



VERITY HEALTH SYSTEM FILES FOR PROTECTION UNDER CHAPTER 11 TO REORGANIZE AND FACILITATE AN ORDERLY AND EFFICIENT SALE PROCESS

- *All hospitals to continue to operate and provide high-quality care to patients throughout this process*
- *Verity intends to sell all or some of its assets in Chapter 11 and is actively seeking potential buyers*
- *Additional liquidity of up to \$185M secured to ensure financial stability throughout the reorganization process*

LOS ANGELES, August 31, 2018 – Verity Health System of California, Inc. ("Verity Health," or "Verity," or "the System"), a nonprofit healthcare system, today filed voluntary petitions for protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California – Los Angeles Division. Verity has secured debtor-in-possession financing of up to \$185 million. This additional liquidity will enable continued operations without interruption to high-quality patient care, employees and suppliers throughout the Chapter 11 process.

This filing follows Verity's previous press release on July 9, which stated that the System has been exploring strategic options to address the issues facing the System. Today's announcement follows a thorough process of considering a range of alternatives for the System's hospitals, including the potential sale of some or all of the hospitals and related healthcare businesses.

The entities that are filing today are:

- De Paul Ventures San Jose Dialysis, LLC
- De Paul Ventures, LLC
- O'Connor Hospital
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital
- Saint Louise Regional Hospital Foundation
- Seton Medical Center Foundation
- Seton Medical Center, including Seton Medical Center Coastside campus
- St. Francis Medical Center
- St. Francis Medical Center Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- St. Vincent Medical Center
- St. Vincent Medical Center Foundation
- Verity Business Services
- Verity Holdings, LLC
- Verity Medical Foundation

“After a diligent process of assessing all possible options alongside our financial and legal advisors, Verity Health has made the best strategic decision for all of our patients, employees and other stakeholders,” said Rich Adcock, CEO of Verity Health. “Despite many efforts over the last decade to create opportunities for success, we can no longer swim against the tide of our operating reality, which includes a legacy burden of more than a billion dollars of bond debt and unfunded pension liabilities, an inability to renegotiate burdensome contracts, the continuing need for significant capital expenditures for seismic obligations and aging infrastructure.”

Adcock continued: “Several other hospitals in California and across the U.S. have completed this process and have emerged to continue to care for patients, support employees, and serve the community. Those hospitals are now in improved financial and operational health. We are confident that today is a first critical step toward putting each facility on better footing for the future. Most importantly, we remain focused on our commitment to providing high-quality care to patients in underserved communities without disruption throughout this process.”

DIP Financing

Verity Health has secured up to \$185 million in debtor-in-possession ("DIP") financing to support its ongoing operations during the sale process. This additional financing, combined with normal operating revenue will help ensure Verity is able to meet its commitments to patients, employees, and suppliers while also successfully selling its existing operations.

Sale Process

Verity Health plans to consummate sales under Section 363 of the U.S. Bankruptcy Code. Potential buyers will have the opportunity to submit offers to acquire assets, including O’Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, Seton Medical Center Coastsides, St. Vincent Medical Center and St. Francis Medical Center. All offers will be evaluated to ensure the highest and best acquisition agreement(s) are achieved for the benefit of Verity Health’s patients, employees, creditors and other stakeholder groups.

“We are pursuing various strategic options for each of our six hospitals, with a focus on working with potential buyers who can continue the mission of patient care at each hospital,” said Mr. Adcock. “Through the sales process, we will be putting our hospitals in a better position for long-term success.”

Historical Events Leading to Today's Filings

The System was originally owned and operated by the Daughters of Charity of St. Vincent de Paul, Province of the West. Verity Health was formed in July 2015, when the Daughters of Charity selected BlueMountain Capital Management LLC (“BlueMountain”), a private investment firm, to recapitalize the health systems operations and transition leadership of the health system to the new Verity Health System. Prior to that, Daughters of Charity had been unsuccessful in an affiliation with Ascension Health Alliance and a sale to Prime Healthcare Services.

The financial and operational issues facing Verity Health System, are born out of a myriad of inherited, historical challenges. Operating losses had plagued the System's predecessor for some time due to, among other things, challenging cost structure, low reimbursement rates and the ever-changing healthcare landscape.

"After years of investment to assist in improving cash flow and operations, Verity's losses continue to amount to approximately \$175 million annually on a cash flow basis," said Mr. Adcock.

Additional Information

Verity has established a helpline to ensure a prompt response to questions from patients and suppliers, which may be accessed at **1-888-249-2741**. Additional information can be found at <http://www.kccllc.net/verityhealth>.

Verity Health is advised in this matter by Dentons US LLP, Cain Brothers and Berkeley Research Group.

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Verity Health System

Verity Health System is a nonprofit healthcare system. Its hospitals include 1,650 inpatient beds, six active emergency rooms, a trauma center and a host of medical specialties including tertiary and quaternary care. Verity's two Southern California hospitals are St. Francis Medical Center in Lynwood and St. Vincent Medical Center in Los Angeles. In Northern California, O'Connor Hospital in San Jose, St. Louise Regional Hospital in Gilroy, Seton Medical Center in Daly City and Seton Coastside in Moss Beach are part of Verity Health.

Verity Health also includes Verity Medical Foundation. With more than 100 primary care and specialty physicians, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by the Verity hospitals.