

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE:)	Chapter 11
)	
SOUTHCROSS ENERGY PARTNERS,)	Case No. 19-10702 (MFW)
L.P., <i>et al.</i> ,)	
)	(Jointly Administered)
Debtors.)	
)	Hearing: September 18, 2019 at 10:30 a.m.
)	Objection Deadline: August 29, 2019
)	Re: Docket No. 225, 238, 324, 327, 366, 429

OBJECTION OF CIGNA ENTITIES TO SUPPLEMENTAL NOTICE OF POTENTIAL ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS OR UNEXPIRED LEASES AND CURE AMOUNT

Cigna Health and Life Insurance Company (“CHLIC”) and Life Insurance Company of North America (“LINA,” and jointly with CHLIC, “Cigna”), by and through their undersigned counsel, hereby object to the *Supplemental Notice of Potential Assumption and Assignment of Executory Contracts or Unexpired Leases and Cure Amount* [D.I. 429] (“Supplemental Cure Notice”). In support of this Objection, Cigna states as follows:

BACKGROUND

1. CHLIC and the above-captioned Debtors (“Debtors”) are parties to Group Insurance Policy, including all amendments, riders and letter agreements thereto, effective as of January 1, 2017, Policy No. 8340257 (“Cigna Policy”). Under the Cigna Policy, CHLIC provides medical and dental insurance coverage to Debtors’ employees under the Debtors’ employee benefits plan (“Plan”), and Debtors fund employee healthcare claim payments through a segregated Plan bank account (“Plan Bank Account”).

2. CHLIC and the Debtors are also parties to a MotivateMe Service Agreement, effective as of January 1, 2017 (“Service Agreement”) pursuant to which CHLIC administers Debtors’ “Healthy Pregnancy, Healthy Babies” program under the Plan.



3. LINA and the Debtors are parties to the following four group insurance policies, as amended (collectively with the Cigna Policy and the Service Agreement, the “Employee Benefits Agreements”), pursuant to which LINA provides life, disability and accident insurance to Debtors’ employees under the Plan:

- Accidental Death and Dismemberment Policy, effective 1/1/12, Policy No. SOK 601728
- Life Insurance Policy, effective 1/1/12. Policy No. SGM-602789
- Short Term Disability Policy, effective 1/1/12. Policy No. SGD-602695
- Long Term Disability Policy, effective 1/1/12. Policy No. SGD-602696

4. On May 22, 2019, Debtors filed the *Motion of Debtors for Entry of Orders (I)(A) Approving Bidding Procedures for Sale of Debtors Assets, (B) Authorizing the Selection of a Stalking Horse Bidder, (C) Approving Bid Protections, (D) Scheduling Auction for, and Hearing to Approve, Sale of Debtors Assets, (E) Approving Form and Manner of Notices of Sale, Auction, and Sale Hearing, (F) Approving Assumption and Assignment Procedures, and (G) Granting Related Relief and (II)(A) Approving Sale of Debtors Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (B) Authorizing Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Granting Related Relief* [D.I. 225] (“Sale Motion”) seeking this Court’s approval of the sale of the Bid Assets¹ (“Sale”) to a purchaser (“Purchaser”). As part of the proposed Sale, the Debtors seek authority to assume and assign certain executory contracts to the Buyer as of the effective date of the Sale.

5. On May 30, 2019, Cigna filed the *Objection of Cigna Entities To Motion of Debtors for Entry of Orders (I)(A) Approving Bidding Procedures for Sale of Debtors Assets, (B) Authorizing the Selection of a Stalking Horse Bidder, (C) Approving Bid Protections, (D) Scheduling Auction for, and Hearing to Approve, Sale of Debtors Assets, (E) Approving Form and Manner of Notices of Sale, Auction, and Sale Hearing, (F) Approving Assumption and*

¹ Capitalized terms not defined herein have the meaning ascribed to them in the Sale Motion.

Assignment Procedures, and (G) Granting Related Relief and (II)(A) Approving Sale of Debtors Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (B) Authorizing Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Granting Related Relief [D.I. 238] (“Cigna Objection”).

6. On June 13, 2019, this Court entered the *Order (I) Approving Bidding Procedures for Sale of Debtors’ Assets, (II) Authorizing the Selection of a Stalking Horse Bidder, (III) Approving Bid Protections, (IV) Scheduling Auction for, and Hearing to Approve, Sale of Debtors’ Assets, (V) Approving Form and Manner of Notices of Sale, Auction and Sale Hearing, (VI) Approving Assumption and Assignment Procedures, and (VII) Granting Related Relief* [D.I. 324] (“Procedures Order”). Paragraph 34 of the Procedures Order resolved the Cigna Objection as follows:

Notwithstanding anything in this Order to the contrary, unless Cigna . . . and the Debtors agree otherwise, in the event that any of the Employee Benefits Agreements (as defined in the Cigna Objection) are listed in the Proposed Assumption and Assignment Notice, or in a Supplemental Assumption and Assignment Notice, filed and served in accordance with the Bidding Procedures, the Debtors shall provide to Cigna, through its counsel of record, (a) as soon as reasonably practicable after the filing of such notice, (i) a copy of the evidence in the Debtors’ possession material to the Successful Bidder’s ability to comply with section 365 of the Bankruptcy Code, including such information demonstrating the Successful Bidder’s ability to perform under the applicable Employee Benefit Agreement(s) and (ii) a good faith estimate as to the number of the Debtors’ employees who will become employees of the Successful Bidder and (b) within three business days of filing such notice, written notice of the Debtors’ and the Successful Bidder’s irrevocable decision as to whether or not the Debtors shall assume and assign to the Successful Bidder the applicable Employee Benefit Agreements as part of the Sale Transaction (to the extent such Sale Transaction closes); provided, however, that Cigna shall not assert any Cure Costs other than the outstanding amounts, if any, accrued on and after May 31, 2019, under the applicable Employee Benefit Agreements.

7. On June 13, 2019, the Debtors filed the *Notice of Potential Assumption and Assignment of Executory Contracts or Unexpired Leases and Cure Amount* [D.I. 327] (“Original Cure Notice”). The Original Cure Notice included ambiguous and incomplete Cigna listings. Cigna filed an Objection [D.I. 366] to the Original Cure Notice.

8. The Supplemental Cure Notice correctly identifies the Cigna Employee Benefits Agreements. However, it also includes an ambiguous, duplicative listing “#1494.” Also, the Supplemental Cure Notice lists the cure amounts for all of the Employee Benefits Agreements at \$0.

OBJECTION

9. Cigna objects to the Supplemental Cure Notice because, *inter alia*, (i) it includes an ambiguous and duplicative Cigna listing; (ii) Debtors have not provided sufficient information relating to adequate assurance of future performance by any proposed Purchaser; and (iii) the Supplemental Cure Notice does not propose to satisfy Debtors’ cure obligations consistent with section 365(b)(1) of the Bankruptcy Code.

A. Accurate Identification Of Cigna Employee Benefits Agreements.

10. The Supplemental Cure Notice clearly and correctly lists all of the Cigna Employee Benefits Agreements. However, the Supplemental Cure Notice listing “#1494” should be deleted.

11. Pending receipt and review of the Notice of Disposition, Cigna reserves the right to further respond/object to any proposed disposition of the Cigna Employee Benefits Agreements.

B. Adequate Assurance.

12. Section 365(b)(1)(C) of the Bankruptcy Code requires the Debtors to provide adequate assurance of any proposed assignee's future performance prior to the assumption and assignment of executory contracts. Absent a fair, adequate and timely demonstration of adequate assurance, the Employee Benefits Agreements cannot be assumed and assigned.

13. Adequate assurance information must be carefully reviewed and evaluated by Cigna in the context of, and consistent with, the terms and functions of the Employee Benefits Agreements. Both Cigna and its counsel will need adequate time prior to any assumption/assignment hearing to complete this review and evaluation. To the extent that the Adequate Assurance Information provided by any bidder is incomplete or otherwise insufficient, Cigna will need an opportunity to request and revise supplemental information.

14. Pending timely receipt and review of all necessary adequate assurance information for any proposed assignee, Cigna reserves the right to object to any proposed assumption and assignment.

C. Cure.

15. When a contract is assumed under section 365 of the Bankruptcy Code, the non-debtor third-party to that contract must be "made whole at the time of the debtor's assumption of the contract." *In re Entertainment, Inc.*, 223 B.R. 141, 151 (Bankr. N.D. Ill. 1998). Accordingly, to the extent that the Debtors seek to assume and assign any of the Employee Benefits Agreements, the Debtors must pay the full cure amounts based upon the actual amounts that are due on the date that any of the Employee Benefits Agreements are assumed and assigned by the Debtors ("Effective Date"). *See* 11 U.S.C. § 365(b)(1).

16. Amounts due under the Employee Benefits Agreements vary, and are subject to reconciliation based upon, among other things, eligibility reports submitted by the Debtors. Cure amounts must be based on the amount due on the effective date of any assignment, rendering the proposed cure amounts set forth in the Supplemental Cure Notice stale and potentially inaccurate.

17. Amounts have continued to accrue under the Employee Benefits Agreements since May 31, 2019, and will continue to become due and owing to Cigna on and after the date of any deadline to object to a proposed cure amount. Thus, no cure amount can be fixed prior to the Effective Date. Any order permitting the assumption and assignment of any Cigna Employee Benefits Agreements must direct that the Debtors fully pay all amounts due to Cigna under those agreements as of the Effective Date, as a condition precedent to such assumption and assignment.

18. Additionally, to satisfy their cure obligations, and as a condition precedent to any assignment of the Cigna Policy, any proposed assignee must: (i) provide for the proper use, cross-account linkage, and disposition of the Plan Bank Account; (ii) maintain the required imprest balance in the Plan Bank Account; and (iii) fund all amounts necessary to process and pay all eligible employee healthcare claims incurred by eligible employees and their eligible dependents prior to the Effective Date, that have not been submitted, processed and paid (check issued and cleared) as of the Effective Date.

D. No Shared Coverage.

19. Cigna objects to any proposed disposition of the Employee Benefits Agreements that would require Cigna to simultaneously provide insurance benefits to eligible employees of both Debtors and any Purchaser. Thus, to the extent that the Debtors or Purchaser propose to

maintain employee benefits under the Employee Benefits Agreements for employees of both the Debtors and the Purchaser, Cigna objects.

E. Reservation of Rights.

20. Cigna reserves its right to object to the proposed disposition of any of the Cigna Employee Benefits Agreements to the extent that the Debtors do not comply with paragraph 19 of the Procedures Order.

WHEREFORE, Cigna respectfully requests that this Court enter an order that: (i) approves assumption and assignment of the Cigna Employee Benefits Agreements only to the extent consistent with the foregoing; and (ii) grants such further relief to Cigna as this Court deems just and equitable.

Dated: August 28, 2019

CONNOLLY GALLAGHER LLP

/s/ Jeffrey C. Wisler
Jeffrey C. Wisler (#2795)
1201 North Market Street, 20th Floor
Wilmington, DE 19801
Telephone: (302) 757-7300
Facsimile: (302) 658-0380
jwisler@connollygallagher.com

#05471002

Counsel for Cigna Health and Life Insurance Company
and Life Insurance Company of North America

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 28th day of August, 2019, a copy of the **Objection of Cigna Entities to Supplemental Notice of Potential Assumption and Assignment of Executory Contracts or Unexpired Leases and Cure Amount** was served as indicated upon the following parties.

BY EMAIL

Robert J. Dehney, Esq.
Andrew R. Remming, Esq.
Joseph C. Barsalona, II, Esq.
Eric W. Moats, Esq.
Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street, 16th Floor
Wilmington, DE 19801
rdehney@mnat.com
aremring@mnat.com
jbarsalona@mnat.com
emoats@mnat.com

Christopher M. Winter, Esq.
Duane Morris LLP
222 Delaware Avenue, Suite 1600
Wilmington, DE 19801
cmwinter@duanemorris.com

BY EMAIL AND FIRST CLASS MAIL

Marshall S. Huebner, Esq.
Darren S. Klein, Esq.
Steven Z. Szanzer, Esq.
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
marshall.huebner@davispolk.com
darren.klein@davispolk.com
steven.szanzer@davispolk.com

Alan Glantz, Esq.
Arnold & Porter Kaye Scholer LLP
250 West 55th Street
New York, NY 10019-9710
alan.glantz@arnoldporter.com

Edmon L. Morton, Esq.
Matthew B. Lunn, Esq.
Young Conaway Stargatt & Taylor LLP
Rodney Square
1000 North King Street
Wilmington, DE 19801
emorton@ycst.com
mlunn@ycst.com

Richard L. Schepacarter, Esq.
Office of the Unites States Trustee
844 King Street, Suite 2207
Wilmington, DE 19801
richard.schepacarter@usdoj.gov

William Wallander, Esq.
Bradley Foxman, Esq.
Matthew Pyeatt, Esq.
Vinson & Elkins LLP
Trammell Crow Center
2001 Ross Avenue, Suite 3900
Dallas, TX 75201-2975
bwallander@velaw.com
bfoxman@velaw.com
mpyeatt@velaw.com

Seth J. Kleinman, Esq.
Arnold & Porter Kaye Scholer LLP
70 West Madison Street, Suite 4200
Chicago, IL 60602-4231
seth.kleinman@arnoldporter.com

Joseph G. Minias, Esq.
Paul V. Shalhoub, Esq.
Debra C. McElligott, Esq.
Willkie Farr & Gallagher LLP
787 Seventy Avenue
New York, NY 10019-6099
jminias@willkie.com
pshalhoub@willkie.com
dmcelligott@willkie.com

M. Natasha Labovitz, Esq.
Jasmine Ball, Esq.
Daniel E. Stroik, Esq.
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
nlabovitz@debevoise.com
jball@debevoise.com
destroik@debevoise.com

/s/ Jeffrey C. Wisler
Jeffrey C. Wisler

#05481214