



Verity Health System Enters into Asset Purchase Agreement with Santa Clara County

- *Santa Clara County has entered into an agreement to acquire O'Connor Hospital in San Jose, Calif., and Saint Louise Regional Hospital in Gilroy, Calif., for \$235 million*
- *Verity Health continues to actively seek potential buyers for its other hospitals*
- *All Verity Health hospitals continue to provide high-quality care to patients throughout the Chapter 11 process*

LOS ANGELES—October 2, 2018 --Verity Health System of California, Inc. ("Verity Health"), a nonprofit healthcare system, today filed a motion in the U.S. Bankruptcy Court in Los Angeles seeking bankruptcy court approval of a procedure to obtain bids leading to a potential auction of its hospitals in Santa Clara County. The process is being led by an asset purchase agreement with the County of Santa Clara ("the County") where the County's offer serves as an initial "stalking horse bid" to acquire O'Connor Hospital in San Jose, Calif. and Saint Louise Regional Hospital in Gilroy, Calif., including the De Paul Health Center in Morgan Hill, Calif., under Section 363 of the U.S. Bankruptcy Code. Verity Health has requested court approval of an orderly auction process where other potential buyers can submit qualified competing bids against the Stalking Horse Bid. The winning bid, as selected by the Verity Health Board of Directors, in consultation with its professional legal and financial advisors, is subject to the approval of the Bankruptcy Court, and, depending on the buyer, the California Attorney General. The timeline requested by Verity Health would result in an auction in December 2018.

"O'Connor and Saint Louise are two critically important institutions in the communities they serve, and the County has shown great leadership to ensure both can continue their mission of providing high-quality care to patients well into the future," said Rich Adcock, CEO of Verity Health. "As we advance this sale process through the court, we are continuing to work with other potential buyers for Verity's remaining assets, so they can be relieved from the financial burdens that impede their service to the community, and they can continue serving patients in their respective communities."

Details of the asset purchase agreement

Pursuant to the terms of the agreement, the County has agreed to acquire substantially all assets at both hospitals for a purchase price of \$235 million, although that price is potentially subject to certain price adjustments at closing.

In the agreement, the County has committed to operating both hospitals with a focus on quality, safety and patient satisfaction, including maintaining participation with public and private payors. In addition, the County commits to instituting its' charity care policies, which are broad in scope, along with continuing to provide care through community-based health programs.

Additional information

To facilitate an orderly and efficient sale process for all of its six hospitals and related assets, Verity Health filed for Chapter 11 protection on August 31, 2018. For more information on the historical challenges that led to this filing, please refer to Verity Health's press release, which can be viewed via this link: <https://verity.org/blog/2018/08/31/verity-health-system-files-for-protection-under-chapter-11/>. Verity Health also secured debtor-in-possession financing of up to \$185 million. This additional liquidity enables continued operations without interruption to high-quality patient care, employees and vendors throughout the Chapter 11 process.

The asset purchase agreement and all relevant court documents can be accessed using the following weblink: <http://www.kccllc.net/verityhealth>. For questions from patients, suppliers and other parties, please call Verity Health's helpline at **1-888-249-2741**.

Verity Health is advised in this matter by Dentons US LLP, Berkeley Research Group and Cain Brothers.

Verity Health System

Verity Health is a nonprofit healthcare system. Its hospitals include 1,650 inpatient beds, six active emergency rooms, a trauma center and a host of medical specialties including tertiary and quaternary care. Verity's two Southern California hospitals are St. Francis Medical Center in Lynwood and St. Vincent Medical Center in Los Angeles. In Northern California, O'Connor Hospital in San Jose, St. Louise Regional Hospital in Gilroy, Seton Medical Center in Daly City and Seton Coastside in Moss Beach are part of Verity Health.

Verity Health also includes Verity Medical Foundation. With more than 100 primary care and specialty physicians, VMF offers medical, surgical and related healthcare services for people of all ages at community-based, multi-specialty clinics conveniently located in areas served by the Verity hospitals.

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