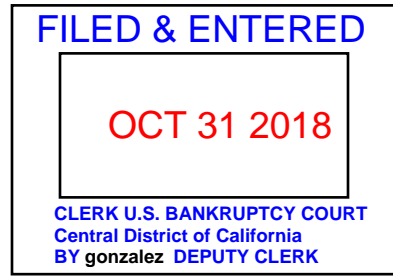


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5 Proposed Attorneys for the Chapter 11 Debtors and
6 Debtors In Possession

7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION** **CHANGES MADE BY COURT**

9 In re
10 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., et al.,
11 Debtors and Debtors In Possession.

Lead Case No. 2:18-20151-ER

Chapter 11

FINAL ORDER GRANTING EMERGENCY MOTION OF DEBTORS FOR AUTHORITY TO: (1) CONTINUE USING EXISTING CASH MANAGEMENT SYSTEM, BANK ACCOUNTS AND BUSINESS FORMS; (2) IMPLEMENT CHANGES TO THE CASH MANAGEMENT SYSTEM IN THE ORDINARY COURSE OF BUSINESS; (3) CONTINUE INTERCOMPANY TRANSACTIONS; (4) PROVIDE ADMINISTRATIVE EXPENSE PRIORITY FOR POSTPETITION INTERCOMPANY CLAIMS; AND (5) OBTAIN RELATED RELIEF

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

Hearing:

Date: October 3, 2018
Time: 10:00 a.m.
Place: Courtroom 1568
U.S. Bankruptcy Court
Los Angeles, CA 90012
Judge: Hon. Ernest M. Robles

Debtors and Debtors In Possession.

The *Emergency Motion of Debtors for Authority to: (1) Continue Using Existing Cash Management System, Bank Accounts and Business Forms; (2) Implement Changes to the Cash Management System in the Ordinary Course of Business; (3) Continue Intercompany*



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1 *Transactions; (4) Provide Administrative Expense Priority for Postpetition Intercompany Claims;*
2 *and (5) Obtain Related Relief (the “Emergency Motion”)*¹ [Docket No. 23] came on for hearing,
3 for entry on a final basis, before the Honorable Ernest M. Robles, United States Bankruptcy
4 Judge, in Courtroom 1568, United States Bankruptcy Court, 255 East Temple Street, Los
5 Angeles, California 90012. The appearances at the hearing are as set forth on the record of the
6 proceeding.

7 Having considered the Emergency Motion, the accompanying Memorandum of Points and
8 Authorities in support of the Emergency Motion, and the Declaration of Richard G. Adcock in
9 support of the Emergency Motion, all responses and objections thereto, including, without
10 limitation, the Objection filed by the Official Committee of Unsecured Creditors appointed in
11 these cases (the “Committee”), the arguments of counsel at the hearings on September 5, 2018
12 and October 3, 2018, and for the reasons set forth in the Court’s tentative ruling [Doc. No. 384],
13 which the Court adopts as its final ruling and which is incorporated herein by reference, and good
14 cause appearing therefore,

15 IT IS HEREBY ORDERED that notice of the Emergency Motion, as to both the
16 September 5, 2018 and October 3, 2018 hearings, was appropriate under the circumstances and in
17 compliance with the Bankruptcy Code, Bankruptcy Rules, and Local Bankruptcy Rules.

18 IT IS FURTHER ORDERED that the Emergency Motion is granted on a final basis as set
19 forth herein and as set forth in the Court’s record and tentative ruling [**Doc. No. 384**].

20 IT IS FURTHER ORDERED that:

21 1. The Debtors are authorized and empowered pursuant to sections 105(a), 363, 364,
22 503 and 507 to continue using their integrated cash management system described in the Motion
23 (the “Cash Management System”) and to collect, concentrate, and disburse cash in accordance
24 with the Cash Management System, including intercompany funding among Debtors and Debtor
25 affiliates; provided that such actions are not prohibited or restricted by the terms of any debtor in
26 possession financing (“DIP”) and/or cash collateral orders or agreements (each, a “DIP
27 Document”);

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

1 2. The Debtors are authorized to implement changes to their Cash Management
2 System in the ordinary course of business, including closing any existing bank accounts or
3 opening any new bank accounts (collectively, the “Bank Accounts”) as they may deem necessary
4 and appropriate in their sole discretion; provided that such actions are not prohibited or restricted
5 by the terms of any DIP Document and three (3) business days’ notice in writing of the opening
6 or closing of any Bank Account provided to the Committee; and provided further that any such
7 new account is (i) with a bank that is (A) insured with the Federal Deposit Insurance Corporation
8 or the Federal Savings and Loan Insurance Corporation and (B) designated as an authorized
9 depository pursuant to the UST Guidelines, and (ii) the Debtors provide notice to the U.S. Trustee
10 and the Committee of the opening of such account;

11 3. The Debtors are authorized to, subject to the terms of the DIP Documents, (i)
12 continue to use, with the same account numbers, all of the Bank Accounts in existence as of the
13 Petition Date, including those Accounts identified on **Exhibit “A”** to the Motion; and (ii) treat the
14 Bank Accounts for all purposes as accounts of the Debtors as debtors in possession;

15 4. The Debtors are authorized to continue to use, in their present form, all
16 correspondence and business forms, as well as checks and all other documents related to the Bank
17 Accounts (collectively, the “Business Forms”) existing immediately before the Petition Date,
18 without reference to the Debtors’ status as debtors in possession, until existing stock is exhausted;
19 provided that in the event the Debtors generate new Business Forms during the pendency of these
20 chapter 11 cases, such Business Forms shall include a legend referring to the Debtors as “Debtors
21 in Possession,” and, to the extent practicable, the Debtors shall print such legend on any Business
22 Forms electronically generated during these cases;

23 5. The Debtors are authorized and empowered to continue performing under and
24 honoring intercompany transactions related to the Cash Management System in the ordinary
25 course of business, in their business judgment and in their discretion subject to the terms of the
26 DIP Documents and this Order; provided, however, that subject to paragraph 6 below, the
27 Debtors shall not be authorized to undertake any such intercompany transactions that are (a) not
28 on the same terms as, or materially consistent with, the Debtors’ operation of their business in the

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1 ordinary course during the prepetition period, or (b) prohibited or restricted by the terms of any
2 DIP Document;

3 6. Notwithstanding anything else contained herein, unless three (3) business days'
4 notice in writing is provided to the Committee and its prior consent obtained, the Debtors shall seek a
5 further order of this Court prior to engaging in any transfers involving amounts in excess of \$250,000
6 in the aggregate from a Debtor to any non-Debtor outside Verity Health System; provided, however,
7 that (a) the advisors to the Debtors and the Committee may (but are not required to) agree upon a list
8 of entities and transaction types as to which such transfers are made in the ordinary course of the
9 Debtors' business and which would be exempt from the foregoing requirements; and (b) such
10 requirement shall not apply to any transactions (i) to any Debtor or non-Debtor within Verity Health
11 System,² (ii) otherwise authorized by prior agreement with the secured lenders or (iii) otherwise
12 authorized by any other order of this Court;

13 7. The Debtors shall (a) maintain current records with respect to all postpetition
14 intercompany transfers of cash, and (b) provide reasonable access to such records and procedures
15 to the Committee's advisors;

16 8. The Debtors shall provide the Committee with notice of filing any records
17 regarding intercompany transfers and balances, including: (i) their schedules of assets and
18 liabilities and statements of financial affairs, and any amendments thereto; and (ii) monthly
19 operating reports created pursuant to the United States Trustee guidelines and requests (the
20 "Monthly Operating Reports"), with the understanding that, to the extent not otherwise prevented
21 by circumstances beyond their control, the Debtors will furnish to the Official Committee drafts
22 of the Monthly Operating Reports not less than one (1) business days prior to the filing of such
23 reports

24 9. In accordance with §§ 364(b), 503(b)(1) and 507(a)(2) of the Bankruptcy Code, all
25 intercompany claims arising after the Petition Date based upon transfers made using the Cash
26 Management System shall be accorded administrative expense priority;

27 _____
28 ² The non-Debtors within Verity Health System are Marillac Insurance Company, Ltd., St. Vincent de Paul Ethics Corporation, and De Paul Ventures - San Jose ASC, LLC.

1 10. Nothing in this Final Order shall be deemed or construed as a waiver of the
2 Committee's rights, if any, to challenge the Debtors' allocations of expenses and revenues among
3 the Debtor entities, or the Debtors' rights to contest any such challenges; provided, however, that
4 such challenges shall be limited to the issue of allocation and not priority;

5 11. Except as otherwise provided in this Order, all banks at which the Bank Accounts
6 are maintained (collectively, the "Banks") are authorized and directed to continue to maintain,
7 service and administer the Bank Accounts as accounts of the Debtors as debtors in possession,
8 without interruption and in the ordinary course of business, and to receive, process, honor and pay
9 any and all checks, drafts, wires, and ACH payments issued by the Debtors and drawn on the
10 Bank Accounts after the Petition Date – whether issued before or after the Petition Date – to the
11 extent the Debtors have sufficient funds standing to their credit with such Bank;

12 12. To the extent any Banks have frozen any of the Bank Accounts, the Banks –
13 including Bank of America and Wells Fargo – are authorized and directed to immediately
14 unfreeze the Debtors' Bank Accounts;

15 13. In the event the Banks refuse to honor a check drawn or a transfer made on an
16 Account maintained by it (provided there are sufficient good funds in the account to complete the
17 transfer), the Banks are authorized and directed to immediately turn over the deposits held in the
18 applicable Account upon the Debtors' request;

19 14. The Banks are authorized to charge and the Debtors are authorized to pay and
20 honor, both prepetition and postpetition service and other fees, costs, charges, and expenses to
21 which the Banks may be entitled under the terms of and in accordance with their contractual
22 arrangements with Debtors (collectively, the "Service Charges");

23 15. Each of the Debtors' Banks is authorized to debit the Debtor's accounts in the
24 ordinary course of business without need for further order of this Court for: (i) all checks, items,
25 and other payment orders drawn on the Debtor's accounts which are cashed at such Bank's
26 counters or exchanged for cashier's checks by the payees thereof prior to the Bank's receipt of
27 notice of filing of the Petition; (ii) all checks, automated clearing house entries, and other items
28 deposited or credited to one of Debtor's accounts with such Bank prior to filing of the Petition

1 which have been dishonored, reversed, or returned unpaid for any reason, together with any fees
2 and costs in connection therewith, to the same extent the Debtor was responsible for such items
3 prior to filing of the Petition; and (iii) all undisputed prepetition amounts outstanding as of the
4 date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash
5 Management System;

6 16. For the avoidance of doubt, each Bank is authorized to honor all items presented
7 against the Bank Accounts, whether originated prepetition or postpetition and whether or not
8 authorized by other orders;

9 17. Any of the Debtor's Banks may rely on the representations of the Debtors with
10 respect to whether any check, item, or other payment order drawn or issued by the Debtors prior
11 to filing of the Petition should be honored pursuant to this or any other order of this Court and the
12 DIP Documents, and such Bank shall not have any liability to any party for relying on such
13 representations by the Debtor as provided for herein;

14 18. Those certain existing deposit agreements between the Debtor and each of the
15 Banks shall continue to govern the postpetition cash management relationship between the
16 Debtors and the Banks, and all of the provisions of such agreements, including, without
17 limitation, the termination and fee provisions, shall remain in full force and effect, in accordance
18 with the terms of any DIP Document;

19 19. The Debtors and the Banks may, without further Order of this Court—but
20 only after the Committee and the U.S. Trustee have been provided three (3) business days' notice in
21 writing of, and the opportunity to object to, the proposed changes—agree to and implement changes
22 to the Cash Management System and procedures in the ordinary course of business, including,
23 without limitation, the opening and closing of bank accounts, subject to the terms of any DIP
24 Document;

25 20. The relief, rights, and responsibilities provided for in this Order shall be deemed to
26 apply to any and all Bank Accounts maintained in the Debtors' names, including any new bank
27 accounts, whether or not such Bank Accounts are identified on **Exhibit "A"** to the Motion, and
28

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1 any Banks at which new accounts are opened shall be subject to the rights and obligations of this
2 Order;

3 21. Nothing contained in the Motion or this Interim Order, nor any payment made
4 pursuant to the authority granted by this Interim Order, is intended to be or shall be construed as
5 (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors'
6 or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any
7 claim against the Debtors, (iii) a waiver of any claims or causes of action which may exist against
8 any creditor or interest holder, or (iv) an approval, assumption, adoption, or rejection of any
9 agreement, contract, lease, program, or policy between the Debtors and any third party under
10 section 365 of the Bankruptcy Code;

11 22. Nothing herein shall create, nor is intended to create, any rights in favor of or
12 enhance the status of any claim held by any party;

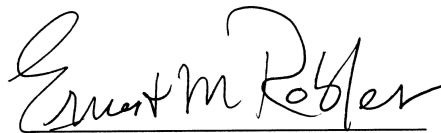
13 23. Notwithstanding anything to the contrary contained herein, any payment made or
14 to be made under this Order, and any authorization contained in this Order, shall be in compliance
15 with and subject to the terms and conditions of any DIP Documents;

16 24. The Debtors are authorized to take all action necessary to effectuate the relief
17 granted in this Order; and

18 25. The Court shall retain jurisdiction to hear and determine all matters arising from or
19 related to the implementation, interpretation, and/or enforcement of this Interim Order.

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22
23
24 Date: October 31, 2018



Ernest M. Robles
United States Bankruptcy Judge