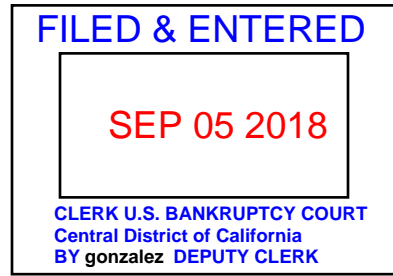


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6 Proposed Attorneys for the Chapter 11 Debtors and
7 Debtors In Possession

8 **CHANGES MADE BY COURT**

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

11 In re
12 VERITY HEALTH SYSTEM OF
13 CALIFORNIA, INC., *et al.*,
14 Debtors and Debtors In Possession.

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

Chapter 11

ORDER GRANTING EMERGENCY MOTION OF DEBTORS FOR ENTRY OF ORDER: (I) AUTHORIZING THE DEBTORS TO (A) PAY PREPETITION EMPLOYEE WAGES AND SALARIES, AND (B) PAY AND HONOR EMPLOYEE BENEFITS AND OTHER WORKFORCE OBLIGATIONS; AND (II) AUTHORIZING AND DIRECTING THE APPLICABLE BANK TO PAY ALL CHECKS AND ELECTRONIC PAYMENT REQUESTS MADE BY THE DEBTORS RELATING TO THE FOREGOING

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

Emergency Hearing:

Date: September 5, 2018
Time: 10:00 a.m.
Place: Courtroom 1568
U.S. Bankruptcy Court
255 East Temple Street
Los Angeles, CA 90012
Judge: Hon. Ernest M. Robles

Debtors and Debtors In Possession.

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2 The *Emergency Motion of Debtors for Entry of Order: (I) Authorizing the Debtors to (A)*
3 *Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits and*
4 *Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay All*
5 *Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing* (the
6 “Emergency Motion”)¹ [Docket No. 22] came on for hearing before the Honorable Ernest M.
7 Robles, United States Bankruptcy Judge, in Courtroom 1568, United States Bankruptcy Court,
8 255 East Temple Street, Los Angeles, California 90012. The appearances at the hearing are as set
9 forth on the record of the proceeding.

10 Having considered the Emergency Motion, the accompanying Memorandum of Points and
11 Authorities in support of the Emergency Motion, and the Declaration of Richard G. Adcock in
12 support of the Emergency Motion, the arguments of counsel at the hearing, and good cause
13 appearing therefor,

14 IT IS HEREBY ORDERED that the notice of the Emergency Motion was appropriate
15 under the circumstances and in compliance with the Bankruptcy Code, Bankruptcy Rules, and
16 Local Bankruptcy Rules.

17 IT IS FURTHER ORDERED that the Emergency Motion is granted on an interim basis as
18 set forth herein and as set forth in the Court’s record and tentative ruling.

19 IT IS FURTHER ORDERED that the Debtors are authorized, in their sole discretion, to
20 do the following:

21 1. To honor and pay all Wages for Employees of Verity Health Systems of
22 California, Inc., O’Connor Hospital, Saint Louise Regional Hospital, and St. Vincent Medical
23 Center that have been accruing commencing August 19, 2018, to the date of the Petition, payable
24 September 7, 2018, totaling approximately \$11,560,517;

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28 _____ ¹ Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Emergency Motion.

1 2. To honor and pay all Wages for Employees of Verity Medical Foundation that
2 have been accruing commencing August 20, 2018, to the date of the Petition, payable September
3 7, 2018, totaling approximately \$1,065,623;

4 3. To honor and pay all Wages for Employees of St. Francis Medical Center, Seton
5 Medical Center and Seton Medical Center Coastside, and Verity Business Services that have been
6 accruing commencing August 26, 2018, to the date of the Petition, payable September 13 and 14,
7 2018, totaling approximately \$2,727,235;

8 4. To honor the collective bargaining agreements (“CBA”) with SEIU, and remedy,
9 through payment, any error identified by any Employee represented by SEIU regarding payroll
10 made on August 30, 2018 on account of prepetition Wages; provided, however, that the
11 Employee shall identify such errors within 24 hours of payroll in accordance with the terms of the
12 CBA;

13 5. To pay to ADP, postpetition, the fees due ADP that arose prepetition, not to
14 exceed \$4,500;

15 6. To honor and pay all accrued and unpaid prepetition Withholding Obligations
16 (whenever payable) totaling approximately \$3,726,816;

17 7. To honor and pay all accrued and unpaid prepetition Union Obligations (whenever
18 payable) totaling approximately \$176,524;

19 8. To honor and pay all unpaid prepetition Reimbursement Obligations to Employees
20 totaling approximately \$30,200;

21 9. To honor and pay any contractually agreed bonuses that accrued within 180 days
22 prepetition when their services with the Debtors are terminated so long as the total of payments
23 already then made for prepetition Employee Obligations and bonuses does not exceed \$12,850
24 per Employee;

25 10. To honor and pay the Paid Time Off (“PTO”) and Extended Sick Leave (“ESL”)
26 obligations that accrued prepetition, allowing Employees to utilize postpetition all prepetition
27 PTO and ESL in the ordinary course of the Debtors’ business;

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1 11. To pay, in the Debtors' sole discretion, Employees for unused PTO and/or ESL, as
2 permitted per Hospital policy and relevant CBA terms, that accrued within 180 days prepetition
3 so long as the total of payments already then made for prepetition Employee Obligations and
4 PTO/ESL does not exceed \$12,850 per Employee;

5 12. To pay accrued and unpaid prepetition amounts relating to employee health
6 insurance as follows: (a) approximately \$3,162,816 to Healthnow for claims against the self-
7 insured medical plans; (b) approximately \$48,060 to Cigna and Delta Dental for claims against
8 the self-insured dental plans; (c) approximately \$60,150 to VSP for claims against the self-
9 insured vision plans; and (d) any administration fees and premiums, and to deliver the
10 Employees' portion of any accrued and unpaid prepetition premiums to the corresponding
11 administrators in connection with the payment of the Wages and Withholding Obligations;

12 13. To maintain the Debtors' self-insured and fully-insured medical, dental and vision
13 insurance plans, including to continue to pay, in their discretion and in the ordinary course of
14 their business, the administrative fees, medical, dental, and vision claims and premiums for all
15 health plans incurred postpetition; and to deliver the Employees' portion of any premiums to the
16 corresponding administrators in connection with the payment of the Wages and Withholding
17 Obligations; and to continue making contributions into the Local 39 Stationary Engineers' Health
18 and Welfare Plan;

19 14. To pay postpetition (when payable) any amounts that accrued prepetition for
20 Continuation Health Coverage ("COBRA"), and to continue to perform any obligations related
21 thereto in the ordinary course of business;

22 15. To pay UNUM (when payable) the amount of approximately \$209,838, including
23 \$34,983 held in trust from Employee contributions for Employee premium-based group life
24 insurance and accidental death and disability ("AD&D") insurance; and Employee supplemental
25 life and AD&D and voluntary programs;

26 16. To pay Cigna (when payable) approximately \$108,035 for short term disability
27 coverage premiums and \$110,643 for long term disability premiums;

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1 17. To continue to honor their workers' compensation insurance obligations, including
2 paying Lockton and Sedwick in the ordinary course of their business;

3 18. To pay Cigna (when payable) approximately \$10,293 on account of prepetition
4 claims under the Federal Medical Leave Act and California Family Rights Act;

5 19. To pay Optum (when payable) approximately \$13,507 on account of prepetition
6 obligations accrued under an employee assistance program;

7 20. To pay matching contributions of approximately \$296,384 that accrued and remain
8 unpaid as of the Petition Date for the Retirement Plans and to deliver the Employee contributions
9 and administration fees held by the Debtors in trust;

10 21. To the extent not expressly identified above, prepetition wages and benefits,
11 including contributions that may be due or arise on defined contribution plans and defined benefit
12 plans, may be paid as a priority claim to the extent there is availability of under the priority cap of
13 §§ 507(a)(4) and (a)(5);

14 22. To continue to honor, in their discretion and in the ordinary course of their
15 business, miscellaneous employee benefit programs that are Employee-funded (e.g., cafeteria
16 plan, critical care insurance, pet insurance, auto and home insurance), and to distribute to third-
17 parties the payments for these programs in connection with the payment of Wages and
18 Withholding Obligations; and

19 23. To continue to pay, in the ordinary course of their business, Employee-related
20 expenses and obligations that accrue postpetition in the ordinary course of the Debtors' business.
21 For the avoidance of doubt, this includes postpetition contributions for active Employees into the
22 Local 39 Stationary Engineers' defined benefit pension plan and trust.

23 IT IS FURTHER ORDERED that all the Debtors' banks – including Bank of America and
24 Wells Fargo – are authorized *and directed* to **immediately** do the following:

25 1. To **immediately** unfreeze the Debtors' accounts, including their payroll and other
26 Employee-related disbursement accounts;

27 2. With regard to the foregoing obligations, to debit the Debtor's accounts in the
28 ordinary course of business without need for further order of this Court for: (i) all checks, items,

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1 and other payment orders drawn on the Debtor's accounts which are cashed at such Bank's
2 counters or exchanged for cashier's checks by the payees thereof prior to the Bank's receipt of
3 notice of filing of the Petition; (ii) all checks, automated clearing house entries, and other items
4 deposited or credited to one of Debtor's accounts with such bank prior to filing of the Petition
5 which have been dishonored, reversed, or returned unpaid for any reason, together with any fees
6 and costs in connection therewith, to the same extent the Debtor was responsible for such items
7 prior to filing of the Petition; and (iii) all undisputed prepetition amounts outstanding as of the
8 date hereof, if any, owed to any Bank as service charges for the maintenance of the Debtors' cash
9 management system;

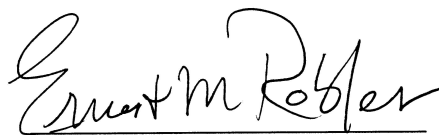
10 3. For the avoidance of doubt, to honor all items presented against the Bank
11 Accounts, whether originated prepetition or postpetition and whether or not authorized by other
12 orders; and

13 4. To rely on the representations of the Debtor with respect to whether any check,
14 item, or other payment order drawn or issued by the Debtor prior to filing of the Petition should
15 be honored pursuant to this or any other order of this Court and the DIP Documents, and such
16 Bank shall not have any liability to any party for relying on such representations by the Debtor as
17 provided for herein.

18 IT IS FURTHER ORDERED that final hearing on the Emergency Motion is continued to
19 October 3, 2018, at 10:00 a.m., with any opposition due by September 19, 2018, and any reply by
20 the Debtors due by September 26, 2018.

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24 Date: September 5, 2018



Ernest M. Robles
United States Bankruptcy Judge