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7 *Proposed Counsel for the Official Committee of*
8 *Unsecured Creditors of Verity Health System of*
9 *California, Inc., et al.*

10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

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

16 Lead Case No. 18-20151
17 Jointly Administered With:
18 CASE NO.: 2:18-bk-20162-ER
19 CASE NO.: 2:18-bk-20163-ER
20 CASE NO.: 2:18-bk-20164-ER
21 CASE NO.: 2:18-bk-20165-ER
22 CASE NO.: 2:18-bk-20167-ER
23 CASE NO.: 2:18-bk-20168-ER
24 CASE NO.: 2:18-bk-20169-ER
25 CASE NO.: 2:18-bk-20171-ER
26 CASE NO.: 2:18-bk-20172-ER
27 CASE NO.: 2:18-bk-20173-ER
28 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

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

Chapter 11 Cases

Hon. Ernest M. Robles

**OFFICIAL COMMITTEE OF
UNSECURED CREDITORS'
RESPONSE TO EMPLOYEE WAGE
MOTION [DKT. 22]**



1 The Official Committee of Unsecured Creditors of Verity Health System of
2 California, Inc., *et al.* (the “Committee”) appointed in connection with the chapter 11 cases of the
3 above-captioned debtors and debtors-in-possession (the “Debtors”), hereby submits this response
4 (the “Response”) to the Debtors’ *Emergency Motion of Debtors for Entry of Order: (I) Authorizing*
5 *the Debtors to (A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee*
6 *Benefits and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank*
7 *to Pay All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing*
8 [Dkt. 22] (the “Employee Wage Motion”).

9 **I. INTRODUCTION**

10 1. The Committee was appointed by the United States Trustee on September 17,
11 2018. The Committee’s advisors have been getting up to speed and have been engaged in
12 discussions with the Debtors’ advisors over the past several days regarding the Employee Wage
13 Motion. Although progress has been made, some issues remain.

14 **II. ARGUMENT**

15 2. The Committee’s limited concerns with the Employee Wage Motion relate to
16 severance payments and bonus payments.

17 **A. Severance Payments**

18 3. In the Employee Wage Motion, the Debtors refer to 11 U.S.C. § 507(a)(4)(A)
19 and state that severance payments earned within 180 days before the petition date are afforded
20 priority. (Employee Wage Motion at 28.) While the motion does not indicate whether the Debtors
21 intend to make such payments, to the extent they do, the Employee Wage Order should clarify that
22 severance payments at this time may not exceed the \$12,850 limitation that is provided for by
23 11 U.S.C. § 507(a)(4).

24 **B. Bonuses**

25 4. The Employee Wage Motion also states that the Debtors intend to honor and
26 pay any contractually agreed bonuses that accrued within 180 days before the petition date. (*Id.* at
27 15.) Again, no reference as to any such payments having been or about to be made appear in the
28 Motion, but the Debtors are currently doing diligence as to existence of bonus programs to better

1 inform the Debtors and the Committee on this point. However, in the absence of extraordinary
2 circumstances, the final form of Employee Wage Order should clarify that (i) no bonus program is
3 being assumed; (ii) no bonuses can be paid without further Order of the Court; and (iii) any key
4 employee retention plan (KERP) or key employee incentive plan (KEIP) will require separate Court
5 approval.

6 **III. RESERVATION OF RIGHTS**

7 5. The Committee's discussions with the Debtors regarding the Employee Wage
8 Motion are ongoing, and, in response (in part) to the Committee's comments, the Debtors are in the
9 process of revising their proposed final form of Order on this motion. If there are any issues that
10 remain unresolved in the proposed final form of Order, the Committee reserves the right to
11 supplement this Response and address such issues at the October 3 hearing.

12 **IV. CONCLUSION**

13 6. Based on the foregoing, the Committee respectfully requests that (i) to the
14 extent that the Debtors do not adequately address the issues raised herein by the Committee, the
15 Court enter a form of Employee Wage Order that reflects the Committee's proposed changes; and
16 (ii) the Court grant such other and further relief as the Court deems just and proper.

17
18 DATED: September 27, 2018

MILBANK, TWEED, HADLEY & M^cCLOY

19 /s/ Gregory A. Bray
20 GREGORY A. BRAY
21 MARK SHINDERMAN
22 JAMES C. BEHRENS

23 Proposed Counsel for the Official Committee of
24 Unsecured Creditors of Verity Health System of
25 California, Inc., et al.
26
27
28

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

2029 Century Park E, 33rd Floor, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled (*specify*): **OFFICIAL COMMITTEE OF UNSECURED CREDITORS' RESPONSE TO EMPLOYEE WAGE MOTION [DKT. 22]**

_____ will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) September 27, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) September 27, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) September 27, 2018, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

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

September 27, 2018 Ricky Windom
Date Printed Name

/s/ Ricky Windom
Signature

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