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

9 In re,
10 VERITY HEALTH SYSTEM OF
11 CALIFORNIA, INC., *et al.*,
12 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;

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

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**OMNIBUS REPLY IN SUPPORT OF JOINT
MOTION FOR AN ORDER APPROVING: (I)
PROPOSED DISCLOSURE STATEMENT; (II)
SOLICITATION AND VOTING PROCEDURES; (III)
NOTICE AND OBJECTION PROCEDURES FOR
CONFIRMATION OF AMENDED JOINT PLAN; (IV)
SETTING ADMINISTRATIVE CLAIMS BAR DATE;
AND (V) GRANTING RELATED RELIEF
[RELATES TO DOCKET NOS. 4881, 4927, 4928, 4934,
4937, 4939]**

Hearing Date and Time:

Date: July 2, 2020

Time: 10:00 a.m.

Place: Courtroom 1568

255 E. Temple Street

Los Angeles, CA 90012



182015120062900000000004

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1 Verity Health System of California, Inc. (“VHS”) and the affiliated debtors, the debtors
2 and debtors in possession in the above-captioned chapter 11 bankruptcy cases (each a “Debtor”
3 and, collectively, the “Debtors”), and UMB Bank, N.A., as Master Indenture Trustee and Wells
4 Fargo Bank, National Association, as Indenture Trustee for the 2005 Bonds (together with the
5 Debtors, the “Movants”), hereby file this reply (the “Omnibus Reply”) to the objections filed by
6 various creditors [Docket Nos. 4881, 4927, 4928, 4934, 4937, 4939] to the Movant’s joint motion
7 [Docket No. 4881] (the “Motion”)¹ to approve, among other things, the disclosure statement
8 [Docket No. 4880] (the “Disclosure Statement”) describing the *Amended Joint Chapter 11 Plan*
9 *Of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors, and the*
10 *Committee* [Docket No. 4879] (the “Plan”), and, in support of the Motion, respectfully state as
11 follows:

12 **I.**

13 **INTRODUCTION**

14 The Movants received only a handful of objections to their Motion notwithstanding the
15 size and complexity of these Cases. To address various Objections, the Debtor will file an
16 amended Disclosure Statement (the “Amended Disclosure Statement”) and an amended plan (the
17 “Amended Plan”), where appropriate, to provide additional information regarding the treatment of
18 Priority Non-Tax Claims, the proposed settlement with California Department of Health Care
19 Services (“DHCS”) concerning the transfer of Medi-Cal Provider Agreements, the potential
20 resolution thereof with United States Department of Health and Human Services, and the
21 unrestricted funds held by the Debtors’ Foundations. The Amended Disclosure Statement will
22 also incorporate (i) language requested by certain parties that filed Objections (as discussed more
23 fully herein) and other parties that have informally raised certain concerns regarding disclosure
24 issues, (ii) a discussion concerning the treatment of St. Vincent Foundation following the Effective
25 Date, and (iii) updated language describing the PBGC Settlement.

26

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

1 None of the aforementioned revisions will substantively alter the treatment afforded
2 creditors under the Plan and Disclosure Statement, which, after substantial negotiations, are
3 proposed jointly by the Debtors, the Prepetition Secured Creditors, and the Committee to bring an
4 consensual and expeditious resolution to these Cases.

5 In support of the Disclosure Statement and the Motion, the Movants hereby file, as
6 Exhibits “A” through “D,” the attached proposed forms of (a) Confirmation Hearing Notice, (b)
7 Notice of Non-Voting Accepting Status and Confirmation Hearing, (c) Notice of Non-Voting
8 Rejecting Status and Confirmation Hearing, and (d) Administrative Claims Bar Date Notice. To
9 the extent not resolved in the Amended Plan and Amended Disclosure Statement, the Debtors
10 respectfully request that the Court overrule the Objections as set forth below. Accordingly, based
11 on the foregoing, the Debtors are prepared to proceed to confirmation once the Court approves the
12 Amended Disclosure Statement.

13 **II.**

14 **RESPONSE TO THE CIGNA OBJECTION**

15 Cigna Healthcare of California, Inc., Cigna Health and Life Insurance Company, Life
16 Insurance Company of North America, Cigna Dental Health of California, Inc., Cigna Dental
17 Health Plan of Arizona, Inc., and Cigna Dental Health of Texas, Inc. (collectively, “Cigna”) filed
18 the *Objection of Cigna Entities to Disclosure Statement Describing Amended Joint Chapter 11*
19 *Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors, and*
20 *the Committee* [Docket No. 4927] (the “Cigna Objection”). Cigna asserts that the Disclosure
21 Statement does not provide adequate information because it (i) does not address the treatment of
22 certain Cigna contracts as either assumed or rejected, (ii) provides that the Debtors may assume or
23 reject contracts up to 30 days after the Plan’s Effective Date, and (iii) potentially provides for
24 payment of priority tax claims in full before payment in full of priority claims pursuant to §
25 507(a)(5). *See* Cigna Obj. at 2-4.

26 The Debtors are not required to designate contracts for assumption or rejection in
27 connection with the disclosure statement process. The Bankruptcy Code allows the Debtors to
28 assume or reject contracts “at any time before confirmation.” *See* 11 U.S.C. § 365(d)(2). Thus,

1 Cigna is incorrect to allege that the Disclosure Statement does not provide adequate information
2 regarding the treatment of the Cigna Contracts (as that term is defined in the Cigna Objection).
3 Further, Cigna is already aware of the treatment of the majority of the Cigna Contracts as a result
4 of the SCC Sale, SVMC sale, and the SFMC Sale. AHMC is not required to designate contracts
5 for assumption or rejection, in connection with the Seton Sale until 30 days prior to closing. *See*
6 Docket No. 4360 (Seton Sale Motion, Ex. A (APA, ¶ 1.11(a))).

7 Notwithstanding the foregoing, the Amended Disclosure Statement and Amended Plan will
8 include the following provision requested by Cigna:

9 The Debtors shall, no later than five (5) business days prior to the
10 hearing on confirmation of the Plan, provide Cigna with written
11 notice of its irrevocable decision as to whether or not the Debtors
propose to assume or reject each of the Cigna Contracts as part of the
Plan.

12 Further, the Amended Disclosure Statement and Amended Plan will remove the provisions
13 allowing the Debtors to assume or reject up to 30 days following the Effective Date. As noted by
14 Cigna, the inclusion of the foregoing changes in the Amended Disclosure Statement and Amended
15 Plan resolve the Cigna Objection with respect to assumption or rejection of the Cigna Contracts.
16 *See* Cigna Obj. at 4.

17 Cigna's claim that Priority Non-Tax Claims may receive treatment inconsistent with the
18 priority scheme of the Bankruptcy Code is inaccurate. As drafted, the Plan does not authorize the
19 Plan Proponents to pay Priority Tax Claims (or any other Claims) in a manner inconsistent with
20 the Bankruptcy Code. *See, generally*, Plan §§ 2.4 (addressing payment of Priority Tax Claims);
21 8.3 (addressing timing of distributions). To resolve the Cigna Objection, the Plan Proponents will
22 revise the treatment of Priority Non-Tax Claims to provide as follows:

23 *Treatment.* Except to the extent that a Holder of a Priority Non-Tax
24 Claim agrees to a less favorable treatment of such Claim, each such
25 Holder shall receive payment in Cash in an amount equal to the
26 amount of such Allowed Claim, payable on the later of the Effective
27 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
28 Claim, in each case, or as soon as reasonably practicable thereafter
***in accordance with the priority scheme set forth in the Bankruptcy
Code.***

1 (emphasis added). As provided in the Cigna Objection, the Cigna Objection concerning treatment
2 of Cigna’s asserted § 507(a)(5) claims (to the extent not otherwise a confirmation objection) is
3 resolved by the foregoing amendment. See Cigna Obj. at 4. Accordingly, the Cigna Objection
4 should be overruled as moot.

5 **III.**

6 **RESPONSE TO THE DHCS OBJECTION**

7 The DHCS filed *Creditor California Department of Health Care Services’s Objections to*
8 *Debtors’ Proposed Disclosure Statement and Amended Joint Chapter 11 Plan of Liquidation*
9 [Docket Nos. 4928] (the “DHCS Objection”). In the DHCS Objection, DHCS objects to the
10 Motion because (i) the Disclosure Statement does not provide “adequate information” concerning
11 DHCS’s potential objections concerning the transfer of Medi-Cal Provider Agreements in
12 connection with the SFMC Sale and Seton Sale, and (ii) includes an inaccurate description
13 concerning the basis for DHCS’s dismissal of a prior appeal.

14 First, the Debtors and DHCS have reached a settlement in principle concerning the transfer
15 of Medi-Cal Provider Agreements in connection with the SFMC Sale and the Seton Sale. The
16 principal terms of the proposed settlement (the “DHCS Settlement”) are as follows: The Medi-Cal
17 Provider Agreements will be transferred to Prime and AHMC, respectively, free and clear of liens,
18 claims, interests and successor liability for any obligations arising prior to the transfer of the
19 Provider Agreements from SFMC and Seton, respectively. DHCS waives any claims against the
20 Debtors related to SFMC and/or Seton, which are fully satisfied by the payments set forth below.
21 In exchange, the Debtors agree to transfer the Provider Agreements pursuant to § 365.
22 Additionally, the Debtors will pay DHCS the following amounts as “cure” payments: (a) with
23 regard to Seton, the Debtors will pay DHCS a total of \$119,823.40 as cure for all other Medi-Cal
24 related claims against the Seton, and (b) with regard to SFMC, the Debtors will withdraw a
25 pending appeal related to a Medi-Cal audit, thereby waiving arguments related to approximately
26 \$25 million previously offset against SFMC Medi-Cal receivables, and pay approximately \$11.89
27 million as cure for all other Medi-Cal related claims against the SFMC. Additionally, pursuant to
28 the DHCS Settlement, the SFMC Asset Purchase Agreement and Seton Asset Purchase

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1 Agreement, in both Sales the Debtors are obligated to make any payments for Hospital Quality
2 Assurance Fees that are due and owing before each Sale closes; any such obligations that become
3 due and owing after each Sale closes are the obligation of Prime or AHMC, respectively. The
4 Plan Proponents will set forth an additional description of the dispute concerning the transfer of
5 the Medi-Cal Provider Agreements and the principal terms of the DHCS Settlement in the
6 Amended Disclosure Statement.

7 Second, the Plan Proponents have reviewed the statement at footnote 6 of the Disclosure
8 Statement and will revise the footnote in the Amended Disclosure Statement as follows:

9 DHCS appealed the Transfer Decision to the District Court, but
10 voluntarily dismissed such appeal upon entry of the order [Docket
11 No. 3787] approving the settlement between the Debtors and DHCS
12 with respect to the SGM Sale that, among other things, withdrew the
13 Transfer Decision. See Case No. 2:19-cv-08762-JVS, Docket Nos.
14 1-2, 8.

15 Accordingly, the DHCS Objection should be overruled as moot.

16 IV.

17 RESPONSE TO THE HHS OBJECTION

18 The U.S. Department of Health and Human Services and Centers for Medicare and
19 Medicaid Services (“HHS”) filed the *Objection of the United States, on behalf of the U.S.*
20 *Department of Health and Human Services and Centers for Medicare and Medicaid Services to*
21 *Disclosure Statement Describing Amended Joint Chapter 11 Plan of Liquidation (Dated June 16,*
22 *2020) of the Debtors, the Prepetition Secured Creditors, and the Committee [Docket Nos. 4934]*
23 *(the “HHS Objection”)* on the grounds that the Disclosure Statement does not provide “adequate
24 information” concerning HHS’s potential objections concerning the transfer of Medi-Cal Provider
25 Agreements in connection with the SFMC Sale and Seton Sale.

26 Based on the Debtors request, HHS provided language to resolve the HHS Objection,
27 which the Plan Proponents have agreed to include as follows:

28 The transfer of the Debtors’ two Medicare Provider Agreements pursuant to: (a) the Seton Asset Purchase Agreement, dated March 30, 2020 [Docket No. 4360], entered into by and between AHMC, as buyer, and Seton and certain other Debtors, as sellers; and (b) the

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1 SFMC Asset Purchase Agreement, dated April 3, 2020 [Docket No.
2 4471], entered into by and between Prime, as buyer, and SFMC and
3 certain other Debtors, as sellers, is the subject of ongoing settlement
4 discussions and negotiations between HHS and the Debtors. The
5 parties have entered into various stipulations and orders extending
6 the time to file supplemental briefing and continuing the hearing date
7 on the Medicare Provider Agreement transfer issue. Currently,
8 pursuant to an order approving the parties' further stipulation entered
9 on June 18, 2020 [Docket No. 4902], the hearing date on the
10 Medicare Provider Agreements transfer issue is July 15, 2020 at
11 10:00 a.m. Thus, further governmental approval is necessary before
12 the Medicare Provider Agreements may be transferred consensually
13 to AHMC or Prime. HHS reserves the right to assert that its proofs
14 of claim constitute secured claims as of the Petition Date to the
15 extent of its setoff rights, pursuant to § 506(a). The Debtors and
16 HHS are currently engaged in settlement discussions concerning a
17 mutually agreeable resolution to the Medicare Provider Agreements
18 transfer issue.

19 Based on the foregoing, the HHS Objection should be overruled as moot.

20 V.

21 **RESPONSE TO THE SGM RESERVATION OF RIGHTS**

22 Strategic Global Management, Inc. ("SGM") filed a reservation of rights [Docket No.
23 4937] (the "SGM Reservation of Rights") concerning SGM's alleged rights to the deposit under
24 the SGM APA. Although SGM does not object to the Motion or approval of the Disclosure
25 Statement, SGM informally has raised certain issues regarding the Disclosure Statement's
26 discussion of the SGM Deposit and the Adversary Proceeding. The Plan Proponents have agreed
27 to include the following language in the Amended Disclosure Statement and Confirmation Order:
28

The Plan Proponents acknowledge that SGM disputes the Debtors' claim to the Deposit, and SGM contends that the Deposit must be returned to SGM. The Debtors and the Plan Proponents dispute the contentions and claims of SGM to the Deposit, and contend that the Deposit is an asset of the Debtors' estates, free and clear of any rights or claims of SGM, and should be distributed in accordance with the Plan. As provided in the Plan, on the Effective Date, all rights of the Debtors against SGM, including, without limitation, all rights to recover the Deposit, are being transferred to the Liquidating Trust. The Plan shall be amended to provide, and the Confirmation Order shall state, that the Liquidating Trust shall not distribute the Deposit to creditors in accordance with the Plan or take any other action which would reduce or dissipate the Deposit, unless permitted

1 by a judgment or an order entered by the District Court having
2 jurisdiction over the Adversary Proceeding, and such judgment or
3 order has not been stayed. In the event an appeal is taken from any
4 such judgment or order, the party taking the appeal shall have the
5 right to seek a stay pursuant to the applicable Federal Rules of Civil
6 Procedure and Federal Rules of Appellate Procedure. Nothing
7 contained in the Plan or the Disclosure Statement shall modify, alter
8 or change the rights of the Debtors and the Liquidating Trust, on the
9 one hand, and SGM, on the other hand, to any claim or rights to the
10 Deposit. All such claims and rights are expressly reserved and
11 preserved.

12 While SGM has requested additional language, the Debtors and certain Plan Proponents do not
13 consider the additional language requested by SGM as necessary. Accordingly, the Court should
14 overrule the SGM Reservation of Rights as moot.

15 **VI.**

16 **RESPONSE TO SETON MEDICAL STAFF OBJECTION**

17 The Medical Staff of Seton Medical Center’s (“Medical Staff”) Objection to the Disclosure
18 Statement (“Medical Staff Objection”) is premised on a speculative concern that the Debtors
19 intend to divert the unrestricted charitable assets of Seton Medical Center Foundation (the “Seton
20 Foundation”)² for allegedly inappropriate purposes—the payment of estate claims or non-Seton
21 charitable purposes. However, the Seton Foundation only holds an inconsequential amount of
22 unrestricted funds, which will be authorized for use by the Seton Foundation’s board of directors
23 in the ordinary course of the Seton Foundation’s activities and will result in the use of all
24 remaining unrestricted funds prior to the Plan Effective Date. The balance of the Medical Staff
25 Objection is moot, or, at a minimum, a premature confirmation objection, and should be overruled.
26

27 ² Together with O’Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St.
28 Francis Medical Center of Lynwood Foundation, and St. Vincent Foundation, the “Foundations.”

1 **A. The Medical Staff’s Objection to the Disclosure Statement Lacks Factual and Legal**
2 **Basis.**

3 **1. *The Foundation Board Has Authorized the Disbursement of All Unrestricted***
4 ***Funds Prior to the Plan Effective Date.***

5 The Seton Foundation was originally organized under the California Nonprofit Public
6 Benefit Corporation Law to benefit its respective hospital Seton Medical Center (the “Seton
7 Hospital”). On December 8, 2015, the Seton Foundation amended and restated its Articles of
8 Incorporation to include supporting and fostering the corporate purposes of VHS and its affiliated
9 organizations as one of the purposes for which the Foundation was organized. The Foundation is
10 a charitable institution as recognized by the Internal Revenue Service, under IRS Rule 501.

11 The Court has authorized the sale of the Seton Hospital, and, thus, the Foundation can no
12 longer donate its assets to the Seton Hospital once the sale to AHMC takes place as a matter of
13 Internal Revenue Service Rules, Financial Accounting Standards Board (FASB) Accounting
14 principles, and laws of the State of California regarding the deductibility of donations and trustee’s
15 management of charitable assets. Further, neither VHS nor the board of directors of the Seton
16 Foundation wish to maintain the infrastructure of the Foundation for managing assets that will be
17 donated for purposes other than those in which VHS is involved.

18 Accordingly, and as set forth in the Plan, the Seton Foundation will effectuate a transfer of
19 its donor restricted assets to recipient foundations as approved by the Seton Foundation board and
20 by the Attorney General’s office since the transfer must be to an entity approved by the Attorney
21 General, and must fulfill the doctrine of *cy pres*. See CAL. GOV’T CODE § 12598; CAL. CORP.
22 CODE § 6713; *O’Hara v. Grand Lodge Independent Order of Good Templars of State of*
23 *California*, 213 Cal. 131 (1931).

24 As to Seton Foundation’s unrestricted funds, the Seton Foundation does not expect to hold
25 any unrestricted funds on the Plan Effective Date. The Medical Staff Objection with respect to the
26 treatment of unrestricted funds, and the distinction between properly donor-restricted and
27 unrestricted funds, will therefore become moot prior to the Effective Date.

28

1 While the Medical Staff further objects to the use of unrestricted funds held by other
2 Foundations, no objections were received on behalf of those Foundations and the Medical Staff
3 does not purport to represent or have an interest in the Debtors' other Foundations. Nevertheless,
4 the Debtors will disclose in the Amended Disclosure Statement the amount of unrestricted funds at
5 each of the Foundations. The Movants also submit that this is a matter for confirmation and does
6 not represent a disclosure issue appropriate for consideration in connection with approval of the
7 Disclosure Statement.

8 **2. *The Foundations' Solvency is Irrelevant Since the Purpose of the Foundations is***
9 ***to Support the Hospitals and VHS.***

10 The principal critique articulated in the Objection is that the Disclosure Statement does not
11 explain to the Medical Staff's satisfaction that the Foundations are solvent, legal entities
12 technically independent of the other Debtor entities. This critique is misplaced. The short answer
13 is that the facts here show near complete entanglement of the Debtors and thus meets one of the
14 two general bases for substantive consolidation. *See In re Bonham*, 229 F.3d 750, 766 (9th Cir.
15 2000).

16 The Foundations' sole purpose for existence is to raise charitable funds to support the
17 Debtors' hospitals (the "Hospitals") and VHS. Therefore, the Foundations' unrestricted funds (to
18 the extent any remain in the Foundations) could generally be used to support the Hospitals' and
19 VHS's capital and operational expenses, regardless of whether the Hospitals and VHS filed for
20 bankruptcy or whether the Foundations are deemed substantively consolidated with the Debtors.
21 Dr. Robert Perez, the president of the Medical Staff, acknowledges this fact in his declaration
22 attached to the Medical Staff's objection [Docket No. 3079] to the prior motion to approve the
23 disclosure statement:

24 The Medical Staff and Seton Medical Center Foundation
25 ("Philanthropic Seton") have had a long and symbiotic relationship.
26 Philanthropic Seton engages in various fund-raising efforts on
27 behalf of Seton, and generally uses those funds to provide the
28 equipment and support that the Medical Staff identifies as most
important but otherwise unavailable Although the Foundation
solicited donations or bequests dedicated to specific projects, which
I understand the Debtor refers to as "properly donor-restricted

1 funds”, many of its fundraisers did not yield “restricted” funds as
2 such. For example, for decades the Foundation sponsored a golf
3 tournament which raised very substantial funds for its charitable
4 purposes, although not for any specific charitable purpose. In all
5 such cases, we knew that the funds raised would be given to
6 Philanthropic Seton to advance its charitable purposes, and that
7 sufficed for us.

8 Declaration of Robert Perez ¶¶ 2-3.

9 As evidenced by his declaration, Dr. Perez agrees that even in the absence of bankruptcy or
10 substantive consolidation, the Foundations and the Hospitals are bound together as the
11 Foundations’ unrestricted assets are and have always been used to fund the expenses of the
12 Hospitals. *Id.* It is unclear how Dr. Perez can concede the “symbiotic relationship” between the
13 Foundations and the Debtors and testify to the Foundations’ history of contributing their assets to
14 fund the Debtors’ expenses yet simultaneously assert the independence of the Foundations from
15 the Debtors and object to the use of the Foundations’ unrestricted assets towards the Debtors’
16 expenses now that the Debtors are in bankruptcy. Given the Foundations’ undisputed, sole
17 purpose of funding the Hospitals and VHS, adding information to the Disclosure Statement
18 regarding the Foundations’ solvency and separate legal existence from the Debtors does not make
19 sense nor is it a legitimate reason to object to substantive consolidation. The solvency and
20 separate legal existence of the Foundations are not material pieces of information that inform
21 creditors with respect to voting or their rights under the Plan. Thus, for the purpose of the
22 Disclosure Statement and there is no need to amend the Disclosure Statement to make this point
23 any clearer.

24 **3. Reference to the “Third Factor” in the Substantive Consolidation Analysis is**
25 **Consistent With Ninth Circuit Law.**

26 The Medical Staff takes issue with Disclosure Statement’s brief reference to a “third
27 factor” applied to the substantive consolidation analysis, namely whether consolidation is
28 “reasonable under the circumstances.” In objecting to this “reasonableness” factor, the Medical
Staff attempts to draw a meaningless distinction between the facts of *In re Bashas’ Inc.*, 437 B.R.
874 (Bankr. D. Ariz. 2010) and those of this case seeming to imply that analyzing the general

1 reasonableness of substantive consolidation should only apply in certain circumstances. This is
2 simply untrue. First, *Bashas'* is not the only Ninth Circuit case to apply this factor. *See In re*
3 *Mihranian*, 2:13-BK-39026-BR, 2017 WL 6003345, at *4 (B.A.P. 9th Cir. Dec. 4, 2017), aff'd,
4 17-60090, 2019 WL 4252115 (9th Cir. Sept. 9, 2019). Second, the *Bashas'* court did not invent a
5 third factor specifically for application to the particular facts of *Bashas'*. *In re Bashas' Inc.*, 437
6 B.R. at 929. Rather, the court in *Bashas'* drew this third factor as an inference from the court's
7 ruling in *Bonham* that the third factor should be included in the substantive consolidation analysis,
8 generally.

9 When the *Bonham* case is considered in its complete context, it is
10 clear that the Ninth Circuit did not require bankruptcy courts to
11 look *only* to the two negative concerns set forth above, in some
12 “Pavlovian” way. *Id.* at 767 [citing *Bonham*]. The basic rules, and
the discretion to apply them, stem solely and completely from a
weighing of the equities, and a decision which emanates from one
guiding light: “Is this reasonable under the circumstances?”

13 *Id.* Therefore, the Medical Staff's description of *Bashas'* use of the third factor as “*sui generis*” is
14 a mischaracterization. *See Med. Staff Obj.* at 5.

15 Further, the Debtors included a mere reference to the third factor but did not apply it to
16 their substantive consolidation analysis. Rather, the Debtors' rationale for substantive
17 consolidation in Section XV.B. of the Disclosure Statement comprises two subsections
18 corresponding to the two undisputed factors in the Ninth Circuit substantive consolidation
19 analysis: “1. Creditors Dealt with the Debtors as a Single Economic Unit” and “2. The Debtors'
20 Affairs Are So Entangled That Consolidation Will Benefit All Creditors.” *See Disclosure*
21 *Statement* § XV.B. It is also worth repeating the point made in the Disclosure Statement that “the
22 deemed substantive consolidation test is disjunctive, thus, the Debtors need only demonstrate one
23 of these factors. *See Bonham*, 229 F.3d at 766.” *See id.* at 119. The third factor is thus not
24 necessary for the Court to find that substantive consolidation is warranted in this case. The
25 Medical Staff Objection to the Disclosure Statement's reference to the third factor is without
26 substance.

1 information, and the Medical Staff Objection fails. Accordingly, the Medical Staff Objection
2 should be denied.

3 **B. The Medical Staff’s Objection to the Disclosure Statement is Procedurally Improper.**

4 The Medical Staff’s lack of information and/or misunderstanding concerning the status of
5 the Foundations, along with the Medical Staff’s overall dissatisfaction with the Plan’s proposed
6 substantive consolidation of the Debtors, has moved the Medical Staff to file its objection under
7 the guise of objecting to the “adequacy of the information” included in the Disclosure Statement.

8 As the Medical Staff is aware, its objection to the Plan’s proposed deemed substantive
9 consolidation is procedurally improper as objections to the substance of the Plan are not
10 appropriately framed as objections to the adequacy of a Disclosure Statement’s information under
11 § 1125 (providing that the standard for the sufficiency of information in a disclosure statement is
12 whether it would “enable such a hypothetical investor of the relevant class to make an informed
13 judgment about the plan”). In the Medical Staff Objection, the Medical Staff acknowledges that
14 substantive consolidation “is an issue for the Confirmation Hearing” and not one to be raised as an
15 objection to the sufficiency of information in a disclosure statement. *See* Medical Staff Obj. at 8.
16 The Medical Staff offers no evidence or argument that the proposed revisions would have any
17 impact on a hypothetical investor’s assessment of the Plan so as to warrant amendment of the
18 Disclosure Statement. Accordingly, the Court should overrule the Medical Staff’s Objection in its
19 entirety.

20 **VII.**

21 **THE ATTORNEY GENERAL STIPULATION**

22 The Attorney General did not file an opposition to the Motion. At the request of the
23 Attorney General, the Plan Proponents and Attorney General engaged in negotiations concerning
24 language to be included in the Amended Disclosure Statement. On June 25, 2020, as a result of
25 the parties’ negotiations, the Court approved [Docket No. 4952] a stipulation [Docket No. 4951]
26 by and between the Plan Proponents and the Attorney General, which sets forth the agreed
27 language to be included in the Amended Disclosure Statement.

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VIII.

RESPONSE TO INFORMAL COMMENTS FROM THE COMMITTEE

In response to informal comments made by the Official Committee of Unsecured Creditors (the “Committee”), the Committee and the Debtors are in discussions concerning authorizing the Committee to object to certain claims solely for Plan voting purposes by filing a Determination Motion no later than the Voting Objection Deadline.

IX.

RESERVATION OF RIGHTS

The Plan Proponents reserve the right to further amend the Plan and Disclosure Statement and to submit additional documents, declarations, exhibits and other supporting documents and evidence in connection with the hearing on the adequacy of the Disclosure Statement or any Amended Disclosure Statement, confirmation of the Plan or any Amended Plan, or otherwise. While the objections to the Motion are limited to those timely raised in the written Objections filed by the objection deadline, to the extent any additional or modified objections are raised in connection with the adequacy hearing, the Movants reserve the right to respond to the same and/or to argue they are untimely and should be raised solely in connection with the confirmation hearing.

X.

CONCLUSION

WHEREFORE, the Movants respectfully request that the Bankruptcy Court enter an order: (i) granting the Motion; (ii) overruling the Objections; (iii) approving the Disclosure Statement; (iv) approving the solicitation and voting procedures; (v) approving the proposed notice and objection procedures for confirmation of the Plan; (vi) approving the Administrative Claims Bar Date and related procedures; and (vii) granting such other and further relief as the Bankruptcy Court deems just and proper.

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1 Dated: June 29, 2020

DENTONS US LLP

2

3

By: /s/ Tania M. Moyron

4

Samuel R. Maizel

Tania M. Moyron

Nicholas A. Koffroth

5

Counsel to the *Debtors and Debtors In Possession*

6

7

8 Dated: June 29, 2020

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY
AND POPEO, P.C.

9

10

By: /s/ Paul J. Ricotta³

11

Paul J. Ricotta

Daniel S. Bleck

12

Counsel to *UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee for the 2005 Bonds*

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³ Pursuant to the Court's Amended General Order 20-02, the Debtors (i) are unable to obtain the foregoing party's holographic signatures due to a lack of required technology, (ii) obtained the party's permission to sign this document on the party's behalf, and (iii) will obtain and file the holographic signature required pursuant to LBR 9011-1(a) as soon as practicable. *See In re Amended Procedures for Public Emergency Related to COVID-19 Outbreak*, Amended General Order 20-02, at ¶ 7 (Bankr. C.D. Cal. Apr. 1, 2020); *see also* Third Amended General Order 20-02, at ¶ 1 (Bankr. C.D. Cal. May 28, 2020) (extending Amended General Order 20-02 through June 30, 2020).

28

Exhibit A

Form of Confirmation Hearing Notice

1 UNITED STATES BANKRUPTCY COURT
2 CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

3 In re

Lead Case No. 2:18-bk-20151-ER

4 VERITY HEALTH SYSTEM OF
5 CALIFORNIA, INC., et al.,

6 Debtors and Debtors In Possession.

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;

7 Affects All Debtors

- 8 Affects O'Connor Hospital
- 9 Affects Saint Louise Regional Hospital
- 10 Affects St. Francis Medical Center
- 11 Affects St. Vincent Medical Center
- 12 Affects Seton Medical Center
- 13 Affects O'Connor Hospital Foundation
- 14 Affects Saint Louise Regional Hospital Foundation
- 15 Affects St. Francis Medical Center of Lynwood Foundation
- 16 Affects St. Vincent Foundation
- 17 Affects St. Vincent Dialysis Center, Inc.
- 18 Affects Seton Medical Center Foundation
- 19 Affects Verity Business Services
- 20 Affects Verity Medical Foundation
- 21 Affects Verity Holdings, LLC
- 22 Affects De Paul Ventures, LLC
- 23 Affects De Paul Ventures - San Jose Dialysis, LLC

Chapter 11 Cases

Hon. Judge Ernest M. Robles

NOTICE OF (I) APPROVAL OF THE DISCLOSURE STATEMENT, (II) DEADLINE FOR VOTING ON THE PLAN, (III) HEARING TO CONSIDER CONFIRMATION OF THE PLAN, (IV) DEADLINE FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN, AND (V) DEADLINE FOR FILING ADMINISTRATIVE EXPENSE CLAIMS

24 Debtors and Debtors In Possession.

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22 Attorneys for U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2015 Working Capital Notes
23 Attorneys for U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2017 Working Capital Notes
24
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Attorneys for Verity MOB Financing, LLC and Verity MOB Financing II, LLC] Attorneys for the Official Committee of Unsecured Creditors

1 **PLEASE TAKE NOTICE OF THE FOLLOWING:**

2 **APPROVAL OF DISCLOSURE STATEMENT**

3 1. By Order dated July __, 2020 (the "Disclosure Statement Order") [Docket No.
4 _____], the United States Bankruptcy Court for the Central District of California (the
5 "Bankruptcy Court") (a) approved the *Disclosure Statement Describing Amended Joint Chapter*
6 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
7 *and the Committee* [Docket No. 4880] (including all exhibits thereto and as amended, modified,
8 or supplemented from time to time, the "Disclosure Statement")¹ filed by Verity Health System of
9 California, Inc. ("VHS") and the above-referenced affiliated debtors, the debtors and debtors in
10 possession in the above-captioned chapter 11 bankruptcy cases (each a "Debtor" and,
11 collectively, the "Debtors"), the Prepetition Secured Creditors, and the Official Committee of
12 Unsecured Creditors (the Committee, and, together with the Debtors and the Prepetition Secured
13 Creditors, the "Plan Proponents"), as containing adequate information within the meaning of §
14 1125 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") and
15 (b) authorized the Plan Proponents to solicit votes to accept or reject the *Amended Joint Chapter*
16 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
17 *and the Committee* [Docket No. 4879] (including all exhibits thereto, any plan supplement, and
18 as amended, modified, or supplemented from time to time, the "Plan"). All capitalized terms
19 used but not defined herein shall have the same meanings ascribed to them in the Plan, the
20 Disclosure Statement, or the Disclosure Statement Order, as applicable.

14 **RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS**
15 **CONTAINED IN PLAN**

16 2. SECTION 13 OF THE PLAN CONTAINS CERTAIN RELEASE,
17 INJUNCTION, AND EXCULPATION PROVISIONS, INCLUDING THOSE SET FORTH
18 BELOW. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN,
19 INCLUDING THE RELEASE, INJUNCTION AND EXCULPATION PROVISIONS
20 THEREIN, AS YOUR RIGHTS MAY BE AFFECTED.

21 3. **Section 13.5 of the Plan contains the following Releases:**

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

25 (b) Settlement Releases. Pursuant to § 1123(b)(3)(A) and the Plan Settlement,
26 as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby
27 confirmed, to the maximum extent permitted by law, each Holder of any Claim shall be deemed to

27 ¹ Capitalized terms used but not otherwise defined herein have the definitions set forth in the
28 Disclosure Statement.

1 forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands,
2 debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties
3 arising from or related to the Settlement Released Parties' pre- and/or post-petition actions,
4 omissions or liabilities, transaction, occurrence, or other activity of any nature except for as
5 provided in the Plan or the Confirmation Order.

6 (c) Limitation Of Claims Against the Liquidating Trust. As of the Effective
7 Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded
8 from asserting against the Liquidating Trust any other or further Claims, obligations, suits,
9 judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating
10 to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities,
11 transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

12 (d) Debtors' Releases. Pursuant to § 1123(b), and except as otherwise
13 specifically provided in this Plan, for good and valuable consideration, including the service of the
14 Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of
15 the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties
16 are deemed released and discharged by the Debtors and their Estates from any and all claims,
17 obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever,
18 including any derivative claims asserted or assertable on behalf of the Debtors, whether known or
19 unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that
20 the Debtors or their Estates would have been legally entitled to assert in their own right (whether
21 individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or
22 relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to
23 or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated
24 in this Plan, the business or contractual arrangements between the Debtors and any Released Party,
25 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 this 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. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall
be deemed waived and relinquished by this Plan for purposes of Section 13.9.

26 (e) **WAIVER OF LIMITATIONS ON RELEASES. THE LAWS OF SOME**
27 **STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR**
28 **SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH**
THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER
FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR
HER MUST HAVE MATERIALLY AFFECTED HIS/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.

4. Section 13.6 of the Plan contains the following Injunctions:

(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

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1 any other Cause of Action released and discharged under the Plan, including, without limitation,
2 the following actions against any Released Party: (a) commencing, conducting or continuing in
3 any manner, directly or indirectly, any action or other proceeding with respect to a Claim;
4 (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any
5 means, whether directly or indirectly, any judgment, award, decree or order with respect to a
6 Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or
7 encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or
8 recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the
9 Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e)
10 commencing, conducting or continuing any proceeding that does not conform to or comply with or
11 is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction
12 shall (i) limit the Holder of an Insured Claim from receiving the treatment set forth in Class 9; or
13 (ii) preclude the Holders of Claims against the Debtors from enforcing any obligations of the
14 Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under
15 this Plan and the contracts, instruments, releases and other agreements delivered in connection
16 herewith, including, without limitation, the Confirmation Order, or any other order of the
17 Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this
18 Plan, each Holder of an Allowed Claim shall be deemed to have specifically consented to the
19 injunctions set forth in this Section.

20 (b) ***Other Injunctions.*** *The Post-Effective Date Debtors, the Liquidating*
21 *Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the*
22 *Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors*
23 *or employees shall not be liable for actions taken or omitted in its or their capacity as, or on*
24 *behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the*
25 *Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as*
26 *applicable), except those acts found by Final Order to arise out of its or their willful*
27 *misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to*
28 *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 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 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.

5. **Section 13.7 of the Plan contains the following Exculpation:**

Exculpation. To the maximum extent permitted by applicable law, each Released
Party 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

1 Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or
2 each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except
3 with respect to the actions found by Final Order to constitute willful misconduct, gross
4 negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled
5 to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.
6 Without limitation of the foregoing, each such Released Party shall be released and exculpated
7 from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf
8 of any other Person, based in whole or in part upon any act or omission, transaction, agreement,
9 event or other occurrence in any way relating to the subject matter of this Section.

7 **6. Section 13.8 of the Plan contains the following No Recourse by Holders of
8 Claims:**

9 If a Claim is Allowed in an amount for which after application of the payment
10 priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there
11 is insufficient value to provide a recovery equal to that received by other Holders of Allowed
12 Claims in the respective Class, no Claim Holder shall have recourse for any such deficiency
13 against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date
14 Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the
15 Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this
16 Plan shall modify any right of a Holder of a Claim under § 502(j). The obligations under this
17 Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary
18 relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf
19 of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of
20 Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have
21 any personal or direct liability for these obligations. Approval of the Plan by the Confirmation
22 Order shall not in any way limit the foregoing.

17 7. The Plan term "PBGC Settlement" means that certain Creditor Settlement
18 Agreement described in Section 7.1(b).

19 8. The Plan term "Plan Settlement" means that certain Creditor Settlement Agreement
20 described in Section 7.1(a).

21 9. The Plan term "Released Parties" means, individually and collectively, the Estates,
22 the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their
23 affiliates, and each current and/or former member, manager, officer, director, employee, counsel,
24 advisor, professional, or agents of each of the foregoing who were employed or otherwise serving
25 in such capacity before or after the Petition Date.

24 10. The Plan term "Settlement Released Parties" means, collectively, the parties to the
25 Plan Settlement and the PBGC Settlement who are the beneficiaries of a limited or general release
26 under the Plan Settlement and the PBGC Settlement, respectively, solely to the extent of such
27 limited or general release, as provided in this Plan.
28

SUMMARY OF PLAN TREATMENT OF CLAIMS AND INTERESTS

11. 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, and Priority Tax 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.

<i>All Debtors</i>			
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 2017 Revenue Notes Claims	Impaired	Yes
3	Secured 2015 Revenue Notes Claims	Impaired	Yes
4	Secured 2005 Revenue Bond 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	General Unsecured Claims	Impaired	Yes
9	Insured Claims	Impaired	Yes
10	2016 Data Breach Claims	Impaired	Yes
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

12. 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 an 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.

13. Class 1B: Secured PACE Tax Financing Claims.

- a. *Classification.* Class 1B consists of the Secured PACE Financing Claims.
- b. *Treatment.* Allowed Secured PACE Tax Financing Claim shall be paid in accordance with the *Order Approving Stipulation Resolving California*

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1 *Statewide Communities Development Authority Lien Release Pursuant to*
2 *the Proposed Sale of Certain of the Debtors' Assets Related to Seton*
3 *Medical Center [Docket No. 4613].*

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

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10 14. Class 2: Secured 2017 Revenue Notes Claims.

- 11 a. *Classification.* Class 2 consists of the Secured 2017 Revenue Notes Claims.
12
13 b. *Treatment.* The Secured 2017 Revenue Notes Claims shall be paid in cash
14 on the Effective Date by the Debtors to the 2017 Notes Trustee for
15 distribution in accordance with the 2017 Revenue Notes Indentures in an
16 amount equal to 100% of a single Allowed Claim in the aggregate amount
17 of \$42,000,000, plus (i) any accrued, but unpaid postpetition interest, if any,
18 at the rate specified in the 2017 Revenue Note Indentures, excluding any
19 interest at a default rate, any make whole premium, any applicable
20 redemption or other premium, and (ii) any accrued but unpaid reasonable,
21 necessary out-of-pocket fees and expenses of the 2017 Notes Trustee and
22 the Master Trustee pursuant to the Final DIP Order and Cash Collateral
23 Orders through and including the Effective Date, less any amounts held by
24 the 2017 Notes Trustee in a (x) principal or revenue account, (y) debt
25 service or redemption reserve, or (z) an escrow or expense reserve account.
26 No beneficial Holder of any Secured 2017 Revenue Notes Claims shall be
27 entitled to receive any distribution pursuant to the Plan, except as may be
28 remitted to such holder by the 2017 Notes Trustee in accordance with the
2017 Revenue Notes Indenture.
- 18 c. *Subordination.* Following receipt of the distribution provided in Section
19 4.3(b), all rights held by 2017 Revenue Bond Trustee and/or the Master
20 Trustee under the Intercreditor Agreement shall be deemed satisfied,
21 waived or released by the treatment provided the Plan Settlement and the
22 Plan.
- 21 d. *Voting.* Class 2 is Impaired. The beneficial Holders of Secured 2017
22 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

23 15. Class 3: Secured 2015 Notes Claims.

- 24 a. *Classification.* Class 3 consists of the Secured 2015 Revenue Notes Claims.
25
26 b. *Treatment.* The Secured 2015 Revenue Notes Claims shall be paid in cash
27 on the Effective Date by the Debtors to the 2015 Notes Trustee for
28 distribution in accordance with the 2015 Revenue Notes Indentures 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

1 Revenue Notes Series A, B, C and D, excluding any interest at a default
2 rate, or any applicable redemption or other premium, and (ii) any accrued,
3 but unpaid reasonable, necessary out-of-pocket fees and expenses of the
4 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order
5 and Cash Collateral Orders through and including the Effective Date, less
6 any amounts held by the 2015 Notes Trustee on account of the 2015
7 Revenue Notes in a (x) principal or revenue account, (y) debt service or
8 redemption reserve, or (z) an escrow or expense reserve account. No
9 beneficial Holder of any Secured 2015 Revenue Notes Claims shall be
10 entitled to receive any distribution pursuant to the Plan, except as may be
11 remitted to such holder by the 2015 Notes Trustee.

12 c. *Subordination.* All rights held by 2015 Revenue Bond Trustee and/or the
13 Master Trustee under the Intercreditor Agreement shall be deemed satisfied,
14 waived or released by the treatment provided the Plan Settlement and the
15 Plan.

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

18 16. Class 4: Secured 2005 Revenue Bond Claims.

19 a. *Classification.* Class 4 consists of the Secured 2005 Revenue Bonds
20 Claims.

21 b. *Treatment.* The Secured 2005 Revenue Bonds Claims shall be treated as a
22 single Allowed Claim in the aggregate amount of \$259,445,000 plus (i)
23 accrued, but unpaid postpetition interest, if any, at the rate specified in the
24 2005 Revenue Bond Indentures through and including the Effective Date,
25 excluding any interest at the default rate or the Tax Rate, or any applicable
26 redemption or other premium, and (ii) any accrued, but unpaid reasonable,
27 necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds
28 Trustee and the Master Trustee pursuant to the Final DIP Order and Cash
Collateral Orders through and including the Effective Date. The 2005
Revenue Bonds Claims shall be paid and satisfied as follows: (i) an amount
equal to the Initial Secured 2005 Revenue Bonds Claims Payment plus (a)
accrued, but unpaid postpetition interest, if any, at the rate specified in the
2005 Revenue Bond Indentures through and including the Effective Date,
excluding any interest at the default rate or the Tax Rate, or any applicable
redemption or other premium, and (b) any 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 and Cash
Collateral Orders through and including the Effective Date, shall be paid in
cash by the Debtors to the 2005 Revenue Bond Trustee on the Effective
Date. In addition, (x) any amounts held by the 2005 Revenue Bonds
Trustee in a (1) principal or revenue account, (2) debt service or redemption
reserve, or (3) an escrow or expense reserve account shall be applied against
the Secured 2005 Revenue Bonds Claim, and (y) the 2005 Revenue Bonds
Trustee shall become the sole Trust Beneficiary and holder of all of the First

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1 Priority Trust Beneficial Interests in the amount of the 2005 Revenue Bonds
2 Diminution Claim, including interest accruing after the Effective Date at the
3 non-default rate provided for in the 2005 Revenue Bond Indentures. The
4 foregoing payments and distributions shall be in full and final satisfaction of
5 the Secured 2005 Revenue Bonds Claims as a single Allowed Claim.
6 Notwithstanding distribution of First Priority Trust Beneficial Interests on
7 account of the 2005 Secured Revenue Bonds Diminution Claim, the 2005
8 Revenue Bonds Trustee or the Master Trustee shall be entitled to retain and
9 apply Adequate Protection Payments received during the course of these
10 Cases on or on behalf of the 2005 Secured Revenue Bonds in the manner
11 provided by the relevant indenture. No beneficial Holder of any Secured
12 Series A, G and H Revenue Bonds Claims shall be entitled to receive any
13 distribution pursuant to the Plan, except as may be remitted to such Holder
14 by the 2005 Revenue Bonds Trustee.

- 10 c. *Subordination.* All rights held by 2005 Revenue Bond Trustee and/or the
11 Master Trustee under the Intercreditor Agreement shall be deemed satisfied,
12 waived or released by the treatment provided the Plan Settlement and the
13 Plan.
- 12 d. *Voting.* Class 4 is Impaired. The beneficial Holders of the Secured 2005
13 Series 2005 A, G and H Revenue Bond Claims are entitled to vote to accept
14 or reject the Plan.

15 17. Class 5: Secured MOB I Financing Claims.

- 16 a. *Classification.* Class 5 consists of the MOB I Financing Claims.
- 17 b. *Treatment.* The Secured MOB I Financing Claims shall be paid in cash on
18 the Effective Date by the Debtors in an amount equal to 100% of a single
19 Allowed Claim in the aggregate amount of \$46,363,095.90, plus (i) accrued
20 but unpaid postpetition interest, if any, at the rate specified in the MOB I
21 Loan Agreement, excluding any interest at the default rate, or make whole
22 premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-
23 pocket fees and expenses of Verity MOB Financing LLC, pursuant to the
24 Final DIP Order and Cash Collateral Orders through and including the
25 Effective Date.
- 22 c. *Voting.* Class 5 is Impaired. Holders of MOB I Financing Claims are
23 entitled to vote to accept or reject the Plan.

24 18. Class 6: Secured MOB II Financing Claims.

- 25 a. *Classification.* Class 6 consists of the Secured MOB II Financing Claims.
- 26 b. *Treatment.* The Secured MOB II Financing Claims shall be paid in cash on
27 the Effective Date by the Debtors in an amount equal to 100% of a single
28 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

1 Loan Agreements, excluding any interest at the default rate, or make whole
2 premium, and (ii) any accrued but unpaid reasonable, necessary out-of-
3 pocket fees and expenses of Verity MOB Financing II LLC, pursuant to the
4 Final DIP Order and Cash Collateral Orders through and including the
5 Effective Date.

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

8 19. Class 7: Secured Mechanics Lien Claims.

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

10 b. *Treatment.* Each Allowed Secured Mechanics Lien Claim shall be paid in
11 cash on the Effective Date by the Debtors in an amount equal to 100% of
12 the principal balance of such Allowed Secured Mechanics Lien Claim.

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

15 20. Class 8: General Unsecured Claims.

16 a. *Classification.* Class 8 consists of the General Unsecured Claims against all
17 Debtors.

18 b. *Treatment.* As soon as practicable after the Effective Date or as soon
19 thereafter as the claim shall have become an Allowed Claim, each holder of
20 an Allowed General Unsecured Claim shall receive a Second Priority Trust
21 Beneficial Interest and become a Trust Beneficiary in full and final
22 satisfaction of its Allowed Class 8 Claim, except to the extent that such
23 Holder agrees (a) to a less favorable treatment of such Claim, or (b) such
24 Claim has been paid before the Effective Date.

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

27 21. Class 9: Insured Claims.

28 a. *Classification.* Class 9 consists of Allowed Insured Claims.

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

Except to the extent that a Holder of an Insured Claim agrees to different
treatment, or unless otherwise provided by an order of the Bankruptcy
Court directing such Holder's participation in any alternative dispute
resolution process, on the Effective Date, or as soon thereafter as is
reasonably practicable, each Holder of an Insured Claim will have received
or shall receive on account of its Insured Claim relief from the automatic

1 stay under § 362 and the injunctions provided under this Plan for the sole
2 and limited purpose of permitting such Holder to seek recovery, if any, as
3 determined and Allowed by an order or judgment by a court of competent
4 jurisdiction or under a settlement or compromise of such Holder's Insured
5 Claim from the applicable and available Insurance Policies maintained by
6 or for the benefit of any of the Debtors. A Holder's recovery of insurance
7 proceeds under the applicable Insurance Policy(ies) shall be the sole and
8 exclusive recovery on an Insured Claim, subject to recovery of an Insured
9 Deficiency Claim, as described in the next paragraph. Any settlement of an
10 Insured Claim within a self-insured retention or deductible must be
11 approved by the Liquidating Trustee.

12 In the event the applicable insurer denies the tender of defense or there are
13 no applicable or available insurance policies, or proceeds from applicable
14 and available insurance policies have been exhausted or are otherwise
15 insufficient to pay in full a Holder's recovery, if any, as determined by an
16 order or judgment by a court of competent jurisdiction or under a settlement
17 or compromise of such Holder's Insured Claim, on account of its Insured
18 Claim, then such Holder shall be entitled to an Allowed Claim equal to the
19 amount of the Allowed Insured Claim less the amount of available proceeds
20 paid such Allowed Insured Claim from the applicable and available
21 Insurance Policies (the "***Insured Deficiency Claim***"). Such Holders'
22 Insured Deficiency Claim shall be treated as an Allowed General Unsecured
23 Claim in Class 10 of the Plan and shall be entitled to receive its Pro Rata
24 Share of the distributions from the Liquidating Trust Distributions as set
25 forth in the Plan in the same manner as other Holders of Allowed General
26 Unsecured Claims in Class 8 of the Plan. In no event shall any Holder of an
27 Allowed Insured Deficiency Claim be entitled to receive more than one
28 hundred percent (100%) of the Allowed Amount of their respective
Allowed Insured Deficiency Claim.

Any amount of an Allowed Insurance Claim within a deductible or self-insured retention shall be paid by the applicable insurance, in accordance with the applicable Insurance Policy, to the Claim Holder and such insurer shall have a General Unsecured Claim (or Secured Claim, if it holds collateral) for the amount of the deductible or retention paid, provided that it has timely filed an otherwise not objectionable proof of claim encompassing such amounts. For purposes of retentions and deductibles in any Insurance Policy, including, but not limited to, an Insurance Policy insuring officers, directors, consultants or others against claims based upon prepetition occurrences, the Confirmation Order shall constitute a finding that the Debtors are insolvent and unable to advance or indemnify Insured Claims, from Estate or Debtor Funds, for any loss, claim, damage, settlement or judgment of Debtors within the applicable retention or deductible amount. However, the foregoing sentence does not modify the Insurer's right to a claim described in the first sentence of this paragraph or limit reimbursement due Old Republic for deductibles from proceeds of other insurance. Notwithstanding any other provision of this Section, Old

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1 Republic Insurance Company shall be entitled to all accommodations that it
2 requested in connection with renewal of Debtors' workers' compensation
policy, as approved by order of the Bankruptcy Court [Docket No. 2803].

3 c. *Voting.* Class 9 is Impaired. Holders of Insured Claims are entitled to vote
4 to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy
5 Court, each Holder of a Class 9 Insured Claim shall have a \$1.00 vote for
each filed Insured Claim.

6 22. Class 10: 2016 Data Breach Claims.

7 a. *Classification.* Class 10 consists of Allowed 2016 Data Breach Claims.

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

10 c. *Voting.* Class 10 is Impaired. Holders of Allowed 2016 Data Breach
11 Claims are entitled to vote to accept or reject the Plan.

12 23. Class 11: Subordinated General Unsecured Claims.

13 a. *Classification.* Class 11 Claims consists of Subordinated General
14 Unsecured Claims.

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

17 c. *Voting.* Class 11 is Impaired. Holders of Subordinated General Unsecured
18 Claims are deemed to reject the Plan and are not entitled to vote.

19 24. Class 12: Interests.

20 a. *Classification.* Class 12 consists of Allowed Interests against any Debtor.

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

23 c. *Voting.* Class 12 is Impaired. The holders of Interests are deemed to reject
24 the Plan and are not entitled to vote.

25 **CONFIRMATION HEARING**

26 25. On **August 12, 2020, at 10:00 a.m. (Prevailing Pacific Time)**, or as soon
27 thereafter as counsel may be heard, a hearing (the "Confirmation Hearing") will be held before the
28 Honorable Ernest M. Robles, United States Bankruptcy Judge, at the Bankruptcy Court, 255 E.
Temple Street, Courtroom 1568, Los Angeles, California 90012 to consider (i) confirmation of the
Plan, as the same may be amended or modified; and (ii) such other and further relief as may be

1 just and appropriate. The Confirmation Hearing may be adjourned from time to time without
2 further notice to creditors or other parties in interest, other than by an announcement of such an
3 adjournment in open court at the Confirmation Hearing or any adjournment thereof, or an
4 appropriate filing with the Bankruptcy Court. The Plan may be modified in accordance with the
5 Bankruptcy Code, the Bankruptcy Rules, the Plan, and other applicable law, without further
6 notice, prior to or as a result of the Confirmation Hearing.

7 **DEADLINE TO VOTE TO ACCEPT OR REJECT THE PLAN**

8 26. You are entitled to vote to accept or reject the Plan. In order to be counted as a
9 vote to accept or reject the Plan, you must properly execute, complete, and deliver a Ballot (or
10 Ballots) to the Debtors so as to be received by the Debtors no later than **4:00 p.m. (Pacific Time)**
11 **on July 30, 2020** (the "Voting Deadline") as set forth below.

12 27. All Ballots must be delivered via First Class Mail, overnight courier, or hand
13 delivery so as to be actually received by the Solicitation Agent no later than the Voting Deadline.
14 Except as provided below, Ballots must be submitted to the Solicitation Agent at the following
15 address in accordance with the voting procedures set forth below:

16 Verity Ballot Processing Center
17 c/o Kurtzman Carson Consultants LLC
18 222 N. Pacific Coast Highway, Suite 300
19 El Segundo, CA 90245
20 (888) 249-2741(domestic)
21 (310) 751-2635 (international)

22 28. Master Ballots submitted by Nominees holding Class 4 (Secured 2005 Revenue
23 Bond Claims), must be delivered to the Solicitation Agent at:

24 Verity Ballot Processing Center
25 c/o Kurtzman Carson Consultants LLC
26 222 N. Pacific Coast Highway, Suite 300
27 El Segundo, CA 90245
28 (877) 499-4509 (domestic)
(917) 281-4800 (international)

29 Ballots may also be submitted via electronic, online transmissions, solely through a
30 customized online balloting portal on the Debtors' case website. Parties entitled to vote may cast
31 an electronic Ballot and electronically sign and submit a Ballot instantly by utilizing the online
32 balloting portal (which allows a holder to submit an electronic signature). Instructions for
33 electronic, online transmission of Ballots is set forth on the Ballots. The encrypted ballot data and
34 audit trail created by such electronic submission shall become part of the record of any Ballot
35 submitted in this manner and the creditor's electronic signature will be deemed to be immediately
36 legally valid and effective.

37 **BALLOTS TRANSMITTED TO THE DEBTORS BY FACSIMILE,
38 ELECTRONIC MAIL, OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE**

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1 **BANKRUPTCY COURT MAY BE ACCEPTED BY THE PLAN PROPONENTS ON A**
2 **CASE-BY-CASE BASIS.**

3 **DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE PLAN**

4 31. Objections, if any, to confirmation of the Plan, including any supporting
5 memoranda, must: (i) be in writing; (ii) comply with the Bankruptcy Rules and the Local Rules;
6 (iii) set forth the name of the objector and the nature and amount of any Claim asserted by the
7 objector against or in the Debtors; (iv) state with particularity the legal and factual bases for the
8 objection and, if practicable, a proposed modification to the Plan that would resolve such
9 objection; and (v) be filed with the Bankruptcy Court, together with proof of service, and served
10 so that they are actually received by the following no later than **July 30, 2020 at 4:00 p.m.**
11 **(Prevailing Pacific Time)** which deadline may be extended by the Debtors (the “**Confirmation**
12 **Objection Deadline”): (i) counsel to the Debtors: Dentons US LLP, 601 South Figueroa Street,
13 Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (tania.moyron@dentons.com)); (ii)
14 counsel to the Committee: Milbank LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA
15 90067 (Attn: Mark Shinderman (mshinderman@milbank.com)); (iii) counsel to the Master
16 Trustee and Series 2005 Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.,
17 One Financial Center, Boston, MA 02111 (Attn: Daniel S. Bleck and Paul Ricotta
18 (dsbleck@mintz.com, pricotta@mintz.com)); (iv) counsel to the Series 2015 Notes Trustee:
19 McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, IL 60606 (Attn:
20 Nathan F. Coco and Megan Preusker (ncoco@mwe.com; mpreusker@mwe.com)); (v) counsel to
21 the Series 2017 Notes Trustee: Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street,
22 Minneapolis, MN 55402 (Attn: Clark Whitmore (clark.whitmore@maslon.com)); (vi) counsel to
23 the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett,
24 Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com,
25 psaba@jonesday.com); and (vii) counsel to the U.S. Trustee, Office of the United States Trustee,
26 915 Wilshire Boulevard, Suite 1850, Los Angeles, California 90017 (Attn: Hatty K. Yip
27 (hatty.yip@usdoj.gov)). **Pursuant to Local Bankruptcy Rule 9013-1(h), the failure to file
28 and serve a timely objection to the Plan may be deemed by the Court to be consent to the
relief requested therein.****

19 **ACCESS TO DOCUMENTS AND OTHER QUESTIONS**

20 32. Copies of the Plan and Disclosure Statement are available and may be downloaded
21 by visiting the following website: <https://www.kccllc.net/verityhealth>, or by contacting to the
22 Debtors’ Solicitation Agent at:

23 Verity Ballot Processing Center
24 c/o Kurtzman Carson Consultants LLC
25 222 N. Pacific Coast Highway, Suite 300
26 El Segundo, CA 90245
27 (888) 249-2741 (domestic)
28 (310) 751-2635 (international)

or via e-mail request to:

Verityinfo@kccllc.com

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1 or on the Bankruptcy Court’s website.²

2 **DEADLINE TO FILE ADMINISTRATIVE EXPENSE CLAIMS**

3 33. The Bankruptcy Court has fixed **July 29, 2020**, as the deadline for holders of
4 Administrative Claims to file requests for payment of Administrative Claims arising, or anticipated
5 to arise, between October 7, 2019 and August 12, 2020. Notwithstanding the fact that a Creditor
6 may have provided goods or services to the Debtors and such Claim may be entitled to
7 administrative expense status or listed on the Debtors’ books and records, the Plan expressly
8 provides that only Creditors who timely filed proof of an Administrative Claim and such Claim
9 becomes Allowed will be entitled to participate in any distribution as Holders of Administrative
10 Claims.

8 Dated: July , 2020

DENTONS US LLP

10 By: _____

11 Samuel R. Maizel
12 Tania M. Moyron
13 Nicholas A. Koffroth

13 Counsel to the *Debtors and Debtors In Possession*

14 Dated: July ____, 2020

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

16 By: _____

17 Paul J. Ricotta
18 Daniel S. Bleck

18 Counsel to *UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee*

20 Dated: July , 2020

MCDERMOTT WILL & EMERY LLP.

22 By: _____

23 Nathan F. Coco
24 Megan M. Preusker

24 Counsel to *U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2015 Working Capital Notes*

27 ² <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents
28 on the Bankruptcy Court’s website).

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1 Dated: July , 2020

MASLON LLP.

2

By: _____

3

Clark T. Whitmore
Jason Reed

4

Counsel to *U.S. Bank National Association*
solely in its capacity, as the note indenture
trustee and as the collateral agent under the
note indenture relating to the 2017 Working
Capital Notes

5

6

7

[Dated: July , 2020

JONES DAY LLP

8

9

By: _____

10

Bruce S. Bennett
Benjamin Rosenblum
Peter S. Saba

11

Counsel to *Verity MOB Financing, LLC* and
Verity MOB Financing II, LLC

12

13 Dated: July , 2020

MILBANK LLP

14

By: _____

15

Gregory A. Bray
Mark Shinderman
James C. Behrens

16

Counsel to the *Official Committee of Unsecured*
Creditors

17

18

19

20

21

22

23

24

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26

27

28

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Exhibit B

Form of Notice of Non-Voting Accepting Status and Confirmation Hearing

1 UNITED STATES BANKRUPTCY COURT
2 CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

3 In re

Lead Case No. 2:18-bk-20151-ER

4 VERITY HEALTH SYSTEM OF
5 CALIFORNIA, INC., *et al.*,

6 Debtors and Debtors In Possession.

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;

7 Affects All Debtors

- 8 Affects O'Connor Hospital
- 9 Affects Saint Louise Regional Hospital
- 10 Affects St. Francis Medical Center
- 11 Affects St. Vincent Medical Center
- 12 Affects Seton Medical Center
- 13 Affects O'Connor Hospital Foundation
- 14 Affects Saint Louise Regional Hospital Foundation
- 15 Affects St. Francis Medical Center of Lynwood Foundation
- 16 Affects St. Vincent Foundation
- 17 Affects St. Vincent Dialysis Center, Inc.
- 18 Affects Seton Medical Center Foundation
- 19 Affects Verity Business Services
- 20 Affects Verity Medical Foundation
- 21 Affects Verity Holdings, LLC
- 22 Affects De Paul Ventures, LLC
- 23 Affects De Paul Ventures - San Jose Dialysis, LLC

Chapter 11 Cases

Hon. Judge Ernest M. Robles

NOTICE OF (I) APPROVAL OF THE DISCLOSURE STATEMENT, (II) NON-VOTING ACCEPTING STATUS, (III) HEARING TO CONSIDER CONFIRMATION OF THE PLAN, (IV) DEADLINE FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN, AND (V) DEADLINE FOR FILING ADMINISTRATIVE EXPENSE CLAIMS

24 Debtors and Debtors In Possession.

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13 Indenture Trustee and Wells Fargo Bank, National
14 Association, as Indenture Trustee
15
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24 Attorneys for U.S. Bank National Association solely
25 in its capacity, as the note indenture trustee and as
26 the collateral agent under the note indenture relating
27 to the 2015 Working Capital Notes Attorneys for U.S. Bank National Association
28 solely in its capacity, as the note indenture trustee
and as the collateral agent under the note indenture
relating to the 2017 Working Capital Notes

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28 Attorneys for Verity MOB Financing, LLC and
Verity MOB Financing II, LLC] Attorneys for the Official Committee of
Unsecured Creditors

1 PLEASE TAKE NOTICE OF THE FOLLOWING:

2 **APPROVAL OF DISCLOSURE STATEMENT**

3 1. By Order dated July __, 2020 (the “Disclosure Statement Order”) [Docket No.
 4 _____], the United States Bankruptcy Court for the Central District of California (the
 5 “Bankruptcy Court”) (a) approved the *Disclosure Statement Describing Amended Joint Chapter*
 6 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
 7 *and the Committee* [Docket No. 4880] (including all exhibits thereto and as amended, modified,
 8 or supplemented from time to time, the “Disclosure Statement”)¹ filed by Verity Health System of
 9 California, Inc. (“VHS”) and the above-referenced affiliated debtors, the debtors and debtors in
 10 possession in the above-captioned chapter 11 bankruptcy cases (each a “Debtor” and,
 11 collectively, the “Debtors”), the Prepetition Secured Creditors, and the Official Committee of
 12 Unsecured Creditors (the Committee, and, together with the Debtors and the Prepetition Secured
 13 Creditors, the “Plan Proponents”), as containing adequate information within the meaning of §
 14 1125 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and
 15 (b) authorized the Plan Proponents to solicit votes to accept or reject the *Amended Joint Chapter*
 16 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
 17 *and the Committee* [Docket No. 4879] (including all exhibits thereto, any plan supplement, and
 18 as amended, modified, or supplemented from time to time, the “Plan”). All capitalized terms
 19 used but not defined herein shall have the same meanings ascribed to them in the Plan, the
 20 Disclosure Statement, or the Disclosure Statement Order, as applicable.

21 2. **YOU ARE OR MIGHT BE THE HOLDER OF CLAIMS IN CLASSES OF UNIMPAIRED CLAIMS DEEMED TO ACCEPT THE PLAN THAT ARE NOT ENTITLED TO VOTE ON THE PLAN. THE FOLLOWING IS A SUMMARY OF THE TREATMENT OF SUCH NON-VOTING CLASSES UNDER THE PLAN.**

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)

22 3. **UNDER THE TERMS OF THE PLAN, HOLDERS OF CLAIMS IN CLASSES 1A AND 1B ARE UNIMPAIRED UNDER THE PLAN AND THEREFORE, PURSUANT TO THE PLAN AND BANKRUPTCY CODE SECTION 1126(f), ARE (I) PRESUMED TO HAVE ACCEPTED THE PLAN, (II) NOT ENTITLED TO VOTE ON THE PLAN, AND (III) DEEMED TO HAVE COMPLETELY, CONCLUSIVELY, UNCONDITIONALLY, AND IRREVOCABLY RELEASED THE RELEASED PARTIES AS SET FORTH IN SECTION 13 OF THE PLAN.**

27 ¹ Capitalized terms used but not otherwise defined herein have the definitions set forth in the
 28 Disclosure Statement.

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RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS
CONTAINED IN PLAN

1
2
3 4. SECTION 13 OF THE PLAN CONTAINS CERTAIN RELEASE,
4 INJUNCTION, AND EXCULPATION PROVISIONS, INCLUDING THOSE SET FORTH
5 BELOW. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN,
6 INCLUDING THE RELEASE, INJUNCTION AND EXCULPATION PROVISIONS
7 THEREIN, AS YOUR RIGHTS MAY BE AFFECTED.

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5. **Section 13.5 of the Plan contains the following Releases:**

(a) Releases Of Debtors. 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 this Plan or the Confirmation Order.

(b) Settlement Releases. Pursuant to § 1123(b)(3)(A) and the Plan Settlement, 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 Settlement Released Parties arising from or related to the Settlement Released Parties' 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.

(c) Limitation Of Claims Against the Liquidating Trust. As of the Effective Date, except as provided in this 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.

(d) Debtors' Releases. Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged 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 operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this 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

1 Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure
2 Statement, or any related agreements, instruments, or other documents, other than a Claim against
3 a Released Party arising out of the gross negligence or willful misconduct of any such person or
4 entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall
5 be deemed waived and relinquished by this Plan for purposes of Section 13.9.

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

16 4. Section 13.6 of the Plan contains the following Injunctions:

17 (a) **General Injunction.** Except as otherwise expressly provided herein, all
18 Persons that have held, currently hold or may hold a Claim against the Debtors are permanently
19 enjoined on and after the Effective Date from taking any action in furtherance of such Claim or
20 any other Cause of Action released and discharged under the Plan, including, without limitation,
21 the following actions against any Released Party: (a) commencing, conducting or continuing in
22 any manner, directly or indirectly, any action or other proceeding with respect to a Claim;
23 (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any
24 means, whether directly or indirectly, any judgment, award, decree or order with respect to a
25 Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or
26 encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or
27 recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the
28 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 this 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 9; 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, or the Liquidating Trustee under
this 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 this
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 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 employees shall not be liable for actions taken or omitted in its or their capacity as, or on
behalf of, 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 arise out of its or their willful*

1 *misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to*
2 *indemnification and reimbursement for fees and expenses in defending any and all of its or*
3 *their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date*
4 *Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective*
5 *Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions*
6 *found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal*
7 *conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date*
8 *Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other*
9 *parties entitled to indemnification under this subsection shall be satisfied from either (i) the*
10 *Liquidating Trust Assets (with respect to all claims, other than those claims related to the*
11 *Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the*
12 *Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on*
13 *the advice of retained professionals, if any.*

9 5. **Section 13.7 of the Plan contains the following Exculpation:**

10 **Exculpation.** To the maximum extent permitted by applicable law, each Released
11 Party shall not have or incur any liability for any act or omission in connection with, related to, or
12 arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11
13 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents
14 (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the
15 Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or
16 each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except
17 with respect to the actions found by Final Order to constitute willful misconduct, gross
18 negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled
19 to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.
20 Without limitation of the foregoing, each such Released Party shall be released and exculpated
21 from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf
22 of any other Person, based in whole or in part upon any act or omission, transaction, agreement,
23 event or other occurrence in any way relating to the subject matter of this Section.

19 6. **Section 13.8 of the Plan contains the following No Recourse by Holders of
20 Claims:**

21 If a Claim is Allowed in an amount for which after application of the payment
22 priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there
23 is insufficient value to provide a recovery equal to that received by other Holders of Allowed
24 Claims in the respective Class, no Claim Holder shall have recourse for any such deficiency
25 against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date
26 Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the
27 Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this
28 Plan shall modify any right of a Holder of a Claim under § 502(j). The obligations under this
Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary
relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf
of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of
Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have
any personal or direct liability for these obligations. Approval of the Plan by the Confirmation
Order shall not in any way limit the foregoing.

7. The Plan term “PBGC Settlement” means that certain Creditor Settlement Agreement described in Section 7.1(b).

8. The Plan term “Plan Settlement” means that certain Creditor Settlement Agreement described in Section 7.1(a).

9. The Plan term “Released Parties” means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity before or after the Petition Date.

10. The Plan term “Settlement Released Parties” means, collectively, the parties to the Plan Settlement and the PBGC Settlement who are the beneficiaries of a limited or general release under the Plan Settlement and the PBGC Settlement, respectively, solely to the extent of such limited or general release, as provided in this Plan.

SUMMARY OF PLAN TREATMENT OF CLAIMS AND INTERESTS

11. 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, and Priority Tax 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.

<i>All Debtors</i>			
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 2017 Revenue Notes Claims	Impaired	Yes
3	Secured 2015 Revenue Notes Claims	Impaired	Yes
4	Secured 2005 Revenue Bond 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	General Unsecured Claims	Impaired	Yes
9	Insured Claims	Impaired	Yes
10	2016 Data Breach Claims	Impaired	Yes
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

12. Class 1A: Priority Non-Tax Claims.

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

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- b. *Treatment.* Except to the extent that a Holder of an 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.

13. Class 1B: Secured PACE Tax Financing Claims.

- a. *Classification.* Class 1B consists of the Secured PACE Financing Claims.
- b. *Treatment.* Allowed Secured PACE Tax Financing Claim shall be paid in accordance with the *Order Approving Stipulation Resolving California Statewide Communities Development Authority Lien Release Pursuant to the Proposed Sale of Certain of the Debtors' Assets Related to Seton Medical Center* [Docket No. 4613].
- 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.

14. Class 2: Secured 2017 Revenue Notes Claims.

- a. *Classification.* Class 2 consists of the Secured 2017 Revenue Notes Claims.
- b. *Treatment.* The Secured 2017 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors to the 2017 Notes Trustee for distribution in accordance with the 2017 Revenue Notes Indentures 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, any make whole premium, any applicable redemption or other 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 and Cash Collateral Orders through and including the Effective Date, less any amounts held by 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 Revenue 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 in accordance with the 2017 Revenue Notes Indenture.

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- 1 c. *Subordination.* Following receipt of the distribution provided in Section
2 4.3(b), all rights held by 2017 Revenue Bond Trustee and/or the Master
3 Trustee under the Intercreditor Agreement shall be deemed satisfied,
4 waived or released by the treatment provided the Plan Settlement and the
5 Plan.
- 6 d. *Voting.* Class 2 is Impaired. The beneficial Holders of Secured 2017
7 Revenue Notes Claims are entitled to vote to accept or reject the Plan.
- 8 15. Class 3: Secured 2015 Notes Claims.
- 9 a. *Classification.* Class 3 consists of the Secured 2015 Revenue Notes Claims.
- 10 b. *Treatment.* The Secured 2015 Revenue Notes Claims shall be paid in cash
11 on the Effective Date by the Debtors to the 2015 Notes Trustee for
12 distribution in accordance with the 2015 Revenue Notes Indentures in an
13 amount equal to 100% of a single Allowed Claim in the aggregate amount
14 of \$160,000,000, plus (i) accrued, but unpaid postpetition interest, if any, at
15 the rate specified in the 2015 Revenue Note Indentures for each of 2015
16 Revenue Notes Series A, B, C and D, excluding any interest at a default
17 rate, or any applicable redemption or other premium, and (ii) any accrued,
18 but unpaid reasonable, necessary out-of-pocket fees and expenses of the
19 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order
20 and Cash Collateral Orders through and including the Effective Date, less
21 any amounts held by the 2015 Notes Trustee on account of the 2015
22 Revenue Notes in a (x) principal or revenue account, (y) debt service or
23 redemption reserve, or (z) an escrow or expense reserve account. No
24 beneficial Holder of any Secured 2015 Revenue Notes Claims shall be
25 entitled to receive any distribution pursuant to the Plan, except as may be
26 remitted to such holder by the 2015 Notes Trustee.
- 27 c. *Subordination.* All rights held by 2015 Revenue Bond Trustee and/or the
28 Master Trustee under the Intercreditor Agreement shall be deemed satisfied,
waived or released by the treatment provided the Plan Settlement and the
Plan.
- 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.
16. Class 4: Secured 2005 Revenue Bond Claims.
- a. *Classification.* Class 4 consists of the Secured 2005 Revenue Bonds
Claims.
- b. *Treatment.* The Secured 2005 Revenue Bonds Claims shall be treated as 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 through and including the Effective Date,
excluding any interest at the default rate or the Tax Rate, or any applicable

1 redemption or other premium, and (ii) any accrued, but unpaid reasonable,
2 necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds
3 Trustee and the Master Trustee pursuant to the Final DIP Order and Cash
4 Collateral Orders through and including the Effective Date. The 2005
5 Revenue Bonds Claims shall be paid and satisfied as follows: (i) an amount
6 equal to the Initial Secured 2005 Revenue Bonds Claims Payment plus (a)
7 accrued, but unpaid postpetition interest, if any, at the rate specified in the
8 2005 Revenue Bond Indentures through and including the Effective Date,
9 excluding any interest at the default rate or the Tax Rate, or any applicable
10 redemption or other premium, and (b) any accrued, but unpaid reasonable,
11 necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds
12 Trustee and the Master Trustee pursuant to the Final DIP Order and Cash
13 Collateral Orders through and including the Effective Date, shall be paid in
14 cash by the Debtors to the 2005 Revenue Bond Trustee on the Effective
15 Date. In addition, (x) any amounts held by the 2005 Revenue Bonds
16 Trustee in a (1) principal or revenue account, (2) debt service or redemption
17 reserve, or (3) an escrow or expense reserve account shall be applied against
18 the Secured 2005 Revenue Bonds Claim, and (y) the 2005 Revenue Bonds
19 Trustee shall become the sole Trust Beneficiary and holder of all of the First
20 Priority Trust Beneficial Interests in the amount of the 2005 Revenue Bonds
21 Diminution Claim, including interest accruing after the Effective Date at the
22 non-default rate provided for in the 2005 Revenue Bond Indentures. The
23 foregoing payments and distributions shall be in full and final satisfaction of
24 the Secured 2005 Revenue Bonds Claims as a single Allowed Claim.
25 Notwithstanding distribution of First Priority Trust Beneficial Interests on
26 account of the 2005 Secured Revenue Bonds Diminution Claim, the 2005
27 Revenue Bonds Trustee or the Master Trustee shall be entitled to retain and
28 apply Adequate Protection Payments received during the course of these
Cases on or on behalf of the 2005 Secured Revenue Bonds in the manner
provided by the relevant indenture. No beneficial Holder of any Secured
Series A, G and 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.* All rights held by 2005 Revenue Bond Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived or released by the treatment provided the Plan Settlement and the Plan.
- d. *Voting.* Class 4 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.

17. 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

1 Allowed Claim in the aggregate amount of \$46,363,095.90, plus (i) accrued
2 but unpaid postpetition interest, if any, at the rate specified in the MOB I
3 Loan Agreement, excluding any interest at the default rate, or make whole
4 premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-
5 pocket fees and expenses of Verity MOB Financing LLC, pursuant to the
6 Final DIP Order and Cash Collateral Orders through and including the
7 Effective Date.

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

10 18. Class 6: Secured MOB II Financing Claims.

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

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

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

23 19. Class 7: Secured Mechanics Lien Claims.

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

25 b. *Treatment.* Each Allowed Secured Mechanics Lien Claim shall be paid in
26 cash on the Effective Date by the Debtors in an amount equal to 100% of
27 the principal balance of such Allowed Secured Mechanics Lien Claim.

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

20. Class 8: General Unsecured Claims.

a. *Classification.* Class 8 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 Second Priority Trust
Beneficial Interest and become a Trust Beneficiary in full and final
satisfaction of its Allowed Class 8 Claim, except to the extent that such

1 Holder agrees (a) to a less favorable treatment of such Claim, or (b) such
2 Claim has been paid before the Effective Date.

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

5 21. Class 9: Insured Claims.

6 a. *Classification.* Class 9 consists of Allowed Insured Claims.

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

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

27 In the event the applicable insurer denies the tender of defense or there are
28 no applicable or available insurance policies, or proceeds from applicable
and available insurance policies have been exhausted or are otherwise
insufficient to pay in full a Holder's recovery, if any, as determined by an
order or judgment by a court of competent jurisdiction or under a settlement
or compromise of such Holder's Insured Claim, on account of its Insured
Claim, then such Holder shall be entitled to an Allowed Claim equal to the
amount of the Allowed Insured Claim less the amount of available proceeds
paid such Allowed Insured Claim from the applicable and available
Insurance Policies (the "*Insured Deficiency Claim*"). Such Holders'
Insured Deficiency Claim shall be treated as an Allowed General Unsecured
Claim in Class 10 of the Plan and shall be entitled to receive its Pro Rata
Share of the distributions from the Liquidating Trust Distributions as set
forth in the Plan in the same manner as other Holders of Allowed General
Unsecured Claims in Class 8 of the Plan. In no event shall any Holder of an
Allowed Insured Deficiency Claim be entitled to receive more than one

1 hundred percent (100%) of the Allowed Amount of their respective
2 Allowed Insured Deficiency Claim.

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

23 c. *Voting.* Class 9 is Impaired. Holders of Insured Claims are entitled to vote
24 to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy
25 Court, each Holder of a Class 9 Insured Claim shall have a \$1.00 vote for
26 each filed Insured Claim.

27 22. Class 10: 2016 Data Breach Claims.

- 28 a. *Classification.* Class 10 consists of Allowed 2016 Data Breach Claims.
- 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 10 is Impaired. Holders of Allowed 2016 Data Breach Claims are entitled to vote to accept or reject the Plan.

29 23. Class 11: Subordinated General Unsecured Claims.

- a. *Classification.* Class 11 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.

1 c. *Voting.* Class 11 is Impaired. Holders of Subordinated General Unsecured
2 Claims are deemed to reject the Plan and are not entitled to vote.

3 24. Class 12: Interests.

4 a. *Classification.* Class 12 consists of Allowed Interests against any Debtor.

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

7 c. *Voting.* Class 12 is Impaired. The holders of Interests are deemed to reject
8 the Plan and are not entitled to vote.

9 **CONFIRMATION HEARING**

10 25. On **August 12, 2020, at 10:00 a.m. (Prevailing Pacific Time)**, or as soon
11 thereafter as counsel may be heard, a hearing (the “Confirmation Hearing”) will be held before the
12 Honorable Ernest M. Robles, United States Bankruptcy Judge, at the Bankruptcy Court, 255 E.
13 Temple Street, Courtroom 1568, Los Angeles, California 90012 to consider (i) confirmation of the
14 Plan, as the same may be amended or modified; and (ii) such other and further relief as may be
15 just and appropriate. The Confirmation Hearing may be adjourned from time to time without
16 further notice to creditors or other parties in interest, other than by an announcement of such an
17 adjournment in open court at the Confirmation Hearing or any adjournment thereof, or an
18 appropriate filing with the Bankruptcy Court. The Plan may be modified in accordance with the
19 Bankruptcy Code, the Bankruptcy Rules, the Plan, and other applicable law, without further
20 notice, prior to or as a result of the Confirmation Hearing.

21 **DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE PLAN**

22 26. Objections, if any, to confirmation of the Plan, including any supporting
23 memoranda, must: (i) be in writing; (ii) comply with the Bankruptcy Rules and the Local Rules;
24 (iii) set forth the name of the objector and the nature and amount of any Claim asserted by the
25 objector against or in the Debtors; (iv) state with particularity the legal and factual bases for the
26 objection and, if practicable, a proposed modification to the Plan that would resolve such
27 objection; and (v) be filed with the Bankruptcy Court, together with proof of service, and served
28 so that they are actually received by the following no later than **July 30, 2020 at 4:00 p.m.**
(Prevailing Pacific Time) which deadline may be extended by the Debtors (the “Confirmation
Objection Deadline”): (i) counsel to the Debtors: Dentons US LLP, 601 South Figueroa Street,
Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (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 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)); (iv) 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)); (v) 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)); (vi) counsel to

1 the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett,
2 Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com,
3 psaba@jonesday.com); and (vii) counsel to the U.S. Trustee, Office of the United States Trustee,
4 915 Wilshire Boulevard, Suite 1850, Los Angeles, California 90017 (Attn: Hatty K. Yip
(hatty.yip@usdoj.gov)). **Pursuant to Local Bankruptcy Rule 9013-1(h), the failure to file
and serve a timely objection to the Plan may be deemed by the Court to be consent to the
relief requested therein.**

5
6 **ACCESS TO DOCUMENTS AND OTHER QUESTIONS**

7 27. Copies of the Plan and Disclosure Statement are available and may be downloaded
8 by visiting the following website: <https://www.kccllc.net/verityhealth>, or by contacting to the
9 Debtors' Solicitation Agent at:

10 Verity Ballot Processing Center
11 c/o Kurtzman Carson Consultants LLC
12 222 N. Pacific Coast Highway, Suite 300
13 El Segundo, CA 90245
14 (888) 249-2741 (domestic)
15 (310) 751-2635 (international)

16 or via e-mail request to:

17 Verityinfo@kccllc.com

18 or on the Bankruptcy Court's website.²

19 **DEADLINE TO FILE ADMINISTRATIVE EXPENSE CLAIMS**

20 28. The Bankruptcy Court has fixed **July 29, 2020**, as the deadline for holders of
21 Administrative Claims to file requests for payment of Administrative Claims arising, or anticipated
22 to arise, between October 7, 2019 and August 12, 2020. Notwithstanding the fact that a Creditor
23 may have provided goods or services to the Debtors and such Claim may be entitled to
24 administrative expense status or listed on the Debtors' books and records, the Plan expressly
25 provides that only Creditors who timely filed proof of an Administrative Claim and such Claim
26 becomes Allowed will be entitled to participate in any distribution as Holders of Administrative
27 Claims.

28 ² <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents
on the Bankruptcy Court's website).

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

1 Dated: July , 2020

DENTONS US LLP

2

By: _____

3

Samuel R. Maizel
Tania M. Moyron
Nicholas A. Koffroth

4

5

Counsel to the *Debtors and Debtors In Possession*

6

Dated: July __, 2020

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY
AND POPEO, P.C.

7

8

By: _____

9

Paul J. Ricotta
Daniel S. Bleck

10

Counsel to *UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee*

11

12

Dated: July , 2020

MCDERMOTT WILL & EMERY LLP.

13

14

By: _____

15

Nathan F. Coco
Megan M. Preusker

16

Counsel to *U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2015 Working Capital Notes*

17

18

Dated: July , 2020

MASLON LLP.

19

20

By: _____

21

Clark T. Whitmore
Jason Reed

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Counsel to *U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2017 Working Capital Notes*

23

24

25

26

27

28

1 [Dated: July , 2020

JONES DAY LLP

2

By: _____

3

Bruce S. Bennett
Benjamin Rosenblum
Peter S. Saba

4

5

Counsel to *Verity MOB Financing, LLC* and
Verity MOB Financing II, LLC]

6

7 Dated: July , 2020

MILBANK LLP

8

By: _____

9

Gregory A. Bray
Mark Shinderman
James C. Behrens

10

Counsel to the *Official Committee of Unsecured
Creditors*

11

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DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
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Exhibit C

Form of Notice of Non-Voting Rejecting Status and Confirmation Hearing

1 UNITED STATES BANKRUPTCY COURT
2 CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

3 In re

Lead Case No. 2:18-bk-20151-ER

4 VERITY HEALTH SYSTEM OF
5 CALIFORNIA, INC., *et al.*,

6 Debtors and Debtors In Possession.

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;

7 Affects All Debtors

- 8 Affects O'Connor Hospital
- 9 Affects Saint Louise Regional Hospital
- 10 Affects St. Francis Medical Center
- 11 Affects St. Vincent Medical Center
- 12 Affects Seton Medical Center
- 13 Affects O'Connor Hospital Foundation
- 14 Affects Saint Louise Regional Hospital Foundation
- 15 Affects St. Francis Medical Center of Lynwood Foundation
- 16 Affects St. Vincent Foundation
- 17 Affects St. Vincent Dialysis Center, Inc.
- 18 Affects Seton Medical Center Foundation
- 19 Affects Verity Business Services
- 20 Affects Verity Medical Foundation
- 21 Affects Verity Holdings, LLC
- 22 Affects De Paul Ventures, LLC
- 23 Affects De Paul Ventures - San Jose Dialysis, LLC

Chapter 11 Cases

Hon. Judge Ernest M. Robles

NOTICE OF (I) APPROVAL OF THE DISCLOSURE STATEMENT, (II) NON-VOTING REJECTING STATUS, (III) HEARING TO CONSIDER CONFIRMATION OF THE PLAN, (IV) DEADLINE FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN, AND (V) DEADLINE FOR FILING ADMINISTRATIVE EXPENSE CLAIMS

24 Debtors and Debtors In Possession.

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Attorneys for Verity MOB Financing, LLC and Verity MOB Financing II, LLC] Attorneys for the Official Committee of Unsecured Creditors

1 **PLEASE TAKE NOTICE OF THE FOLLOWING:**

2 **APPROVAL OF DISCLOSURE STATEMENT**

3 1. By Order dated July __, 2020 (the “Disclosure Statement Order”) [Docket No.
4 _____], the United States Bankruptcy Court for the Central District of California (the
5 “Bankruptcy Court”) (a) approved the *Disclosure Statement Describing Amended Joint Chapter*
6 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
7 *and the Committee* [Docket No. 4880] (including all exhibits thereto and as amended, modified,
8 or supplemented from time to time, the “Disclosure Statement”)¹ filed by Verity Health System of
9 California, Inc. (“VHS”) and the above-referenced affiliated debtors, the debtors and debtors in
10 possession in the above-captioned chapter 11 bankruptcy cases (each a “Debtor” and,
11 collectively, the “Debtors”), the Prepetition Secured Creditors, and the Official Committee of
12 Unsecured Creditors (the Committee, and, together with the Debtors and the Prepetition Secured
13 Creditors, the “Plan Proponents”), as containing adequate information within the meaning of §
14 1125 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and
15 (b) authorized the Plan Proponents to solicit votes to accept or reject the *Amended Joint Chapter*
16 *11 Plan of Liquidation (Dated June 16, 2020) of the Debtors, the Prepetition Secured Creditors,*
17 *and the Committee* [Docket No. 4879] (including all exhibits thereto, any plan supplement, and
18 as amended, modified, or supplemented from time to time, the “Plan”). All capitalized terms
19 used but not defined herein shall have the same meanings ascribed to them in the Plan, the
20 Disclosure Statement, or the Disclosure Statement Order, as applicable.

21 2. **YOU ARE OR MIGHT BE THE HOLDER OF CLAIMS AND/OR**
22 **INTERESTS IN CLASSES OF IMPAIRED CLAIMS AND INTERESTS DEEMED TO**
23 **REJECT THE PLAN THAT ARE NOT ENTITLED TO VOTE ON THE PLAN. THE**
24 **FOLLOWING IS A SUMMARY OF THE TREATMENT OF SUCH NON-VOTING**
25 **CLASSES UNDER THE PLAN.**

Class	Designation	Impairment	Entitled to Vote
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

26 3. **UNDER THE TERMS OF THE PLAN, HOLDERS OF CLAIMS OR**
27 **INTERESTS IN CLASSES 11 AND 12 ARE IMPAIRED UNDER THE PLAN AND ARE**
28 **NOT ENTITLED TO RECEIVE OR RETAIN ANY PROPERTY ON ACCOUNT OF**
THEIR CLAIMS OR INTERESTS IN THOSE CLASSES AND THEREFORE,
PURSUANT TO BANKRUPTCY CODE SECTION 1126(g), ARE (I) DEEMED TO HAVE
REJECTED THE PLAN, AND (II) NOT ENTITLED TO VOTE ON THE PLAN.

¹ Capitalized terms used but not otherwise defined herein have the definitions set forth in the Disclosure Statement.

RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS
CONTAINED IN PLAN

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2
3 4. SECTION 13 OF THE PLAN CONTAINS CERTAIN RELEASE,
4 INJUNCTION, AND EXCULPATION PROVISIONS, INCLUDING THOSE SET FORTH
5 BELOW. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN,
6 INCLUDING THE RELEASE, INJUNCTION AND EXCULPATION PROVISIONS
7 THEREIN, AS YOUR RIGHTS MAY BE AFFECTED.

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5. **Section 13.5 of the Plan contains the following Releases:**

(a) Releases Of Debtors. 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 this Plan or the Confirmation Order.

(b) Settlement Releases. Pursuant to § 1123(b)(3)(A) and the Plan Settlement, 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 Settlement Released Parties arising from or related to the Settlement Released Parties' 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.

(c) Limitation Of Claims Against the Liquidating Trust. As of the Effective Date, except as provided in this 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.

(d) Debtors' Releases. Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged 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 operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this 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

1 Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure
2 Statement, or any related agreements, instruments, or other documents, other than a Claim against
3 a Released Party arising out of the gross negligence or willful misconduct of any such person or
4 entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall
5 be deemed waived and relinquished by this Plan for purposes of Section 13.9.

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

16 4. Section 13.6 of the Plan contains the following Injunctions:

17 (a) **General Injunction.** Except as otherwise expressly provided herein, all
18 Persons that have held, currently hold or may hold a Claim against the Debtors are permanently
19 enjoined on and after the Effective Date from taking any action in furtherance of such Claim or
20 any other Cause of Action released and discharged under the Plan, including, without limitation,
21 the following actions against any Released Party: (a) commencing, conducting or continuing in
22 any manner, directly or indirectly, any action or other proceeding with respect to a Claim;
23 (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any
24 means, whether directly or indirectly, any judgment, award, decree or order with respect to a
25 Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or
26 encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or
27 recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the
28 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 this 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 9; 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, or the Liquidating Trustee under
this 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 this
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 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 employees shall not be liable for actions taken or omitted in its or their capacity as, or on
behalf of, 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 arise out of its or their willful

1 *misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to*
2 *indemnification and reimbursement for fees and expenses in defending any and all of its or*
3 *their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date*
4 *Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective*
5 *Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions*
6 *found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal*
7 *conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date*
8 *Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other*
9 *parties entitled to indemnification under this subsection shall be satisfied from either (i) the*
10 *Liquidating Trust Assets (with respect to all claims, other than those claims related to the*
11 *Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the*
12 *Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on*
13 *the advice of retained professionals, if any.*

9 5. **Section 13.7 of the Plan contains the following Exculpation:**

10 **Exculpation.** To the maximum extent permitted by applicable law, each Released
11 Party shall not have or incur any liability for any act or omission in connection with, related to, or
12 arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11
13 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents
14 (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the
15 Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or
16 each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except
17 with respect to the actions found by Final Order to constitute willful misconduct, gross
18 negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled
19 to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.
20 Without limitation of the foregoing, each such Released Party shall be released and exculpated
21 from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf
22 of any other Person, based in whole or in part upon any act or omission, transaction, agreement,
23 event or other occurrence in any way relating to the subject matter of this Section.

19 6. **Section 13.8 of the Plan contains the following No Recourse by Holders of
20 Claims:**

21 If a Claim is Allowed in an amount for which after application of the payment
22 priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there
23 is insufficient value to provide a recovery equal to that received by other Holders of Allowed
24 Claims in the respective Class, no Claim Holder shall have recourse for any such deficiency
25 against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date
26 Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the
27 Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this
28 Plan shall modify any right of a Holder of a Claim under § 502(j). The obligations under this
Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary
relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf
of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of
Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have
any personal or direct liability for these obligations. Approval of the Plan by the Confirmation
Order shall not in any way limit the foregoing.

7. The Plan term “PBGC Settlement” means that certain Creditor Settlement Agreement described in Section 7.1(b).

8. The Plan term “Plan Settlement” means that certain Creditor Settlement Agreement described in Section 7.1(a).

9. The Plan term “Released Parties” means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity before or after the Petition Date.

10. The Plan term “Settlement Released Parties” means, collectively, the parties to the Plan Settlement and the PBGC Settlement who are the beneficiaries of a limited or general release under the Plan Settlement and the PBGC Settlement, respectively, solely to the extent of such limited or general release, as provided in this Plan.

SUMMARY OF PLAN TREATMENT OF CLAIMS AND INTERESTS

11. 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, and Priority Tax 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.

<i>All Debtors</i>			
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 2017 Revenue Notes Claims	Impaired	Yes
3	Secured 2015 Revenue Notes Claims	Impaired	Yes
4	Secured 2005 Revenue Bond 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	General Unsecured Claims	Impaired	Yes
9	Insured Claims	Impaired	Yes
10	2016 Data Breach Claims	Impaired	Yes
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

12. Class 1A: Priority Non-Tax Claims.

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

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- b. *Treatment.* Except to the extent that a Holder of an 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.

13. Class 1B: Secured PACE Tax Financing Claims.

- a. *Classification.* Class 1B consists of the Secured PACE Financing Claims.
- b. *Treatment.* Allowed Secured PACE Tax Financing Claim shall be paid in accordance with the *Order Approving Stipulation Resolving California Statewide Communities Development Authority Lien Release Pursuant to the Proposed Sale of Certain of the Debtors' Assets Related to Seton Medical Center* [Docket No. 4613].
- 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.

14. Class 2: Secured 2017 Revenue Notes Claims.

- a. *Classification.* Class 2 consists of the Secured 2017 Revenue Notes Claims.
- b. *Treatment.* The Secured 2017 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors to the 2017 Notes Trustee for distribution in accordance with the 2017 Revenue Notes Indentures 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, any make whole premium, any applicable redemption or other 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 and Cash Collateral Orders through and including the Effective Date, less any amounts held by 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 Revenue 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 in accordance with the 2017 Revenue Notes Indenture.

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- 1 c. *Subordination.* Following receipt of the distribution provided in Section
2 4.3(b), all rights held by 2017 Revenue Bond Trustee and/or the Master
3 Trustee under the Intercreditor Agreement shall be deemed satisfied,
4 waived or released by the treatment provided the Plan Settlement and the
5 Plan.
- 6 d. *Voting.* Class 2 is Impaired. The beneficial Holders of Secured 2017
7 Revenue Notes Claims are entitled to vote to accept or reject the Plan.
- 8 15. Class 3: Secured 2015 Notes Claims.
- 9 a. *Classification.* Class 3 consists of the Secured 2015 Revenue Notes Claims.
- 10 b. *Treatment.* The Secured 2015 Revenue Notes Claims shall be paid in cash
11 on the Effective Date by the Debtors to the 2015 Notes Trustee for
12 distribution in accordance with the 2015 Revenue Notes Indentures in an
13 amount equal to 100% of a single Allowed Claim in the aggregate amount
14 of \$160,000,000, plus (i) accrued, but unpaid postpetition interest, if any, at
15 the rate specified in the 2015 Revenue Note Indentures for each of 2015
16 Revenue Notes Series A, B, C and D, excluding any interest at a default
17 rate, or any applicable redemption or other premium, and (ii) any accrued,
18 but unpaid reasonable, necessary out-of-pocket fees and expenses of the
19 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order
20 and Cash Collateral Orders through and including the Effective Date, less
21 any amounts held by the 2015 Notes Trustee on account of the 2015
22 Revenue Notes in a (x) principal or revenue account, (y) debt service or
23 redemption reserve, or (z) an escrow or expense reserve account. No
24 beneficial Holder of any Secured 2015 Revenue Notes Claims shall be
25 entitled to receive any distribution pursuant to the Plan, except as may be
26 remitted to such holder by the 2015 Notes Trustee.
- 27 c. *Subordination.* All rights held by 2015 Revenue Bond Trustee and/or the
28 Master Trustee under the Intercreditor Agreement shall be deemed satisfied,
waived or released by the treatment provided the Plan Settlement and the
Plan.
- 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.
16. Class 4: Secured 2005 Revenue Bond Claims.
- a. *Classification.* Class 4 consists of the Secured 2005 Revenue Bonds
Claims.
- b. *Treatment.* The Secured 2005 Revenue Bonds Claims shall be treated as 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 through and including the Effective Date,
excluding any interest at the default rate or the Tax Rate, or any applicable

1 redemption or other premium, and (ii) any accrued, but unpaid reasonable,
2 necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds
3 Trustee and the Master Trustee pursuant to the Final DIP Order and Cash
4 Collateral Orders through and including the Effective Date. The 2005
5 Revenue Bonds Claims shall be paid and satisfied as follows: (i) an amount
6 equal to the Initial Secured 2005 Revenue Bonds Claims Payment plus (a)
7 accrued, but unpaid postpetition interest, if any, at the rate specified in the
8 2005 Revenue Bond Indentures through and including the Effective Date,
9 excluding any interest at the default rate or the Tax Rate, or any applicable
10 redemption or other premium, and (b) any accrued, but unpaid reasonable,
11 necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds
12 Trustee and the Master Trustee pursuant to the Final DIP Order and Cash
13 Collateral Orders through and including the Effective Date, shall be paid in
14 cash by the Debtors to the 2005 Revenue Bond Trustee on the Effective
15 Date. In addition, (x) any amounts held by the 2005 Revenue Bonds
16 Trustee in a (1) principal or revenue account, (2) debt service or redemption
17 reserve, or (3) an escrow or expense reserve account shall be applied against
18 the Secured 2005 Revenue Bonds Claim, and (y) the 2005 Revenue Bonds
19 Trustee shall become the sole Trust Beneficiary and holder of all of the First
20 Priority Trust Beneficial Interests in the amount of the 2005 Revenue Bonds
21 Diminution Claim, including interest accruing after the Effective Date at the
22 non-default rate provided for in the 2005 Revenue Bond Indentures. The
23 foregoing payments and distributions shall be in full and final satisfaction of
24 the Secured 2005 Revenue Bonds Claims as a single Allowed Claim.
25 Notwithstanding distribution of First Priority Trust Beneficial Interests on
26 account of the 2005 Secured Revenue Bonds Diminution Claim, the 2005
27 Revenue Bonds Trustee or the Master Trustee shall be entitled to retain and
28 apply Adequate Protection Payments received during the course of these
Cases on or on behalf of the 2005 Secured Revenue Bonds in the manner
provided by the relevant indenture. No beneficial Holder of any Secured
Series A, G and 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.* All rights held by 2005 Revenue Bond Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived or released by the treatment provided the Plan Settlement and the Plan.
- d. *Voting.* Class 4 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.

17. 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

1 Allowed Claim in the aggregate amount of \$46,363,095.90, plus (i) accrued
2 but unpaid postpetition interest, if any, at the rate specified in the MOB I
3 Loan Agreement, excluding any interest at the default rate, or make whole
4 premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-
5 pocket fees and expenses of Verity MOB Financing LLC, pursuant to the
6 Final DIP Order and Cash Collateral Orders through and including the
7 Effective Date.

8
9 c. *Voting.* Class 5 is Impaired. Holders of MOB I Financing Claims are
10 entitled to vote to accept or reject the Plan.

11 18. Class 6: Secured MOB II Financing Claims.

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

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

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

24 19. Class 7: Secured Mechanics Lien Claims.

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

26 b. *Treatment.* Each Allowed Secured Mechanics Lien Claim shall be paid in
27 cash on the Effective Date by the Debtors in an amount equal to 100% of
28 the principal balance of such Allowed Secured Mechanics Lien Claim.

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

20. Class 8: General Unsecured Claims.

a. *Classification.* Class 8 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 Second Priority Trust
Beneficial Interest and become a Trust Beneficiary in full and final
satisfaction of its Allowed Class 8 Claim, except to the extent that such

1 Holder agrees (a) to a less favorable treatment of such Claim, or (b) such
2 Claim has been paid before the Effective Date.

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

5 21. Class 9: Insured Claims.

6 a. *Classification.* Class 9 consists of Allowed Insured Claims.

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

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

27 In the event the applicable insurer denies the tender of defense or there are
28 no applicable or available insurance policies, or proceeds from applicable
and available insurance policies have been exhausted or are otherwise
insufficient to pay in full a Holder's recovery, if any, as determined by an
order or judgment by a court of competent jurisdiction or under a settlement
or compromise of such Holder's Insured Claim, on account of its Insured
Claim, then such Holder shall be entitled to an Allowed Claim equal to the
amount of the Allowed Insured Claim less the amount of available proceeds
paid such Allowed Insured Claim from the applicable and available
Insurance Policies (the "*Insured Deficiency Claim*"). Such Holders'
Insured Deficiency Claim shall be treated as an Allowed General Unsecured
Claim in Class 10 of the Plan and shall be entitled to receive its Pro Rata
Share of the distributions from the Liquidating Trust Distributions as set
forth in the Plan in the same manner as other Holders of Allowed General
Unsecured Claims in Class 8 of the Plan. In no event shall any Holder of an
Allowed Insured Deficiency Claim be entitled to receive more than one

1 hundred percent (100%) of the Allowed Amount of their respective
2 Allowed Insured Deficiency Claim.

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

23 c. *Voting.* Class 9 is Impaired. Holders of Insured Claims are entitled to vote
24 to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy
25 Court, each Holder of a Class 9 Insured Claim shall have a \$1.00 vote for
26 each filed Insured Claim.

27 22. Class 10: 2016 Data Breach Claims.

- 28 a. *Classification.* Class 10 consists of Allowed 2016 Data Breach Claims.
- 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 10 is Impaired. Holders of Allowed 2016 Data Breach Claims are entitled to vote to accept or reject the Plan.

29 23. Class 11: Subordinated General Unsecured Claims.

- a. *Classification.* Class 11 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.

1 c. *Voting.* Class 11 is Impaired. Holders of Subordinated General Unsecured
2 Claims are deemed to reject the Plan and are not entitled to vote.

3 24. Class 12: Interests.

4 a. *Classification.* Class 12 consists of Allowed Interests against any Debtor.

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

7 c. *Voting.* Class 12 is Impaired. The holders of Interests are deemed to reject
8 the Plan and are not entitled to vote.

9 **CONFIRMATION HEARING**

10 25. On **August 12, 2020, at 10:00 a.m. (Prevailing Pacific Time)**, or as soon
11 thereafter as counsel may be heard, a hearing (the “Confirmation Hearing”) will be held before the
12 Honorable Ernest M. Robles, United States Bankruptcy Judge, at the Bankruptcy Court, 255 E.
13 Temple Street, Courtroom 1568, Los Angeles, California 90012 to consider (i) confirmation of the
14 Plan, as the same may be amended or modified; and (ii) such other and further relief as may be
15 just and appropriate. The Confirmation Hearing may be adjourned from time to time without
16 further notice to creditors or other parties in interest, other than by an announcement of such an
17 adjournment in open court at the Confirmation Hearing or any adjournment thereof, or an
18 appropriate filing with the Bankruptcy Court. The Plan may be modified in accordance with the
19 Bankruptcy Code, the Bankruptcy Rules, the Plan, and other applicable law, without further
20 notice, prior to or as a result of the Confirmation Hearing.

21 **DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE PLAN**

22 26. Objections, if any, to confirmation of the Plan, including any supporting
23 memoranda, must: (i) be in writing; (ii) comply with the Bankruptcy Rules and the Local Rules;
24 (iii) set forth the name of the objector and the nature and amount of any Claim asserted by the
25 objector against or in the Debtors; (iv) state with particularity the legal and factual bases for the
26 objection and, if practicable, a proposed modification to the Plan that would resolve such
27 objection; and (v) be filed with the Bankruptcy Court, together with proof of service, and served
28 so that they are actually received by the following no later than **July 30, 2020 at 4:00 p.m.**
(Prevailing Pacific Time) which deadline may be extended by the Debtors (the “Confirmation
Objection Deadline”): (i) counsel to the Debtors: Dentons US LLP, 601 South Figueroa Street,
Suite 2500, Los Angeles, CA 90017 (Attn: Tania M. Moyron (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 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)); (iv) 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)); (v) 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)); (vi) counsel to

1 the MOB Lenders: Jones Day, 250 Vesey Street, New York, NY 10281 (Attn: Bruce Bennett,
2 Benjamin Rosenblum, and Peter Saba (bbennett@jonesday.com, brosenblum@jonesday.com,
3 psaba@jonesday.com); and (vii) counsel to the U.S. Trustee, Office of the United States Trustee,
4 915 Wilshire Boulevard, Suite 1850, Los Angeles, California 90017 (Attn: Hatty K. Yip
(hatty.yip@usdoj.gov)). **Pursuant to Local Bankruptcy Rule 9013-1(h), the failure to file
and serve a timely objection to the Plan may be deemed by the Court to be consent to the
relief requested therein.**

5
6 **ACCESS TO DOCUMENTS AND OTHER QUESTIONS**

7 27. Copies of the Plan and Disclosure Statement are available and may be downloaded
8 by visiting the following website: <https://www.kccllc.net/verityhealth>, or by contacting to the
9 Debtors' Solicitation Agent at:

10 Verity Ballot Processing Center
11 c/o Kurtzman Carson Consultants LLC
12 222 N. Pacific Coast Highway, Suite 300
13 El Segundo, CA 90245
14 (888) 249-2741 (domestic)
15 (310) 751-2635 (international)

16 or via e-mail request to:

17 Verityinfo@kccllc.com

18 or on the Bankruptcy Court's website.²

19 **DEADLINE TO FILE ADMINISTRATIVE EXPENSE CLAIMS**

20 28. The Bankruptcy Court has fixed **July 29, 2020**, as the deadline for holders of
21 Administrative Claims to file requests for payment of Administrative Claims arising, or anticipated
22 to arise, between October 7, 2019 and August 12, 2020. Notwithstanding the fact that a Creditor
23 may have provided goods or services to the Debtors and such Claim may be entitled to
24 administrative expense status or listed on the Debtors' books and records, the Plan expressly
25 provides that only Creditors who timely filed proof of an Administrative Claim and such Claim
26 becomes Allowed will be entitled to participate in any distribution as Holders of Administrative
27 Claims.

28 ² <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents
on the Bankruptcy Court's website).

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1 Dated: July , 2020

DENTONS US LLP

2

By: _____

3

Samuel R. Maizel
Tania M. Moyron
Nicholas A. Koffroth

4

5

Counsel to the *Debtors and Debtors In Possession*

6

Dated: July __, 2020

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY
AND POPEO, P.C.

7

8

By: _____

9

Paul J. Ricotta
Daniel S. Bleck

10

Counsel to *UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee*

11

12

Dated: July , 2020

MCDERMOTT WILL & EMERY LLP.

13

14

By: _____

15

Nathan F. Coco
Megan M. Preusker

16

Counsel to *U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2015 Working Capital Notes*

17

18

Dated: July , 2020

MASLON LLP.

19

20

By: _____

21

Clark T. Whitmore
Jason Reed

22

Counsel to *U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2017 Working Capital Notes*

23

24

25

26

27

28

1 [Dated: July , 2020

JONES DAY LLP

2

By: _____

3

Bruce S. Bennett
Benjamin Rosenblum
Peter S. Saba

4

5

Counsel to *Verity MOB Financing, LLC* and
Verity MOB Financing II, LLC]

6

7 Dated: July , 2020

MILBANK LLP

8

By: _____

9

Gregory A. Bray
Mark Shinderman
James C. Behrens

10

11

Counsel to the *Official Committee of Unsecured
Creditors*

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DENTONS US LLP
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Exhibit D

Form of Administrative Claims Bar Date Notice

1 SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
2 TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
3 NICHOLAS A. KOFFROTH (Bar No. 287854)
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4 DENTONS US LLP
601 South Figueroa Street, Suite 2500
5 Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924
6 Attorneys for the Chapter 11 Debtors and
7 Debtors In Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

9 In re:
10 VERITY HEALTH SYSTEM OF
11 CALIFORNIA, INC., *et al.*,
12 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

- 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
- 22 Affects Saint Louise Regional Hospital
- 23 Affects St. Francis Medical Center of Lynwood
- 24 Affects St. Vincent Foundation
- 25 Affects St. Vincent Dialysis Center, Inc.
- 26 Affects Seton Medical Center Foundation
- 27 Affects Verity Business Services
- 28 Affects Verity Medical Foundation
- Affects Verity Holdings, LLC
- Affects De Paul Ventures, LLC
- Affects De Paul Ventures - San Jose Dialysis, LLC

Chapter 11 Cases
Hon. Judge Ernest M. Robles

NOTICE OF BAR DATE FOR FILING ADMINISTRATIVE EXPENSE CLAIMS

BAR DATE: JULY 29, 2020

Debtors and Debtors In Possession.

1 **TO ALL PARTIES HOLDING POTENTIAL ADMINISTRATIVE EXPENSE CLAIMS:**

2 **NOTICE OF ADMINISTRATIVE EXPENSE CLAIMS BAR DATE**

3 **If you have any questions concerning this Notice, please contact the Debtors' Claim and**
4 **Noticing Agent, Kurtzman, Carson Consultants LLC ("KCC"), by phone at (888) 249-2741.**
5 **KCC is located at 222 N Pacific Coast Highway, 3rd Floor, El Segundo, CA 90245 and KCC's**
6 **web address is <http://www.kccllc.net/verityhealth>.**

7 The Bankruptcy Court has set a deadline of **July 29, 2020 at 4:00 p.m. (Pacific Daylight**
8 **Time)** (the "Administrative Expense Claims Bar Date") for holders of Administrative Expense
9 Claims (as defined herein) against Verity Health System of California, Inc., a California nonprofit
10 benefit corporation and the Debtor herein, and the above-referenced affiliated debtors, the debtors
11 and debtors in possession in the above-captioned chapter 11 bankruptcy cases (collectively, the
12 "Debtors"), to assert an Administrative Expense Claim against the Debtors' estates.

13 An "Administrative Expense Claim" is a claim, as that term is defined in § 101(5), against
14 the Debtors or the Debtors' estates pursuant to §§ 503(b) and 507(a)(2), that was incurred, accrued
15 or arose, or is anticipated to be incurred, accrue, or arise during the period from and after October 7,
16 2019, through August 12, 2020 (the "Postpetition Period") including, but not limited to, (i) the
17 actual, necessary costs and expenses of preserving the Debtors' estates and operating the business of
18 the Debtors, including wages, salaries, payments or commissions for services rendered after the
19 commencement of the chapter 11 cases and (ii) claims or causes of action arising after the Petition
20 Date, including obligations due vendors, alleged personal injuries, medical malpractice and
21 employment law claims, among others, whether or not such claim is reduced to judgment, liquidated,
22 unliquidated, fixed, contingent, insured or uninsured, matured, unmatured, disputed, undisputed,
23 legal, equitable, secured or unsecured.

24 **The delivery of this Notice to you does not mean that you must assert an Administrative**
25 **Expense Claim.** The following entities, whose claims would otherwise be subject to the
26 Administrative Expense Claims Bar Date, need not assert an Administrative Expense Claim
27 (collectively, the "Excluded Claims"): 28

- a) Administrative Expense Claims based upon liabilities that the Debtors incur in the ordinary course of their business to providers of goods and services;
- b) Professional fee claims subject to allowance under § 330;
- c) Professional fee claims for professionals employed by the Prepetition Secured Creditors¹ under paragraph 5(b) of the Final DIP Order;
- d) Claims relating to the assumption and cure of an executory contract under § 365(b);
- e) Administrative Expense Claims arising out of the employment by one or more of the Debtors of an individual from and after the Petition Date, but only to the extent that such Administrative Expense Claim is solely for outstanding wages, commissions, or reimbursement of business expenses; or
- f) U.S. Trustee fees.

¹ 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 Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* (the "Final DIP Order") [Docket No. 409].

1 In order to assert a timely Administrative Expense Claim, a creditor must file a pleading with
2 the Bankruptcy Court on or before the Administrative Expense Claims Bar Date, in which the
3 creditor indicates the amount of its asserted Administrative Expense Claim and attaches as an exhibit
4 all documentary evidence in support of its asserted Administrative Expense Claim and serve that
pleading on counsel for the Debtors, whose names and addresses appear in the upper, left-hand
corner of the first page of this Notice. The creditor is not required to set the matter for hearing.

5 **Failure of a holder of an Administrative Expense Claim (other than an Excluded**
6 **Claim) to timely assert an Administrative Expense Claim on or before the deadline may result**
7 **in disallowance of the claim under the terms of a plan of liquidation without further notice or**
8 **hearing. 11 U.S.C. § 502(b)(9). Creditors may wish to consult an attorney to protect your**
9 **rights.**

10 The foregoing deadlines for the filing of Administrative Expense Claims by the
11 Administrative Expense Claims Bar Date shall not apply to any of the professionals employed in
12 these chapter 11 bankruptcy cases.

13 Dated: July ___, 2020

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

14 By: _____
Tania M. Moyron

15 Attorneys for Chapter 11 Debtors and
16 Debtors in Possession