessary or desirable to implement the APA or the Transaction, which shall be in writing signed by both parties, without further order of the Court, provided that, after reasonable notice, the Official Committee of Unsecured Creditors (the "Committee") and the Prepetition Secured Creditors (as defined in the Final DIP Order) do not object to such changes. Any timely objection by the aforementioned parties to any agreed non-material changes to the APA may be resolved by the Court on shortened notice.

5. As of the Closing, (i) the Transaction set forth in the APA shall effect a legal, valid, enforceable and effective transfer and sale of the Purchased Assets to the Purchasers free and clear of all Encumbrances as further set forth in the APA and this Sale Order; and (ii) the APA, and the other Transaction Documents, and the Transaction, shall be enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors, any successor thereto, including, without limitation, to a trustee or estate representative appointed in the Bankruptcy Cases or a trustee appointed pursuant to a chapter 11 plan, the Debtors' estates, all holders of any Claim(s) (as defined in the Bankruptcy Code) against the Debtors, whether known or unknown, any holders of Encumbrances on all or any portion of the Purchased Assets, all Counterparties to the Assigned Contracts (subject to the Court's ruling at the Assumption Objection Hearing, if any), and all other persons and entities.

6. Encumbrances in and to Purchased Assets shall attach to the Sale Proceeds of such Purchased Assets with each such Encumbrance having the same force, extent, effect, validity and priority as such Encumbrance had on the Purchased Assets giving rise to the Sale Proceeds immediately prior to the Closing. For the avoidance of doubt, the foregoing force, extent, effect, validity and priority of such Encumbrances of the Prepetition Secured Creditors that attach to the Sale Proceeds shall: (i) reflect and include, without limitation, the security interests, liens (including any Prepetition Replacement Liens arising from diminution of value, if any) and rights,

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

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

powers and authorities that have been granted to the Prepetition Secured Creditors, as applicable, pursuant to the Financing Orders,[4] subject to (x) the results of the appeal from the Final DIP Order filed by the Committee on November 29, 2019 challenging the rights granted to the Prepetition Secured Creditors pursuant to the Final DIP Order with respect to §§ 506(c) and 552(b); and/or (ii) the results of any Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed. In addition, the Intercreditor Agreement (as defined in the Final DIP Order) and the Final DIP Order shall apply with respect to the rights of the parties thereto in and to the Sale Proceeds and the Escrow Deposit Accounts, to the extent of and in accordance with its terms with all parties reserving all rights thereunder. Each of the Prepetition Secured Creditors opposes all existing Challenges and the appeal brought by the Committee, and nothing contained herein shall constitute an express or implicit admission by any of the Prepetition Secured Creditors in connection therewith, or shall be deemed to be a waiver of any rights in respect thereof. The outcome of any such Challenge does not affect the Transaction in any respect.

7. Subject to the fulfillment of the terms and conditions of the APA, this Sale Order shall, as of the Closing, be considered and constitute for all purposes a full and complete general assignment, conveyance, and transfer of the Purchased Assets and/or a bill of sale transferring all of the Debtors' rights, title and interest in and to the Purchased Assets to the Purchasers. Consistent with, but not in limitation of the foregoing, each and every federal, state, and local governmental agency or department, except as stated herein, is hereby authorized and directed to

[4] The "Financing Orders" refer, collectively, to (i) the Final DIP Order; (ii) the *Final Order (A) Authorizing Continued Use of Cash Collateral, (B) Granting Adequate Protection, (C) Modifying the Automatic Stay, and (D) Granting Related Relief* [Docket No. 3022]; (iii) the *Final Order Approving Stipulation Between the Prepetition Secured Creditors and the Debtors to (A) Amend Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 3883]; (iv) the *Final Order Approving Stipulation to (A) Amend the First Amended Supplemental Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4028] (v) the *Final Order Approving Stipulation to (A) Amend the Second Amended Supplemental Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4187].

accept all documents and instruments necessary and appropriate to consummate the transactions contemplated by the APA and approved in this Sale Order. A certified copy of this Sale Order may be filed with the appropriate clerk and/or recorded with the appropriate recorder to cancel any Encumbrances of record.

8. Any person or entity that is currently, or on the Closing Date may be, in possession of some or all of the Purchased Assets is hereby directed to surrender possession of such Purchased Assets either to (a) the Debtors before the Closing or (b) to the Purchasers or its designees upon the Closing, and to cooperate with the Debtors and the Purchasers in the Debtors' and the Purchasers' fulfillment of their obligations hereunder and pursuant to the APA.

9. The transfer of the Purchased Assets pursuant to the Transaction Documents shall be a legal, valid, and effective transfer and shall, in accordance with §§ 105(a) and 363(f), and upon consummation of the Transaction, including, without limitation, payment of the Purchase Price to the Debtors, vest the Purchasers with all right, title, and interest in the Purchased Assets, free and clear of all Encumbrances. Upon closing of the Transaction, the Purchasers shall take title to and possession of the Purchased Assets as set forth in the APA. The transfer of the Purchased Assets from the Debtors to the Purchasers constitutes a transfer for reasonable equivalent value and fair consideration under the Bankruptcy Code and the laws of the State of California.

10. Following the Closing, no holder of any Encumbrance against the Debtors or upon the Purchased Assets shall interfere with the Purchasers' respective rights in, title to or use and enjoyment of the Purchased Assets. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Purchased Assets to the Purchasers, including the assumption and assignment of the Assigned Contracts.

11. The Purchasers shall not be deemed, as a result of any action taken in connection with, or as a result of the Transaction (including the transfer and sale of the Purchased Assets), to the maximum extent permitted by law by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets, to: (i) be a successor, continuation or alter ego

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

(or other such similarly situated party) to the Debtors or their estates by reason of any theory of law or equity, including, without limitation, any bulk sales law, doctrine or theory of successor liability, or any theory or basis of liability, regardless of source of origin; or (ii) have, *de facto* or otherwise, merged with or into the Debtors; or (iii) be a mere continuation, *alter ego*, or substantial continuation of the Debtors. The Purchasers are not assuming any of the Debtors' liabilities, debts or obligations.

12. This Sale Order (i) shall be effective as a determination that, on Closing, all Encumbrances existing against the Purchased Assets before the Closing have been unconditionally released, discharged and terminated, except to the extent provided in paragraph 6 above with respect to Sale Proceeds, and that the transfers and conveyances described herein have been effected, and (ii) shall be binding upon and shall govern the acts of all persons and entities. If, following a reasonable written request made by the Debtors or the Purchasers, any person or entity that has filed financing statements or other documents or agreements evidencing any Encumbrances against the Purchased Assets has not delivered to the Debtors or the Purchasers for use at or in connection with Closing or thereafter, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Encumbrances which the person or entity has with respect to the Purchased Assets, then the Purchasers and/or the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to such Purchased Assets. For the avoidance of doubt, such statements, instruments, releases and other documents shall not impair Encumbrances that attach (subject to any Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed, which shall not affect the enforceability of this Sale Order as to the Purchasers) to the Sale Proceeds by the terms of this Sale Order.

13. In accordance with the APA, concurrently with the Closing, the Purchasers shall pay that portion of the Purchase Price due at Closing, by wire transfer of immediately available funds, to Chicago Title Insurance Company, 10 South LaSalle St. Suite 3100, Chicago, IL 60603 ("Closing Escrow Agent"), subject to the adjustments set forth in the APA. Any direct expenses

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

of the Sale shall be disclosed by Debtors to the Prepetition Secured Creditors and the Committee in advance of the Closing.

14. The terms and conditions of the Financing Orders shall apply with respect to the Sale Proceeds and Escrow Deposit Accounts (defined herein). Without limiting the foregoing, the Debtors shall comply with paragraph 4 of the Final DIP Order in the following manner:

a. the Debtors shall direct the Purchasers, pursuant to the terms of the APA, to remit to the Closing Escrow Agent all Sale Proceeds for the separate account of each selling Debtor. Upon closing, the Closing Escrow Agent shall remit the Sale Proceeds to the separate accounts for each selling Debtor (each such account hereafter referred to as "Escrow Deposit Account");

b. in giving direction to the Purchasers pursuant to sub-paragraph (a), above, the Debtors shall exercise their reasonable business judgment, in good faith, and allocate the Sale Proceeds among the Escrow Deposit Accounts on the basis of the value of each Debtor's Purchased Assets as of the Closing (which allocation, for the avoidance of doubt, shall be subject to the reservations of rights in paragraph 4 of the Final DIP Order; provided that nothing in this paragraph shall waive or limit any rights the Committee or the Prepetition Secured Creditors may have in connection with the confirmation of a proposed chapter 11 plan for any of the Debtors' cases (including the right to seek to reallocate estate values and the Sale Proceeds at any time));

c. no funds held in any Escrow Deposit Account shall be (i) commingled with any other funds of the applicable Debtor or any of the other Debtors or (ii) used by the Debtors for any purpose, except as provided by paragraphs 16, 17, 18, and 19 of this Sale Order with respect to Cure Amounts, and as may be required for any other transaction prorations, fees, and closing costs under § 1.6 of the APA, in each case, without first obtaining the consent of the Prepetition Secured Creditors or obtaining an order of the Court pursuant to §§ 363 or 1129 after reasonable notice under the circumstances to the Prepetition Secured Creditors and to the Committee and, if necessary, a hearing thereon;

d. establishment of an Escrow Deposit Account shall not require execution by the Debtors of a deposit account control agreement in favor of the Prepetition Secured Creditors

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

to establish their perfected lien rights in and to the Escrow Deposit Account balances as collateral or proceeds of collateral (which lien rights shall be deemed automatically granted and perfected by the terms of the Financing Orders and this Order); and

e. for the avoidance of doubt, the rights of the Debtors, the Committee, and the Prepetition Secured Creditors as to the Sale Proceeds and any funds held in any Escrow Deposit Accounts shall be, except as set forth herein, as contemplated by Paragraph 4 of the Final DIP Order and the terms of the Financing Orders, and nothing in this Order shall be construed as altering, amending, waiving, or affecting in any way such rights or any rights under the Intercreditor Agreement to the extent applicable.

15. As set forth in the Bidding Procedures Order, the Court will hold an Assumption Objection Hearing on **April 29, 2020, at 10:00 a.m. (Pacific Time)**. Nothing in this Sale Order constitutes a finding or determination on any Assumption Objection or any other objection that may be raised at the Assumption Objection Hearing. All Assumption Objections are preserved until resolved either by agreement between the Debtors, the Purchasers and the Counterparty, or further order of the Court.

16. Concurrently with the Closing or as soon thereafter as is possible, and in accordance with the APA, the Debtors shall use an amount of the Sales Proceeds to fund the Cure Pool as provided in paragraph 19 below from which to pay the Cure Amounts to the Counterparties to the Assigned Contracts either as (i) set forth in the Cure Notice, (ii) otherwise agreed to by the Debtors, the Purchasers, and the applicable Counterparties thereto, or (iii) ordered by this Court after a hearing on any objection to the Cure Amount set forth in the Cure Notice. The Purchasers have the right to remove any contracts or leases from the list of Evaluated Contracts as set forth in the APA and this Sale Order.

17. Notwithstanding anything to the contrary in the APA or this Sale Order, the Purchasers may designate any Evaluated Contracts (as defined in the APA) for assumption and assignment by the Debtors to the Purchasers, in writing, by a date that is no later than April 12, 2020. All such Evaluated Contracts assumed and assigned to the Purchasers shall be deemed the Assigned Contracts at Closing; provided that the State of California Lease (as defined in the

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

APA) approved by the State Lease Order (as defined in the Bidding Procedures Order), by and between SVMC and VHS, on the one hand, and the State of California (the "State") by and through its agency, the Department of Public Health, on the other hand, shall be deemed an Assigned Contract and the Purchasers shall perform their obligations in all respects thereunder. The Court shall resolve any and all disputes which may arise between the Debtors, the Purchasers, and any applicable Counterparty concerning (i) whether a particular Assigned Contract is an executory contract or unexpired lease or (ii) whether a Counterparty to an Assigned Contract is entitled to an allowed claim against the Debtors which exceeds the Cure Amount set forth in the Cure Notice (an "Assumption Dispute").

18. In the event the Court determines that a Counterparty has an allowed cure claim against the Debtors which exceeds the Cure Amount set forth in the Cure Notice (the "Excess Cure Amount") with respect to an Assigned Contract, the difference will be paid by the Debtors as more specifically set forth below. To the extent an Assumption Dispute relates solely to the Cure Amount, the Debtors may assume and assign the applicable executory contract or unexpired lease at Closing and prior to the resolution of the Assumption Dispute by the Bankruptcy Court, provided, that the Bankruptcy Court has estimated the maximum cure payment, pursuant to § 502(c) and the Debtors include such amount in the Cure Pool to be held by the Debtors. The Debtors shall pay and hereby are authorized to pay disputed Cure Amounts from the Cure Pool upon entry of a final order by this Court.

19. Upon the Closing, the Debtors are authorized and directed to assume, assign and/or transfer each of the Assigned Contracts to the Purchasers. Sellers shall pay or escrow from the Sale Proceeds an amount equal to the Cure Amounts (the "Cure Pool") to each Counterparty to an Assigned Contract so that each such Assigned Contract may be assumed by Sellers and assigned to Purchasers in accordance with the provisions of § 365. Notwithstanding anything in this Order to the contrary, and with the exception of Cure Amounts subject to Assumption Disputes on the Closing Date (which shall be paid upon resolution of such Assumption Dispute), the Debtors shall pay to the Counterparties of Assigned Contracts the applicable Cure Amount (including, any Excess Cure Amount) from the Cure Pool upon the Closing or as soon thereafter as is reasonably practicable. The Debtors' payment of such

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

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

Cure Amounts are deemed the necessary and sufficient amounts to "cure" all "defaults" with respect to all such Assigned Contracts under § 365(b). The foregoing payment shall (i) effect a cure of all defaults existing under all such Assigned Contracts, and (ii) compensate all such Counterparties for any actual pecuniary loss resulting from any such default. The Debtors shall then have assumed and assigned to the Purchasers, effective as of the Closing, all of the Assigned Contracts, and, pursuant to § 365(f), the assignment by the Debtors of all such Assigned Contracts to the Purchasers shall not be a default thereunder. After the payment of the Cure Amounts, neither the Debtors nor the Purchasers shall have any further liabilities to any Counterparties, other than the Purchasers' obligations under the Assigned Contracts that accrue and become due and payable after the Effective Time (as defined in the APA). In addition, adequate assurance of future performance has been demonstrated by or on behalf of the Purchasers with respect to all of the Assigned Contracts within the meaning of §§ 365(b)(1)(c), 365(b)(3) (to the extent applicable) and 365(f)(2)(B). For the avoidance of doubt, the Purchasers shall not be liable for the payment of any liabilities or obligations arising from or related to (a) any Rejected Contracts, (b) any Assigned Contract prior to the Effective Time (including, for the avoidance of doubt, the Cure Amount, Excess Cure Amount or any other cure costs due thereunder), (c) any prepetition multiparty contract affecting more than one Debtor in addition to SVMC, or (d) any CBA, pension plan, or health and welfare plan providing for collectively bargained for benefits to which SVMC is a party or a sponsor, unless expressly assumed and assigned with the Purchasers' consent.

20. The Debtors intend, and are hereby authorized, to (A) reject, pursuant to § 365(a), all executory contracts (including, without limitation, the Rejected Contracts) to which SVMC is a party, excluding (i) Assigned Contracts, and (ii) any prepetition multiparty contract affecting more than one Debtor in addition to SVMC, and, (B) reject and terminate, to the extent separately authorized by this Court, pursuant to §§ 1113, 1114, and any other applicable provision of the Bankruptcy Code, any CBA, pension plan or health and welfare plan providing collectively bargained benefits to which SVMC is a party or sponsor.

21. All of the Counterparties are forever barred, estopped, and permanently enjoined from (i) raising or asserting against the Debtors or the Purchasers, or any of their property, any assignment fee, acceleration, default, breach, or claim of pecuniary loss, or condition to assignment, arising under

or related to the Assigned Contracts, existing as of the Closing, or arising by reason of the consummation of the Transaction contemplated by the APA, including, without limitation, the Transaction and the assumption and assignment of the Assigned Contracts, including any asserted breach relating to or arising out of the change-in-control provisions in such Assigned Contracts, or any purported written or oral modification to the Assigned Contracts and (ii) asserting against the Purchasers any claim, counterclaim, breach, or condition asserted or assertable against the Debtors existing as of the Closing or arising by reason of the transfer of the Purchased Assets.

22. Any provisions in any Assigned Contracts that prohibit or condition the assignment of such Assigned Contract or allow the counterparty to such Assigned Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assigned Contract constitute unenforceable anti-assignment provisions that are void and of no force and effect with respect to the Debtors' assumption and assignment of such Assigned Contract to the Purchasers in accordance with the APA, pursuant to § 363(f).

23. The terms and provisions of this Sale Order, as well as the rights granted under the Transaction Documents, shall continue in full force and effect and are binding upon any successor of the Debtors, reorganized Debtors, trustee appointed pursuant to a chapter 11 plan, or chapter 7 or chapter 11 trustee applicable to the Debtors, notwithstanding any such conversion, dismissal or order entry. Nothing contained in any chapter 11 plan confirmed in the Debtors' cases or in any order confirming such a plan, nor any order dismissing the cases or converting the cases to a case under chapter 7, shall conflict with or derogate from the provisions of the APA, the Transaction Documents, any documents or instruments executed in connection therewith, or the terms of this Sale Order, provided however, that in the event of a conflict between this Sale Order and an express or implied provision of the APA, this Sale Order shall govern. The provisions of this Sale Order and any actions taken pursuant hereto shall survive any conversion or dismissal of the cases and the entry of any other order that may be entered in the cases, including any order (i) confirming any plan of reorganization; (ii) converting the cases from chapter 11 to chapter 7; (iii) appointing a trustee or examiner in the cases; or (iv) dismissing the cases.

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

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

24. The Transaction contemplated by the APA and other Transaction Documents are undertaken without collusion and in "good faith," as that term is defined in § 363(m). The Purchasers are good faith purchasers of the Purchased Assets and are hereby granted and entitled to all of the protections provided to good faith purchasers under § 363(m). Pursuant to § 363(m), if any or all of the provisions of this Sale Order are hereafter reversed, modified, or vacated by a subsequent order of the Bankruptcy Court or any other court (including modification of the terms of the APA), such reversal, modification, or vacatur shall not affect the validity and enforceability of the Transaction, any sale, transfer, or assignment under the APA or obligation or right granted pursuant to the terms of this Sale Order, and, notwithstanding any reversal, modification, or vacatur, the original provisions of this Sale Order and the APA, as the case may be, shall apply with respect to the Transaction. The Sale approved by this Sale Order is not subject to avoidance or any recovery or damages pursuant to § 363(n) or any other section of the Bankruptcy Code or otherwise, except for any rights of the parties to enforce the terms of the APA.

25. The failure to specifically include any particular provision of the APA or the other Transaction Documents in this Sale Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Bankruptcy Court that the Transaction, the APA and the other Transaction Documents be authorized and approved in their entirety. Likewise, all of the provisions of this Sale Order are non-severable and mutually dependent.

26. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Rules 6004(h), 7062, or 9014, if applicable, or any other LBR or otherwise, this Sale Order shall not be stayed for 14-days after the entry hereof, but shall be effective and enforceable immediately upon entry pursuant to Rule 6004(h). Time is of the essence in approving the Transaction (including the transfer and the sale of the Purchased Assets).

27. The automatic stay in effect pursuant to § 362 is hereby lifted with respect to the Debtors to the extent necessary, without further order of this Court, to (i) allow the Purchasers to deliver any notice provided for in the APA and Transaction Documents and (ii) allow the Purchasers to take any and all actions permitted under this Sale Order, the APA and Transaction Documents in accordance with the terms and conditions thereof.

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

28. Unless otherwise provided in this Sale Order, to the extent any inconsistency exists between the provisions of the APA and this Sale Order, the provisions contained in this Sale Order shall govern.

29. This Court shall retain exclusive jurisdiction to interpret, construe, and enforce the provisions of the APA and this Sale Order in all respects, and further, including, without limitation, to (i) hear and determine all disputes between the Debtors and/or the Purchasers, as the case may be, and any other non-Debtor party to, among other things, the Assigned Contracts concerning, among other things, assignment thereof by the Debtors to the Purchasers and any dispute between the Purchasers and the Debtors as to their respective obligations with respect to any asset, liability, or claim arising hereunder; (ii) compel delivery of the Purchased Assets to the Purchasers free and clear of Encumbrances; (iii) compel the delivery of the Purchase Price or performance of other obligations owed to the Debtors; (iv) interpret, implement, and enforce the provisions of this Sale Order; and (v) protect the Purchasers against (A) claims made related to any of the Excluded Liabilities (as defined in the APA), (B) any claims of successor or vicarious liability (or similar claims or theories) related to the Purchased Assets or the Assigned Contracts, or (C) any Encumbrances asserted on or against the Purchasers or the Purchased Assets.

30. Following the date of entry of this Sale Order, the Debtors and the Purchasers are authorized to make changes to the APA and/or execute supplemental agreements implementing the transactions contemplated by the APA, without the need for any further order of the Court provided that all such changes either (a) comply with the provisions of paragraph 4 hereof or (b) have been approved in writing by the Debtors, the Purchasers, the Committee, and Prepetition Secured Creditors (such approval not to be unreasonably withheld). Any other proposed changes to the APA or this Sale Order shall require a further order of the Court, after reasonable notice under the circumstances and a hearing.

31. Notwithstanding anything to the contrary in the Motion, the Bidding Procedures, the Bidding Procedures Order, any Cure Notice or assumption notice, any purchase agreement, or this Sale Order (i) none of the insurance policies or any related agreements (collectively, the "Chubb Insurance Contracts") issued at any time by Federal Insurance Company, ACE American Insurance Company,

Illinois Union Insurance Company and each of their affiliates and successors (collectively, "Chubb"), or any rights, benefits, claims, rights to payments and/or recoveries under the Chubb Insurance Contracts shall be sold, assigned or otherwise transferred to the Buyer in connection with the Sale; (ii) nothing shall alter, modify or otherwise amend the terms or conditions of the Chubb Insurance Contracts; and (iii) for the avoidance of doubt, the Purchasers are not, and shall not be deemed to be, an insured under any of the Chubb Insurance Contracts; provided, however, that to the extent any claim with respect to any Purchased Assets arises that is covered by the Chubb Insurance Contracts and the proceeds of the applicable Chubb Insurance Contract would be payable to the Debtors (as opposed to a third party claimant), the Debtors may pursue such claim in accordance with the terms of the Chubb Insurance Contracts, and, if applicable, turn over to the Purchasers any such insurance proceeds (each, a "Proceed Turnover"); provided, further, however, that the Chubb Companies shall not have any duty to effectuate a Proceed Turnover or liability related to a Proceed Turnover.

32. The Committee's and the Prepetition Secured Creditors' rights, and their ability to participate and be heard at hearings concerning the Sale, are hereby reserved. To the extent that the Prepetition Secured Creditors or the Committee desire to file pleadings related to such hearings, their respective times for filing an objection or response shall be the same as granted to the Debtors pursuant to the notice in each such instance.

33. The Purchasers are acquiring the Purchased Assets subject to the State of California Lease, which will be assumed by the Debtors and assigned to the Purchasers. The free and clear provisions of § 363(f) with respect to the Purchased Assets do not apply to the State of California Lease. Nothing in this Order or the APA amends, modifies or supersedes the State Lease Order or the rights conveyed to the State thereunder and under the State of California Lease. The State Lease Order and the State of California Lease remain in full force and effect.

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

IT IS SO ORDERED.

###

Date: April 10, 2020

Ernest M. Robles
United States Bankruptcy Judge

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

EXHIBIT "N"

United States Bankruptcy Court
Central District of California

In re:
Verity Health System of California, Inc.
Debtor

Case No. 18-20151-ER
Chapter 11

CERTIFICATE OF NOTICE

District/off: 0973-2 User: admin Page 1 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

Notice by first class mail was sent to the following persons/entities by the Bankruptcy Noticing Center on Apr 11, 2020.

db #+Verity Health System of California, Inc., 2040 E. Mariposa Avenue, El Segundo, CA 90245-5027
aty +Claude D Montgomery, Dentons US LLP, 1221 Avenue of the Americas, New York, NY 10020-1000
aty +Patrick Maxcy, Dentons US LLP, 233 S Wacker Dr Ste 5900, Chicago, IL 60606-6404
aty +Sam J Alberts, DENTONS US LLP, 1900 K Street NW, Washington, DC 20006-1100

Notice by electronic transmission was sent to the following persons/entities by the Bankruptcy Noticing Center.
NONE. TOTAL: 0

***** BYPASSED RECIPIENTS *****
NONE. TOTAL: 0

Addresses marked '+' were corrected by inserting the ZIP or replacing an incorrect ZIP.
USPS regulations require that automation-compatible mail display the correct ZIP.

Transmission times for electronic delivery are Eastern Time zone.

Addresses marked '#' were identified by the USPS National Change of Address system as requiring an update. While the notice was still deliverable, the notice recipient was advised to update its address with the court immediately.

I, Joseph Speetjens, declare under the penalty of perjury that I have sent the attached document to the above listed entities in the manner shown, and prepared the Certificate of Notice and that it is true and correct to the best of my information and belief.

Meeting of Creditor Notices only (Official Form 309): Pursuant to Fed. R. Bank. P. 2002(a)(1), a notice containing the complete Social Security Number (SSN) of the debtor(s) was furnished to all parties listed. This official court copy contains the redacted SSN as required by the bankruptcy rules and the Judiciary's privacy policies.

Date: Apr 11, 2020 Signature: /s/Joseph Speetjens

CM/ECF NOTICE OF ELECTRONIC FILING

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system on April 9, 2020 at the address(es) listed below:

Aaron Davis on behalf of Creditor US Foods, Inc. aaron.davis@bryancave.com, kat.flaherty@bryancave.com
Aaron Matthew Gober-Sims on behalf of Creditor Masimo Corporation aarongobersims@paulhastings.com
Abigail V O'Brient on behalf of Defendant UMB Bank, National Association avobrient@mintz.com, docketing@mintz.com;DEHashimoto@mintz.com;nleali@mintz.com;ABLevin@mintz.com
Abigail V O'Brient on behalf of Creditor UMB Bank, N.A., as master indenture trustee and Wells Fargo Bank, National Association, as indenture trustee avobrient@mintz.com, docketing@mintz.com;DEHashimoto@mintz.com;nleali@mintz.com;ABLevin@mintz.com
Abigail V O'Brient on behalf of Interested Party Courtesy NEF avobrient@mintz.com, docketing@mintz.com;DEHashimoto@mintz.com;nleali@mintz.com;ABLevin@mintz.com
Adam G Wentland on behalf of Creditor Eladh, L.P. awentland@tocounsel.com, lkwon@tocounsel.com
Adam G Wentland on behalf of Creditor CHHP Holdings II, LLC awentland@tocounsel.com, lkwon@tocounsel.com
Adam G Wentland on behalf of Creditor CPH Hospital Management, LLC awentland@tocounsel.com, lkwon@tocounsel.com
Adam G Wentland on behalf of Creditor Gardena Hospital L.P. awentland@tocounsel.com, lkwon@tocounsel.com
Akop J Nalbandyan on behalf of Creditor Jason Michael Shank jnalbandyan@LNtriallawyers.com, cbautista@LNtriallawyers.com
Alan I Nahmias on behalf of Interested Party Alan I Nahmias anahmias@mbnlawyers.com, jdale@mbnlawyers.com
Alan I Nahmias on behalf of Interested Party Courtesy NEF anahmias@mbnlawyers.com, jdale@mbnlawyers.com
Alan I Nahmias on behalf of Creditor Experian Health, Inc anahmias@mbnlawyers.com, jdale@mbnlawyers.com
Alan I Nahmias on behalf of Creditor Experian Health fka Passport Health Communications Inc anahmias@mbnlawyers.com, jdale@mbnlawyers.com
Alexandra Achamallah on behalf of Plaintiff Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. aachamallah@milbank.com, rliubicic@milbank.com
Alexandra Achamallah on behalf of Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. aachamallah@milbank.com, rliubicic@milbank.com

District/off: 0973-2 User: admin Page 2 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Allison R Axenrod on behalf of Creditor CRG Financial LLC allison@claimsrecoveryllc.com
Alvin Mar on behalf of U.S. Trustee United States Trustee (LA) alvin.mar@usdoj.gov, dare.law@usdoj.gov
Amir Gamliel on behalf of Creditor Quadramed Affinity Corporation and Picis Clinical Solutions Inc. amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com;DocketLA@perkinscoie.com
Amir Gamliel on behalf of Creditor Parallon Revenue Cycle Services, Inc. f/k/a The Outsource Group, Inc. amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com;DocketLA@perkinscoie.com
Andrew Still on behalf of Interested Party Courtesy NEF astill@swlaw.com, kcollins@swlaw.com
Andrew Still on behalf of Creditor Care 1st Health Plan astill@swlaw.com, kcollins@swlaw.com
Andrew Still on behalf of Creditor California Physicians' Service dba Blue Shield of California astill@swlaw.com, kcollins@swlaw.com
Andrew J Ziaja on behalf of Interested Party Engineers and Scientists of California Local 20, IFPTE aziaja@leonardcarder.com, sgroff@leonardcarder.com;msimons@leonardcarder.com;lbadar@leonardcarder.com
Andy J Epstein on behalf of Interested Party Courtesy NEF taxcpaesq@gmail.com
Andy J Epstein on behalf of Creditor Renee Elizabeth Capizzi taxcpaesq@gmail.com
Andy J Epstein on behalf of Creditor Ivonne Engelman taxcpaesq@gmail.com
Andy J Epstein on behalf of Creditor Rosa Carcamo taxcpaesq@gmail.com
Anna Gumport on behalf of Interested Party Medical Office Buildings of California, LLC agumport@sidley.com
Anthony Dutra on behalf of Creditor Local Initiative Health Authority for Los Angeles County, operating and doing business as L.A. Care Health Plan adutra@hansonbridgett.com
Anthony Dutra on behalf of Defendant LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY DBA L.A. CARE HEALTH PLAN, an independent local public agency adutra@hansonbridgett.com
Barry A Chatz on behalf of Creditor Alcon Vision, LLC barry.chatz@saul.com, jurate.medziak@saul.com
Benjamin Ikuta on behalf of Creditor Bill Ma bikuta@hml.law
Brian D Huben on behalf of Creditor Southeast Medical Center, LLC and Slauson Associates of Huntington Park, LLC hubenb@ballardspahr.com, carolod@ballardspahr.com
Bruce Bennett on behalf of Creditor Verity MOB Financing II LLC bbennett@jonesday.com
Bruce Bennett on behalf of Creditor Verity MOB Financing LLC bbennett@jonesday.com
Bruce Bennett on behalf of Creditor Nantworks, LLC bbennett@jonesday.com
Bruce Bennett on behalf of Creditor NantHealth, Inc. bbennett@jonesday.com
Bryan L Ngo on behalf of Interested Party All Care Medical Group, Inc. bngo@fortislaw.com, BNgo@bluecapitallaw.com;SPicariello@fortislaw.com;JNguyen@fortislaw.com;JNguyen@bluecapitallaw.com
Bryan L Ngo on behalf of Interested Party All Care Medical Group, Inc bngo@fortislaw.com, BNgo@bluecapitallaw.com;SPicariello@fortislaw.com;JNguyen@fortislaw.com;JNguyen@bluecapitallaw.com
Cameo M Kaisler on behalf of Creditor Pension Benefit Guaranty Corporation salembier.cameo@pbgc.gov, efile@pbgc.gov
Carol A Igoe on behalf of Plaintiff California Nurses Association cigoe@calnurses.org, ttschneaux@calnurses.org
Carol A Igoe on behalf of Creditor California Nurses Association cigoe@calnurses.org, ttschneaux@calnurses.org
Cecelia Valentine on behalf of Creditor National Labor Relations Board cecelia.valentine@nlrb.gov
Chane Buck on behalf of Interested Party Courtesy NEF cbuck@jonesday.com
Charles E Nelson on behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee nelsonc@ballardspahr.com, wassweilerw@ballardspahr.com
Christian T Kim on behalf of Creditor Irene Rodriguez ckim@dumas-law.com, ckim@ecf.inforuptcy.com
Christine R Etheridge on behalf of Creditor Fka GE Capital Wells Fargo Vendor Financial Services, LLC christine.etheridge@ikonfin.com
Christopher Minier on behalf of Creditor Belfor USA Group, Inc. becky@ringstadlaw.com, arlene@ringstadlaw.com
Christopher E Prince on behalf of Creditor Kaiser Foundation Hospitals cprince@lesnickprince.com, jmack@lesnickprince.com;cprince@ecf.courtdrive.com
Christopher J Petersen on behalf of Creditor Infor (US), Inc. cjpetersen@blankrome.com, gsolis@blankrome.com
Claire K Wu on behalf of Interested Party Courtesy NEF ckwu@sulmeyerlaw.com, mviramontes@sulmeyerlaw.com;ckwu@ecf.courtdrive.com;ckwu@ecf.inforuptcy.com
Craig G Margulies on behalf of Interested Party Courtesy NEF Craig@MarguliesFaithlaw.com, Vicky@MarguliesFaithlaw.com;Helen@MarguliesFaithlaw.com;Angela@MarguliesFaithlaw.com
Craig G Margulies on behalf of Creditor Hooper Healthcare Consulting LLC Craig@MarguliesFaithlaw.com, Vicky@MarguliesFaithlaw.com;Helen@MarguliesFaithlaw.com;Angela@MarguliesFaithlaw.com
Cristina E Bautista on behalf of Creditor Health Net of California, Inc. cristina.bautista@kattenlaw.com, ecf.lax.docket@kattenlaw.com
Crystal Johnson on behalf of Debtor Verity Medical Foundation M46380@ATT.COM
Daniel Denny on behalf of Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. ddenny@milbank.com
Darryl S Laddin on behalf of Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc. bkrfilings@agg.com
David A Klein on behalf of Creditor Conifer Health Solutions, LLC david.klein@kirkland.com
David B Shemano on behalf of Creditor Ernesto Madrigal dshemano@shemanolaw.com

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

David B Shemano on behalf of Creditor Iris Lara dshemano@shemanolaw.com
David B Shemano on behalf of Creditor Bayer Healthcare LLC dshemano@shemanolaw.com
David B Shemano on behalf of Creditor Jarmaine Johns dshemano@shemanolaw.com
David B Shemano on behalf of Creditor Waheed Wahidi dshemano@shemanolaw.com
David B Shemano on behalf of Creditor Tanya Llera dshemano@shemanolaw.com
David E Lemke on behalf of Creditor ALLY BANK david.lemke@wallerlaw.com, chris.cronk@wallerlaw.com;Melissa.jones@wallerlaw.com;cathy.thomas@wallerlaw.com
David I Horowitz on behalf of Creditor Conifer Health Solutions, LLC david.horowitz@kirkland.com, keith.catuara@kirkland.com;terry.ellis@kirkland.com;elsa.banuelos@kirkland.com;ivon.granados@kirkland.com
David K Eldan on behalf of Interested Party Attorney General For The State Of Ca david.eldan@doj.ca.gov, cynthia.gomez@doj.ca.gov
David K Eldan on behalf of Interested Party Xavier Becerra, Attorney General of California david.eldan@doj.ca.gov, cynthia.gomez@doj.ca.gov
David M Powlen on behalf of Creditor Roche Diagnostics Corporation david.powlen@btlaw.com, pgroff@btlaw.com
David M. Guess on behalf of Creditor Medtronic USA, Inc. guessd@gtlaw.com
David M. Guess on behalf of Creditor NTT DATA Services Holding Corporation guessd@gtlaw.com
David N Crapo on behalf of Creditor Sharp Electronics Corporation dcrapo@gibbonslaw.com, elrosen@gibbonslaw.com
David S Kupetz on behalf of Interested Party Courtesy NEF dkupetz@sulmeyerlaw.com, dperez@sulmeyerlaw.com;dperez@ecf.courtdrive.com;dkupetz@ecf.courtdrive.com
Debra Riley on behalf of Creditor California Statewide Communities Development Authority driley@allenmatkins.com
Douglas B Rosner on behalf of Creditor Humana Inc and its affiliates drosner@goulstonstorrs.com
Dustin P Branch on behalf of Interested Party Wells Fargo Bank, National Association, as indenture trustee branchd@ballardspahr.com, carolod@ballardspahr.com;hubenb@ballardspahr.com
Elan S Levey on behalf of Creditor United States Department of Health and Human Services elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Elan S Levey on behalf of Creditor United States Of America elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Elan S Levey on behalf of Creditor Pension Benefit Guaranty Corporation elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Elan S Levey on behalf of Creditor Federal Communications Commission elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Elan S Levey on behalf of Creditor Centers for Medicare and Medicaid Services elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Elan S Levey on behalf of Creditor United States of America, on behalf of the Federal Communications Commission elan.levey@usdoj.gov, tiffany.davenport@usdoj.gov
Emily P Rich on behalf of Creditor SEIU United Healthcare Workers - West erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
Emily P Rich on behalf of Creditor Stationary Engineers Local 39 erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
Emily P Rich on behalf of Creditor LYNN C. MORRIS, HILDA L. DAILY AND NOE GUZMAN erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
Emily P Rich on behalf of Creditor Stationary Engineers Local 39 Health and Welfare Trust Fund erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
Emily P Rich on behalf of Creditor Stationary Engineers Local 39 Pension Trust Fund erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
Eric D Goldberg on behalf of Creditor Otsuka Pharmaceutical Development & Commercialization, Inc. eric.goldberg@dlapiper.com, eric-goldberg-1103@ecf.pacerpro.com
Eric J Fromme on behalf of Creditor CPH Hospital Management, LLC efromme@tocounsel.com, lchapman@tocounsel.com
Eric J Fromme on behalf of Creditor CHHP Holdings II, LLC efromme@tocounsel.com, lchapman@tocounsel.com
Eric J Fromme on behalf of Creditor Gardena Hospital L.P. efromme@tocounsel.com, lchapman@tocounsel.com
Eric J Fromme on behalf of Creditor Eladh, L.P. efromme@tocounsel.com, lchapman@tocounsel.com
Florice Hoffman on behalf of Creditor National Union of Healthcare Workers fhoffman@socal.rr.com, floricehoffman@gmail.com
Fred Neufeld on behalf of Creditor Premier, Inc. fneufeld@sycr.com, tingman@sycr.com
Gary E Klausner on behalf of Defendant Kali P. Chaudhuri, M.D., an individual gek@lnbyb.com
Gary E Klausner on behalf of Defendant KPC Health Plan Holdings, Inc., a California Corporation gek@lnbyb.com
Gary E Klausner on behalf of Interested Party Courtesy NEF gek@lnbyb.com
Gary E Klausner on behalf of Defendant KPC Healthcare, Inc., a Nevada Corporation gek@lnbyb.com
Gary E Klausner on behalf of Interested Party Strategic Global Management, Inc. gek@lnbyb.com
Gary E Klausner on behalf of Interested Party KPC Global Medical Center of San Mateo County, LLC gek@lnbyb.com
Gary E Klausner on behalf of Defendant KPC Healthcare Holdings, Inc., a California Corporation gek@lnbyb.com
Gary E Klausner on behalf of Defendant KPC Global Management, LLC, a California Limited Liability Company gek@lnbyb.com
Gary E Klausner on behalf of Defendant Strategic Global Management, Inc., a California corporation gek@lnbyb.com

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Gary F Torrell on behalf of Interested Party Courtesy NEF gtorrell@health-law.com
Giovanni Orantes on behalf of Other Professional Orantes Law Firm, P.C. go@gobklaw.com, gorantes@orantes-law.com,cmh@gobklaw.com,gobklaw@gmail.com, go@ecf.inforuptcy.com;orantesgr89122@notify.bestcase.com
Giovanni Orantes on behalf of Creditor Seoul Medical Group Inc go@gobklaw.com, gorantes@orantes-law.com,cmh@gobklaw.com,gobklaw@gmail.com, go@ecf.inforuptcy.com;orantesgr89122@notify.bestcase.com
Gregory A Rougeau on behalf of Creditor Diem Anh Cao grougeau@brlawsf.com
Gregory R Jones on behalf of Interested Party County of Santa Clara gjones@mwe.com, rnhunter@mwe.com
Hatty K Yip on behalf of U.S. Trustee United States Trustee (LA) hatty.yip@usdoj.gov
Howard Camhi on behalf of Creditor The Huntington National Bank hcamhi@ecjlaw.com, tcastelli@ecjlaw.com;amatsuoka@ecjlaw.com
Hutchison B Meltzer on behalf of Interested Party Attorney General For The State Of Ca hutchison.meltzer@doj.ca.gov, Alicia.Berry@doj.ca.gov
Ivan L Kallick on behalf of Interested Party Ivan Kallick ikallick@manatt.com, ihernandez@manatt.com
J Scott Bovitz on behalf of Creditor Children's Hospital Los Angeles bovitz@bovitz-spitzer.com
J. Alexandra Rhim on behalf of Creditor University of Southern California arhim@hrhlaw.com
Jacob Beiswenger on behalf of Interested Party California Governor's Office of Emergency Services jbeiswenger@omm.com, jacob-beiswenger-5566@ecf.pacerpro.com;swarren@omm.com
James A Hayes, Jr on behalf of Creditor Royal West Development, Inc. jhayes@zinserhayes.com, jhayes@jamesahayesaplc.com
James Cornell Behrens on behalf of Attorney Milbank, Tweed, Hadley & Mccloy jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
James Cornell Behrens on behalf of Plaintiff Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
James Cornell Behrens on behalf of Interested Party Courtesy NEF jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
James Cornell Behrens on behalf of Financial Advisor FTI Consulting, Inc. jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
James Cornell Behrens on behalf of Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
James M Toma on behalf of Interested Party Xavier Becerra, Attorney General of California james.toma@doj.ca.gov, teresa.depaz@doj.ca.gov
Jane Kim on behalf of Creditor County of San Mateo jkim@kellerbenvenutti.com
Jason Wallach on behalf of Interested Party Courtesy NEF jwallach@ghplaw.com, g33404@notify.cincompass.com
Jason D Strabo on behalf of Creditor U.S. Bank National Association, not individually, but as Indenture Trustee jstrabo@mwe.com, cfuraha@mwe.com
Jason D Strabo on behalf of Defendant U.S. Bank National Association jstrabo@mwe.com, cfuraha@mwe.com
Jason E Rios on behalf of Creditor Toyon Associates, Inc. jrios@ffwplaw.com, sdarms@ffwplaw.com;jfluken@ffwplaw.com
Jason M Reed on behalf of Interested Party Courtesy NEF Jason.Reed@Maslon.com
Jason M Reed on behalf of Defendant U.S. Bank National Association Jason.Reed@Maslon.com
Jeff D Kahane on behalf of Creditor The Chubb Companies jkahane@duanemorris.com, dmartinez@duanemorris.com
Jeff D Kahane on behalf of Interested Party The Chubb Companies jkahane@duanemorris.com, dmartinez@duanemorris.com
Jeffrey C Wisler on behalf of Interested Party Cigna Healthcare of California, Inc., and Llife Insurance Company of North America jwisler@connollygallagher.com, dperkins@connollygallagher.com
Jeffrey K Garfinkle on behalf of Creditor McKesson Corporation jgarfinkle@buchalter.com, docket@buchalter.com;dcyrankowski@buchalter.com
Jeffrey K Garfinkle on behalf of Interested Party Courtesy NEF jgarfinkle@buchalter.com, docket@buchalter.com;dcyrankowski@buchalter.com
Jeffrey S Kwong on behalf of Interested Party Strategic Global Management, Inc. jsk@lnbyb.com, jsk@ecf.inforuptcy.com
Jeffrey S Kwong on behalf of Defendant Strategic Global Management, Inc., a California corporation jsk@lnbyb.com, jsk@ecf.inforuptcy.com
Jennifer L Nassiri on behalf of Creditor Old Republic Insurance Company, et al jennifernassiri@quinnemanuel.com
Joan Huh on behalf of Creditor California Dept. of Tax and Fee Administration joan.huh@cdtfa.ca.gov
John A Moe, II on behalf of Creditor Roseann Gonzalez john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor St. Vincent Dialysis Center, Inc. john.moe@dentons.com, glenda.spratt@dentons.com

District/off: 0973-2 User: admin Page 5 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

John A Moe, II on behalf of Defendant Verity Health System of California Inc john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor O'Connor Hospital john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor St. Francis Medical Center of Lynwood Foundation john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor Verity Health System of California, Inc. john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Creditor Mary Meeko john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Defendant St. Francis Medical Center john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor Seton Medical Center john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor St. Francis Medical Center john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor St. Vincent Foundation john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor St. Louise Regional Hospital john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor Verity Medical Foundation john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Financial Advisor Berkeley Research Group LLC john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Debtor O'Connor Hospital Foundation john.moe@dentons.com, glenda.spratt@dentons.com
John A Moe, II on behalf of Attorney Dentons US LLP john.moe@dentons.com, glenda.spratt@dentons.com
John J Menchaca (TR) jmenchaca@menchacacpa.com, ca87@ecfcbis.com;igaeta@menchacacpa.com
John Mark Jennings on behalf of Creditor GE HFS, LLC johnmark.jennings@kutakrock.com, mary.clark@kutakrock.com
John R OKeefe, Jr on behalf of Creditor The Huntington National Bank jokeefe@metzlewis.com, slohr@metzlewis.com
John-Patrick M Fritz on behalf of Interested Party Strategic Global Management, Inc. jpf@lnbyb.com, JPF.LNBYB@ecf.inforuptcy.com
Jolene E Kramer on behalf of Creditor SEIU United Healthcare Workers - West bankruptcycourtnotices@unioncounsel.net, jkramer@unioncounsel.net
Joseph Corrigan on behalf of Creditor Iron Mountain Information Management, LLC Bankruptcy2@ironmountain.com
Joseph Shickich on behalf of Interested Party Microsoft Corporation jshickich@riddellwilliams.com
Joseph A Kohanski on behalf of Creditor California Nurses Association jkohanski@bushgottlieb.com, kprestegard@bushgottlieb.com
Joseph A Kohanski on behalf of Creditor United Nurses Associations of CA/Union of Health Care Professionals jkohanski@bushgottlieb.com, kprestegard@bushgottlieb.com
Joseph D Frank on behalf of Creditor Experian Health fka Passport Health Communications Inc jfrank@fgllp.com, mmatlock@fgllp.com;csmith@fgllp.com;jkleinman@fgllp.com;csucic@fgllp.com
Joseph D Frank on behalf of Creditor Experian Health, Inc jfrank@fgllp.com, mmatlock@fgllp.com;csmith@fgllp.com;jkleinman@fgllp.com;csucic@fgllp.com
Julie H Rome-Banks on behalf of Creditor Bay Area Surgical Management, LLC julie@bindermalter.com
Karl E Block on behalf of Interested Party SCAN Health Plan kblock@loeb.com, jvazquez@loeb.com;ladocket@loeb.com;kblock@ecf.courtdrive.com
Karl E Block on behalf of Interested Party Courtesy NEF kblock@loeb.com, jvazquez@loeb.com;ladocket@loeb.com;kblock@ecf.courtdrive.com
Karl E Block on behalf of Creditor SCAN Health Plan kblock@loeb.com, jvazquez@loeb.com;ladocket@loeb.com;kblock@ecf.courtdrive.com
Keith C Owens on behalf of Creditor Messiahic Inc., a California corporation d/b/a PayJunction kowens@foxrothschild.com, khoang@foxrothschild.com
Keith C Owens on behalf of Interested Party Microsoft Corporation kowens@foxrothschild.com, khoang@foxrothschild.com
Keith Patrick Banner on behalf of Creditor Abbott Rapid Diagnostics Informatics, Inc. fka Alere Informatics, Inc. kbanner@greenbergglusker.com, sharper@greenbergglusker.com;calendar@greenbergglusker.com
Kenneth K Wang on behalf of Creditor California Department of Health Care Services kenneth.wang@doj.ca.gov, Jennifer.Kim@doj.ca.gov;Stacy.McKellar@doj.ca.gov;yesenia.caro@doj.ca.gov
Kerri A Lyman on behalf of Interested Party Prime Healthcare Management, Inc. klyman@mwe.com, lbates@mwe.com
Kevin Collins on behalf of Creditor Roche Diagnostics Corporation kevin.collins@btlaw.com, Kathleen.lytle@btlaw.com
Kevin H Morse on behalf of Interested Party Courtesy NEF kmorse@clarkhill.com, blambert@clarkhill.com
Kevin H Morse on behalf of Creditor Alcon Vision, LLC kmorse@clarkhill.com, blambert@clarkhill.com
Kevin H Morse on behalf of Creditor Shared Imaging, LLC kmorse@clarkhill.com, blambert@clarkhill.com

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Kevin M Eckhardt on behalf of Creditor Eurofins VRL, Inc. kevin.eckhardt@gmail.com, keckhardt@hunton.com
Kevin M Eckhardt on behalf of Creditor C. R. Bard, Inc. kevin.eckhardt@gmail.com, keckhardt@hunton.com
Kevin M Eckhardt on behalf of Creditor Smith & Nephew, Inc. kevin.eckhardt@gmail.com, keckhardt@hunton.com
Kyra E Andrassy on behalf of Creditor MGH Painting, Inc. kandrassy@swelawfirm.com, lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
Kyra E Andrassy on behalf of Creditor Transplant Connect, Inc. kandrassy@swelawfirm.com, lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
Kyra E Andrassy on behalf of Interested Party Courtesy NEF kandrassy@swelawfirm.com, lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
Kyrsten Skogstad on behalf of Plaintiff California Nurses Association kskogstad@calnurses.org, rcraven@calnurses.org
Kyrsten Skogstad on behalf of Interested Party Courtesy NEF kskogstad@calnurses.org, rcraven@calnurses.org
Kyrsten Skogstad on behalf of Creditor California Nurses Association kskogstad@calnurses.org, rcraven@calnurses.org
Latonia Williams on behalf of Creditor AppleCare Medical Group lwilliams@goodwin.com, bankruptcy@goodwin.com
Latonia Williams on behalf of Creditor St. Francis Inc. lwilliams@goodwin.com, bankruptcy@goodwin.com
Latonia Williams on behalf of Creditor AppleCare Medical Group, Inc. lwilliams@goodwin.com, bankruptcy@goodwin.com
Latonia Williams on behalf of Creditor AppleCare Medical Management, LLC lwilliams@goodwin.com, bankruptcy@goodwin.com
Lauren A Deeb on behalf of Creditor McKesson Technologies, Inc. n/k/a Change Health Care Technologies, LLC lauren.deeb@nelsonmullins.com, maria.domingo@nelsonmullins.com
Lauren A Deeb on behalf of Creditor McKesson Corporation lauren.deeb@nelsonmullins.com, maria.domingo@nelsonmullins.com
Lauren T Attard on behalf of Creditor SpecialtyCare Cardiovascular Resources, LLC lattard@bakerlaw.com, agrosso@bakerlaw.com
Lawrence A Jacobson on behalf of Creditor Michael Pacelli laj@cohenandjacobson.com
Lawrence B Gill on behalf of Special Counsel Nelson Hardiman LLP lgill@nelsonhardiman.com, rrange@nelsonhardiman.com;ksherry@nelsonhardiman.com;mmarkwell@nelsonhardiman.com
Lawrence B Gill on behalf of Interested Party Courtesy NEF lgill@nelsonhardiman.com, rrange@nelsonhardiman.com;ksherry@nelsonhardiman.com;mmarkwell@nelsonhardiman.com
Lawrence J Hilton on behalf of Creditor Cerner Corporation lhilton@onellp.com, lthomas@onellp.com,info@onellp.com,rgolder@onellp.com,lhyska@onellp.com,nlichtenberger@onellp.com
Lee F Hoffman on behalf of Creditor Anthony Barajas leehoffmanjd@gmail.com, lee@fademlaw.com
Lee F Hoffman on behalf of Creditor Sydney Thomson leehoffmanjd@gmail.com, lee@fademlaw.com
Lei Lei Wang Ekvall on behalf of Creditor Cardinal Health lekvall@swelawfirm.com, lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
Lesley A Riis on behalf of Creditor Lesley c/o Riis lriis@dpmclaw.com
Leslie A Berkoff on behalf of Creditor Centinel Spine LLC lberkoff@moritthock.com, hmay@moritthock.com
Leslie A Cohen on behalf of Defendant HERITAGE PROVIDER NETWORK, INC., a California corporation leslie@lesliecohenlaw.com, jaime@lesliecohenlaw.com;olivia@lesliecohenlaw.com
Lisa Lenherr on behalf of Creditor Varian Medical Systems, Inc. llenherr@wendel.com, bankruptcy@wendel.com
Lisa M Peters on behalf of Creditor GE HFS, LLC lisa.peters@kutakrock.com, marybeth.brukner@kutakrock.com
Lori A Butler on behalf of Creditor Pension Benefit Guaranty Corporation butler.lori@pbgc.gov, efile@pbgc.gov
Lori L Purkey on behalf of Creditor Stryker Corporation bareham@purkeyandassociates.com
Louis J. Cisz, III on behalf of Creditor El Camino Hospital lcisz@nixonpeabody.com, jzic@nixonpeabody.com
Louis J. Cisz, III on behalf of Creditor El Camino Medical Associates, P.C. lcisz@nixonpeabody.com, jzic@nixonpeabody.com
M Douglas Flahaut on behalf of Creditor Medline Industries, Inc. flahaut.douglas@arentfox.com
Marcus Colabianchi on behalf of Creditor Chubb Companies mcolabianchi@duanemorris.com
Mariam Danielyan on behalf of Creditor Francisco Iniguez md@danielyanlawoffice.com, danielyan.mar@gmail.com
Mariam Danielyan on behalf of Creditor Aida Iniguez md@danielyanlawoffice.com, danielyan.mar@gmail.com
Marianne S Mortimer on behalf of Creditor Premier, Inc. mmartin@jmbm.com
Mark Shinderman on behalf of Plaintiff Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. mshinderman@milbank.com, dmuhrez@milbank.com;dlbatie@milbank.com
Mark Shinderman on behalf of Defendant U.S. Bank National Association mshinderman@milbank.com, dmuhrez@milbank.com;dlbatie@milbank.com
Mark A Neubauer on behalf of Creditor Angeles IPA A Medical Corporation mneubauer@carltonfields.com, mlrodriguez@carltonfields.com;smcloughlin@carltonfields.com;schau@carltonfields.com;NDunn@carltonfields.com;ecfla@carltonfields.com
Mark A Neubauer on behalf of Interested Party Courtesy NEF mneubauer@carltonfields.com, mlrodriguez@carltonfields.com;smcloughlin@carltonfields.com;schau@carltonfields.com;NDunn@carltonfields.com;ecfla@carltonfields.com

District/off: 0973-2 User: admin Page 7 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Mark A Neubauer on behalf of Creditor St. Vincent IPA Medical Corporation mneubauer@carltonfields.com, mlrodriguez@carltonfields.com;smcloughlin@carltonfields.com;schau@carltonfields.com;NDunn@carltonfields.com;ecfla@carltonfields.com
Mark A Serlin on behalf of Creditor RightSourcing, Inc. ms@swllplaw.com, mor@swllplaw.com
Mark D Plevin on behalf of Interested Party Courtesy NEF mplevin@crowell.com, cromo@crowell.com
Mark D Plevin on behalf of Creditor Medimpact Healthcare Systems mplevin@crowell.com, cromo@crowell.com
Marshall F Goldberg on behalf of Attorney c/o Glass & Goldberg PHILLIPS MEDICAL CAPITAL mgoldberg@glassgoldberg.com, jbailey@glassgoldberg.com
Mary H Rose on behalf of Interested Party Courtesy NEF mrose@buchalter.com
Matthew A Gold on behalf of Creditor Argo Partners courts@argopartners.net
Matthew B Holbrook on behalf of Interested Party Courtesy NEF mholbrook@sheppardmullin.com, mmanns@sheppardmullin.com,amartin@sheppardmullin.com
Matthew J Olson on behalf of Creditor Care Ambulance Service, Inc. olson.matthew@dorsey.com, stell.laura@dorsey.com
Megan A Rowe on behalf of Interested Party INTERESTED PARTY mrowe@dsrhealthlaw.com, lwestoby@dsrhealthlaw.com
Melinda Alonzo on behalf of Creditor AT&T ml7829@att.com
Melissa T Harris on behalf of Creditor Pension Benefit Guaranty Corporation harris.melissa@pbgc.gov, efile@pbgc.gov
Michael Hogue on behalf of Creditor Workday, Inc. hoguem@gtlaw.com, SFOLitDock@gtlaw.com;navarrom@gtlaw.com
Michael Hogue on behalf of Creditor Medical Anesthesia Consultants Medical Group, Inc. hoguem@gtlaw.com, SFOLitDock@gtlaw.com;navarrom@gtlaw.com
Michael St James on behalf of Interested Party Medical Staff of Seton Medical Center ecf@stjames-law.com
Michael A Sweet on behalf of Creditor Swinerton Builders msweet@foxrothschild.com, swillis@foxrothschild.com;pbasa@foxrothschild.com
Michael A Sweet on behalf of Interested Party Microsoft Corporation msweet@foxrothschild.com, swillis@foxrothschild.com;pbasa@foxrothschild.com
Michael B Reynolds on behalf of Creditor California Physicians' Service dba Blue Shield of California mreynolds@swlaw.com, kcollins@swlaw.com
Michael B Reynolds on behalf of Creditor Care 1st Health Plan mreynolds@swlaw.com, kcollins@swlaw.com
Michael B Reynolds on behalf of Creditor Blue Shield of California Promise Health Plan fka Care1st Health Plan mreynolds@swlaw.com, kcollins@swlaw.com
Michael B Reynolds on behalf of Interested Party Courtesy NEF mreynolds@swlaw.com, kcollins@swlaw.com
Michael D Breslauer on behalf of Creditor Hunt Spine Institute, Inc. mbreslauer@swsslaw.com, wyones@swsslaw.com;mbreslauer@ecf.courtdrive.com;wyones@ecf.courtdrive.com
Michael G Fletcher on behalf of Interested Party Courtesy NEF mfletcher@frandzel.com, sking@frandzel.com
Michael S Held on behalf of Creditor Medecision, Inc. mheld@jw.com
Michael S Winsten on behalf of Interested Party Courtesy NEF mike@winsten.com
Michael S Winsten on behalf of Creditor DaVita Inc. mike@winsten.com
Monica Y Kim on behalf of Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. myk@lnbrb.com, myk@ecf.inforuptcy.com
Monica Y Kim on behalf of Health Care Ombudsman Jacob Nathan Rubin myk@lnbrb.com, myk@ecf.inforuptcy.com
Monique D Jewett-Brewster on behalf of Creditor Paragon Mechanical, Inc. mjb@hopkinscarley.com, eamaro@hopkinscarley.com
Monserrat Morales on behalf of Interested Party Courtesy NEF Monsi@MarguliesFaithLaw.com, Vicky@MarguliesFaithLaw.com;Helen@marguliesfaithlaw.com;Angela@MarguliesFaithlaw.com
Nancy Newman on behalf of Creditor SmithGroup, Inc. nnewman@hansonbridgett.com, ajackson@hansonbridgett.com;calendarclerk@hansonbridgett.com
Nathan A Schultz on behalf of Interested Party Microsoft Corporation nschultz@goodwinlaw.com
Nathan A Schultz on behalf of Creditor Swinerton Builders nschultz@goodwinlaw.com
Nathaniel M Leeds on behalf of Creditor Christopher Steele nathaniel@mitchelllawsf.com, sam@mitchelllawsf.com
Neal L Wolf on behalf of Creditor Sports, Orthopedic and Rehabilitation Associates nwolf@hansonbridgett.com, calendarclerk@hansonbridgett.com,lchappell@hansonbridgett.com
Neal L Wolf on behalf of Defendant LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY DBA L.A. CARE HEALTH PLAN, an independent local public agency nwolf@hansonbridgett.com, calendarclerk@hansonbridgett.com,lchappell@hansonbridgett.com
Neal L Wolf on behalf of Creditor San Jose Medical Group, Inc. nwolf@hansonbridgett.com, calendarclerk@hansonbridgett.com,lchappell@hansonbridgett.com
Nicholas A Koffroth on behalf of Debtor In Possession Verity Health System of California, Inc. nick.koffroth@dentons.com, chris.omeara@dentons.com
Nicholas A Koffroth on behalf of Debtor In Possession VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation nick.koffroth@dentons.com, chris.omeara@dentons.com
Nicholas A Koffroth on behalf of Debtor Verity Health System of California, Inc. nick.koffroth@dentons.com, chris.omeara@dentons.com
Ori Katz on behalf of Creditor Sunquest Information Systems, Inc. okatz@sheppardmullin.com, cshulman@sheppardmullin.com;ezisholtz@sheppardmullin.com;lsegura@sheppardmullin.com

District/off: 0973-2 User: admin Page 8 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Paul J Laurin on behalf of Creditor Roche Diagnostics Corporation plaurin@btlaw.com, slmoore@btlaw.com;jboustani@btlaw.com
Paul J Laurin on behalf of Creditor 3M Corporation plaurin@btlaw.com, slmoore@btlaw.com;jboustani@btlaw.com
Paul J Pascuzzi on behalf of Creditor Toyon Associates, Inc. ppascuzzi@ffwplaw.com, sdarms@ffwplaw.com;jfluken@ffwplaw.com
Paul R. Glassman on behalf of Creditor Long Beach Memorial Medical Center pglassman@sycr.com
Payam Khodadadi on behalf of Creditor Aetna Life Insurance Company pkhodadadi@mcguirewoods.com, dkiker@mcguirewoods.com
Peter J Benvenutti on behalf of Creditor County of San Mateo pbenvenutti@kellerbenvenutti.com, pjbenven74@yahoo.com
Phillip K Wang on behalf of Creditor Delta Dental of California phillip.wang@rimonlaw.com, david.kline@rimonlaw.com
R Gibson Pagter, Jr. on behalf of Creditor Princess & Kehau Naope gibson@ppilawyers.com, ecf@ppilawyers.com;pagterrr51779@notify.bestcase.com
Ralph J Swanson on behalf of Creditor O'Connor Building LLC ralph.swanson@berliner.com, sabina.hall@berliner.com
Rebecca J Winthrop on behalf of Creditor AT&T Corp. rebecca.winthrop@nortonrosefulbright.com, evette.rodriguez@nortonrosefulbright.com
Rebecca J Winthrop on behalf of Creditor AT&T Corporation and AT&T Services, Inc. and their affiliates rebecca.winthrop@nortonrosefulbright.com, evette.rodriguez@nortonrosefulbright.com
Richard A Lapping on behalf of Creditor Retirement Plan for Hospital Employees richard@lappinglegal.com
Richard H Golubow on behalf of Creditor Anil Jain rgolubow@wghlawyers.com, pj@wcghlaw.com;jmartinez@wghlawyers.com;Meir@virtualparalegalservices.com
Richard H Golubow on behalf of Creditor Roseann Gonzalez rgolubow@wghlawyers.com, pj@wcghlaw.com;jmartinez@wghlawyers.com;Meir@virtualparalegalservices.com
Richard H Golubow on behalf of Creditor Catherine Wolferd rgolubow@wghlawyers.com, pj@wcghlaw.com;jmartinez@wghlawyers.com;Meir@virtualparalegalservices.com
Richard T Baum on behalf of Creditor Mesha Sanford rickbaum@hotmail.com, rickbaum@ecf.inforuptcy.com
Richard W Esterkin on behalf of Creditor Zimmer US, Inc. richard.esterkin@morganlewis.com
Robert A Rich on behalf of Creditor Eurofins VRL, Inc. , candonian@huntonak.com
Robert A Rich on behalf of Creditor C. R. Bard, Inc. , candonian@huntonak.com
Robert A Rich on behalf of Creditor Smith & Nephew, Inc. , candonian@huntonak.com
Robert A Rich on behalf of Creditor VRL, Inc as successor to and assignee of Viracor-IBT Laboratories, Inc and Eurofins VRL Los Angeles, Inc. , candonian@huntonak.com
Robert M Hirsh on behalf of Creditor Committee Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. rhirsh@lowenstein.com
Robert M Hirsh on behalf of Creditor Medline Industries, Inc. rhirsh@lowenstein.com
Robert N Amkraut on behalf of Creditor Swinerton Builders ramkraut@foxrothschild.com
Robert S Lampl on behalf of Creditor c/o Darryl S. Laddin Sysco Los Angeles, Inc. advocate45@aol.com, rlisarobinsonr@aol.com
Robert S Lampl on behalf of Creditor Surgical Information Systems, LLC advocate45@aol.com, rlisarobinsonr@aol.com
Ron Bender on behalf of Health Care Ombudsman J. Nathan Ruben rb@lnbyb.com
Ron Bender on behalf of Attorney Levene, Neale, Bender, Yoo & Brill L.L.P. rb@lnbyb.com
Ron Bender on behalf of Health Care Ombudsman Jacob Nathan Rubin rb@lnbyb.com
Rose Zimmerman on behalf of Interested Party City of Daly City rzimmerman@dalycity.org
Sabrina L Streusand on behalf of Creditor NTT DATA Services Holding Corporation Streusand@slollp.com
Samuel R Maizel on behalf of Debtor O'Connor Hospital Foundation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor In Possession Verity Health System of California, Inc. samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor Verity Holdings, LLC samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff Verity Holdings, LLC, a California limited liability company samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff Verity Health System of California, Inc. samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com

District/off: 0973-2 User: admin Page 9 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Samuel R Maizel on behalf of Debtor St. Vincent Foundation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff Seton Medical Center, a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor De Paul Ventures, LLC samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor Verity Medical Foundation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Financial Advisor Berkeley Research Group LLC samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor In Possession VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff St Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor De Paul Ventures - San Jose Dialysis, LLC samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor Verity Business Services samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor Verity Health System of California, Inc. samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Plaintiff ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Samuel R Maizel on behalf of Debtor St. Francis Medical Center of Lynwood Foundation samuel.maizel@dentons.com, alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
Scott H Olson on behalf of Creditor NFS Leasing Inc solson@vedderprice.com, scott-olson-2161@ecf.pacerpro.com,ecfsfdocket@vedderprice.com,nortega@vedderprice.com
Seth B Shapiro on behalf of Creditor United States Department of Health and Human Services seth.shapiro@usdoj.gov
Sharon Z. Weiss on behalf of Creditor US Foods, Inc. sharon.weiss@bclplaw.com, raul.morales@bclplaw.com
Shawn M Christianson on behalf of Interested Party Courtesy NEF cmcintire@buchalter.com, schristianson@buchalter.com
Shawn M Christianson on behalf of Creditor Oracle America, Inc. cmcintire@buchalter.com, schristianson@buchalter.com
Sheila Gropper Nelson on behalf of Creditor Golden GatePerfusion Inc shedoesbklaw@aol.com
Shirley Cho on behalf of Attorney Pachulski Stang Ziehl & Jones LLP scho@pszjlaw.com
Shirley Cho on behalf of Debtor Verity Health System of California, Inc. scho@pszjlaw.com
Simon Aron on behalf of Interested Party RCB Equities #1, LLC saron@wrslawyers.com
Stephen F Biegenzahn on behalf of Creditor Josefina Robles efile@sfblaw.com
Stephen F Biegenzahn on behalf of Interested Party Courtesy NEF efile@sfblaw.com
Steven D Wyllie on behalf of Creditor National Labor Relations Board, Region 31 steven.wyllie@nlrb.gov
Steven G. Polard on behalf of Creditor Schwalb Consulting, Inc. spolard@ch-law.com, calendar-lao@rmkb.com;melissa.tamura@rmkb.com;anthony.arriola@rmkb.com
Steven J Kahn on behalf of Plaintiff ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation skahn@pszyjw.com
Steven J Kahn on behalf of Plaintiff ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation skahn@pszyjw.com
Steven J Kahn on behalf of Debtor Verity Health System of California, Inc. skahn@pszyjw.com
Steven J Kahn on behalf of Plaintiff VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation skahn@pszyjw.com
Steven M Berman on behalf of Creditor KForce, Inc. sberman@slk-law.com, mceriale@shumaker.com
Susan I Montgomery on behalf of Creditor AppleCare Medical Group, Inc. susan@simontgomerylaw.com, assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Susan I Montgomery on behalf of Creditor AppleCare Medical Group susan@simontgomerylaw.com, assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com

Susan I Montgomery on behalf of Interested Party All Care Medical Group, Inc. susan@simontgomerylaw.com, assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com

Susan I Montgomery on behalf of Creditor AppleCare Medical Management, LLC susan@simontgomerylaw.com, assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com

Susan I Montgomery on behalf of Creditor AppleCare Medical Group St. Francis, Inc. susan@simontgomerylaw.com, assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com

Tania M Moyron on behalf of Debtor O'Connor Hospital Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant St. Francis Medical Center tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant Does 1 through 500 tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant Steven Sharrer tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Plaintiff Verity Health System of California, Inc. tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Plaintiff St Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Debtor St. Francis Medical Center tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Financial Advisor Berkeley Research Group LLC tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Debtor Verity Holdings, LLC tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Plaintiff Seton Medical Center, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant Verity Holdings, LLC, a California limited liability company tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Debtor In Possession Verity Health System of California, Inc. tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Debtor Verity Health System of California, Inc. tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant St. Francis Medical Center of Lynwood tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Defendant St. Vincent Dialysis Center, Inc. tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

Tania M Moyron on behalf of Debtor Verity Business Services tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

District/off: 0973-2 User: admin Page 11 of 12 Date Rcvd: Apr 09, 2020
Form ID: pdf042 Total Noticed: 4

The following persons/entities were sent notice through the court's CM/ECF electronic mail (Email) system (continued)

Tania M Moyron on behalf of Debtor Verity Medical Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor In Possession VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Plaintiff ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant Seton Medical Center, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor St. Louise Regional Hospital tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant Richard Adcock tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor St. Vincent Medical Center tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Plaintiff ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor De Paul Ventures, LLC tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant Verity Health System of California Inc tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor De Paul Ventures - San Jose Dialysis, LLC tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor St. Vincent Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Plaintiff Verity Holdings, LLC, a California limited liability company tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor Seton Medical Center tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor St. Vincent Dialysis Center, Inc. tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor Seton Medical Center Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Plaintiff VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant De Paul Ventures, LLC tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor Saint Louise Regional Hospital Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Defendant VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
Tania M Moyron on behalf of Debtor St. Francis Medical Center of Lynwood Foundation tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;kathryn.howard@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com

r: admin Page 12 of 12
m ID: pdf042 Total Noticed: 4

re sent notice through the court's CM/ECF elect

behalf of Debtor O'Connor Hospital tania.moy
ns.com;nick.koffroth@dentons.com;kathryn.howard
@dentons.com;lee.whidden@dentons.com;Jacqueline
behalf of Special Counsel Jeffer Mangles But
bm.com;tmg@ecf.inforuptcy.com
n behalf of Creditor Stationary Engineers Loc
ices@unioncounsel.net, tmainguy@unioncounsel.n
n behalf of Creditor Stationary Engineers Loc
ices@unioncounsel.net, tmainguy@unioncounsel.n
n behalf of Creditor Stationary Engineers Loc
rtnotices@unioncounsel.net, tmainguy@unioncoun
ee (LA) ustpregion16.la.ecf@usdoj.gov
behalf of Creditor STATE COMPENSATION INSURA
on behalf of Creditor Health Net of Californ
nlaw.com, nicole.jones@kattenlaw.com,ecf.lax.d
on behalf of Interested Party Cigna Healthc
mpany of North America wrathbone@grsm.com,
.com;sdurazo@grsm.com

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

FILED & ENTERED

APR 09 2020

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

CHANGES MADE BY COURT

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

Hon. Judge Ernest M. Robles

ORDER (A) AUTHORIZING THE SALE OF CERTAIN OF THE DEBTORS' ASSETS TO PRIME HEALTHCARE SERVICES, INC. PURSUANT TO THE APA ATTACHED HERETO FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS; (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN ASSIGNED CONTRACTS RELATED THERETO; AND (C) GRANTING RELATED RELIEF

Hearing:
Date: April 9, 2020
Time: 10:00 a.m.
Location: Courtroom 1568
255 E. Temple St., Los Angeles, CA

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

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

This matter came before the Court on the *Debtors' Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction and Sale Format and Bidding Procedures; (3) Approving Process for Discretionary Selection of Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to be Provided to Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest and Best Bidder; and (6) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) An Order Authorizing the Sale of Property Free and Clear of All Claims Liens and Encumbrances* [Docket No. 4069] (the "Motion"), filed by Verity Health System of California, Inc. ("VHS"), and the above-referenced affiliated debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (the "Debtors"), for the entry of an order, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1.[1] This Sale Order relates to the sale of certain assets used in the operation of the general acute care hospital known as "St. Francis Medical Center," which are owned, as applicable, by St. Francis Medical Center, a California nonprofit public benefit corporation ("SFMC"), VHS, and Verity Holdings LLC, a California limited liability company ("Holdings").

At the previous hearing on the Motion on February 26, 2020 (the "Bidding Procedures Hearing"), the Court granted the Motion [Docket No. 4165] (the "Bidding Procedures Order"). Any objections that were filed and overruled at the Bidding Procedures Hearing are not listed herein.

The Court, having reviewed the Memorandum [Docket No. 4471], the Declarations of Richard Adcock [Docket Nos. 8, 4132, 4471], James Moloney [Docket Nos. 4132 and 4471], and A. Joel Richlin [Docket No. 4471] in support thereof, the *Notice To Counterparties To Executory Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* [Docket No. 4267] (the "Cure Notice"), the *Notice of Sale Procedures, Auction Date, and Sale Hearing* [Docket

[1] 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, and all "LBR" references are to the Local Bankruptcy Rules for the United States Bankruptcy Court for the Central District of California.

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

No. 4167] (the "Auction Notice"), the objections filed by various counterparties to certain executory contracts and unexpired leases [Docket Nos. 4354, 4366, 4371, 4391, 4392, 4403, 4405, 4406, 4407, 4408, 4409, 4414, 4415, 4416, 4418, 4419, 4420, 4421, 4422, 4423, 4424, 4425, 4426, 4427, 4443] (the "Cure Objections"), the *SEIU-UHW's Objection and Reservation of Rights to Debtors' Motion for Sale of St. Francis Medical Center* [Docket No. 4495] (the "SEIU-UHW Objection"), the *Objection and Reservation of Rights by United Nurses Associations of California, to Debtors' Motion [Dkt. 4069] and Memorandum [Dkt. 4471] in Support of Entry of an Order Authorizing the Sale of Saint Francis Medical Center and Related Assets* [Docket No. 4498] (the "UNAC Objection"), *Hooper Healthcare Consulting, LLC's Limited Response to Sale Motion [Dkt. No. 4069], and Reservation of Rights* [Docket No. 4463] (the "Hooper Reservation"), and any objections set forth on the record at the Sale Hearing, and any withdrawals thereof, the statements, arguments and representations of the parties made at the Sale Hearing; and the entire record of these cases; and the Court, having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and that the legal and factual bases set forth in the Motion and presented at the Sale Hearing establish just cause for the relief granted herein and for the reasons set forth in the Court's tentative ruling issued on April 9, 2020, which the Court adopts as its final ruling and which is incorporated herein by reference [Docket No. 4507]; and all objections to the Motion, if any, having been withdrawn, continued or overruled; and after due deliberation and sufficient good cause appearing therefor:

THE COURT HEREBY FINDS AND CONCLUDES THAT:[2]

A. Jurisdiction and Venue. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of the Debtors' bankruptcy estates and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b)

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Rule 7052, made applicable to this proceeding pursuant to Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

(2) (A), (M), (N) and (O). Venue of these cases is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Statutory Predicates. The statutory predicates for the relief requested in the Motion are (i) §§ 105(a), 363(b), (f), (k), (l) and (m), and 365, (ii) Rules 2002(a)(2), 2002(c)(1) and (d), 6004 (a), (b), (c), (e), (f) and (h), 6006(a), (c) and (d), 9006, 9007, 9013 and 9014, and (iii) LBR 6004-1 and 9013-1.

C. Notice. As evidenced by the affidavits of service previously filed with the Court, the Debtors have provided proper, timely, adequate and sufficient notice with respect to the following: (i) the Motion and the relief sought therein, including the entry of this Sale Order and the transfer and sale of the assets (the "Purchased Assets"), as set forth in the Asset Purchase Agreement, dated April 3, 2020, a copy of which is attached as Exhibit "B" to Docket No. 4471 (the "APA"); (ii) the Sale Hearing; (iii) the Auction Notice; and (iv) the assumption and assignment of the executory contracts and unexpired leases and proposed cure amounts owing under such executory contracts and unexpired leases (the "Cure Amounts"); and no further notice of the Motion, the relief requested therein or the Sale Hearing is required. The Debtors have also complied with all obligations to provide notice of the Auction, the Sale Hearing, the proposed sale and otherwise, as required by the Bidding Procedures Order. A reasonable opportunity to object and to be heard regarding the relief provided herein has been afforded to parties-in-interest.

D. Title in the Purchased Assets. The Purchased Assets constitute property of the Debtors' estates and title thereto is vested in the Debtors' estates within the meaning of § 541(a). The Debtors are the sole and lawful owner of the Purchased Assets.

E. Arm's Length Transaction. The APA and other documents and instruments (the "Transaction Documents") related to and connected with this transaction (the "Transaction") and the consummation thereof were negotiated and entered into by the Debtors and Prime Healthcare Services, Inc. ("Prime"), as Purchaser under the APA without collusion, in good faith and through an arm's length bargaining process. Neither Prime nor any of its affiliates or representatives is an "insider" of the Debtors, as that term is defined in § 101(31). None of the Debtors, Prime, or their respective representatives engaged in any conduct that would cause or permit the APA, any of the

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

other Transaction Documents or the Transaction to be avoided under § 363(n), or have acted in any improper or collusive manner. The terms and conditions of the APA and the other Transaction Documents, including, without limitation, the consideration provided in respect thereof, are fair and reasonable, and are not avoidable and shall not be avoided, and no damages may be assessed against Prime or any other party as set forth in § 363(n). The consideration provided by Prime is fair, adequate and constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and any other applicable laws of the United States or any of its jurisdictions or subdivisions, including the State of California.

F. Good Faith Purchaser. Prime has proceeded in good faith and without collusion in all respects in connection with the sale process, in that: (i) Prime, in proposing and proceeding with the Transaction in accordance with the APA, recognized that the Debtors were free to deal with other interested parties; (ii) Prime agreed to provisions in the APA that would enable the Debtors to accept a higher and better offer; (iii) Prime complied with all of the provisions in the Bidding Procedures Order applicable to Prime; (iv) all payments to be made by Prime and other agreements entered into or to be entered into between Prime and the Debtors in connection with the Transaction have been disclosed; (v) the negotiation and execution of the APA and related Transaction Documents were conducted in good faith and constituted an arm's length transaction; (vi) Prime did not induce or cause the chapter 11 filings by the Debtors; and (vii) the APA was not entered into, and the Transaction being consummated pursuant to and in accordance with the APA is not being consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors. Prime is therefore entitled to all of the benefits and protections provided to a good-faith purchaser under § 363(m) and any other applicable bankruptcy or non-bankruptcy law with respect to the sale and assignment of the Purchased Assets and Assumed Contracts that Prime is acquiring pursuant to the APA and the other terms thereof. Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Transaction shall not affect the validity of the Transaction, any terms or conditions of the Transaction or Prime's status as a "good faith" purchaser.

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

G. Justification for Relief. Good and sufficient reasons for approval of the APA and the other Transaction Documents and the Transaction have been articulated to this Court in the Motion and at the Sale Hearing, and the relief requested in the Motion and set forth in this Sale Order is in the best interests of the Debtors, their estates, and their creditors. The Debtors have demonstrated through the Motion and other evidence submitted at the Sale Hearing both (i) good, sufficient and sound business purpose and justification and (ii) compelling circumstances for the transfer and sale of the Purchased Assets as provided in the APA outside the ordinary course of business, and (iii) such transfer and sale pursuant to the terms of the APA and this Order is an appropriate exercise of the Debtors' business judgment and in the best interests of the Debtors, their estates, and their creditors.

H. Free and Clear. In accordance with §§ 363(b) and 363(f), the consummation of the Transaction pursuant to the Transaction Documents shall be a legal, valid, and effective transfer and sale of the Purchased Assets and shall vest in Prime, through the consummation of the Transaction, all of the Debtors' right, title, and interest in and to the Purchased Assets, free and clear of all liens, claims, interests, rights of setoff, recoupment, netting and deductions, rights of first offer, first refusal and any other similar contractual property, legal or equitable rights, and any successor or successor-in-interest liability theories (collectively, the "Encumbrances"). The Debtors have demonstrated that one or more of the standards set forth in § 363(f)(1)-(5) have been satisfied. Those holders of Encumbrances who did not object, or who withdrew their objections, to the sale or the Motion are deemed to have consented pursuant to § 363(f)(2). Those holders of Encumbrances who did object fall within one or more of the other subsections of § 363(f). All holders of the Encumbrances in the Purchased Assets are adequately protected by having their respective Encumbrances attach to the Debtors' interests in the proceeds of the sale of the Purchased Assets under the APA (subject to any Challenge within the meaning of that certain *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP Order") that has been, or may be, timely filed), and any related documents or instruments delivered

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

in connection therewith, whenever and wherever received (the "Sale Proceeds") to the extent and manner provided herein, including, without limitation, in paragraphs 6, 7 and 16 hereunder. The outcome of any Challenge (as defined in the Final DIP Order) does not affect the findings in this paragraph as it relates to Purchaser.

I. Prompt Consummation. The Debtors have demonstrated good and sufficient cause to waive the stay requirement under Rules 6004(h) and 6006(d). Time is of the essence in consummating the Transaction, and it is in the best interests of the Debtors and their estates to consummate the Transaction within the timeline set forth in the Motion and the APA. The Court finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth in this Order.

J. Assumption of Executory Contracts and Unexpired Leases. The Debtors have demonstrated that it is an exercise of their sound business judgment to assume and assign to Prime the "Assigned Contracts" (as that term is defined in the APA), subject to Prime's right to designate any Assigned Contracts as "Rejected Contracts" (as that term is defined in the APA) pursuant to the APA, in connection with the consummation of the Transaction, and the assumption and assignment of the Assigned Contracts is in the best interests of the Debtors and their estates.

K. Cure/Adequate Assurance. In connection with the Closing, and pursuant to the APA, unless otherwise ordered, any and all defaults existing on or prior to the Closing under any of the Assigned Contracts will have been cured, within the meaning of § 365(b)(1)(A), by payment of the amounts (the "Cure Amounts") and in the manner set forth below, unless otherwise agreed by Prime and the counterparty (each a "Counterparty") or as ordered by the Court. Prime has provided adequate assurance of future performance of and under the Assigned Contracts within the meaning of § 365(b)(1)(C) and § 365(f)(2)(B), and shall have no further obligation to provide assurance of performance to any Counterparty to an Assigned Contract. Pursuant to § 365(f), the Assigned Contracts to be assumed by the Debtors (i.e., SFMC, VHS, and Holdings), and assigned to Prime under the APA shall be assigned and transferred to, and remain in full force and effect for the benefit of Prime, notwithstanding any provision in such Assigned Contracts prohibiting their assignment or transfer. The Debtors have demonstrated that no other parties to any of the Assigned

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

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

Contracts has incurred any actual pecuniary loss resulting from a default on or prior to the Closing under any of the Assigned Contracts within the meaning of § 365(b)(1)(B).

L. Rejection of Executory Contracts and Unexpired Leases. The Debtors will have demonstrated that it is a reasonable and appropriate exercise of their sound business judgment for SFMC to reject all of its executory contracts and unexpired leases, excluding (i) Assigned Contracts, (ii) any prepetition multiparty contract affecting more than one Debtor in addition to SFMC, (iii) any prepetition contract that is the subject of a Rule 9019 settlement motion prior to Closing, and (vi) any collective bargaining agreement (a "CBA"), pension plan or health and welfare plan providing collectively bargained benefits to which SFMC is a party or sponsor. The Debtors shall file an appropriate motion to reject the contracts, covered by this paragraph K, prior to Closing and shall request therein that the rejection be effective as of the Closing or as otherwise appropriate.

M. Highest and Best Offer. The Debtors solicited offers and noticed the Auction in accordance with the provisions of the Bidding Procedures Order. The Auction was duly noticed, the sale process was conducted in a non-collusive manner and the Debtors afforded a full, fair and reasonable opportunity for any person or entity to make a higher and better offer to purchase the Purchased Assets. Commencing on January 3, 2020, the Debtors contacted all parties that had executed a nondisclosure agreements (an "NDA") in connection with the Debtors' previous efforts to market St. Francis and, following the receipt of executed NDAs, granted fifty three (53) parties access to a secured diligence data site and received seven written indications of interest for the potential acquisition of St. Francis by January 31, 2020. Other than Prime's Bid, the Debtors received no other Qualified Bids by the Bid Deadline (as such terms are defined by the Bidding Procedures Order). The Debtors properly consulted with the Consultation Parties in selecting Prime's Bid as the highest and best bid pursuant to the Bidding Procedures Order. The transfer and sale of the Purchased Assets to Prime on the terms set forth in the APA constitutes the highest and best offer for the Purchased Assets and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. The Debtors' determination, in consultation

with the Consultation Parties (as defined in the Bidding Procedure Order), that the APA constitutes the Winning Bid, constitutes a valid and sound exercise of the Debtors' business judgment.

N. No *De Facto* or *Sub Rosa* Plan of Reorganization. The sale of the Purchased Assets does not constitute a *de facto* or *sub rosa* plan of reorganization or liquidation because it does not propose to (i) impair or restructure existing debt of, or equity or membership interests in, the Debtors, (ii) impair or circumvent voting rights with respect to any plan proposed by the Debtors, (iii) circumvent chapter 11 safeguards, including those set forth in §§ 1125 and 1129, or (iv) classify claims or equity or membership interests.

O. Legal and Factual Bases. The legal and factual bases set forth in the Motion and at the Sale Hearing establish just cause for the relief granted herein.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The relief requested in the Motion is GRANTED and APPROVED in all respects to the extent provided herein.

2. The UNAC Objection is overruled as premature. The Hooper reservation is preserved for adjudication at the hearing scheduled before this Court on April 29, 2020, at 10:00 a.m. All other objections with regard to the relief sought in the Motion that have not been withdrawn, waived, settled, or provided for herein or in the Bidding Procedures Order, including any reservation of rights included in such objections, are overruled on the merits with prejudice, including, without limitation, the SEIU-UHW Objection. To the extent of any inconsistency between this Sale Order and the Bidding Procedures Order, the terms of this Sale Order shall prevail.

3. Notice of the Sale Motion, and the assumption and assignment of the Assumed Contracts (including proposed Cure Amounts related thereto), the Auction, the Sale Hearing and the Sale was fair and equitable under the circumstances and complied in all respects with the Bidding Procedures, §§ 102(1), 363, and 365, and Rules 2002, 6004, 6006, 9006, and 9007.

4. Pursuant to §§ 105(a), 363(b), 363(f), and 365, the Transaction, including the transfer and sale of the Purchased Assets to Prime on the terms set forth in the APA, is approved in all respects, and the Debtors are authorized and directed to consummate the Transaction in

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

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

accordance with the APA, including, without limitation, by executing all of the Transaction Documents (and any ancillary documents or instruments that may be reasonably necessary or desirable to implement the APA or the Transaction) and taking all actions necessary and appropriate to effectuate and consummate the Transaction (including the transfer and sale of the Purchased Assets) in consideration of the Purchase Price (as defined in § 1.1 of the APA) upon the terms set forth in the APA, including, without limitation, assuming and assigning to Prime the Assigned Contracts. The Debtors and Prime shall have the right to make any mutually agreeable, non-material changes to the APA, which shall be in writing signed by both parties, without further order of the Court provided, that after reasonable notice, the Official Committee of Unsecured Creditors (the "Committee") and the Prepetition Secured Creditors (as defined in the Final DIP Order) do not object to such changes. Any timely objection by the aforementioned parties to any agreed non-material changes to the APA may be resolved by the Court on shortened notice.

5. As of the Closing, (i) the Transaction set forth in the APA shall effect a legal, valid, enforceable and effective transfer and sale of the Purchased Assets to Prime free and clear of all Encumbrances as further set forth in the APA and this Sale Order; and (ii) the APA, and the other Transaction Documents, and the Transaction, shall be enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors, any successor thereto including a trustee or estate representative appointed in the Bankruptcy Cases, the Debtors' estates, all holders of any Claim(s) (as defined in the Bankruptcy Code) against the Debtors, whether known or unknown, any holders of Encumbrances on all or any portion of the Purchased Assets, all Counterparties to the Assigned Contracts and all other persons and entities.

6. Encumbrances in and to Purchased Assets shall attach (subject to any Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed) to the Sale Proceeds of such Purchased Assets with each such Encumbrance having the same force, extent, effect, validity and priority as such Encumbrance had on the Purchased Assets giving rise to the Sale Proceeds immediately prior to the Closing. For the avoidance of doubt, the foregoing force, extent, effect, validity and priority of such Encumbrances of the Prepetition Secured Creditors that attach to the Sale Proceeds shall: (i) reflect and include, without limitation, the security interests,

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

liens (including any Prepetition Replacement Liens arising for diminution of value, if any) and rights, powers and authorities that have been granted to the Prepetition Secured Creditors, as applicable, pursuant to the Financing Orders,[3] subject to (x) the results of the appeal from the Final DIP Order filed by the Committee on November 29, 2019 challenging the rights granted to the Prepetition Secured Creditors pursuant to the Final DIP Order with respect to Sections 506(c) and 552(b); and/or (ii) the results of any Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed. In addition, the Intercreditor Agreement (as defined in the Final DIP Order) and the Final DIP Order shall apply with respect to the rights of the parties thereto in and to the Sale Proceeds and the Escrow Deposit Accounts, to the extent of and in accordance with its terms with all parties reserving all rights thereunder. Each of the Prepetition Secured Creditors opposes all existing Challenges and the appeal brought by the Committee, and nothing contained herein shall constitute an express or implicit admission by any of the Prepetition Secured Creditors in connection therewith, or shall be deemed to be a waiver of any rights in respect thereof. The outcome of any such Challenge does not affect the Transaction in any respect.

7. The Accounts Receivable shall be transferred from Debtors to Prime free and clear of all Encumbrances as further set forth in the APA and this Sale Order, subject only to the A/R Accounting set forth in the APA. Subject to the fulfillment of the terms and conditions of the APA, this Sale Order shall, as of the Closing, be considered and constitute for all purposes a full and complete general assignment, conveyance, and transfer of the Purchased Assets and/or a bill of sale transferring all of the Debtors' rights, title and interest in and to the Purchased Assets to Prime free

[3] The "Financing Orders" refer, collectively, to (i) the Final DIP Order; (ii) the *Final Order (A) Authorizing Continued Use of Cash Collateral, (B) Granting Adequate Protection, (C) Modifying the Automatic Stay, and (D) Granting Related Relief* [Docket No. 3022]; (iii) the *Final Order Approving Stipulation Between the Prepetition Secured Creditors and the Debtors to (A) Amend Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 3883]; (iv) the *Final Order Approving Stipulation to (A) Amend the First Amended Supplemental Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4028]; and (v) the *Final Order Approving Stipulation to (A) Amend the Second Amended Supplemental Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4187].

and clear of the Encumbrances. Consistent with, but not in limitation of the foregoing, each and every federal, state, and local governmental agency or department, except as stated herein, is hereby authorized and directed to accept all documents and instruments necessary and appropriate to consummate the transactions contemplated by the APA and approved in this Sale Order. A certified copy of this Order may be filed with the appropriate clerk and/or recorded with the appropriate recorder to cancel any Encumbrances of record.

8. Any person or entity that is currently, or on the Closing Date may be, in possession of some or all of the Purchased Assets is hereby directed to surrender possession of such Purchased Assets either to (a) the Debtors before the Closing or (b) to Prime or its designee upon the Closing, and to cooperate with the Debtors and Prime in the Debtors' and Prime's fulfillment of their obligations hereunder and pursuant to the APA.

9. The transfer of the Purchased Assets pursuant to the Transaction Documents shall be a legal, valid, and effective transfer and shall, in accordance with §§ 105(a) and 363(f), and upon consummation of the Transaction, including, without limitation, payment of the Purchase Price to the Debtors, vest Prime with all right, title, and interest in the Purchased Assets, free and clear of all Encumbrances. Upon closing of the Transaction, Prime shall take title to and possession of the Purchased Assets as set forth in the APA, provided that notwithstanding any other provision of this Order or the APA to the contrary, Purchased Assets shall not include any Accounts Receivable (as that term is defined in the APA) for which UnitedHealthcare Insurance Company is an account debtor. The transfer of the Purchased Assets from the Debtors to Prime constitutes a transfer in good faith and for reasonable equivalent value and fair consideration under the Bankruptcy Code and the laws of the State of California.

10. Following the Closing, no holder of any Encumbrance against the Debtors or upon the Purchased Assets shall interfere with Prime's respective rights in, title to or use and enjoyment of the Purchased Assets. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Purchased Assets to Prime, including the assumption and assignment of the Assigned Contracts.

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

11. Prime is a good faith purchaser of the Purchased Assets and is hereby granted and entitled to all of the protections provided to a good faith purchaser under § 363(m). Pursuant to § 363(m), if any or all of the provisions of this Sale Order are hereafter reversed, modified, or vacated by a subsequent order of the Bankruptcy Court or any other court (including modification of the terms of the APA), such reversal, modification, or vacatur shall not affect the validity and enforceability of the Transaction, any sale, transfer, or assignment under the APA or obligation or right granted pursuant to the terms of this Sale Order, and, notwithstanding any reversal, modification, or vacatur, the original provisions of this Sale Order and the APA, as the case may be, shall apply with respect to the Transaction.

12. The Sale approved by this Sale Order is not subject to avoidance or any recovery or damages pursuant to § 363(n) or any other section of the Bankruptcy Code or otherwise, except for any rights of the parties to enforce the terms of the APA.

13. Prime shall not be deemed, as a result of any action taken in connection with, or as a result of the Transaction (including the transfer and sale of the Purchased Assets), to the maximum extent permitted by law by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets, to: (i) be a successor, continuation or alter ego (or other such similarly situated party) to or of the Debtors or their estates by reason of any theory of law or equity, including, without limitation, any bulk sales law, doctrine or theory of successor liability, or any theory or basis of liability, regardless of source of origin; or (ii) have, *de facto* or otherwise, merged with or into the Debtors; or (iii) be a mere continuation, *alter ego*, or substantial continuation of the Debtors. Prime is not assuming any of the Debtors' debts.

14. This Sale Order (i) shall be effective as a determination that, on Closing, all Encumbrances existing against the Purchased Assets before the Closing have been unconditionally released, discharged and terminated, except to the extent provided in paragraph 6 above, and that the transfers and conveyances described herein have been effected, and (ii) shall be binding upon and shall govern the acts of all persons and entities. If, following a reasonable written request made by the Debtors, any person or entity that has filed financing statements or other documents or agreements evidencing any Encumbrances against the Purchased Assets shall not have delivered to

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

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

the Debtors for use at or in connection with Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Encumbrances which the person or entity has with respect to the Purchased Assets, then Prime and/or the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to such Purchased Assets. For the avoidance of doubt, such statements, instruments, releases and other documents shall not impair Encumbrances that attach (subject to any Challenge within the meaning of the Final DIP Order that has been, or may be, timely filed, which shall not affect the enforceability of this Sale Order as to Prime) to the Sale Proceeds by the terms of this Order, including, but not limited to paragraphs 6, 7 and 16 hereof.

15. In accordance with the APA, concurrently with the Closing, Prime shall pay that portion of the Purchase Price due at Closing, by wire transfer of immediately available funds, to Debtors' Escrow Deposit Accounts (defined below), subject to the adjustments set forth in the APA. Any direct expenses of the Sale shall be disclosed by Debtors to the Prepetition Secured Creditors and the Committee in advance of the Closing.

16. The terms and conditions of the Financing Orders shall apply with respect to the Sale Proceeds and Escrow Deposit Accounts (defined herein), except as expressly modified hereby. Without limiting the foregoing, the Debtors shall comply with paragraph 4 of the Final DIP Order in the following manner:

a. the Debtors shall direct Prime, pursuant to the terms of the APA, to remit to Chicago Title Insurance Company as closing escrow agent (the "Closing Escrow Agent") all Sale Proceeds for the separate account of each selling Debtor. Upon closing, the Closing Escrow Agent shall remit the Sale Proceeds to the separate accounts for each selling Debtor (each such account hereafter referred to as "Escrow Deposit Account").

b. in giving direction to Prime pursuant to sub-paragraph (a), above, the Debtors shall exercise their reasonable business judgment, in good faith, and allocate the Sale Proceeds among the Escrow Deposit Accounts on the basis of the value of each Debtor's Purchased Assets as of the Closing which allocation, for the avoidance of doubt, shall be subject to the

reservations of rights in paragraph 4 of the Final DIP Order; provided that nothing in this paragraph shall waive or limit any rights the Committee or the Prepetition Secured Creditors may have in connection with the confirmation of a proposed chapter 11 plan for any of the Debtors' cases (including the right to seek to reallocate estate values and the Sale Proceeds at any time);

c. no funds held in any Escrow Deposit Account shall be (i) commingled with any other funds of the applicable Debtor or any of the other Debtors or (ii) used by the Debtors for any purpose, except as provided by paragraphs 17, 19, 20, and 22 of this Order with respect to Cure Costs, and to fund any Purchase Price adjustment in favor of Prime under the APA, in each case, without first obtaining the consent of the Prepetition Secured Creditors or obtaining an order of the Court pursuant to § 363 after reasonable notice under the circumstances to the Prepetition Secured Creditors and to the Committee and, if necessary, a hearing thereon;

d. establishment of an Escrow Deposit Account shall not require execution by the Debtors of a deposit account control agreement in favor of the Prepetition Secured Creditors to establish their perfected lien rights over the Escrow Deposit Account balances as collateral or proceeds of collateral (which lien rights shall be deemed automatically granted and perfected by the terms of the Financing Orders and this Order); and

e. for the avoidance of doubt, the rights of the Debtors, the Committee, and the Prepetition Secured Creditors as to the Sale Proceeds and any funds held in any Escrow Deposit Accounts shall be, except as set forth herein, as contemplated by Paragraph 4 of the Final DIP Order and the terms of the Financing Orders, and nothing in this Order shall be construed as altering, amending, waiving, or affecting in any way such rights or any rights under the Intercreditor Agreement, to the extent applicable.

17. Concurrently with the Closing or as soon thereafter as is possible, and in accordance with the APA, the Debtors shall pay out of the Sale Proceeds to the Counterparties to the Assigned Contracts the Cure Amounts either as (i) set forth in the Cure Notice, (ii) otherwise agreed to by the Debtors, Prime, and the applicable Counterparties thereto, or (iii) ordered by this Court after a hearing on any objection to the Cure Amount set forth in the Cure Notice. Prime has the right under

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

the APA to remove any contracts from the list of Assigned Contracts up to thirty (30) days prior to Closing.

18. Any executory contracts and/or unexpired leases, which give rise to Cure Costs and are designated as Assigned Contracts and are not timely removed from the Assigned Contracts list by Prime under the APA shall be deemed Assigned Contracts at the Closing, subject to the provisions of the APA and this Sale Order. The Court shall resolve any and all disputes which may arise between the Debtors, Prime, and any applicable Counterparty concerning (i) whether a particular Assigned Contract is an executory contract or unexpired lease or (ii) whether a Counterparty to an Assigned Contract is entitled to an allowed claim against the Debtors which exceeds the Cure Amount set forth in the Cure Notice (an "Assumption Dispute").

19. All of the Assigned Contracts, to the extent they are executory contracts or unexpired leases and are not subsequently and timely removed by Prime under the APA, or deemed a rejected contract within the meaning of § 1.11 of the APA, shall be part of the Assigned Contracts that will be assumed by the Debtors and assigned to Prime at the Closing, subject to the provisions of the APA. All Assigned Contracts shall be assumed by the Debtors and assigned to Prime at the Closing, with Prime to be obligated to pay all Cure Costs owing to such Assigned Contract Counter-Parties concurrently with the Closing, as set forth in the APA, or as otherwise agreed to by the Debtors, Prime and the applicable counter-parties thereto, or ordered by the Court (the "Additional Cure Costs"), so long as such amount as ordered by the Court is no greater than the amount agreed upon by Prime; and in the event the Additional Cure Costs is greater than the amount agreed upon by Prime, and Prime is not willing to pay the Additional Cure Costs, the Debtors shall not be required to pay the Additional Cure Cost(s) and the Assigned Contract(s) shall be deemed a rejected contract within the meaning of § 1.11 of the APA and this Sale Order, and funds in an amount equal to the Cure Amount for such Rejected Contract shall be returned to Prime within seven (7) business days of such contract being deemed a rejected contract pursuant to the APA; provided, and for the avoidance of doubt, except as provided in Section 4.9 of the APA, no collective bargaining agreement, pension plan or health and welfare plan providing collectively bargained benefits to

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

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

which the Hospital is a party or sponsor constitutes an Assigned Contract for which Prime or the Debtors may be obligated to pay any cure amount.

20. In the event the Court determines that a Counterparty has an allowed cure claim against the Debtors which exceeds the Cure Cost agreed to between the Debtors and Prime (the "Excess Cure Amount") with respect to an Assigned Contract, the difference will be paid by Prime as an increase to the Cure Pool and the Purchase Price and shall not be the responsibility of the Debtors as more specifically set forth below; provided, however, that an Assigned Contract subject to an Assumption Dispute shall be deemed a "Rejected Contract" within the meaning of § 1.11 of the APA if the Assumption Dispute is not resolved by the later of (i) three days following entry of an order, or (ii) removal of the Assigned Contract from the list of Assigned Contracts on or before thirty (30) days prior to Closing, unless the Debtor, Prime, and the applicable Counterparty agree otherwise. To the extent an Assumption Dispute relates solely to the Cure Amount, the Debtors may, with Prime's consent, assume and assign the applicable executory contract or unexpired lease at Closing and prior to the resolution of the Assumption Dispute by the Bankruptcy Court, provided, that the Bankruptcy Court has estimated the maximum cure payment, pursuant to § 502(c) and Prime includes such amount in the Cure Pool to be held by the Debtors in the Sale Proceeds Account for the relevant Debtor(s). The Debtors shall pay and hereby are authorized to pay disputed Cure Amounts from the relevant Sales Proceeds Account(s) upon entry of a final and non-appealable order by this Court to the extent Prime remitted to Sellers the amount required by this paragraph of the Order.

21. Prime shall have the right to designate any contracts on the Assigned Contract list as a Rejected Contract until the later of (i) three business days following entry of an order resolving any Assumption Dispute or (ii) 5:00 p.m. (Pacific Time) on the day that is thirty (30) days prior to Closing Date, provided further that the Debtors shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims.

22. Upon the Closing or as otherwise provided herein or under the APA, the Debtors are authorized and directed to assume, assign and/or transfer each of the Assigned Contracts to Prime. At the Closing, Prime shall pay out of the Sale Proceeds, which shall include the "Cure Pool" (as defined

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

in the APA), the Cure Amounts identified pursuant to paragraph 17 above. Notwithstanding anything in this Order to the contrary, and with the exception of Cure Amounts subject to Assumption Disputes on the Closing Date (which shall be paid upon resolution of such Assumption Dispute), the Debtors shall pay to the Counterparties of Assigned Contracts the applicable Cure Amount (including, any Excess Cure Amount) from the Cure Pool upon the Closing or as soon thereafter as is reasonably practicable. The Debtors' payment of such Cure Amounts are deemed the necessary and sufficient amounts to "cure" all "defaults" with respect to all such Assigned Contracts under § 365(b). The foregoing payment shall (i) effect a cure of all defaults existing under all such Assigned Contracts, and (ii) compensate all such Counterparties for any actual pecuniary loss resulting from any such default. The Debtors shall then have assumed and assigned to Prime, effective as of the Closing, subject to the provisions of the APA and this Sale Order, all of the Assigned Contracts, and, pursuant to § 365(f), the assignment by the Debtors of all such Assigned Contracts to Prime shall not be a default thereunder. After the payment of the Cure Amounts, neither the Debtors nor Prime shall have any further liabilities to any Counterparties, other than Prime's obligations under the Assigned Contracts that accrue and become due and payable after the Closing Date, except as provided in Section 4.9 of the APA, are attributable solely to post-Closing events or activities. In addition, adequate assurance of future performance has been demonstrated by or on behalf of Prime with respect to all of the Assigned Contracts within the meaning of §§ 365(b)(1)(c), 365(b)(3) (to the extent applicable) and 365(f)(2)(B). For the avoidance of doubt, Prime shall not be liable for the payment of any liabilities or obligations, including but not limited to the obligation to provide assurance of future performance, arising from or related to (a) any Rejected Contracts, (b) any prepetition multiparty contract affecting more than one Debtor in addition to SFMC, or (c) any CBA, pension plan, or health and welfare plan providing for collectively bargained for benefits to which SFMC is a party or a sponsor, unless expressly assumed and assigned with Prime's consent or as otherwise set forth in this Sale Order.

23. The Debtors intend, and are hereby authorized, to (A) reject, pursuant to § 365(a), all executory contracts to which SFMC is a party, excluding (i) Assigned Contracts, and (ii) any prepetition multiparty contract affecting more than one Debtor in addition to SFMC, and, (B) reject and terminate, to the extent separately authorized by this Court, pursuant to §§ 1113, 1114, and any

other applicable provision of the Bankruptcy Code, any CBA, pension plan or health and welfare plan providing collectively bargained benefits to which SFMC is a party or sponsor.

24. All of the Counterparties are forever barred, estopped, and permanently enjoined from (i) raising or asserting against the Debtors or Prime, or any of their property, any assignment fee, acceleration, default, breach, or claim of pecuniary loss, or condition to assignment, arising under or related to the Assigned Contracts, existing as of the Closing, or arising by reason of the consummation of the Transaction contemplated by the APA, including, without limitation, the Transaction and the assumption and assignment of the Assigned Contracts, including any asserted breach relating to or arising out of the change-in-control provisions in such Assigned Contracts, or any purported written or oral modification to the Assigned Contracts and (ii) asserting against Prime any claim, counterclaim, breach, or condition asserted or assertable against the Debtors existing as of the Closing or arising by reason of the transfer of the Purchased Assets.

25. Any provisions in any Assigned Contracts that prohibit or condition the assignment of such Assigned Contract or allow the counterparty to such Assigned Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assigned Contract constitute unenforceable anti-assignment provisions that are void and of no force and effect with respect to the Debtors' assumption and assignment of such Assigned Contract to Prime in accordance with the APA, pursuant to § 363(f).

26. The terms and provisions of this Sale Order, as well as the rights granted under the Transaction Documents, shall continue in full force and effect and are binding upon any successor, reorganized Debtors, or chapter 7 or chapter 11 trustee applicable to the Debtors, notwithstanding entry of any order of conversion or dismissal. Nothing contained in any chapter 11 plan confirmed in the Debtors' cases or in any order confirming such a plan, nor any order dismissing the cases or converting the cases to a case under chapter 7, shall conflict with or derogate from the provisions of the APA, any documents or instruments executed in connection therewith, or the terms of this Sale Order, provided however, that in the event of a conflict between this Sale Order and an express or implied provision of the APA, this Sale Order shall govern. The provisions of this Sale Order and any actions taken pursuant hereto shall survive any conversion or dismissal of the cases and the entry of any other order that may

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

be entered in the cases, including any order (i) confirming any plan of reorganization; (ii) converting the cases from chapter 11 to chapter 7; (iii) appointing a trustee or examiner in the cases; or (iv) dismissing the cases.

27. The Transaction contemplated by the APA and other Transaction Documents are undertaken without collusion and in "good faith," as that term is defined in § 363(m). Prime is a good faith purchaser within the meaning of § 363(m) and, as such, is entitled to the full protections of § 363(m). Accordingly, the reversal or modification on appeal of the authorization provided herein by this Sale Order to consummate the Transaction shall not affect the validity of the sale of the Purchased Assets to Prime or the terms thereof. The APA and the Transactions contemplated thereby cannot be avoided under § 363(n).

28. The failure to specifically include any particular provision of the APA or the other Transaction Documents in this Sale Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Bankruptcy Court that the Transaction, the APA and the other Transaction Documents be authorized and approved in their entirety. Likewise, all of the provisions of this Sale Order are non-severable and mutually dependent.

29. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Rules 6004(h), 6006(d), 7062, or 9014, if applicable, or any other LBR or otherwise, this Sale Order shall not be stayed for 14-days after the entry hereof, but shall be effective and enforceable immediately upon entry pursuant to Rule 6004(h) and 6006(d). Time is of the essence in approving the Transaction (including the transfer and the sale of the Purchased Assets).

30. The automatic stay in effect pursuant to § 362 is hereby lifted with respect to the Debtors to the extent necessary, without further order of this Court, to (i) allow Prime to deliver any notice provided for in the APA and Transaction Documents and (ii) allow Prime to take any and all actions permitted under the APA and Transaction Documents in accordance with the terms and conditions thereof.

31. Unless otherwise provided in this Sale Order, to the extent any inconsistency exists between the provisions of the APA and this Sale Order, the provisions contained in this Sale Order shall govern.

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

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

32. This Court shall retain exclusive jurisdiction to interpret, construe, and enforce the provisions of the APA and this Sale Order in all respects, and further, including, without limitation, to (i) hear and determine all disputes between the Debtors and/or Prime, as the case may be, and any other non-Debtor party to, among other things, the Assigned Contracts concerning, among other things, assignment thereof by the Debtors to Prime and any dispute between Prime and the Debtors as to their respective obligations with respect to any asset, liability, or claim arising hereunder; (ii) compel delivery of the Purchased Assets to Prime free and clear of Encumbrances; (iii) compel the delivery of the Purchase Price or performance of other obligations owed to the Debtors; (iv) interpret, implement, and enforce the provisions of this Sale Order; and (v) protect Prime against (A) claims made related to any of the Excluded Liabilities (as defined in the APA), (B) any claims of successor or vicarious liability (or similar claims or theories) related to the Purchased Assets or the Assigned Contracts, or (C) any Encumbrances asserted on or against Prime or the Purchased Assets.

33. Following the date of entry of this Sale Order, the Debtors and Prime are authorized to make changes to the APA and/or execute supplemental agreements implementing the transactions contemplated by the APA without the need for any further order of the Court provided that all such changes have been approved in writing by the Debtors, Prime, the Committee, and Prepetition Secured Creditors. Any other proposed changes to the APA or this Sale Order shall require a further order of the Court, after reasonable notice under the circumstances and a hearing.

34. Notwithstanding any other provision of this Sale Order or any other Order of this Court, no sale, transfer or assignment of any rights and interests of a regulated entity in any federal license or authorization issued by the FCC shall take place prior to the issuance of FCC regulatory approval for such sale, transfer or assignment pursuant to the Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder. The FCC's rights and powers to take any action pursuant to its regulatory authority, including, but not limited to, imposing any regulatory conditions on such sales, transfers and assignments and setting any regulatory fines or forfeitures, are fully preserved, and nothing herein shall proscribe or constrain the FCC's exercise of such power or authority to the extent not inconsistent with the applicable provisions of the Bankruptcy Code.

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

35. Debtors shall make commercially reasonable efforts to enter into settlement agreements with the Centers for Medicare and Medicaid Services ("CMS"), with respect to the Medicare Provider Agreement, and the California Department of Health Care Services ("DHCS"), with respect to the Medi-Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings and pursue possible appeals that the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred without the consent of CMS or DHCS, as applicable, and without successor liability, and free and clear of all Encumbrances, to enable such agreements to be assigned to Prime. Between the Closing Date and the Licensure Date, Prime may bill and collect for patient services under Debtors' health plan agreements, pursuant to the terms of the IMA and Leaseback Agreement (as those terms are defined in the APA).

36. For the avoidance of doubt, no pension plans are being assumed pursuant to the APA or this Sale Order.

37. Notwithstanding anything to the contrary in this Sale Order, nothing in this Sale Order constitutes a finding or determination on (a) any Cure Objection or (b) on the ability of the Debtors to assume and assign to Prime any contract or lease held by a Counterparty subject to any order extending the deadlines related to such Cure Objections (the "Extended Contracts"). All Cure Objections, and any objections related to assumption and assignment of the Extended Contracts, are preserved until resolved either by agreement between the Debtors and the Counterparty or further order of the Court.

38. The California Attorney General, the Debtors, the Consultation Parties (as defined in the Bidding Procedures Order) and Prime, reserve all rights, arguments and defenses concerning the California Attorney General's authority, if any, to review the sale under California Corporations Code §§ 5914-5924 and California Code of Regulations on Nonprofit Hospital Transactions—Title 11, Chapter 15, § 999.5, and any conditions issued thereto. Notwithstanding any provision to the contrary in the APA or the Sale Order, nothing in the APA or this Sale Order shall limit or be construed as a waiver of the Attorney General's statutory or regulatory authority or other rights or defenses, or a waiver of the Debtors' statutory or other rights or defenses.

39. Notwithstanding anything to the contrary in the Motion, the Bidding Procedures, the Bidding Procedures Order, any Cure Notice or assumption notice, any purchase agreement, or this

Sale Order (i) none of the insurance policies or any related agreements (collectively, the "Chubb Insurance Contracts") issued at any time by Federal Insurance Company, ACE American Insurance Company, Illinois Union Insurance Company and each of their affiliates and successors (collectively, "Chubb"), or any rights, benefits, claims, rights to payments and/or recoveries under the Chubb Insurance Contracts shall be sold, assigned or otherwise transferred to the Buyer in connection with the Sale; (ii) nothing shall alter, modify or otherwise amend the terms or conditions of the Chubb Insurance Contracts; and (iii) for the avoidance of doubt, the Winning Bidder is not, and shall not be deemed to be, an insured under any of the Chubb Insurance Contracts; *provided, however*, that to the extent any claim with respect to any Purchased Assets arises that is covered by the Chubb Insurance Contracts and the proceeds of the applicable Chubb Insurance Contract would be payable to the Debtors (as opposed to a third party claimant), the Debtors may pursue such claim in accordance with the terms of the Chubb Insurance Contracts, and, if applicable, turn over to the Winning Bidder any such insurance proceeds (each, a "Proceed Turnover"); *provided, further, however*, that the Chubb Companies shall not have any duty to effectuate a Proceed Turnover or liability related to a Proceed Turnover.

40. The conditions precedent to the Closing are as set forth in Articles 7 and 8 of the APA.

41. The Committee's and the Prepetition Secured Creditors' rights, and their ability to participate and be heard at hearings concerning the Sale, are hereby reserved. To the extent that the Prepetition Secured Creditors or the Committee desire to file pleadings related to such hearings, their respective times for filing an objection or response shall be the same as granted to the Debtors pursuant to the notice in each such instance.

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

IT IS SO ORDERED.

###

Date: April 9, 2020

Ernest M. Robles
United States Bankruptcy Judge

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

EXHIBIT "O"

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC.	CV 20-613 DSF Order GRANTING Motion to Withdraw Reference
VERITY HEALTH SYSTEM OF CALIFORNIA, INC., et al., Plaintiffs, v. KALI P. CHAUDHURI, M.D., et al., Defendants.	

Defendant Strategic Global Management, Inc. (SGM) has moved to withdraw the reference of this adversarial action from the Bankruptcy Court. The Court deems this matter appropriate for decision without oral argument. See Fed. R. Civ. P. 78; Local Rule 7-15.

The adversarial action is brought by various debtors related to Verity Health System of California, Inc. (Verity) over fallout from the failed attempt to sell several hospitals to SGM. Verity brings breach of contract and fraud claims against SGM, several SGM-related entities, and an individual. While the relevant asset purchase agreement included an agreement to consent to the jurisdiction of the Bankruptcy Court, only SGM is a party to the agreement.

cc: BK

1820151200306000000000001

Withdrawal of the reference from a bankruptcy court can be mandatory or permissive. The parties agree that this motion is based on permissive withdrawal. When considering permissive withdrawal, "a district court should consider the efficient use of judicial resources, delay and costs to the parties, uniformity of bankruptcy administration, the prevention of forum shopping, and other related factors." Sec. Farms v. Int'l Broth. of Teamsters, Chauffeurs, Warehousemen & Helpers, 124 F.3d 999, 1008 (9th Cir. 1997).

SGM's primary argument is that efficiency favors withdrawal because the adversarial action is non-core, or if core, involves so-called Stern claims that cannot be finally adjudicated by the Bankruptcy Court. SGM also argues that the proceeding involves a jury right where, by statute, the Bankruptcy Court cannot preside over the jury trial without the consent of all parties. See 28 U.S.C. § 157(e). Whether or not the claims could be characterized as "core," the Court agrees that the claims are Stern claims and that the non-SGM Defendants have not agreed to have such claims decided by, or the jury trial presided over by, the Bankruptcy Court.

As an Article I court, a bankruptcy court can only enter final judgment on a claim if the claim is based on "public rights." Stern v. Marshall, 564 U.S. 462, 485 (2011). In Stern, the Supreme Court made clear that "public rights" are only rights "integrally related to particular Federal Government action." Id. at 490-91. What an Article I court cannot exercise is "the most prototypical exercise of judicial power: the entry of a final, binding judgment *by a court* with broad substantive jurisdiction, on a common law cause of action, when the action neither derives from nor depends upon any agency regulatory regime." Id. at 494 (emphasis in original). Even fraudulent conveyance actions by a bankruptcy trustee against a non-creditor – much more linked to a bankruptcy court's core functions than this case and explicitly listed as a core proceeding in 28 U.S.C. § 157(b)(2) – cannot proceed to final judgment before a bankruptcy court. Id. at 492 (citing Granfinanciera, S.A. v. Nordberg, 492 U.S. 33 (1989)). And while Verity attempts to categorize the adversarial action as one to enforce the Bankruptcy Court's orders, it clearly is not. Verity has abandoned

its attempt to sell the relevant assets to SGM; this case is about recovering money damages, not enforcing prior Bankruptcy Court orders.

Even if the Bankruptcy Court cannot enter final judgment, this Court could allow pretrial matters to remain in the Bankruptcy Court with dispositive motions proceeding by report and recommendation and withdrawal only when the case is ready for trial. However, the Court sees no efficiencies in that approach. There appear to be significant legal questions going to the interpretation of the asset purchase agreement at the center of the case, and this Court will eventually have to rule on those de novo. Further, the adversarial action extensively overlaps with the bankruptcy appeals already before this Court. There is no reason to have similar, if not identical, issues proceeding both here and before the Bankruptcy Court.

The motion to withdraw the reference is GRANTED.

IT IS SO ORDERED.

Date: March 4, 2020

Dale S. Fischer
United States District Judge