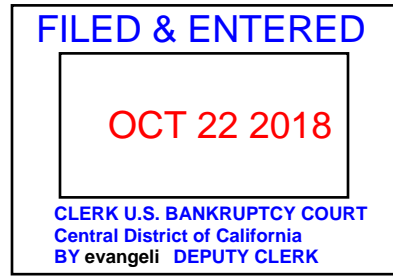


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6 Proposed Attorneys for the Chapter 11 Debtors and
7 Debtors In Possession

8 **CHANGES MADE BY COURT**
9 **UNITED STATES BANKRUPTCY COURT**

10 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

11 In re

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

12 VERITY HEALTH SYSTEM OF
13 CALIFORNIA, INC., *et al.*,

Chapter 11

14 Debtors and Debtors In Possession.

**FINAL 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**

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

Emergency Hearing:

Date: October 3, 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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1 The *Emergency Motion of Debtors for Entry of Order: (I) Authorizing the Debtors to*
2 *(A) Pay Prepetition Employee Wages and Salaries, and (B) Pay and Honor Employee Benefits*
3 *and Other Workforce Obligations; and (II) Authorizing and Directing the Applicable Bank to Pay*
4 *All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing* (the
5 *“Emergency Motion”*)¹ [Dkt. 22] came on for hearing before the Honorable Ernest M. Robles,
6 United States Bankruptcy Judge, in Courtroom 1568, United States Bankruptcy Court, 255 East
7 Temple Street, Los Angeles, California 90012. The appearances at the hearing are as set forth on
8 the record of the proceeding.

9 Having considered the Emergency Motion, the accompanying Memorandum of Points and
10 Authorities in support of the Emergency Motion, and the Declaration of Richard G. Adcock in
11 support of the Emergency Motion [Dkt. 8], the arguments of counsel at the hearing on September
12 5, 2018.

13 Having also considered *SEIU-UHW’S Objection to Emergency Motion for Order:*
14 *(I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages and Salaries and (B) Pay and*
15 *Honor Employee Benefits and Other Workforce Obligations* [Dkt. 213], along with the
16 *Declaration of Caitlin Gray* [Dkt. 214] and *Declaration of David Miller* [Dkt. 215] filed in
17 support (collectively the *“SEIU-UHW Objection”*), the *Limited Objection of Retirement Plan for*
18 *Hospital Employees to Emergency Motion of Debtors for Order (A) Authorizing the Debtors to*
19 *Pay Prepetition Employee Wages and Benefits, Etc.* [Dkt. 229] (the *“RPHE Wage Objection”*)
20 which in turn incorporates *Objection of Retirement Plan for Hospital Employees to Motion of*
21 *Debtors for Final Orders (A) Authorizing the Debtors to Obtain Post Petition Financing Etc.*
22 [Dkt. 218] (the *“RPHE DIP Objection,”* and collectively referred to along with the RPHE Wage
23 Objection as the *“RPHE Objection”*), the *Objection by Creditor California Nurses Association to*
24 *Motion for Entry of Final Order (I) Authorizing Debtors to (A) Pay Prepetition Employee Wages*
25 *and Salaries and (B) Pay and Honor Employee Benefits and Other Workforce Obligations and*
26 *(II) Authorizing and Directing the Applicable Bank to Pay All Checks and Electronic Payment*
27

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

1 *Requests Made by the Debtors Relating to the Foregoing* [Dkt. 223] (the “CNA Objection”), the
2 *Limited Objection of UNAC to Debtors’ Motion for Entry of Final Order to Pay Prepetition*
3 *Employee Wages, Etc.* [Dkt. 296] (the “UNAC Objection,” and referred to along with the SEIU-
4 UHW Objection, RPHE Objection and CNA Objection as the “Pension Related Objections”), the
5 *Official Committee of Unsecured Creditors Response to the Employee Wage Motion* [Dkt. 315]
6 (the “UCC Wage Response,” and referred to along with the Pension Related Objections as the
7 “Objections” and individually, an “Objection”), the *Debtors’ Omnibus Response to [the Pension*
8 *Related] Objections* [Dkt. 310] (the “Pension Related Response”) and the *Debtors’ Reply to the*
9 *Official Committee of Unsecured Creditors’ Response to the Employee Wage Motion* [Dkt. 351]
10 (the “Reply to the UCC Response,” and referred to collectively with the Pension Related
11 Response as the “Replies,”) along with all papers and exhibits filed therewith;

12 Having further considered the arguments of counsel, and finding that the Emergency
13 Motion and the relief it seeks is in compliance with the Bankruptcy Code, Bankruptcy Rules, and
14 Local Bankruptcy Rules;

15 IT IS HEREBY ORDERED that the Objections, to the extent not expressly resolved under
16 the terms of this Order, are OVERRULED.

17 IT IS FURTHER ORDERED that the Emergency Motion is GRANTED on a FINAL
18 BASIS as set forth in the Court’s record and the *concurrently-issued Memorandum of Decision*
19 *(1) Overruling Objections to the (A) Prepetition Wages Motion and (B) Financing Motions and*
20 *(2) Denying Motion for Reconsideration of the Final Financing Order* ~~tentative ruling as set forth~~
21 ~~herein.~~

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

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

28

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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. For the avoidance of doubt, a Debtor will honor all valid CBAs to which it is a party and in
13 accordance with law, and non-SEIU represented employees retain all rights to challenge payroll
14 errors made regarding such prepetition Wages;

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

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

19 7. To honor and pay accrued and unpaid prepetition Union Obligations (as that term
20 is defined in the Motion) that arose within 180 days that totals approximately \$176,526. To the
21 extent there are other unpaid prepetition Union Obligations that constitute a priority claim under
22 bankruptcy section §§ 507(a)(4) or (a)(5), they may be paid subject to availability under the
23 priority cap of section §§ 507(a)(4) and (a)(5);

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

26 9. To honor and pay any contractually agreed bonuses that accrued within 180 days
27 prepetition when their services with the Debtors are terminated so long as the total of payments
28

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1 already then made for prepetition Employee Obligations and bonuses does not exceed \$12,850
2 per Employee;

3 10. For the avoidance of doubt, the Debtors are authorized to continue to pay
4 severance obligations to employees as they arise, consistent with the priority scheme set forth
5 under the Bankruptcy Code and the relevant severance policies, including (i) priority treatment
6 under section 507(a)(4) with respect to amounts that accrue prepetition (including rejection claim
7 damages that are deemed to have accrued immediately prior to the filing of bankruptcy); and
8 (ii) administrative expense treatment with respect to severance payments earned in their entirety
9 subsequent to the Petition Date. This provision does not obviate the limitations and requirements
10 of section 503(c) concerning severance payments to insiders, or the one year limitation on
11 employee wage claims contained under section 502(b)(7).

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

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

19 13. To pay accrued and unpaid prepetition amounts relating to employee health
20 insurance as follows: (a) approximately \$3,162,816 to Healthnow for claims against the self-
21 insured medical plans; (b) approximately \$48,060 to Cigna and Delta Dental for claims against
22 the self-insured dental plans; (c) approximately \$60,150 to VSP for claims against the self-
23 insured vision plans; and (d) any administration fees and premiums, and to deliver the
24 Employees’ portion of any accrued and unpaid prepetition premiums to the corresponding
25 administrators in connection with the payment of the Wages and Withholding Obligations;

26 14. To maintain the Debtors’ self-insured and fully-insured medical, dental and vision
27 insurance plans, including to continue to pay, in their discretion and in the ordinary course of
28 their business, the administrative fees, medical, dental, and vision claims and premiums for all

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1 health plans incurred postpetition; and to deliver the Employees' portion of any premiums to the
2 corresponding administrators in connection with the payment of the Wages and Withholding
3 Obligations; and to continue making contributions into the Local 39 Stationary Engineers' Health
4 and Welfare Plan;

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

8 16. To pay UNUM (when payable) the amount of approximately \$209,838, including
9 \$34,983 held in trust from Employee contributions for Employee premium-based group life
10 insurance and accidental death and disability ("AD&D") insurance; and Employee supplemental
11 life and AD&D and voluntary programs;

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

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

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

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

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

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

27 23. To continue to honor, in their discretion and in the ordinary course of their
28 business, miscellaneous employee benefit programs that are Employee-funded (e.g., cafeteria

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1 plan, critical care insurance, pet insurance, auto and home insurance), and to distribute to third-
2 parties the payments for these programs in connection with the payment of Wages and
3 Withholding Obligations; and

4 24. To continue to pay, in the ordinary course of their business, Employee-related
5 expenses and obligations that accrue postpetition in the ordinary course of the Debtors' business.
6 For the avoidance of doubt, this includes: postpetition contributions for active Employees into the
7 Local 39 Stationary Engineers' defined benefit pension plan and trust; contributions for active
8 California Nurses Association (CNA) represented Employees accruing new benefits into the
9 Retirement Plan for Hospital Employees and Verity Health System Retirement Plan A in the
10 amounts and on the dates set forth on the schedules attached to Declaration of Carlos De La Para
11 (Exhibit 1 to Dkt. 310); and wages and accruing benefits earned for postpetition work for active
12 Employees, including those represented by UNAC, CNA, Local 39 and SEIU-UHW.

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

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

17 2. With regard to the foregoing obligations, to debit the Debtor's accounts in the
18 ordinary course of business without need for further order of this Court for: (i) all checks, items,
19 and other payment orders drawn on the Debtor's accounts which are cashed at such Bank's
20 counters or exchanged for cashier's checks by the payees thereof prior to the Bank's receipt of
21 notice of filing of the Petition; (ii) all checks, automated clearing house entries, and other items
22 deposited or credited to one of Debtor's accounts with such bank prior to filing of the Petition
23 which have been dishonored, reversed, or returned unpaid for any reason, together with any fees
24 and costs in connection therewith, to the same extent the Debtor was responsible for such items
25 prior to filing of the Petition; and (iii) all undisputed prepetition amounts outstanding as of the
26 date hereof, if any, owed to any Bank as service charges for the maintenance of the Debtors' cash
27 management system;

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