

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

SC HEALTHCARE HOLDING, LLC, *et al.*,

Debtors.¹

Chapter 11

Case No. 24-10443 (TMH)

(Jointly Administered)

Re: Docket No. 521

Objection Deadline: June 20, 2024

Hearing Date: June 27, 2024, at 10:00 a.m.

**RESERVATION OF RIGHTS IN RESPONSE TO MOTION
OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
FOR DISCOVERY AND EXAMINATION OF THE PETERSEN
NON-DEBTOR ENTITIES PURSUANT TO BANKRUPTCY RULE 2004**

Mark B. Petersen and certain non-debtor entities directly or indirectly owned by Mr. Petersen (collectively, the “**Petersen Entities**”),² by their undersigned counsel, hereby respond as follows to the *Motion of the Official Committee of Unsecured Creditors for Discovery and Examination of the Petersen Non-Debtor Entities Pursuant to Bankruptcy Rule 2004* [Docket No. 521] (the “**2004 Motion**”):

PRELIMINARY STATEMENT

1. By the 2004 Motion the Committee seeks authority (i) to serve the 21 document production requests attached to the 2004 Motion (the “**Document Requests**”), presumably on each of the Petersen Entities, and (ii) thereafter to seek deposition testimony. The Committee seeks

¹ The last four digits of SC Healthcare Holding, LLC’s tax identification number are 2584. The mailing address for SC Healthcare Holding, LLC is c/o Petersen Health Care Management, LLC 830 West Trailcreek Dr., Peoria, IL 61614. Due to the large number of debtors in these Cases, whose Cases are being jointly administered, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information is available on a website of the Debtors’ claims and noticing agent at www.kcellc.net/Petersen.

² Such entities include: Candle Hospitality, LLC, Charleston - PHC, Inc., Charleston HCC, LLC, Charter Bus Company, LLC, Cumberland - PHC, Inc., Cumberland HCC, LLC, Neeley, LLC, Neeley Incorporated Cell, Ozark HCC, LLC, Petersen Companies, LLC, Petersen Health Junction, LLC, Petersen Health Operations, LLC, Petersen Hospitality, LLC, Petersen Hotels, LLC, Petersen MT2, LLC, Plaza West Development, LLC, and Twenty Four Corp, LLC.



such discovery with respect to claims and allegations asserted in the 2004 Motion which the Committee suggests as the predicate basis for the discovery sought. Although many, if not all, of the Document Requests are defective in meaningful and substantive manners, including through some combination of their being premature, lacking relevance, and being overbroad and otherwise burdensome, the Petersen Entities, subject to their reservations of rights described below, do not object to the only relief actually sought by the Committee at this time by the 2004 Motion: authority to serve the Document Requests on the Petersen Entities in order to initiate the discovery process.

FACTUAL BACKGROUND

2. As suggested in the 2004 Motion, the Petersen Entities have been engaging with the Committee in good faith with respect to discovery sought by the Committee by the 2004 Motion, both before and after the filing of the motion.

3. On May 28, 2024, in response to the Committee's demand for discovery, the Petersen Entities' counsel by teleconference with Committee counsel advised of the Petersen Entities' view that the discovery was premature and should be put off for a reasonable period of time because, inter alia, (i) Debtors were still in the process of engaging accounting professionals to accurately record all "inflows" and "outflows" among Debtors and certain non-debtor entities which likely would provide, in an efficient and cost-effective manner, information sought by the Committee with respect to inter-company transfers, and (ii) Debtors' sale process would be concluded within several weeks which also could provide further clarity to issues potentially relevant to the Committee's inquiries.

4. On June 11, 2024, the Committee responded in the negative to the Petersen Entities' suggestions regarding timing.

5. On June 11, 2024, the Committee provided a draft of the Document Requests to counsel for the Petersen Entities.

6. On June 13, 2024, the parties engaged in a “meet and confer” by zoom video conference, during which the Petersen Entities requested the Committee to prioritize the Document Requests to accommodate a rolling production starting with the documents the Committee believed were most important to its inquiry.

7. Later, on June 13, 2024, the Committee filed the 2004 Motion.

8. On June 17, 2024, the Committee responded to the Petersen Entities’ request for prioritization of the Document Requests.

9. By the foregoing, the Petersen Entities have demonstrated their willingness to work in good faith with the Committee with respect to discovery in this matter; and they intend to continue to do so subject to their reservations of right as set forth herein.

RESERVATION OF RIGHTS

10. As noted above, the Petersen Entities do not, subject to reservation of all available rights and remedies available to them in the discovery process under all applicable discovery and procedural rules, customs and practices, object to the Court granting the Committee authority to serve the Document Requests. However, notwithstanding such service, and the Court authorizing the Committee to do so pursuant to the 2004 Motion, the Petersen Entities fully reserve their rights with respect to the Committee’s discovery program including, without limitation, to object to any of the Document Requests and to seek protective orders with respect to the use by the Committee of documents produced in response to the Document Requests (as Petersen submits the Document Requests clearly seek information of a confidential or commercially sensitive nature).

11. In addition, because the identity of persons or entities the Committee may seek to depose after documents are produced as well as timing, location, and subject matter issues that will

come into sharper focus later, including after documents are produced, are unclear at this time, the Petersen Entities fully reserve their rights to object to, and to seek protective orders in connection with, depositions that the Committee may seek to take in the future.

12. In short, the Petersen Entities submit that not objecting to the Committee's service of the Document Requests is not intended as and should not be deemed as a waiver of their right to object in the normal course to discovery sought by the Committee; and, further, that the Court granting authority to the Committee at this time, if it is inclined to do so, simply to serve the Discovery Requests should not be interpreted as a ruling on any of the Petersen Entities' rights and remedies in the discovery process to come.

WHEREFORE, for the reasons set forth herein, the Petersen Entities do not object to the Court granting authority for the Committee to serve the Discovery Requests but otherwise fully reserves its rights as set forth herein. The Petersen Entities further request such other and further relief as is just and proper and to which they may be entitled.

Dated: June 20, 2024

SAUL EWING LLP

/s/ John D. Demmy

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on June 20, 2024, I did cause the foregoing *Reservation of Rights in Response to Motion of the Official Committee of Unsecured Creditors for Discovery and Examination of the Petersen Non-Debtor Entities Pursuant to Bankruptcy Rule 2004* to be filed using the Court's CM/ECF system, which will automatically send email notification to all parties and counsel of record, and served via electronic mail on the parties on the attached service list.

/s/ John D. Demmy

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Dated: June 20, 2024

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