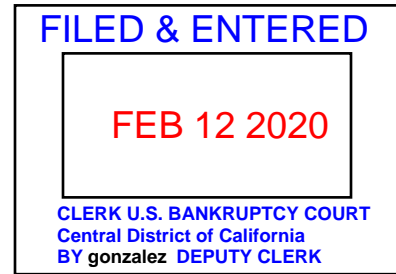


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7 Debtors In Possession



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

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

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

Jointly Administered With:  
Case No. 2:18-bk-20162-ER  
Case No. 2:18-bk-20163-ER  
Case No. 2:18-bk-20164-ER  
Case No. 2:18-bk-20165-ER  
Case No. 2:18-bk-20167-ER  
Case No. 2:18-bk-20168-ER  
Case No. 2:18-bk-20169-ER  
Case No. 2:18-bk-20171-ER  
Case No. 2:18-bk-20172-ER  
Case No. 2:18-bk-20173-ER  
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

- 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

Hon. Ernest M. Robles

**ORDER GRANTING DEBTORS' MOTION FOR ENTRY OF AN ORDER PURSUANT TO SECTION 1121 OF THE BANKRUPTCY CODE EXTENDING THE EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES**

**[RELATES TO DOCKET NOS. 3887; 3925]**

Hearing Date and Time:

Date: February 4, 2020

Time: 10:00 a.m.

Location: Courtroom 1568, 255 E. Temple St., Los Angeles, CA

Debtors and Debtors In Possession.

DENTONS US LLP  
601 SOUTH FIGUEROA STREET, SUITE 2500  
LOS ANGELES, CALIFORNIA 90017-5704  
(213) 623-9300



182015120021200000000003

1 The Court, having read and considered the Debtors' *Motion for Entry of an Order*  
2 *Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a*  
3 *Chapter 11 Plan and Solicit Acceptances* [Docket No. 3887] (the "Motion") and the papers in  
4 support thereof, the *Official Committee of Unsecured Creditors' Reservation of Rights Regarding*  
5 *the Debtors' Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code*  
6 *Extending the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances* [Doc. No.  
7 3925] filed by the Official Committee of Unsecured Creditors (the "Committee"), and no other  
8 objection or response having been filed; it further appearing that proper notice of the Motion had  
9 been provided; and for the reasons set forth in the Court's tentative ruling on the Motion (the  
10 "Ruling") attached hereto as Exhibit "A," which the Court adopts as its final ruling and which is  
11 incorporated herein by reference; and good and sufficient cause having been shown,

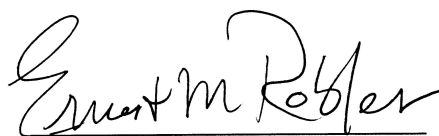
12 IT IS HEREBY ORDERED:

- 13 1. The Motion is GRANTED.
- 14 2. The exclusivity period under 11 U.S.C. § 1121 for the Debtors is extended through  
15 and including March 2, 2020 (for filing a plan) and April 30, 2020 (for obtaining acceptances),  
16 without prejudice to the Committee's ability to move to terminate exclusivity for cause at any  
17 time, pursuant to 11 U.S.C. § 1121(d)(1).

18 **IT IS SO ORDERED.**

19  
20 ###

21  
22  
23  
24 Date: February 12, 2020

  
Ernest M. Robles  
United States Bankruptcy Judge

**Exhibit A**

**Tentative Ruling**

**United States Bankruptcy Court  
Central District of California  
Los Angeles  
Judge Ernest Robles, Presiding  
Courtroom 1568 Calendar**

**Tuesday, February 4, 2020**

**Hearing Room 1568**

10:00 AM

**2:18-20151 Verity Health System of California, Inc.**

**Chapter 11**

**#6.00** HearingRE: [3887] Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement Memorandum of Points and Authorities; Declaration of Richard G. Adcock

Docket 3887

**Tentative Ruling:**

2/3/2020

For the reasons set forth below, the Motion is GRANTED, without prejudice to the Committee's ability to move to terminate exclusivity for cause at any time, pursuant to § 1121(d)(1).

**Pleadings Filed and Reviewed:**

- 1) Debtors' Notice of Motion and Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances [Doc. No. 3887] (the "Motion")
  - a) Declaration of Service by Kurtzman Carson Consultants, LLC Regarding Docket Numbers 3887 and 3896 [Doc. No. 3921]
- 2) Official Committee of Unsecured Creditors' Response to Debtors' Motion for Entry of an Order Pursuant to Section 1121 of the Bankruptcy Code Extending the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances [Doc. No. 3925]

**I. Facts and Summary of Pleadings**

On August 31, 2018, Verity Health System of California ("VHS") and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On August 31, 2018, the Court entered an order granting the Debtors' motion for joint administration of the Debtors' Chapter 11 cases. Doc. No. 17.

On December 6, 2019, the Court entered an order extending the exclusive period for the Debtors to file a plan to December 31, 2019 and to solicit acceptances to February 29, 2019. Doc. No. 3769.

The Debtors move to further extend the exclusivity period to March 2, 2020 (filing

**United States Bankruptcy Court  
Central District of California  
Los Angeles  
Judge Ernest Robles, Presiding  
Courtroom 1568 Calendar**

**Tuesday, February 4, 2020**

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10:00 AM

**CONT... Verity Health System of California, Inc.**

**Chapter 11**

a plan) and April 30, 2020 (obtaining acceptances).

The Official Committee of Unsecured Creditors (the "Committee") does not object to the Motion, but reserves its right to seek termination of exclusivity pursuant to § 1121(d)(1) at any time.

No opposition to the Motion is on file.

## **II. Findings and Conclusions**

Section 1121(b) gives the Debtor the exclusive right to file a plan during the first 120 days after the date of the order for relief. Section 1121(d) permits the Court to reduce or increase the exclusivity period "for cause." Section 1121 provides the bankruptcy court "maximum flexibility to suit various types of reorganization proceedings." *In re Public Service Company of New Hampshire*, 88 B.R. 521, 534 (Bankr. D.N.H. 1988). A "transcendent consideration is whether adjustment of exclusivity will facilitate moving the case forward toward a fair and equitable resolution." *Official Comm. of Unsecured Creditors v. Henry Mayo Newhall Mem'l Hosp. (In re Henry Mayo Newhall Mem'l Hosp.)*, 282 B.R. 444, 453 (B.A.P. 9th Cir. 2002). In determining whether cause exists to extend the exclusivity period, courts consider a variety of factors, including:

- 1) the size and complexity of the case;
- 2) the necessity of sufficient time to permit the debtor to negotiate a plan of reorganization and prepare adequate information;
- 3) the existence of good faith progress toward reorganization;
- 4) the fact that the debtor is paying its bills as they become due;
- 5) whether the debtor has demonstrated reasonable prospects for filing a viable plan;
- 6) whether the debtor has made progress in negotiations with its creditors;
- 7) the amount of time which has elapsed in the case;
- 8) whether the debtor is seeking an extension of exclusivity in order to pressure creditors to submit to the debtor's reorganization demands; and
- 9) whether an unresolved contingency exists.

*In re Dow Corning Corp.*, 208 B.R. 661, 664–65 (Bankr. E.D. Mich. 1997).

The Court finds that cause exists to further extend the exclusivity period to March 2, 2020 (filing a plan) and April 30, 2020 (obtaining acceptances), as requested by the Debtors. This extension is without prejudice to the Committee's ability to seek to

**United States Bankruptcy Court  
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Los Angeles  
Judge Ernest Robles, Presiding  
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10:00 AM

**CONT... Verity Health System of California, Inc.**

**Chapter 11**

terminate exclusivity for cause at any time, pursuant to § 1121(d)(1).

An extension of exclusivity is warranted for multiple reasons. First, these are complex cases. In addition to bankruptcy law, the Debtors' sale of their hospitals implicates issues of healthcare regulatory law, labor law, and mergers and acquisitions law. Second, the Debtors have made significant progress in these cases. The Debtors' sale of O'Connor Hospital ("O'Connor") and Saint Louise Regional Hospital ("Saint Louise") to the County of Santa Clara closed on February 28, 2019. The Debtors made a diligent effort to close the Court-approved sale of their remaining hospitals to Strategic Global Management (the "SGM Sale"). After the SGM Sale did not close, the Debtors began marketing the remaining hospitals to alternative buyers.

Third, the Debtors require additional time to sell their remaining hospitals. The sale of the remaining hospitals is a prerequisite to confirming a Plan of Liquidation.

Fourth, the Debtors are paying their ordinary course administrative expense as they come due. As a result, creditors are not prejudiced by the requested extension.

Fifth, the Debtors have filed a Plan. Although objections to the Plan remain outstanding, the Debtors are working with stakeholders to resolve issues through an amended Plan.

Sixth, the cases have not been pending for an unreasonable amount of time in view of their complexity. The cases have been pending for approximately seven months.

Seventh, the Debtors did not seek the extension to pressure creditors, as evidenced by the fact that the Debtors continue to negotiate with the Committee to attempt to resolve the Committee's objections to the Plan.

Eighth, various unresolved contingencies exist, the most significant of which is the need to pursue alternative transactions for the sale of the remaining hospitals.

In sum, consideration of the *Dow Corning* factors supports the extension of exclusivity requested by the Debtors. The Motion is GRANTED, without prejudice to the Committee's ability to move to terminate exclusivity for cause at any time, pursuant to § 1121(d)(1).

The Debtors shall submit an order incorporating this tentative ruling by reference within seven days of the hearing.

No appearance is required if submitting on the court's tentative ruling. If you intend to submit on the tentative ruling, please contact Carlos Nevarez or Daniel Koontz, the Judge's Law Clerks, at 213-894-1522. **If you intend to contest the tentative ruling and appear, please first contact opposing counsel to inform them**

**United States Bankruptcy Court  
Central District of California  
Los Angeles  
Judge Ernest Robles, Presiding  
Courtroom 1568 Calendar**

**Tuesday, February 4, 2020**

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10:00 AM

**CONT... Verity Health System of California, Inc. Chapter 11**

**of your intention to do so.** Should an opposing party file a late opposition or appear at the hearing, the court will determine whether further hearing is required. If you wish to make a telephonic appearance, contact Court Call at 888-882-6878, no later than one hour before the hearing.

**Party Information**

**Debtor(s):**

Verity Health System of California,

Represented By

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John A Moe II

Tania M Moyron

Claude D Montgomery

Sam J Alberts

Shirley Cho

Patrick Maxcy

Steven J Kahn

Nicholas A Koffroth

Rosa A Shirley