

1 Jason D. Strabo (SBN 246426)  
2 **MCDERMOTT WILL & EMERY LLP**  
3 2049 Century Park East, Suite 3200  
4 Los Angeles, California 90067-3218  
5 Telephone: (310) 788-4125  
6 Facsimile: (310) 277-4730  
7 Email: jstrabo@mwe.com

8 James W. Kapp, III (admitted *pro hac vice*)  
9 **MCDERMOTT WILL & EMERY LLP**  
10 444 West Lake Street, Suite 4000  
11 Chicago, IL 60606-0029  
12 Telephone: (312) 372-2000  
13 Facsimile: (312) 984-7700  
14 E-mail: jkapp@mwe.com

15 *Attorneys for Prime Healthcare Services, Inc.*

16 **UNITED STATES BANKRUPTCY COURT**  
17 **FOR THE CENTRAL DISTRICT OF CALIFORNIA -**  
18 **LOS ANGELES DIVISION**

19 In re  
20 VERITY HEALTH SYSTEM OF CALIFORNIA,  
21 INC., *et al.*,

22 Debtors and Debtors In Possession.

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

29 Debtors and Debtors In Possession.

Lead Bankruptcy 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

Chapter 11 Cases

Hon. Judge Ernest M. Robles

**STIPULATION RESOLVING PRIME  
HEALTHCARE SERVICES, INC.'S MOTION TO  
ENFORCE PROVISIONS OF THE ASSET  
PURCHASE AGREEMENT PERTAINING TO  
ACCOUNTS RECEIVABLE ADJUSTMENT**

**[RELATES TO DOCKET NOS. 6645, 6662, 6669,  
6674, 6675, 6676, 6682, 6684, 6690, 6691, 6700]**

Current Hearing:

Date: December 8, 2021

Time: 10:00 a.m.

Los Angeles, CA 90012



1 **STIPULATION**

2 Verity Health System of California, Inc., Saint Francis Medical Center and certain affiliated  
3 debtors (collectively, prior to the effective date of the Joint Plan (defined below), the “Debtors”  
4 and after the effective date, the “Post-Effective Date Debtors”) and the Liquidating Trustee (the  
5 “Liquidating Trustee”) of the VHS Liquidating Trust (the “Trust”), established pursuant to the  
6 *Modified Second Amended Joint Chapter 11 Plan of Liquidation (Dated July 2, 2020) of the*  
7 *Debtors, the Prepetition Secured Creditors, and the Official Committee of Unsecured Creditors*  
8 [Docket No. 5466] (the “Joint Plan”) confirmed by the order [Docket No. 5504] entered August 14,  
9 2020, and that certain Liquidating Trust Agreement, dated as of September 5, 2020 [Docket No.  
10 6043], in the above-captioned chapter 11 bankruptcy cases (the “Cases”), on the one hand, and  
11 Prime Healthcare Services, Inc. (“Prime” and, together with the Post-Effective Date Debtors and  
12 the Liquidating Trustee, the “Parties”), on the other hand, hereby stipulate as follows (the  
13 “Stipulation”):

14 **RECITALS**

15 A. On September 2, 2021, Prime filed *Prime Healthcare Services, Inc.’s Motion to*  
16 *Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable*  
17 *Adjustment* [Docket No. 6645] (the “Motion”).<sup>1</sup> The Motion was set for hearing on October 5,  
18 2021, at 11:00 a.m. (Pacific Time) [Docket No. 6646] (the “Original Hearing Date”).

19 B. On September 21, 2021, the Post-Effective Date Debtors and the Liquidating  
20 Trustee filed the *Post-Effective Date Debtors and Liquidating Trustee’s Memorandum in*  
21 *Opposition to Prime Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset*  
22 *Purchase Agreement Pertaining to Accounts Receivable Adjustment* [Docket No. 6662] (the  
23 “Opposition”).

24 C. On September 24, 2021, the Court rescheduled the Original Hearing Date to October  
25 6, 2021, at 10:00 a.m. (Pacific Time) [Docket No. 6665] (the “Rescheduled Hearing Date”).

26 D. On September 28, 2021, Prime filed *Prime Healthcare Services, Inc.’s Reply to*

27 \_\_\_\_\_  
28 <sup>1</sup>Capitalized terms used, but not defined, herein shall have the meanings ascribed to such terms in  
the Motion.

1 *Post-Effective Date Debtors and Liquidating Trustee’s Memorandum in Opposition to Prime*  
2 *Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement*  
3 *Pertaining to Accounts Receivable Adjustment* [Docket No. 6669] (the “Reply”) and *Prime*  
4 *Healthcare Services, Inc.’s Evidentiary Objections* [Docket No. 6669-10] (“Prime’s Evidentiary  
5 Objections”).

6 E. On October 4, 2021, the Post-Effective Date Debtors and the Liquidating Trustee  
7 filed the *Post-Effective Date Debtors and Liquidating Trustee’s Evidentiary Objection and Motion*  
8 *to Strike New Evidence Presented in Reply; Alternatively Request for Sur-Reply; and Response to*  
9 *Prime’s Evidentiary Objections* [Docket No. 6674] (the “Motion to Strike”).

10 F. On October 4, 2021, the Post-Effective Date Debtors and the Liquidating Trustee  
11 filed the *Stipulation Consenting to Sur-Reply, Withdrawing Motion to Strike, and Continuing*  
12 *Hearing on Prime Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase*  
13 *Agreement Pertaining to Accounts Receivable Adjustment* [Docket No. 6675]. The Court entered  
14 an order approving the stipulation later that same day [Docket No. 6676].

15 G. On October 13, 2021, the Post-Effective Date Debtors and the Liquidating Trustee  
16 filed the *Post-Effective Date Debtors and Liquidating Trustee’s Sur-Reply in Opposition to Prime*  
17 *Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement*  
18 *Pertaining to Accounts Receivable Adjustment* [Docket No. 6682] (the “Sur-Reply”).

19 H. On October 15, 2021, Prime filed *Prime Healthcare Services, Inc.’s Evidentiary*  
20 *Objection to Supplemental Declaration of Peter Chadwick, and Motion to Strike and Evidentiary*  
21 *Objections to Declaration of Regina Hernandez* [Docket No. 6684].

22 I. On October 19, 2021, the Court held a hearing on the Motion.

23 J. On October 21, 2021, the Court entered its *Memorandum of Decision Granting in*  
24 *Part Prime Healthcare Services, Inc.’s Motion to Enforce Asset Purchase Agreement* [Docket No.  
25 6690] (the “Memorandum Decision”) and the *Interlocutory Order Granting in Part Prime*  
26 *Healthcare Services, Inc.’s Motion to Enforce Asset Purchase Agreement* [Docket No. 6691] (the  
27 “Interlocutory Order”). In the Memorandum Decision, the Court ruled that “trauma payments of  
28 approximately \$11.9 million collected by Prime do not qualify as Accounts Receivable” and that

1 the “trauma payments are not properly considered for purposes of tabulating Final A/R Collected.”  
2 Memorandum Decision at 2, 10. The Court also ruled that Prime was authorized to retain  
3 \$23,157,581 in QAF VI Seller Net Payments, and that the Liquidating Trustee and Prime were to  
4 complete one day of mediation with respect to the dispute concerning Prime’s alleged failure to  
5 collect \$5,105,731 in Accounts Receivable (the “A/R Dispute”), and a continued hearing on the  
6 Motion was scheduled for December 8, 2021 (the “Continued Hearing Date”). *Id.* at 10-11;  
7 Interlocutory Order at ¶¶ 1-2; 4.

8 K. On November 3, 2021, the Post-Effective Date Debtors and the Liquidating Trustee  
9 filed the *Notice of Appeal and Statement of Election* [Docket No. 6700] (the “Notice of Appeal”)  
10 and appealed the Interlocutory Order and commencing the appeal styled *Verity Health System of*  
11 *California, Inc. v. Prime Healthcare Services, Inc.*, BAP No. CC-21-1245 before the United States  
12 Bankruptcy Appellate Panel for the Ninth Circuit (the “Appeal”).

13 L. Pursuant to the Interlocutory Order, the Parties engaged in a day of mediation with  
14 Hon. Randall J. Newsome on November 17, 2021.

### 15 AGREEMENT

16 NOW, THEREFORE, the Parties to this Stipulation hereby agree and stipulate as follows:

17 1. Upon entry of an order approving this Stipulation, the A/R Dispute and the issues  
18 set forth in the Motion shall be resolved as set forth herein.

19 2. The Post-Effective Date Debtors and the Liquidating Trustee shall withdraw the  
20 Appeal upon entry of an order approving this Stipulation.

21 3. The Parties shall waive any rights to attorneys’ fees as the prevailing party under  
22 section 12.12 of the APA in connection with the Motion upon entry of an order approving this  
23 Stipulation.

24 4. Prime’s claim for \$28,263,312 under the Accounts Receivable Reconciliation  
25 process set forth in the APA shall be reduced by \$150,000 such that Prime shall be entitled to offset  
26 \$28,113,312 in QAF VI Seller Net Payments upon entry of an order approving this Stipulation.  
27 Accordingly, within ten days after entry of an order approving this Stipulation, Prime shall remit  
28 \$150,000 in QAF VI Seller Net Payments to the Trust and thereafter shall remit QAF VI Seller Net

1 Payments in excess of \$28,113,312 to the Trust in accordance with the APA.

2 5. The Hearing on the Motion, Opposition, Reply, Prime's Evidentiary Objection,  
3 Evidentiary Response, and Sur-Reply set for the Continued Hearing Date shall be vacated.

4 6. The Parties fully, finally, unconditionally, irrevocably and completely release and  
5 forever discharge each other and each of their predecessors, successors, assigns, affiliates,  
6 subsidiaries, parents, partners, constituents, officers, directors, employees, attorneys and agents  
7 (past, present or future) and each of their respective heirs, successors, and assigns, of and from any  
8 and all claims, causes of action, litigation claims, and any other debts, obligations, rights, suits,  
9 damages, actions, remedies, judgments and liabilities whatsoever, whether known or unknown,  
10 foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured,  
11 existing, in law or at equity, whether for tort, contract or otherwise, based in whole or in part upon  
12 any act or omission, transaction, event or other occurrence or circumstance related to the Motion  
13 and sections 1.1(a)(i) and 1.12 of the APA. For the avoidance of doubt, this paragraph shall  
14 constitute a mutual release of all claims under sections 1.1(a)(i) and 1.12 of the APA.

15 7. With regard to the mutual release in paragraph 6 above, the Parties expressly  
16 waive all rights under Section 1542 of the California Civil Code as well as under any other  
17 statutes or common law principles of similar effect. For information, Section 1542 of the  
18 California Civil Code reads as follows:

19 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS  
20 THAT THE CREDITOR OR RELEASING PARTY DOES NOT  
21 KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT  
22 THE TIME OF EXECUTING THE RELEASE AND THAT, IF  
23 KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY  
24 AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR  
25 OR RELEASED PARTY.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Dated: November 29, 2021

**POST-EFFECTIVE DATE DEBTORS**

By: \_\_\_\_\_  
Howard Grobstein  
Liquidating Trustee for the Liquidating  
Trust

Dated: November 29, 2021

**LIQUIDATING TRUSTEE**

By: \_\_\_\_\_  
Howard Grobstein  
Liquidating Trustee for the Liquidating  
Trust

Dated: November 29, 2021

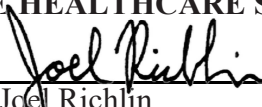
**DENTONS US LLP**  
SAMUEL R. MAIZEL  
TANIA M. MOYRON  
ROGER K. HEIDENREICH  
STEPHEN J. O'BRIEN

By: /s/ Tania M. Moyron  
Tania M. Moyron

Attorneys for the Post-Effective Date Debtors  
& Special Counsel to the Liquidating Trustee,  
Howard Grobstein

Dated: November 29, 2021

**PRIME HEALTHCARE SERVICES, INC.**

By:   
A. Joel Richlin  
Vice President and General Counsel

Dated: November 29, 2021

**MCDERMOTT WILL & EMERY LLP**  
JASON D. STRABO  
JAMES W. KAPP, III


By: /s/ James W. Kapp, III  
James W. Kapp, III

Attorneys for Prime Healthcare Services, Inc.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

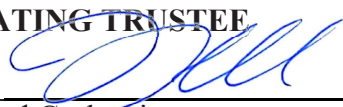
Dated: November 29, 2021

**POST-EFFECTIVE DATE DEBTORS**

By:   
Howard Grobstein  
Liquidating Trustee for the Liquidating  
Trust

Dated: November 29, 2021

**LIQUIDATING TRUSTEE**

By:   
Howard Grobstein  
Liquidating Trustee for the Liquidating  
Trust

Dated: November 29, 2021

**DENTONS US LLP**  
SAMUEL R. MAIZEL  
TANIA M. MOYRON  
ROGER K. HEIDENREICH  
STEPHEN J. O'BRIEN

By: \_\_\_\_\_  
Tania M. Moyron

Attorneys for the Post-Effective Date Debtors  
& Special Counsel to the Liquidating Trustee,  
Howard Grobstein

Dated: November 29, 2021

**PRIME HEALTHCARE SERVICES, INC.**

By: \_\_\_\_\_  
A. Joel Richlin  
Vice President and General Counsel

Dated: November 29, 2021

**MCDERMOTT WILL & EMERY LLP**  
JASON D. STRABO  
JAMES W. KAPP, III

By: \_\_\_\_\_  
James W. Kapp, III

Attorneys for Prime Healthcare Services, Inc.