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6 Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

9 In re

10 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

11 Debtors and Debtors In Possession.
12

- 13 Affects All Debtors
- 14 Affects Verity Health System of California, Inc.
- 15 Affects O'Connor Hospital
- 16 Affects Saint Louise Regional Hospital
- 17 Affects St. Francis Medical Center
- 18 Affects St. Vincent Medical Center
- 19 Affects Seton Medical Center
- 20 Affects O'Connor Hospital Foundation
- 21 Affects Saint Louise Regional Hospital Foundation
- 22 Affects St. Francis Medical Center of Lynwood Foundation
- 23 Affects St. Vincent Foundation
- 24 Affects St. Vincent Dialysis Center, Inc.
- 25 Affects Seton Medical Center Foundation
- 26 Affects Verity Business Services
- 27 Affects Verity Medical Foundation
- 28 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

Hon. Judge Ernest M. Robles

**GENERAL GLOBAL NOTES AND
STATEMENT OF LIMITATIONS,
METHODOLOGY AND DISCLAIMERS
REGARDING THE DEBTORS' SCHEDULES
OF ASSETS AND LIABILITIES AND
STATEMENTS OF FINANCIAL AFFAIRS**

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I.

**GENERAL GLOBAL NOTES AND STATEMENT OF LIMITATIONS,
METHODOLOGY AND DISCLAIMERS REGARDING THE DEBTORS' SCHEDULES
OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

On August 31, 2018 (the "Petition Date"), Verity Health System Of California, Inc. ("VHS") and the above-referenced affiliated debtors (collectively, the "Debtors"), the debtors and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the "Cases"), each filed a voluntary case under chapter 11 of title 11, United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors and debtors in possession, pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. The Debtors' Cases are being jointly administered under lead case number 18-20151-ER in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court").

The Schedules of Assets and Liabilities and Statements of Financial Affairs (the "Schedules and SOFAs") filed by the Debtors in the Bankruptcy Court were prepared pursuant to § 521 of the Bankruptcy Code and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") by management of the Debtors with unaudited information available as of the Petition Date. The Schedules and SOFAs do not purport to represent financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and they are not intended to be fully reconciled to the Debtors' financial statements.

The Schedules and SOFAs have been signed by an authorized representative of each of the Debtors. In reviewing and signing the Schedules and SOFAs, these representatives relied upon the efforts, statements and representations of the Debtors' other personnel and professionals. These authorized representatives have not (and could not have) personally verified the accuracy of each such statement and representation, including, for example, statements and representations concerning amounts owed to creditors and their addresses.

These General Global Notes and Statement of Limitations, Methodology and Disclaimer Regarding Debtors' Schedules and SOFAs (the "General Notes") are incorporated by reference in,

1 and comprise an integral part of, each of the Debtors' Schedules and SOFAs, and should be
2 referred to and reviewed in connection with any review of the Schedules and SOFAs.

3 **II.**

4 **GENERAL NOTES**

5 **1. Reservation of Rights.** The Debtors' chapter 11 cases are large and complex.
6 Although management of the Debtors have made every reasonable effort to ensure that the
7 Schedules and SOFAs are as accurate and complete as possible, based on the information that was
8 available to them at the time of preparation, subsequent information or discovery may result in
9 material changes to these Schedules and SOFAs, and inadvertent errors or omissions may have
10 occurred. Because the Schedules and SOFAs contain unaudited information, which is subject to
11 further review, verification, and potential adjustment, these Schedules and SOFAs may be
12 inaccurate and/or incomplete.

13 **2. No Waiver.** Nothing contained in the Schedules and SOFAs or these General
14 Notes shall constitute an admission or a waiver of any of the Debtors' rights to assert any claims
15 or defenses. For the avoidance of doubt, listing a claim on Schedule D as "secured," on Schedule
16 E/F as "priority," on Schedule E/F as "unsecured nonpriority," or listing a contract or lease on
17 Schedule G as "executory" or "unexpired," does not constitute an admission by the Debtors of the
18 legal rights of the claimant, or a waiver of the Debtors' right to recharacterize or reclassify such
19 claim or contract. Failure to designate a claim on a given Debtor's Schedules as "disputed,"
20 "contingent," or "unliquidated" does not constitute an admission by the Debtor that such amount is
21 not "disputed," "contingent" or "unliquidated."

22 **3. Reporting Date.** All asset and liability information, except where otherwise noted,
23 is provided as of the Petition Date.

24 **4. Confidentiality.** Specific disclosure of certain claims, names, addresses or amounts
25 may be subject to certain disclosure restrictions contained in the Health Insurance Portability and
26 Accountability Act of 1996 ("HIPAA"), or otherwise, and in any event, are of a particularly
27 personal and private nature. To the extent the Debtors believe a claim, name, address or amount
28 falls under the purview of HIPAA or includes information that is personal or private in nature,

1 such claims, name, address or amount (as applicable) is not included in these Schedules and
2 SOFAs.

3 **5. Estimates and Assumptions.** The preparation of the Schedules and SOFAs
4 required the Debtors to make estimates and assumptions that affected the reported amounts of
5 assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of
6 revenue and expense. Actual results could differ materially from these estimates.

7 **6. Asset Presentation and Valuation.** The Debtors do not have current market
8 valuations for all of their assets. It would be prohibitively expensive, unduly burdensome and an
9 inefficient use of estate assets, for the Debtors to obtain current market valuations for all of their
10 assets. Wherever possible, unless otherwise indicated, net book values and fair market value as of
11 the Petition Date are presented. When necessary, the Debtors have indicated that the value of
12 certain assets is “Unknown” or “Undetermined.” Amounts ultimately realized may vary from
13 whatever value was ascribed and such variance may be material. Accordingly, the Debtors reserve
14 all of their rights to amend, supplement, or adjust the value of each asset set forth herein.

15 **7. Liabilities.** Certain of the liabilities are scheduled unknown, contingent and/or
16 unliquidated at this time. Accordingly, the Schedules and the SOFAs do not accurately reflect the
17 aggregate amount of the Debtors’ total liabilities.

18 **8. Accounts Payable and Disbursements System.** The financial affairs and business
19 of the Debtors are complex. The Debtors use a centralized cash management system to (a) collect
20 and transfer funds from numerous sources and accounts, (b) disburse funds to satisfy obligations
21 arising from the daily operation of their business, (c) invest funds pursuant to the Debtors’
22 investment guidelines, and (d) make payments on behalf of each other and their nondebtor
23 subsidiaries and affiliates through cash accounts in the cash management system. Generally, these
24 payments will result in an intercompany balance on the Debtors’ books and records.

25 **9. Intercompany Transactions.** Prior to the Petition Date (and subsequent to the
26 Petition Date pursuant to Bankruptcy Court approval), the Debtors routinely engaged (and
27 continue to engage) in intercompany transactions with both Debtor and nondebtor subsidiaries and
28 affiliates. The respective intercompany accounts payable and receivable as of the Petition Date, if

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1 any, are reflected in the respective Debtor entities' Schedules and SOFAs, as discussed in Note 7.
2 The Debtors each reserve all rights with respect to claims against and debts owed to other Debtors.

3 **10. Recharacterization.** The Debtors have made reasonable efforts to characterize,
4 classify, categorize or designate the claims, assets, executory contracts, unexpired leases and other
5 items reported in the Schedules and SOFAs correctly. Due to the complexity and size of the
6 Debtors' business, however, the Debtors may have improperly characterized, classified,
7 categorized or designated certain items. Further, the designation of a category is not meant to be
8 wholly inclusive or descriptive of the rights or obligations represented by such item.

9 **11. Claim Description.** Any failure to designate a claim on the Debtors' Schedules and
10 SOFAs as "contingent," "unliquidated" or "disputed" does not constitute an admission by the
11 Debtors that such claim is not "contingent," "unliquidated" or "disputed." The Debtors reserve all
12 of their rights to dispute, or to assert offsets or defenses to, any claim reflected on the Schedules
13 and SOFAs as to amount, liability, priority, secured or unsecured status, classification or any other
14 grounds or to otherwise subsequently designate any claim as "contingent," "unliquidated" or
15 "disputed." The Debtors reserve all of their rights to amend their Schedules and SOFAs as
16 necessary and appropriate, including, but not limited to, with respect to claim description and
17 designation.

18 **12. Undetermined or Unknown Amounts.** The description of an amount as
19 "Undetermined" or "Unknown" is not intended to reflect upon the materiality of such amount.
20 Certain amounts may be clarified over the period of the bankruptcy proceedings and certain
21 amounts may depend on contractual obligations to be assumed or rejected as part of a sale in a
22 bankruptcy proceeding under § 363 of the Bankruptcy Code.

23 **13. Bankruptcy Court First-Day Orders.** The Bankruptcy Court has entered certain
24 orders (the "Orders") authorizing the Debtors to pay various outstanding prepetition claims,
25 including, but not limited to, payments relating to employee compensation, benefits, and
26 reimbursable business expenses and critical vendors. In general, claims paid pursuant to the
27 Orders are not reflected in the Schedules and SOFAs.

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1 **14. Contingent Assets and Causes of Action.** Despite their reasonable efforts to
2 identify all known assets, the Debtors may not have listed all of their causes of action or potential
3 causes of action against third parties as assets in their Schedules and SOFAs, including, but not
4 limited to, avoidance actions arising under chapter 5 of the Bankruptcy Code and actions under
5 other relevant non-bankruptcy laws to recover assets. The Debtors reserve all of their rights with
6 respect to any claims, causes of action, or avoidance actions they may have, and neither these
7 General Notes nor the Schedules and SOFAs shall be deemed a waiver of any such claims, causes
8 of actions, or avoidance actions or in any way prejudice or impair the assertion of such claims.

9 **15. Certain Funds Not Property of the Debtors' Estates.** The Debtors received certain
10 donations and grants, testamentary or otherwise, which were provided subject to restrictions
11 (contractual or otherwise) on the use of such funds. These funds may not be property of the
12 Debtors' estates, and, as a consequence, the Debtors have not listed any of the donors or grantors
13 that may have an interest in these funds as creditors of their estates in the Schedules and
14 Statements.

15 In the ordinary course of operating its skilled nursing facility, Seton Coastside (operating
16 under the same license as Debtor Seton Medical Center) offers certain long-term patients the
17 ability to fund patient trust accounts to have convenient access to funds they can use while in
18 residence. The funds in the patient trust accounts are not property of the Debtors' estates.
19 Accordingly, the Debtors have not listed the long-term care patients that may have an interest in
20 the patient trust accounts as creditors in the Schedules and SOFAs.

21 **16. Unknown Addresses.** The Debtors have made and continue to make their best
22 efforts to collect all addresses for all parties in interest; not all addresses for parties on these
23 Schedules and SOFAs have been obtained. The Debtors continue to pursue complete notice
24 information and will provide updated information as reasonable practicable.

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III.

SCHEDULES AND SOFAs

17. **Assumptions Used to Prepare Specific Schedules or SOFA Questions:**

- **SOFA Question #1.** Gross revenues for hospital foundation Debtors (O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and Seton Medical Center Foundation (each, a "Foundation Debtor")) exclude donor-restricted contributions received by such Debtors. Donor-restricted contributions are recorded as temporarily or permanently restricted net assets at each Foundation Debtor and are recorded as gross revenues (contribution revenues) by the respective Debtor hospital affiliate in the period that such amounts are released from restriction and contributed to such hospital affiliate. Please refer to SOFA Question #9 for a listing of contributions made by each Foundation Debtor to its respective hospital affiliate in the two years preceding the Petition Date.
- **SOFA Question #2.** Interest income includes interest earned on loans, investment securities, escrow balances, and other interest-earning assets.
- **SOFA Question #3.** Debtor St. Francis Medical Center and Debtor St. Vincent Medical Center have entered into contracts with health plans where the hospital assumes the risk for all hospital services to a defined patient population, whether those hospital services are rendered at St. Francis Medical Center, St. Vincent Medical Center, an "out of network" hospital or other healthcare provider. Third-party management companies administer those payments through a risk pool account. The risk pool account is funded by the applicable Debtor hospital. SOFA #3 sets forth the aggregate amount Debtor St. Francis Medical Center and Debtor St. Vincent Medical Center have paid into such risk pool accounts, which are identified as "Risk Pool Claims." The amounts the individual "out of network" hospitals or healthcare providers were paid are not listed, as those records are maintained by the applicable third party management company.
- **SOFA Question #4.** Each Debtor has included all known payroll distributions and travel and entertainment expense reimbursement made over the twelve months preceding the filing to any individual the Debtors have determined to be an Insider. To the extent that the Debtors have determined that former officers do not qualify as Insiders as defined above, such benefits and payments are not included in the Schedules and SOFAs. The listing of a party as an "Insider," however, is not intended to be, nor shall be, construed as a legal characterization or determination of such party as an actual insider and does not act as an admission of any fact, claim, right or defense, and all such rights, claims, and defenses are hereby expressly reserved.

Intercompany transfers between Debtors are not reflected in SOFA #4.

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- 1 • **SOFA Question #11.** All payments related to bankruptcy were made by Debtor
2 VHS on behalf of itself and its Debtor affiliates and are reflected in VHS's
3 response.
4
- 5 • **SOFA Question #14.** Addresses for ancillary facilities, such as storage facilities
6 and clinics are not included in this response.
7
- 8 • **SOFA Question #21.** As generally discussed above in General Note #14 and SOFA
9 #1, each Foundation Debtor receives certain donor-restricted contributions. Each
10 Foundation Debtor holds these contributions in trust, and, thus, have indicated the
11 same in SOFA #21. These funds may not be property of the Debtors' estates.
12 Consequently, the Debtors have not listed any of the donors or grantors that may
13 have an interest in these funds in SOFA #21.

14 Seton Coastside (operating under the same license as Debtor Seton Medical Center)
15 has two patient trust accounts. The patients' names and information are not being
16 disclosed because of the confidentiality concerns explained in Global Note #3.

- 17 • **SOFA Question #26(d).** As many of the Debtors are nonprofit organizations and
18 tax exempt as described in 26 U.S.C. § 501, the Debtors' financial statements and
19 Forms 990 as filed with the Internal Revenue Service are available online at
20 www.Guidestar.org. Consequently, the Debtors do not have records of the parties
21 who requested or obtained copies of their financial statements. These reports were
22 also provided to various counterparties of the Debtors as required under various
23 contractual arrangements (e.g., lenders under certain of the Debtors' debt
24 arrangements) and are publicly reported at <https://emma.msrb.org>.
- 25 • **Schedule A/B, Part 1.** Cash accounts are presented at book value, unless otherwise
26 noted.
- 27 • **Schedule A/B #25.** The Debtors' § 503(b)(9) of the Bankruptcy Code
28 reconciliation process is still in progress. Accordingly, no responses are provided
to this question for any Debtor.
- **Schedule A/B #55.** Where available, the Debtors listed the "Current value of
debtor's interest" using that available in the most recent appraisal or broker opinion
of value.
- **Schedule A/B #74.** In the ordinary course of business, the Debtors routinely
request reversals of, or changes to, various Medicare and Medi-Cal policies that
impact payment, such as hospital "disproportionate share" payment calculations.
These so-called "appeals" may be made by individual Debtor hospitals alone or,
more likely, as part of a national group of hospitals. If successful, the Debtors may
realize additional revenue but outcomes related to such appeals are speculative.
- **Schedule A/B #77.** Included in the response to #77 are "Construction in Progress"
assets. Construction in progress assets represent costs associated with ongoing

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1 capital projects that have not yet been completed and placed into service. These
2 projects are primarily associated with in progress software development and
3 implementation-related costs, building improvements, and other costs incurred
prior to medical equipment being placed into service.

- 4 • **Schedule D.** Except as otherwise agreed pursuant to a stipulation or agreed order
5 or general order entered by the Bankruptcy Court, the Debtors reserve their rights
6 to dispute or challenge validity, perfection or immunity from avoidance of any lien
7 purported to be granted or perfected in any specific asset to a secured creditor listed
8 on Schedule D of any Debtor. Moreover, although the Debtors may have
9 scheduled claims of various creditors as secured claims, the Debtors reserve all
10 rights to dispute or challenge the secured nature of any such creditor's claim or the
11 characterization of the structure of any such transaction or any document or
12 instrument (including, without limitation, any intercompany agreement) related to
13 such creditor's claim. In certain instances, a Debtor may be a co-obligor, co-
14 mortgagor or guarantor with respect to scheduled claims of other Debtors, and no
15 claim set forth on Schedule D of any Debtor is intended to acknowledge claims of
16 creditors that are otherwise satisfied or discharged by other entities. The
17 descriptions provided in Schedule D are intended only as a summary. Reference to
18 the applicable loan agreements and related documents is necessary for a complete
19 description of the collateral and the nature, extent and priority of any liens.
20 Nothing in the General Notes or the Schedules and SOFAs shall be deemed a
21 modification or interpretation of the terms of such agreements.
- 22 • **Schedule E/F.** Pursuant to orders of the Bankruptcy Court, the Debtors were
23 permitted to pay certain prepetition wages and salaries and to honor and pay
24 employee benefits and other workforce obligations. The Debtors made the
25 aforementioned payments, and, thus, the respective employee claims are not listed
26 in Schedule E.

18 The Debtors scheduled only claims and executory contracts for which the Debtors
19 may be contractually and/or directly liable. No claims have been scheduled for
20 which a Debtor may have benefited indirectly from a contractual relationship to
21 which a Debtor was not a named party.

22 The Debtors have used their best efforts to report all general unsecured claims
23 against each Debtor on Schedule F based upon the Debtors' existing books and
24 records. The following is a non-exhaustive list of items which were among those
25 included in the population disclosed for this schedule: unsecured debt outstanding,
26 accounts payable outstanding, travel and entertainment expenses, bonuses earned
27 but yet not paid to employees, lease obligations, litigation, guarantees and vendors
28 with whom we have executory contracts under which amounts may be due. Schedule F does not include certain deferred liabilities, accruals or general reserves. Such amounts are, however, reflected on the Debtors' books and records as required in accordance with GAAP. Such accruals are general estimates of liabilities and do not represent specific claims as of the Petition Date.

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1 To the extent any amounts in respect of prepetition claims have been paid through
2 the date hereof pursuant to Orders of the Bankruptcy Court, such amount have been
3 excluded. No claim set forth on Schedule E/F of any Debtor is intended to
4 acknowledge claims of claimholders that are or may be otherwise satisfied or
5 discharged.

6 *Patient Refund Claims:* In accordance with patient information confidentiality
7 restrictions, *see* Note #3 above, each Debtor has aggregated all patient refund
8 claims in a single response. Detail is available upon request, provided such request
9 may be complied with in a manner compliant with all applicable patient privacy
10 laws and regulations.

11 *Insurance Refund Claims:* As part of the Debtors' normal business operations,
12 insurance companies from time to time overpay amounts due to the Debtors. Only
13 the estimated amount of such overpayments are recorded in the Debtors'
14 accounting records because determination of the exact amount of such
15 overpayments is a time consuming manual process. The Debtors only calculate the
16 exact amount of the insurance company overpayments if and when the payer
17 requests a refund.

18 *SEIU Employees:* The Service Employees International Union Collective
19 Bargaining Agreement (the "SEIU CBA") provides for a full time employment
20 commitment for certain member nurses. This commitment resets every six months.
21 As of the Petition Date, the Debtors party to the SEIU CBA have potential liability
22 in respect of the full time employment commitment for July and August 2018. The
23 amount of this liability is not calculated until December 2018 and, as such, claims
24 in respect of July and August 2018 are contingent and unliquidated as of the
25 Petition Date.

- 26 • **Schedule G.** The businesses of the Debtors are complex. While the Debtors'
27 existing records and information systems have been relied upon to identify and
28 schedule executory contracts at each of the Debtors and every effort has been made
to ensure the accuracy of the Schedule of Executory Contracts and Unexpired
Leases, inadvertent errors or omissions may have occurred. The Debtors hereby
reserve all of their rights to dispute the validity, status, or enforceability of any
contracts, agreements or leases set forth in Schedule G and to amend or supplement
such Schedule as necessary. The contracts, agreements and leases listed on
Schedule G may have expired or may have been modified, amended, or
supplemented from time to time by various amendments, restatements, waivers,
estoppel certificates, letters, conduct/course of business, memoranda and other
documents, instruments and agreements which may not be listed therein. Certain
of the real property leases listed on Schedule G may contain renewal options,
guarantees of payments, options to purchase, rights of first refusal, rights to lease
additional space and other miscellaneous rights. Such rights, powers, duties and
obligations are not set forth on Schedule G. Certain of the agreements listed on
Schedule G may be in the nature of conditional sales agreements or secured
financings. The presence of a contract or agreement on Schedule G does not

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1 constitute an admission that such contract or agreement is an executory contract or
2 unexpired lease. The Debtors reserve all of their rights, claims and causes of action
3 with respect to the contracts and agreements listed on the Schedule, including the
4 rights to dispute or challenge the characterization or the structure of any transaction
5 document or instrument. Certain executory agreements may not have been
6 memorialized and could be subject to dispute. Generally, executory agreements
7 that are oral in nature have not been included in the Schedule.

- 8 • **Schedule H.** In the ordinary course of their business, the Debtors may be involved
9 in pending or threatened litigation and claims. These matters may involve multiple
10 plaintiffs and defendants, some or all of whom may assert cross-claims and
11 counterclaims against other parties. Because all such claims are “contingent,”
12 “unliquidated” or “disputed”, such claims have not been set forth individually on
13 Schedule H. The Debtors may not have identified certain Guarantees that are
14 embedded in the Debtors’ executory contracts, unexpired leases, secured
15 financings, debt instruments and other such agreements. The Debtors reserve their
16 rights to amend the Schedules to the extent that additional Guarantees are identified
17 or such Guarantees are discovered to have expired or unenforceable.

12 IV.

13 CONCLUSION

14 18. **Limitation of Liability.** The Debtors and their officers, employees, agents,
15 attorneys, and financial advisors do not guarantee or warrant the accuracy, completeness, or
16 currentness of the data that is provided herein and shall not be liable for any loss or injury arising
17 out of or caused, in whole or in part, by the acts, errors, or omissions, whether negligent or
18 otherwise, in procuring, compiling, collecting, interpreting, reporting, communicating, or
19 delivering the information contained herein. The Debtors and their officers, employees, agents,
20 attorneys, and financial advisors expressly do not undertake any obligation to update, modify,
21 revise, or re-categorize the information provided herein or to notify any third party should the
22 information be updated, modified, revised or recategorized. In no event shall the Debtors or their
23 officers, employees, agents, attorneys, and financial advisors be liable to any third party for any
24 direct, indirect, incidental, consequential, or special damages (including, but not limited to,
25 damages arising from the disallowance of a potential claim against the Debtors or damages to
26 business reputation, lost business, or lost profits), whether foreseeable or not and however caused.

1 Dated: October 15, 2018

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Tania M. Moyron

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Proposed Attorneys for the Chapter 11 Debtors
and Debtors In Possession

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Fill in this information to identify the case:

Debtor Name: In re : De Paul Ventures, LLC
 United States Bankruptcy Court for the: Central District Of California
 Case number (if known): 18-20176 (EMR)

Check if this is an amended filing

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy 04/16

The debtor must answer every question. If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known).

Part 1: Income

1. Gross revenue from business

None

Identify the beginning and ending dates of the debtor's fiscal year, which may be a calendar year	Sources of revenue Check all that apply	Gross revenue (before deductions and exclusions)
From the beginning of the fiscal year to filing date: From _____ to Filing date MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____
For prior year: From _____ to _____ MM / DD / YYYY MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____
For the year before that: From _____ to _____ MM / DD / YYYY MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____

Name

2. Non-business revenue

Include revenue regardless of whether that revenue is taxable. Non-business income may include interest, dividends, money collected from lawsuits, and royalties. List each source and the gross revenue for each separately. Do not include revenue listed in line 1.

None

		Description of sources of revenue	Gross revenue from each source (before deductions and exclusions)
From the beginning of the fiscal year to filing date:	From _____ to Filing date MM / DD / YYYY	_____	\$ _____
For prior year:	From _____ to _____ MM / DD / YYYY MM / DD / YYYY	_____	\$ _____
For the year before that:	From _____ to _____ MM / DD / YYYY MM / DD / YYYY	_____	\$ _____

Name

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

3. Certain payments or transfers to creditors within 90 days before filing this case

List payments or transfers-including expense reimbursements-to any creditor, other than regular employee compensation, within 90 days before filing this case unless the aggregate value of all property transferred to that creditor is less than \$6,425. (This amount may be adjusted on 4/01/19 and every 3 years after that with respect to cases filed on or after the date of adjustment.)

None

Creditor's name and address	Dates	Total amount or value	Reasons for payment or transfer Check all that apply
3.1 Creditor's Name Street City State ZIP Code Country		\$	<input type="checkbox"/> Secured debt <input type="checkbox"/> Unsecured loan repayments <input type="checkbox"/> Suppliers or vendors <input type="checkbox"/> Services <input type="checkbox"/> Other

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,425. (This amount may be adjusted on 4/01/19 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. Insiders include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

None

Insider's Name and Address	Dates	Total amount or value	Reason for payment or transfer
4.1 Insider's Name Street City State ZIP Code Country Relationship to Debtor		\$	

Name

5. Repossessions, foreclosures, and returns

List all property of the debtor that was obtained by a creditor within 1 year before filing this case, including property repossessed by a creditor, sold at a foreclosure sale, transferred by a deed in lieu of foreclosure, or returned to the seller. Do not include property listed in line 6.

None

Creditor's Name and Address	Description of the Property	Date	Value of property
5.1 Creditor's Name			\$
Street			
City State ZIP Code			
Country			

6. Setoffs

List any creditor, including a bank or financial institution, that within 90 days before filing this case set off or otherwise took anything from an account of the debtor without permission or refused to make a payment at the debtor's direction from an account of the debtor because the debtor owed a debt.

None

Creditor's Name and Address	Description of the action creditor took	Date action was taken	Amount
6.1 Creditor's Name			\$
Street			
City State ZIP Code	Last 4 digits of account number: XXXX-		
Country			

Name

Part 3: Legal Actions or Assignments

7. Legal actions, administrative proceedings, court actions, executions, attachments, or governmental audits

List the legal actions, proceedings, investigations, arbitrations, mediations, and audits by federal or state agencies in which the debtor was involved in any capacity—within 1 year before filing this case.

None

Case title	Nature of case	Court or agency's name and address	Status of case
7.1		Name	<input type="checkbox"/> Pending
		Street	<input type="checkbox"/> On appeal
			<input type="checkbox"/> Concluded
		City State ZIP Code	
		Country	

8. Assignments and receivership

List any property in the hands of an assignee for the benefit of creditors during the 120 days before filing this case and any property in the hands of a receiver, custodian, or other court-appointed officer within 1 year before filing this case.

None

Custodian's name and address	Description of the Property	Value
8.1		\$
Custodian's name		Court name and address
	Case title	Name
Street		
	Case number	Street
City State ZIP Code		
Country	Date of order or assignment	City State ZIP Code
		Country

Name

Part 4: Certain Gifts and Charitable Contributions

9. List all gifts or charitable contributions the debtor gave to a recipient within 2 years before filing this case unless the aggregate value of the gifts to that recipient is less than \$1,000

None

Recipient's name and address	Description of the gifts or contributions	Dates given	Value
9.1 Creditor's Name <hr/> Street <hr/> City State ZIP Code <hr/> Country <hr/> Recipient's relationship to debtor <hr/>			\$

Name

Part 5: Certain Losses

10. All losses from fire, theft, or other casualty within 1 year before filing this case.

None

Description of the property lost and how the loss occurred	Amount of payments received for the loss If you have received payments to cover the loss, for example, from insurance, government compensation, or tort liability, list the total received. List unpaid claims on Official Form 106A/B (Schedule A/B: Assets – Real and Personal Property).	Date of loss	Value of property lost
10.1			\$

Name

Part 6: Certain Payments or Transfers

11. Payments related to bankruptcy

List any payments of money or other transfers of property made by the debtor or person acting on behalf of the debtor within 1 year before the filing of this case to another person or entity, including attorneys, that the debtor consulted about debt consolidation or restructuring, seeking bankruptcy relief, or filing a bankruptcy case.

None

Who was paid or who received the transfer?	If not money, describe any property transferred	Dates	Total amount or value
11.1 See Global Notes			\$

Address

Street

City

State

ZIP Code

Country

Email or website address

Who made the payment, if not debtor?

12. Self-settled trusts of which the debtor is a beneficiary

List any payments or transfers of property made by the debtor or a person acting on behalf of the debtor within 10 years before the filing of this case to a self-settled trust or similar device. Do not include transfers already listed on this statement.

None

Name of trust or device	Describe any property transferred	Dates transfers were made	Total amount or value
12.1			\$

Trustee

Name

13. Transfers not already listed on this statement

List any transfers of money or other property - by sale, trade, or any other means - made by the debtor or a person acting on behalf of the debtor within 2 years before the filing of this case to another person, other than property transferred in the ordinary course of business or financial affairs. Include both outright transfers and transfers made as security. Do not include gifts or transfers previously listed on this statement.

None

Who received transfer?	Description of property transferred or payments received or debts paid in exchange	Date transfer was made	Total amount or value
13.1			\$

Address

Street

City State ZIP Code

Country

Relationship to Debtor

Name

Part 7: Previous Locations

14. Previous addresses

List all previous addresses used by the debtor within 3 years before filing this case and the dates the addresses were used.

Does not apply

Address		Dates of occupancy	
14.1	203 Redwood Shores Pkwy Street Suites 700 & 800 Redwood City CA 94065 City State ZIP Code Country	From	To
		2008	2018

Name

Part 8: Health Care Bankruptcies

15. Health Care bankruptcies

Is the debtor primarily engaged in offering services and facilities for:
 — diagnosing or treating injury, deformity, or disease, or
 — providing any surgical, psychiatric, drug treatment, or obstetric care?

- No. Go to Part 9.
- Yes. Fill in the information below.

Facility Name and Address	Nature of the business operation, including type of services the debtor provides	If debtor provides meals and housing, number of patients in debtor's care
15.1 Facility Name		
Street	Location where patient records are maintained (if different from facility address). If electronic, identify any service provider.	How are records kept?
City State ZIP Code		Check all that apply:
Country		<input type="checkbox"/> Electronically
		<input type="checkbox"/> Paper

Name _____

Part 9: Personally Identifiable Information

16. Does the debtor collect and retain personally identifiable information of customers?

- No.
- Yes. State the nature of the information collected and retained. _____

Does the debtor have a privacy policy about that information?

- No
- Yes

17. Within 6 years before filing this case, have any employees of the debtor been participants in any ERISA, 401(k), 403(b), or other pension or profit-sharing plan made available by the debtor as an employee benefit?

- No. Go to Part 10.
- Yes. Does the debtor serve as plan administrator?

No. Go to Part 10.

Yes. Fill in below:

Name of plan	Employer identification number of the plan
17.1 _____	EIN: _____

Has the plan been terminated?

- No
- Yes

Name

Part 10: Certain Financial Accounts, Safe Deposit Boxes, and Storage Units

18. Closed financial accounts

Within 1 year before filing this case, were any financial accounts or instruments held in the debtor's name, or for the debtor's benefit, closed, sold, moved, or transferred?
 Include checking, savings, money market, or other financial accounts; certificates of deposit; and shares in banks, credit unions, brokerage houses, cooperatives, associations, and other financial institutions.

None

Financial institution name and address	Last 4 digits of account number	Type of account	Date account was closed, sold, moved, or transferred	Last balance before closing or transfer
18.1 _____ Name	XXXX- _____	<input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money market <input type="checkbox"/> Brokerage <input type="checkbox"/> Other _____	_____	\$ _____
_____ Street				
_____ City State ZIP Code				
_____ Country				

19. Safe deposit boxes

List any safe deposit box or other depository for securities, cash, or other valuables the debtor now has or did have within 1 year before filing this case.

None

Depository institution name and address	Names of anyone with access to it	Description of the contents	Does debtor still have it?
19.1 _____ Name	_____	_____	<input type="checkbox"/> No <input type="checkbox"/> Yes
_____ Street			
_____ City State ZIP Code	Address _____		
_____ Country			
19.2 _____ Name	_____	_____	<input type="checkbox"/> No <input type="checkbox"/> Yes
_____ Street			
_____ City State ZIP Code	Address _____		
_____ Country			

Name

20. Off-premises storage

List any property kept in storage units or warehouses within 1 year before filing this case. Do not include facilities that are in a part of a building in which the debtor does business.

None

Facility name and address	Names of anyone with access to it	Description of the contents	Does debtor still have it?
20.1 SourceHOV Healthcare Inc. Form Name 950 23rd Street Street San Francisco CA 94107 City State ZIP Code Address Country	Authorized Employees or Agents of Debtors	Finance File Storage	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes

Name

Part 11: Property the Debtor Holds or Controls That the Debtor Does Not Own

21. Property held for another

List any property that the debtor holds or controls that another entity owns. Include any property borrowed from, being stored for, or held in trust. Do not list leased or rented property.

None

Owner's name and address	Location of the property	Description of the property	Value
21.1 Name _____ Street _____ _____ City _____ State _____ ZIP Code _____ Country _____			\$ _____

Part 12: Details About Environmental Information

For the purpose of Part 12, the following definitions apply:

- *Environmental law* means any statute or governmental regulation that concerns pollution, contamination, or hazardous material, regardless of the medium affected (air, land, water, or any other medium).
- *Site* means any location, facility, or property, including disposal sites, that the debtor now owns, operates, or utilizes or that the debtor formerly owned, operated, or utilized.
- *Hazardous material* means anything that an environmental law defines as hazardous or toxic, or describes as a pollutant, contaminant, or a similarly harmful substance.

Report all notices, releases, and proceedings known, regardless of when they occurred.

22. Has the debtor been a party in any judicial or administrative proceeding under any environmental law? Include settlements and orders.

- No
- Yes. Provide details below.

Case title	Court or agency name and address	Nature of the case	Status of case
22.1 _____	Name _____ Street _____	_____	<input type="checkbox"/> Pending <input type="checkbox"/> On appeal <input type="checkbox"/> Concluded
Case Number	_____	_____	
	City _____ State _____ ZIP Code _____		
	Country _____		

23. Has any governmental unit otherwise notified the debtor that the debtor may be liable or potentially liable under or in violation of an environmental law?

- No
- Yes. Provide details below.

Site name and address	Governmental unit name and address	Environmental law, if known	Date of notice
23.1 Name _____	Name _____		
Street _____	Street _____		
_____	_____		
City _____ State _____ ZIP Code _____	City _____ State _____ ZIP Code _____		
Country _____	Country _____		

Name

24. Has the debtor notified any governmental unit of any release of hazardous material?

- No
- Yes. Provide details below.

Site name and address	Governmental unit name and address	Environmental law, if known	Date of notice
24.1			
Name	Name		
Street	Street		
City State ZIP Code	City State ZIP Code		
Country	Country		

Name

Part 13: Details About the Debtor's Business or Connections to Any Business

25. Other businesses in which the debtor has or has had an interest

List any business for which the debtor was an owner, partner, member, or otherwise a person in control within 6 years before filing this case. Include this information even if already listed in the Schedules.

None

Business name and address		Describe the nature of the business	Employer Identification number Do not include Social Security number or ITIN.
25.1	De Paul Ventures - San Jose ASC, LLC Name	Holding Company - Ambulatory Surgery Center Investments	EIN: 27-3340453
2040 E. Mariposa Avenue Street			Dates business existed From 8/26/2010 To Present
El Segundo CA 90245 City State ZIP Code			
Country			

Business name and address		Describe the nature of the business	Employer Identification number Do not include Social Security number or ITIN.
25.2	De Paul Ventures - San Jose Dialysis, LLC Name	Holding Company - Dialysis Investments	EIN: 37-1732430
2040 E. Mariposa Avenue Street			Dates business existed From 8/14/2013 To Present
El Segundo CA 90245 City State ZIP Code			
Country			

26. Books, records, and financial statements

26a. List all accountants and bookkeepers who maintained the debtor's books and records within 2 years before filing this case.

None

Name and Address		Dates of service
26a.1	Andrew Fierro-Peretti, Assistant Controller / Corporate Controller Name	From 1/3/2017 To Present
2040 E Mariposa Street		
El Segundo CA 90245 City State ZIP Code		
Country		

Name

26a.2 Jack Spencer, Interim Controller From 8/5/2015 To 9/30/2017

Name
 2040 E Mariposa
 Street

El Segundo CA 90245
 City State ZIP Code

Country

26a.3 Juliana Wang, Sr. Accounting Manager From 10/1/2007 To 9/1/2017

Name
 2040 E Mariposa
 Street

El Segundo CA 90245
 City State ZIP Code

Country

26a.4 Mukesh Sanghvi, VP Corporate Controller From 3/27/2017 To 10/5/2018

Name
 2040 E Mariposa
 Street

El Segundo CA 90245
 City State ZIP Code

Country

26a.5 Yuelie Wu, Accounting Manager From 3/8/2009 To Present

Name
 2040 E Mariposa
 Street

El Segundo CA 90245
 City State ZIP Code

Country

26b. List all firms or individuals who have audited, compiled, or reviewed debtor's books of account and records or prepared a financial statement within 2 years before filing this case.

None

Name and Address		Dates of service	
26b.1	BDO USA, LLP	From	4/1/2017 To Present
	Name 300 Park Avenue, Suite 900 Street		
	San Jose CA 95110 City State ZIP Code		
	Country		

Name

26b.2 Deloitte & Touche, LLP From 8/30/2016 To 6/30/2017

Name

250 East 5th Street
Street

Cincinnati OH 45201
City State ZIP Code

Country

26b.3 Ernst & Young, LLP From 8/30/2016 To 3/31/2017

Name

2901 Douglas Boulevard
Street

Roseville CA 95661
City State ZIP Code

Country

26c. List all firms or individuals who were in possession of the debtor's books of account and records when this case is filed.

None

Name and address

If any books of account and records are unavailable, explain why

26c.1 See SOFA 26c Attachment

Name

Street

City State ZIP Code

Country

26d. List all financial institutions, creditors, and other parties, including mercantile and trade agencies, to whom the debtor issued a financial statement within 2 years before filing this case.

None

Name and address

26d.1 See Global Notes

Name

Street

City State ZIP Code

Country

Name

27. Inventories

Have any inventories of the debtor's property been taken within 2 years before filing this case?

- No
- Yes. Give the details about the two most recent inventories.

Name of the person who supervised the taking of the inventory	Date of Inventory	The dollar amount and basis (cost, market, or other basis) of each inventory
_____	_____	\$ _____

Name and address of the person who has possession of inventory records

27.1 _____
 Name _____

 Street _____

 City State ZIP Code _____

 Country _____

28. List the debtor's officers, directors, managing members, general partners, members in control, controlling shareholders, or other people in control of the debtor at the time of the filing of this case.

Name	Address	Position and Nature of any interest	% of interest, if any
28.1 Richard Adcock	2040 East Mariposa Avenue, El Segundo, CA 90245	Officer	0
28.2 Verity Health System of California, Inc.	2040 East Mariposa Avenue, El Segundo, CA 90245	Member	100

29. Within 1 year before the filing of this case, did the debtor have officers, directors, managing members, general partners, members in control of the debtor, or shareholders in control of the debtor who no longer hold these positions?

- No
- Yes. Identify below.

Name	Address	Position and Nature of any interest	Period during which position or interest was held
29.1 Jordan Herget	2040 East Mariposa Avenue, El Segundo, CA 90245	Officer	From 11/2016 To 7/9/2018

Name

30. Payments, distributions, or withdrawals credited or given to insiders

Within 1 year before filing this case, did the debtor provide an insider with value in any form, including salary, other compensation, draws, bonuses, loans, credits on loans, stock redemptions, and options exercised?

No

Yes. Identify below.

Name and address of recipient	Amount of money or description and value of property	Dates	Reason for providing the value
30.1 Name _____ Street _____ City _____ State _____ ZIP Code _____ Country _____ Relationship to debtor _____			

31. Within 6 years before filing this case, has the debtor been a member of any consolidated group for tax purposes?

No

Yes. Identify below.

Name of the parent corporation	Employer Identification number of the parent corporation
31.1 Verity Health System of California, Inc.	EIN: 91-2145484

Debtor represents a disregarded entity of the parent entity, Verity Health System of CA, Inc. Disregarded entities of the parent entity are automatically included as part of the parent's tax return filing.

32. Within 6 years before filing this case, has the debtor as an employer been responsible for contributing to a pension fund?

No

Yes. Identify below.

Name of the pension fund	Employer Identification number of the pension fund
32.1 _____	EIN: _____

Part 14: Signature and Declaration

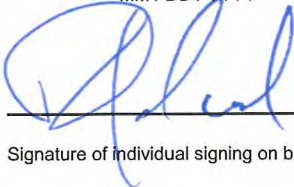
WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both.

18 U.S.C. §§ 152, 1341, 1519, and 3571.

I have examined the information in this *Statement of Financial Affairs* and any attachments and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 10/15/2018
MM / DD / YYYY

x 

Signature of individual signing on behalf of the debtor

Printed name Richard G. Adcock

Position or relationship to debtor Chief Executive Officer

Are additional pages to *Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy* (Official Form 207) attached?

- No
 Yes

Books and records – Firms or individuals in possession of books and records

Name	Address 1	City	State	Zip	If any books of account and records are unavailable, explain why
Andrew Fierro-Peretti (Verity Health System Assistant Controller)	2040 E Mariposa	El Segundo	CA	90245	
Anita Chou (CFO)	2040 E Mariposa	El Segundo	CA	90245	
Jessica Davis (Senior Executive Assistant)	2040 E Mariposa	El Segundo	CA	90245	
Mukesh Sanghvi (Verity Health System Controller)	2040 E Mariposa	El Segundo	CA	90245	
Richard Adcock (CEO)	2040 E Mariposa	El Segundo	CA	90245	
SourceHOV Healthcare Inc. Form	950 23rd Street	San Francisco	CA	94107	
Steven Sharrer (Human Resources)	2040 E Mariposa	El Segundo	CA	90245	
Yuelie Wu (Verity Health System Accounting Manager)	2040 E Mariposa	El Segundo	CA	90245	