

1 GREGORY A. BRAY (Bar No. 115367)
gbray@milbank.com
2 MARK SHINDERMAN (Bar No. 136644)
mshinderman@milbank.com
3 DANIEL B. DENNY (Bar No. 238175)
ddenny@milbank.com
4 MILBANK LLP
2029 Century Park East, 33rd Floor
5 Los Angeles, CA 90067
Telephone: (424) 386-4000/Facsimile: (213) 629-5063

6 *Counsel for the Official Committee of*
7 *Unsecured Creditors of Verity Health System of*
8 *California, Inc., et al.*

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

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

14 Affects:

- 15 All Debtors
- 16 Verity Health System of California, Inc.
- 17 O’Connor Hospital
- 18 Saint Louise Regional Hospital
- 19 St. Francis Medical Center
- 20 St. Vincent Medical Center
- 21 Seton Medical Center
- 22 O’Connor Hospital Foundation
- 23 Saint Louise Regional Hospital
- 24 Foundation
- 25 St. Francis Medical Center of
- 26 Lynwood Foundation
- 27 St. Vincent Foundation
- 28 St. Vincent Dialysis Center, Inc.
- Seton Medical Center Foundation
- Verity Business Services
- Verity Medical Foundation
- Verity Holdings, LLC
- De Paul Ventures, LLC
- De Paul Ventures - San Jose Dialysis, LLC

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
Chapter 11 Cases
Hon. Ernest M. Robles

OFFICIAL COMMITTEE OF UNSECURED CREDITORS’ RESPONSE IN SUPPORT OF DEBTORS’ EMERGENCY MOTION FOR THE ENTRY OF AN ORDER: (I) ENFORCING THE ORDER AUTHORIZING THE SALE TO STRATEGIC GLOBAL MANAGEMENT, INC; (II) FINDING THAT THE SALE IS FREE AND CLEAR OF CONDITIONS MATERIALLY DIFFERENT THAN THOSE APPROVED BY THE COURT; AND OTHER RELIEF [DKT. 3188]

Hearing:

Date: October 15, 2019
Time: 10:00 a.m. (Pacific Time)
Location: Courtroom 1568, 255 E. Temple St.
Los Angeles, CA 90012



TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. PRELIMINARY STATEMENT AND FACTUAL BACKGROUND	2
A. The Additional Conditions Ignore that Business as Usual Is Not Sustainable	3
B. The Committee Supports Consummation of the SGM Sale Free and Clear of Additional Conditions to Enhance the Prospect of Recovery for Unsecured Creditors, Preserve Jobs, and Provide Sustainable Health Care Service to the Affected Local Communities	4
III. ARGUMENT	5
A. The Attorney General Exceeds Its Mandate by Imposing Onerous, Long-Term Conditions on the Buyer for the Use of the Debtors’ Assets	5
B. The Attorney General is Unlawfully Discriminating against the Debtor and the Buyer for the Insolvency of the Debtor in Violation of Section 525(a) of the Bankruptcy Code	7
C. The Hospitals may be Sold Free and Clear of the Attorney General’s Additional Conditions under Section 363(f).....	10
IV. CONCLUSION.....	12

TABLE OF AUTHORITIES

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

Page(s)

Cases

In re Aurora Gas, LLC,
Case No. A16-00130-GS, 2017 WL 4325560 (Bankr. D. Alaska Sept. 26, 2017)7, 8

Fed. Commc’ns Comm. v. NextWave Commc’s, Inc.,
537 U.S. 293 (2003).....7, 8

In re Gardens Regional Hospital and Medical Center, Inc.,
567 B.R. 820 (Bankr. C.D. Cal. 2017).....10

In re La Paloma Generating,
Co., Case No. 16-128700 (CSS), 2017 WL 5197116 (Bankr. D. Del. Nov. 9,
2017)10, 11

Ohio v. Kovacs,
469 U.S. 274 (1985).....9

Toibb v. Radloff,
501 U.S. 157 (1991).....9

United Mine Workers of Am. Combined Benefit Fund v. Walter Energy, Inc.,
551 B.R. 631 (N.D. Ala. 2016)9

In re Verity Health Sys. of Cal., Inc.,
598 B.R. 283 (Bankr. C.D. Cal. 2018).....6, 9, 10

Statutes

11 U.S.C. § 363(f)(4)11

11 U.S.C. § 363(f)(5)11

11 U.S.C. § 525.....6, 7, 8, 11

Cal. Corp. Code § 5914.....5, 6

Cal. Corp. Code § 5917.....5

1 The Official Committee of Unsecured Creditors of Verity Health System of California, Inc.,
2 *et al.* (the “Committee”), appointed in connection with the chapter 11 cases of the above-captioned
3 debtors and debtors-in-possession (the “Debtors”), hereby submits this response (the “Response”) in
4 support of the *Debtors’ Emergency Motion for Entry of an Order: (I) Enforcing the Order Authorizing*
5 *the Sale to Strategic Global Management, Inc.; (II) Finding That The Sale is Free and Clear of*
6 *Conditions Materially Different than Those Approved by the Court; (III) Finding that the Attorney*
7 *General Abused His Discretion in Imposing Conditions on that Sale; and (IV) Granting Related Relief*
8 (the “Motion”)¹ [Dkt. No. 3188]. The Committee supports the Debtors’ request for Court approval of
9 the sale (the “Sale” or “SGM Sale”) of St. Vincent Medical Center, St. Francis Medical Center, Seton
10 Medical Center and Seton Medical Center Coastside (the “Hospitals”) to Strategic Global
11 Management, Inc. (“SGM” or the “Buyer”) as going concern health care facilities free and clear of the
12 California Attorney General’s additional conditions.

13 I. INTRODUCTION

14 Although well-intended and, in an ideal world, beneficial to potential patients, the California
15 Attorney General’s proposed conditions to the Debtors’ Sale above and beyond what SGM as buyer
16 is prepared to accept (the “Additional Conditions”) would either cause SGM (i) to walk away from
17 the sale altogether—harming patient care, employees and creditor recoveries—or (ii) to reduce the
18 purchase price significantly to offset the increased costs of complying with the Additional Conditions,
19 thereby depriving unsecured creditors of any recovery in these cases. For these reasons, the
20 Committee² respectfully and mindful of the Attorney General’s important role, believes that the Court
21 should grant the Debtors’ Motion to approve the sale free and clear of the Additional Conditions in
22

23 ¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the
24 Motion.

25 ² The Committee consists of nine (9) members representing a range of disparate interests,
26 including the PBGC, unions, trade creditors, and tort claimants. Each is mindful of the
27 important role that the Attorney General plays in the California not-for-profit healthcare world.
28 At the same time, members of the Committee are very concerned about preserving jobs, having
future customers, and recovering some value for unsecured creditors—who are owed an
estimated \$1.5 billion. Indeed, it is these creditors, who have not been paid any of the hundreds
of millions of dollars to which they are entitled, that have effectively funded Debtors’
operations consistent with the Attorney General’s conditions during the last few years and
generated the Company’s present going concern (*i.e.*, sale) value.

1 this case.³

2 As a matter of law, and as set forth more fully below, the Attorney General is effectively and
3 improperly expanding the scope of its authority to cover for-profit enterprises and, at the same time,
4 is discriminating against insolvent debtors and the associated buyer. In any event, the Court has
5 authority to approve the Sale free and clear of the Additional Conditions pursuant to section 363(f) of
6 the Bankruptcy Code, and it should do so by granting the Motion.

7 **II. PRELIMINARY STATEMENT AND FACTUAL BACKGROUND**

8 The Debtors filed for bankruptcy protection over a year ago saddled with immense debt and
9 working capital shortfalls. These Chapter 11 Cases have provided the Debtors an opportunity to
10 address their debt burden while rehabilitating their hospitals through sales to third parties that can
11 operate them in a sustainable manner. Ultimately, the Committee is interested in maximizing
12 recoveries for unsecured creditors, preserving jobs at the hospitals, and providing continuing quality
13 health care to the Debtors' local communities.

14 The Committee appreciates that the Attorney General is charged with oversight of nonprofit
15 health care corporations in California. The Committee also understands that several of the conditions
16 that the Attorney General proposes to impose on the SGM Sale are intended to maintain hospital
17 operations and health care to the local communities at the same or greater levels than the insolvent
18 Debtors were able to maintain—and the Buyer is willing to accept most of those conditions.
19 Unfortunately, the Attorney General's desire to sustain health care operations bumps up against the
20 economic realities of the Verity health system and why it was compelled to resort to bankruptcy
21 protection.

22 As demonstrated by the monetary losses that necessitated these bankruptcy cases, the Debtors
23 are not able to continue their charitable health care mission, but they have found a buyer—for which
24 there is no backup—willing to both accept most of the Attorney General's 2015 conditions and to
25 continue operating the medical centers in their respective communities. The Court should approve the

26 ³ The Committee does not believe the Attorney General's Additional Conditions are warranted
27 in this case. However, by filing this Response, the Committee does not suggest in any way
28 that the Attorney General should have no role in future cases regarding the sale of not-for-
profit hospitals. The Committee would also encourage the Attorney General to meet again
with SGM to discuss what Additional Conditions might be possible.

1 SGM Sale free and clear of the Additional Conditions to permit the Hospitals to stay open. No viable
2 alternative exists.

3 **A. The Additional Conditions Ignore that Business as Usual Is Not Sustainable**

4 Debtors have been in economic turmoil for over a decade, and continue to suffer substantial
5 losses. Business as usual for Verity is not sustainable, such that bankruptcy became the only option
6 to preserve its health care mission. The Debtors estimate current operating losses of \$450,000 *per*
7 *day*, which directly impacts the prospect of recovery for unsecured creditors, many of whom continue
8 to work at great sacrifice to preserve the Debtors' going concern value. Previous attempts to
9 turnaround the company have included a failed merger with Catholic Healthcare West in 2001, a failed
10 affiliation with Ascension Health Alliance in 2014, a failed sale to Prime Healthcare Services in 2015,
11 and millions of dollars in bond issuances that have served only to delay an inevitable recognition—
12 that Verity's healthcare business needed to be fundamentally restructured to remain viable. *See* First-
13 Day Decl. ¶¶ 82-97 [Dkt No. 8]. In 2015, the Debtors reached an agreement with BlueMountain
14 Capital Management to revitalize the hospitals and transition management over time. As part of the
15 resulting BlueMountain transaction, the Attorney General approved a set of operating conditions for
16 periods of between 5 to 15 years, most of which SGM has been willing to accept as part of the current
17 transaction.

18 Nevertheless, since 2015, the Committee estimates based on publicly available information
19 that St. Francis Medical Center, St. Vincent Medical Center, and Seton have generated a cumulative
20 operating loss of approximately \$219 million. Extrapolating from the Debtors' monthly operating
21 reports, over the past 12 months St. Vincent and Seton incurred operating losses of \$69 million and
22 \$61 million, respectively. *See, e.g.*, Monthly Operating Reports at Dkt. Nos. 2825, 2971 & 3117.
23 Also, their operating cash flows, using operating loss before depreciation and amortization as a proxy,
24 are similarly dismal at negative \$63 million and negative \$56 million, respectively. *See id.* This
25 follows a negative trend over the past two years of steep declines in the profitability and cash flows at
26 each of the four Hospitals. Now, the Attorney General seeks to impose Additional Conditions that
27 would scuttle what appears to be the last hope for turning around the Debtors' four remaining
28 Hospitals.

1 In particular, the Additional Conditions go too far when they require St. Vincent to operate for
2 at least five (5) years, instead of the Buyer's commitment to operate for one year. The Debtors estimate
3 that the requirement to remain open another four (4) years would add at least \$285 million of additional
4 liabilities. Even if the Buyer were to accept this condition, it would be no surprise for the Buyer to
5 demand a substantial reduction in purchase price to account for the additional liability. In addition to
6 the losses at St. Vincent, the Committee estimates that there would be at least \$40 million to
7 \$60 million of additional costs resulting from compliance with the Additional Conditions.

8 **B. The Committee Supports Consummation of the SGM Sale Free and Clear of Additional**
9 **Conditions to Enhance the Prospect of Recovery for Unsecured Creditors, Preserve**
10 **Jobs, and Provide Sustainable Health Care Service to the Affected Local Communities**

11 The Committee supports the consummation of the SGM Sale on the current terms of the
12 Purchase Agreement, free and clear of the Additional Conditions. Not only will jobs be preserved and
13 the Debtors' assets utilized for health care purposes, the proceeds generated from the Sale will provide
14 some prospect of recovery for unsecured creditors. The unsecured creditors—nurses, technicians,
15 healthcare workers, vendors and others—have played a meaningful role in creating and preserving the
16 going concern value of the Debtors' assets, and they should be able to recover from the portion of sale
17 proceeds generated from the sale's going concern premium and other unencumbered assets.

18 The prospect of such a recovery will also be enhanced if the Committee prevails in the
19 adversary proceedings it commenced against the Secured Creditors,⁴ who might otherwise be entitled
20 to a significant portion of the SGM Sale proceeds. Indeed, because the Secured Creditors have no lien
21 on post-petition QAF Disbursements, certain deposit accounts, and some real property, all of which
22 are being sold to SGM, a significant a portion of the sale proceeds would be unencumbered and thus
23 shared ratably among the unsecured creditors.⁵

24 ⁴ Secured Creditors means, as the following terms are defined in the Debtors' proposed Plan,
25 holders of Class 2 Secured 2005 Revenue Bond Claims, Class 3 Secured 2015 Notes Claims,
and Class 4 Secured 2017 Revenue Notes Claims, all as defined in the Plan.

26 ⁵ The bases for the Committee's claims are set forth more fully in its adversary complaints. *See*
27 *First Amended Complaint for Determination of Validity, Priority, and Extent of Liens and*
28 *Security Interests* (Dkt. No. 30, Adv. Pro. No. 2:19-ap-01165-ER) and *First Amended*
Complaint for Determination of Validity, Priority, and Extent of Liens and Security Interests
(Dkt. No. 28, Adv. Pro. No. 2:19-ap-01166-ER). Unfortunately, the Debtors' proposed plan
of liquidation ignores this challenge to the Secured Creditors' Secured Claims, proposing to

1 Accordingly, the Committee supports the Debtors request to sell the Hospitals free and clear
2 of the Attorney General’s Additional Conditions. The Bankruptcy Code provides the Debtors the tools
3 to unlock the value of these assets through a sale free and clear, and it is the surest way for the Hospitals
4 to survive and hopefully one day thrive within their communities. Otherwise, there is a real risk that
5 the Hospitals will be forced to close. There is no back-up buyer for the Hospitals. Through the auction
6 process months ago, a few bidders bid on individual assets, but none offered substantial value.
7 Moreover, a partial sale would leave significant wind-down costs for assets not being sold as hospitals.
8 Instead, if the SGM Sale does not close, the Committee believes that the monthly operating reports
9 indicate the Debtors probably cannot afford to maintain operations and would need to shift available
10 resources to massive wind-down costs; *i.e.*, the Debtors would lack the funds to continue to operate at
11 such a substantial loss.

12 Also, if the Debtors were forced to try to find another buyer, the Secured Creditors would need
13 to continue to permit their cash collateral to be used to fund continuing losses while another buyer for
14 some of the Hospitals could be found—and the Secured Creditors have not made such a commitment.
15 Furthermore, if this Sale is not allowed to proceed on the terms and conditions negotiated with SGM,
16 SGM could seek to renegotiate terms, presumably reducing the purchase price substantially. In either
17 case, recoveries for unsecured creditors are less certain and continuing to operate these assets as health
18 care facilities becomes more unlikely. The time to close is now, and the clearest path forward as
19 permitted under the Bankruptcy Code is for the Court to approve the SGM Sale free and clear of the
20 Additional Conditions.

21 III. ARGUMENT

22 A. **The Attorney General Exceeds Its Mandate by Imposing Onerous,** 23 **Long-Term Conditions on the Buyer for the Use of the Debtors’ Assets**

24 Under California law, a nonprofit corporation operating a health facility must obtain the
25 consent of the California Attorney General to sell its assets to a for-profit corporation. *See* Cal. Corp.
26 Code § 5914. The Attorney may give conditional consent based on factors such as whether the

27 _____
28 pay the *asserted* Secured Claims in full, not the *to-be-allowed* Secured Claims following
resolution of the Committee’s challenge brought pursuant to the Final DIP Order.

1 transaction is fair and reasonable, and whether the transaction will affect the availability or
2 accessibility of health care services to the affective communities. *See* Cal. Corp. Code § 5917. “The
3 Legislature enacted Cal. Corp. Code § 5914 to ensure that the public was not deprived of the benefits
4 of charitable health facilities as a result of the transfer of those facilities to for-profit entities. In
5 enacting § 5914, the Legislature found: . . . it is in the best interests of the public to ensure that the
6 public interest is fully protected whenever the assets of a charitable nonprofit health facility are
7 transferred out of the charitable trust to a for-profit . . . entity.” *In re Verity Health Sys. of Cal., Inc.*,
8 598 B.R. 283, 294-95 (Bankr. C.D. Cal. 2018).

9 Here, the imposition of the Additional Conditions runs counter to the Legislature’s intent—the
10 public would be deprived of its health care facilities because the SGM Sale would not be consummated
11 if burdened with the Additional Conditions. Despite the Attorney General’s good intentions, as
12 reflected in conditions mandating continued health care service at levels equivalent to, or higher than,
13 the Debtors could provide, the Debtors’ existing operations are not sustainable—these circumstances
14 led to this bankruptcy. The Attorney General has not found the Buyer to be an unqualified operator
15 or someone who will eliminate health care services altogether. Instead, the Attorney General wants
16 the Buyer to do *more* for the local communities than the Debtors themselves could afford to do going
17 forward.

18 The Attorney General’s mandate to protect the public’s interest cannot extend to requiring a
19 for-profit business to operate as a charity. The Hospitals have continued to operate to date on the
20 backs of creditors who are affectively funding the transfer of Hospital ownership without shutting the
21 Hospitals down. Without such support, there is no health care business to regulate. The public is not
22 benefited by the Hospitals being forced to close. The SGM Sale allows for the Hospitals to operate in
23 a sustainable manner. The imposition of Additional Conditions on the Buyer goes too far and is not
24 warranted by the mandate granted to the Attorney General under California law. Seen in this light,
25 the Additional Conditions have the effect of regulating a for-profit business for charitable purposes
26 when the charity itself is bankrupt and unable to continue pursuing its charitable mission.

1 **B. The Attorney General is Unlawfully Discriminating against the Debtor and the Buyer**
2 **for the Insolvency of the Debtor in Violation of Section 525(a) of the Bankruptcy Code**

3 The Debtors sought bankruptcy protection because they are insolvent and cannot continue to
4 maintain the Hospitals. In so doing, the Debtors have used the chapter 11 process to obtain bridge
5 financing and aggressively market the Hospitals as viable going concern health care enterprises before
6 being forced to shut down operations. By imposition of the Additional Considerations, which require
7 continued or elevated levels of health care service, the Attorney General is effectively punishing the
8 Hospitals for attempting to maintain sustainable service levels at the Hospitals. The Additional
9 Conditions operate (i) to discriminate against the Debtors for their inability to continue operations;
10 and (ii) to enforce the Debtors' prepetition obligations that arise under the Attorney General's 2015
11 conditions by requiring the Buyer to also assume those obligations. Section 525 of the Bankruptcy
12 Code expressly prohibits this sort of discrimination by government agencies, by providing as follows:

13 [A] governmental unit may not deny . . . or refuse to license, permit, charter, franchise,
14 or other similar grant to, condition such a grant to, discriminate with respect to such a
15 grant against, . . . a person that is or has been a debtor . . . or another person with whom
16 such bankrupt or debtor has been associated, solely because such bankrupt or debtor is
17 or has been a debtor . . . , [or] has been insolvent . . . , or has not paid a debt that is
18 dischargeable in the case

19 11 U.S.C. § 525.

20 Section 525 prohibits a government agency from conditioning a sale on the assumption of a
21 buyer's liability. *See In re Aurora Gas, LLC*, Case No. A16-00130-GS, 2017 WL 4325560 (Bankr.
22 D. Alaska Sept. 26, 2017). In *Aurora Gas*, the bankrupt seller sought to sell certain oil and gas wells
23 that required the approval of the state commission. The seller excluded certain other oil and gas wells
24 from the sale, for which the seller could not afford to properly plug and abandon. The state
25 commission would not approve the sale unless, as part of the sale, the excluded oil and gas wells were
26 bonded or properly abandoned. *Id.* at *2. The bankruptcy court held that such a condition
27 impermissibly discriminated against the bankrupt seller because the commission's actions were an
28 attempt to recover on the seller's prepetition liability. *Id.* at *3. The commission's conditioning of
approval on assumption of the debtors' liability also violated the automatic stay as both an
impermissible act to control estate property and an action to collect on its claim. *Id.* at *4. The
commission defended its actions "as necessary to provide for the plugging and abandonment of the

1 wells which the debtor will not be able to accomplish.” *Id.* The Commission explained that it had “no
2 budget surplus from which to draw the necessary \$6,000,000” to properly plug and abandon the wells.
3 *Id.* The court held, “[w]hatever its motives, the [Commissions]’s Decision is an attempt to recover on
4 the debtor’s prepetition liability” and is therefore void. *Id.*⁶ See also *Fed. Commc’ns Comm. v.*
5 *NextWave Commc’s, Inc.*, 537 U.S. 293, 303 (2003) (“[A] debt is a debt, even when the obligation to
6 pay it is also a regulatory condition.”)

7 Much like the Commission in *Aurora Gas*, the Attorney General has conditioned the sale of
8 the Debtors’ assets on the assumption of liabilities arising out of obligations the Debtors are no longer
9 able to perform. The *Aurora Gas* court found that the Commission’s authority to approve the transfer
10 of oil and gas wells could not be used to collect against the bankrupt debtor by imposing the debtor’s
11 obligations on the relevant buyer; the same outcome is required here.

12 The Attorney General’s discrimination, within the meaning of section 525, against both the
13 Debtors and the Buyer (as “debtor” and person with whom the debtor has been “associated” by virtue
14 of Buyer’s agreement to purchase the Hospitals) is further highlighted by its violation of the general
15 rule that the Attorney General does not have authority to impose successor liability on a buyer, *i.e.*,
16 the buyer cannot be forced to perform the prepetition obligations of the seller. “Under California law,
17 the general rule of successor liability is that the corporate purchaser of another corporation assets
18 presumptively does not assume the seller’s liabilities unless: (1) there is an express or implied
19 assumption of liability; (2) the transaction amounts to a consolidation or merger of the two
20 corporations; (3) the purchasing corporation is a mere continuation of the sellers; or (4) the transfer of
21 assets to the purchaser is for the fraudulent purpose of escaping liability for the seller’s debts.” *Id.*

22 The proposed transaction here has no express or implied assumption of liability, does not
23 amount to a consolidation or merger of two corporations, the buyer is not a continuation of the seller,
24 and the transfer of assets has no fraudulent purpose. Therefore, the rule of successor liability dictates
25

26 ⁶ The Court also found that it made no difference that the debtor may not obtain a discharge of
27 debts in chapter 11. Section 525 applies to “debts that are dischargeable”, as the burden is on
28 the State to identify an exception to dischargeability under section 523. See *In re Aurora Gas*,
2017 WL 4325560 at *6; see also *Fed. Commc’ns Comm. v. NextWave Commc’s, Inc.*, 537
U.S. at 303 (“A preconfirmation debt is dischargeable unless it falls within an express
exception to discharge.”)

1 that the Buyer should not be forced to assume any of the Additional Conditions. Imposing successor
2 liability here would undermine entirely any possibility of a future sale of the Debtors' assets "free and
3 clear" of the liabilities of the Debtors. It would result in purchasers being unwilling to pay as much
4 for those assets, running afoul of the fundamental Bankruptcy Code principle to "maximiz[e] the value
5 of the bankruptcy estate." *See, e.g., Toibb v. Radloff*, 501 U.S. 157, 163 (1991); *United Mine Workers*
6 *of Am. Combined Benefit Fund v. Walter Energy, Inc.*, 551 B.R. 631, 641 (N.D. Ala. 2016).

7 In addition, the Attorney General's "police powers" cannot justify the discriminatory treatment
8 of the Debtors and Buyer. If the local communities served by the Hospitals require the level of service
9 imposed by the Additional Conditions, then the state or municipal entities charged with meeting those
10 requirements must fund the Debtors' operations or find their own alternative solutions. *See, e.g., In*
11 *re Verity Health Sys. of Cal., Inc.*, 598 B.R. 283, 295 (Bankr. C.D. Cal. 2018) ("Among other
12 obligations, courts have interpreted section 17000 [of the California Welfare and Institutions Code] as
13 requiring counties to provide indigent residents with emergency and medically necessary care.")
14 (quoting *Fuchino v. Edwards-Buckley*, 196 Cal. App. 4th 1128 (2011)). Here, however, the Attorney
15 General seeks to impose monetary obligations on the Buyer to, in effect, be the sole source of funding
16 for levels of care it deems necessary for the public. In the process, however, the Attorney General is
17 seeking to compel the Buyer to operate the Hospitals in a way and at a cost that the market will not
18 bear. Whatever the claims the Attorney General may have against the Debtors for failing to continue
19 the requisite level of care cannot be foisted upon the Buyer, without such imposition of liability being
20 an improper and discriminatory exercise of the Attorney General's regulatory powers.

21 In some sense, the Attorney General violates the automatic stay by seeking to impose a penalty
22 on the Debtors for not having sufficient funds to solve the public health care needs of their local
23 communities.⁷ A comparison can be drawn to manufacturers selling product to the public but in the
24 process creating hazardous waste that requires subsequent cleanup and remediation. These companies
25 might resort to bankruptcy to sell their manufacturing business to a third party to preserve the value

26
27 ⁷ As the Court has previously found, the conditions imposed by the Attorney General are
28 nothing more than monetary obligations, the enforcement of which is stayed and any
property associated with such obligations can be sold free and clear. *See In re Verity Health*
Sys. Of Cal. Inc., 598 B.R. at 293 ("The Conditions are monetary obligations arising from the
ownership of property.").

1 of their business; but a sale free and clear would not require the buyer to clean up the environmental
2 hazard, so long as the buyer thereafter operated in a sustainable, compliant manner. Regulators
3 seeking reimbursement for clean-up costs cannot force a buyer to pay for the sellers' damages, but
4 must resort to the claims process with the debtors. *See, e.g., Ohio v. Kovacs*, 469 U.S. 274, 282 (1985)
5 (“[T]he cleanup duty has been reduced to a monetary obligation.”). Here, SGM proposes to operate
6 as a for-profit hospital business and comply with all applicable health care laws, and should, therefore,
7 not be penalized for the Debtors' unsustainable business model by being required to comply with the
8 Additional Conditions.

9 **C. The Hospitals may be Sold Free and Clear of the**
10 **Attorney General's Additional Conditions under Section 363(f)**

11 A sale under Section 363(f) authorizes the debtor to sell assets “free and clear of any interest
12 in such property.” 11 U.S.C. § 363(f). “Any interest” has been interpreted broadly to include
13 obligations that are “connected to or arise from the property being sold” or that could “potentially
14 travel with the property being sold.” *In re La Paloma Generating, Co.*, Case No. 16-128700 (CSS),
15 2017 WL 5197116, *4 (Bankr. D. Del. Nov. 9, 2017).

16 This Court has previously found that the Attorney General's sale conditions, similar to the
17 conditions in this Sale, “are in an ‘interest in property’ within the meaning of §363(f).” *In re Verity*
18 *Health Sys. of Cal., Inc.*, 598 B.R. 283, 293 (Bankr. C.D. Cal. 2018); *see also In re Gardens Regional*
19 *Hospital and Medical Center, Inc.*, 567 B.R. 820, 825-830 (Bankr. C.D. Cal. 2017) (Attorney
20 General's authority to impose charitable care conditions on a buyer as part of the AG's review of the
21 sale of a not-for-profit hospital is an “interest in property” that can be stripped off the assets through
22 a sale under § 363). The Court explained that “specified levels of emergency services, intensive care
23 services, cardiac services, and various other services . . . are monetary obligations arising from the
24 ownership of property.” *In re Verity Health Sys. Of Cal. Inc.*, 598 B.R. at 293.⁸ The Conditions here
25 require, among many other things, specified emergency services, trauma services, and critical care
26 services. These Conditions, therefore, must also constitute interests in property for the purposes of
27 section 363(f).

28 ⁸ Any action by the Attorney General to enforce the Debtors' prepetition “monetary obligations” would violate the automatic stay under section 362 of the Bankruptcy Code.

1 Accordingly, as the Motion sets forth in more detail, the Debtors are authorized under section
2 363(f) to sell their assets free and clear of the Additional Conditions pursuant to section 363(f)(1),
3 (f)(4) or (f)(5). *First*, “[w]hether property ‘may’ be sold free and clear of an interest pursuant to section
4 363(f)(1) of the Bankruptcy Code turns on whether ‘applicable nonbankruptcy law permits sale of
5 such property free and clear of such interest.’” *In re La Paloma Generating, Co.*, 2017 WL 5197116,
6 *4 (Bankr. D. Del. Nov. 9, 2017). Here, nonbankruptcy law permits the Attorney General to approve
7 the sale of a nonprofit’s assets utilized as a health care facility without the Additional Conditions—
8 the Additional Conditions are not mandated by statute or regulation, and the imposition of the
9 Additional Conditions impermissibly discriminate against the Debtors and SGM due to the Debtors’
10 insolvency as discussed above.

11 *Second*, under section 363(f)(4), the Debtors may sell assets free and clear of interests “in bona
12 fide dispute.” 11 U.S.C. § 363(f)(4). Here, there is a genuine dispute regarding the Attorney General’s
13 authority to impose the Additional Conditions, either because they (i) violate section 525 as unfair
14 discrimination against the insolvent Debtors and the Buyer; (ii) impermissibly seek to regulate the
15 Buyer as a for-profit corporation; or (iii) invalidly seek to impose successor liability on the Buyer. For
16 each of these reasons, the Attorney General’s interests may be void or voidable under applicable law
17 and are subject to bona fide dispute.

18 *Finally*, under section 363(f)(5), the Debtors may sell free and clear of the Additional
19 Considerations because the Attorney General could be compelled to accept a money satisfaction of
20 such interest. 11 U.S.C. § 363(f)(5). As the Motion explains, the Attorney General has permitted
21 payment to other entities to satisfy a shortfall in charity care obligations. (Motion at pp. 28-29.) In
22 the situation where a regulated company is not able to meet the level of service required by a
23 governmental authority, there may be no other remedy other than money satisfaction to reimburse the
24 authority for the cost of providing the service by some other means. Accordingly, the Additional
25 Conditions impose calculable monetary obligations that can be satisfied by monetary payment, such
26 that the Hospitals can be sold free and clear of any interests that the Attorney General may have in
27 them.

1 **IV. CONCLUSION**

2 Based on the foregoing, the Committee respectfully requests that the Debtors' Motion be
3 granted.

4 DATED: October 8, 2019

MILBANK LLP

5 /s/ Mark Shinderman
6 GREGORY A. BRAY
7 MARK SHINDERMAN
8 DANIEL B. DENNY

9 Counsel for the Official Committee of
10 Unsecured Creditors of Verity Health System of
11 California, Inc., et al.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

2029 Century Park E, 33rd Floor, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled (*specify*): OFFICIAL COMMITTEE OF UNSECURED CREDITORS' RESPONSE IN SUPPORT OF DEBTORS' EMERGENCY MOTION FOR THE ENTRY OF AN ORDER: (I) ENFORCING THE ORDER AUTHORIZING THE SALE TO STRATEGIC GLOBAL MANAGEMENT, INC; (II) FINDING THAT THE SALE IS FREE AND CLEAR OF CONDITIONS MATERIALLY DIFFERENT THAN THOSE APPROVED BY THE COURT; (III) FINDING THAT THE ATTORNEY GENERAL ABUSED HIS DISCRETION IN IMPOSING CONDITIONS ON THAT SALE, AND (IV) GRANTING RELATED RELIEF will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) October 8, 2019, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 8, 2019, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) October 8, 2019, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 8, 2019
Date

Ricky Windom
Printed Name

/s/ Ricky Windom
Signature

SERVICE LIST

(Via NEF)

- **Alexandra Achamallah** aachamallah@milbank.com, rliubicic@milbank.com
- **Melinda Alonzo** ml7829@att.com
- **Robert N Amkraut** ramkraut@foxrothschild.com
- **Kyra E Andrassy** kandrassy@swelawfirm.com,
lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
- **Simon Aron** saron@wrslawyers.com
- **Lauren T Attard** lattard@bakerlaw.com, agrosso@bakerlaw.com
- **Allison R Axenrod** allison@claimsrecoveryllc.com
- **Keith Patrick Banner** kbanner@greenbergglusker.com,
sharper@greenbergglusker.com;calendar@greenbergglusker.com
- **Cristina E Bautista** cristina.bautista@kattenlaw.com, ecf.lax.docket@kattenlaw.com
- **James Cornell Behrens** jbehrens@milbank.com,
gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@
milbank.com
- **Ron Bender** rb@lnbyb.com
- **Bruce Bennett** bbennett@jonesday.com
- **Peter J Benvenuti** pbenvenuti@kellerbenvenuti.com, pjbenven74@yahoo.com
- **Leslie A Berkoff** lberkoff@moritthock.com, hmay@moritthock.com
- **Steven M Berman** sberman@slk-law.com
- **Stephen F Biegenzahn** efile@sfblaw.com
- **Scott E Blakeley** seb@blakeleyllp.com, ecf@blakeleyllp.com
- **Karl E Block** kblock@loeb.com, jvazquez@loeb.com;ladocket@loeb.com;kblock@ecf.courtdrive.com
- **Dustin P Branch** branchd@ballardspahr.com, carolod@ballardspahr.com;hubenb@ballardspahr.com
- **Michael D Breslauer** mbreslauer@swsslaw.com,
wyones@swsslaw.com;mbreslauer@ecf.courtdrive.com;wyones@ecf.courtdrive.com
- **Chane Buck** cbuck@jonesday.com
- **Lori A Butler** butler.lori@pbgc.gov, efile@pbgc.gov
- **Howard Camhi** hcamhi@ecjlaw.com, tcastelli@ecjlaw.com;amatsuoka@ecjlaw.com
- **Barry A Chatz** barry.chatz@saul.com, jurate.medziak@saul.com
- **Shirley Cho** scho@pszjlaw.com
- **Shawn M Christianson** cmcintire@buchalter.com, schristianson@buchalter.com
- **Louis J. Cisz** lcisz@nixonpeabody.com, jzic@nixonpeabody.com
- **Leslie A Cohen** leslie@lesliecohenlaw.com, jaime@lesliecohenlaw.com;odalys@lesliecohenlaw.com
- **Kevin Collins** kevin.collins@btlaw.com, Kathleen.lytle@btlaw.com
- **David N Crapo** dcrapo@gibbonslaw.com, elrosen@gibbonslaw.com
- **Mariam Danielyan** md@danielyanlawoffice.com, danielyan.mar@gmail.com
- **Brian L Davidoff** bdavidoff@greenbergglusker.com,
calendar@greenbergglusker.com;jking@greenbergglusker.com
- **Aaron Davis** aaron.davis@bryancave.com, kat.flaherty@bryancave.com
- **Lauren A Deeb** lauren.deeb@nelsonmullins.com, maria.domingo@nelsonmullins.com
- **Daniel Denny** ddenny@milbank.com
- **Anthony Dutra** adutra@hansonbridgett.com
- **Kevin M Eckhardt** kevin.eckhardt@gmail.com, keckhardt@hunton.com
- **Lei Lei Wang Ekvall** lekvall@swelawfirm.com,
lgarrett@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
- **David K Eldan** david.eldan@doj.ca.gov, teresa.depaz@doj.ca.gov
- **Andy J Epstein** taxcpaesq@gmail.com
- **Richard W Esterkin** richard.esterkin@morganlewis.com
- **Christine R Etheridge** christine.etheridge@ikonfin.com
- **M Douglas Flahaut** flahaut.douglas@arentfox.com

- **Michael G Fletcher** mfletcher@frandzel.com, sking@frandzel.com
- **Joseph D Frank** jfrank@fgllp.com, mmatlock@fgllp.com; csmith@fgllp.com; jkleinman@fgllp.com; csucic@fgllp.com
- **William B Freeman** bill.freeman@kattenlaw.com, nicole.jones@kattenlaw.com, ecf.lax.docket@kattenlaw.com
- **Eric J Fromme** efromme@tocounsel.com, lchapman@tocounsel.com; sschuster@tocounsel.com
- **Amir Gamliel** amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com; DocketLA@perkinscoie.com
- **Jeffrey K Garfinkle** jgarfinkle@buchalter.com, docket@buchalter.com; dcyrankowski@buchalter.com
- **Thomas M Geher** tmg@jmmbm.com, bt@jmmbm.com; fc3@jmmbm.com; tmg@ecf.inforuptcy.com
- **Lawrence B Gill** lgill@nelsonhardiman.com, rrange@nelsonhardiman.com
- **Paul R. Glassman** pglassman@sycr.com
- **Matthew A Gold** courts@argopartners.net
- **Eric D Goldberg** eric.goldberg@dlapiper.com, eric-goldberg-1103@ecf.pacerpro.com
- **Marshall F Goldberg** mgoldberg@glassgoldberg.com, jbailey@glassgoldberg.com
- **Richard H Golubow** rgolubow@wcghlaw.com, pj@wcghlaw.com; jmartinez@wcghlaw.com; Meir@virtualparalegalservices.com
- **David Guess** dguess@bienertkatzman.com, 4579179420@filings.docketbird.com
- **Anna Gumport** agumport@sidley.com
- **Melissa T Harris** harris.melissa@pbgc.gov, efile@pbgc.gov
- **James A Hayes** jhayes@jamesahayesapl.com
- **Michael S Held** mheld@jw.com
- **Lawrence J Hilton** lhilton@onellp.com, lthomas@onellp.com, info@onellp.com, rgolder@onellp.com, lhyska@onellp.com, nlichtenberger@onellp.com
- **Robert M Hirsh** Robert.Hirsh@arentfox.com
- **Florice Hoffman** fhoffman@socal.rr.com, floricehoffman@gmail.com
- **Lee F Hoffman** leehoffmanjd@gmail.com, lee@fademlaw.com
- **Michael Hogue** hoguem@gtlaw.com, SFOLitDock@gtlaw.com; navarrom@gtlaw.com
- **Matthew B Holbrook** mholbrook@sheppardmullin.com, mmanns@sheppardmullin.com
- **David I Horowitz** david.horowitz@kirkland.com, keith.catuara@kirkland.com; terry.ellis@kirkland.com; elsa.banuelos@kirkland.com; ivon.granados@kirkland.com
- **Brian D Huben** hubenb@ballardspahr.com, carolod@ballardspahr.com
- **Joan Huh** joan.huh@cdtfa.ca.gov
- **Benjamin Ikuta** bikuta@hml.law, aoremus@hml.law
- **Lawrence A Jacobson** laj@cohenandjacobson.com
- **John Mark Jennings** johnmark.jennings@kutakrock.com, mary.clark@kutakrock.com
- **Monique D Jewett-Brewster** mjb@hopkinscarley.com, eamaro@hopkinscarley.com
- **Crystal Johnson** M46380@ATT.COM
- **Gregory R Jones** gjones@mwe.com, rnhunter@mwe.com
- **Jeff D Kahane** jkahane@duanemorris.com, dmartinez@duanemorris.com
- **Steven J Kahn** skahn@pszyjw.com
- **Cameo M Kaisler** salembier.cameo@pbgc.gov, efile@pbgc.gov
- **Ivan L Kallick** ikallick@manatt.com, ihernandez@manatt.com
- **Ori Katz** okatz@sheppardmullin.com, cshulman@sheppardmullin.com; ezisholtz@sheppardmullin.com; lsegura@sheppardmullin.com
- **Payam Khodadadi** pkhodadadi@mcguirewoods.com, dkiker@mcguirewoods.com
- **Christian T Kim** ckim@dumas-law.com, ckim@ecf.inforuptcy.com
- **Jane Kim** jkim@kellerbenvenuti.com
- **Monica Y Kim** myk@lnbrb.com, myk@ecf.inforuptcy.com
- **Gary E Klausner** gek@lnbyb.com
- **David A Klein** david.klein@kirkland.com
- **Nicholas A Koffroth** nick.koffroth@dentons.com, chris.omeara@dentons.com
- **Joseph A Kohanski** jkohanski@bushgottlieb.com, kprestegard@bushgottlieb.com

- **Darryl S Laddin** bkrfilings@agg.com
- **Robert S Lampl** advocate45@aol.com, rlisarobinsonr@aol.com
- **Richard A Lapping** richard@lappinglegal.com
- **Paul J Laurin** plaurin@btlaw.com, slmoore@btlaw.com;jboustani@btlaw.com
- **Nathaniel M Leeds** nathaniel@mitchelllawsf.com, sam@mitchelllawsf.com
- **David E Lemke** david.lemke@wallerlaw.com,
chris.cronk@wallerlaw.com;Melissa.jones@wallerlaw.com;cathy.thomas@wallerlaw.com
- **Lisa Lenherr** llenherr@wendel.com, bankruptcy@wendel.com
- **Elan S Levey** elan.levey@usdoj.gov, louis.lin@usdoj.gov
- **Tracy L Mainguy** bankruptcycourtnotices@unioncounsel.net, tmainguy@unioncounsel.net
- **Samuel R Maizel** samuel.maizel@dentons.com,
alicia.aguilar@dentons.com;docket.general.lit.LOS@dentons.com;tania.moyron@dentons.com;kathryn.howard@
dentons.com;joan.mack@dentons.com;derry.kalve@dentons.com
- **Alvin Mar** alvin.mar@usdoj.gov
- **Craig G Margulies** Craig@MarguliesFaithlaw.com,
Victoria@MarguliesFaithlaw.com;Helen@MarguliesFaithlaw.com;Dana@marguliesfaithlaw.com
- **Hutchison B Meltzer** hutchison.meltzer@doj.ca.gov, Alicia.Berry@doj.ca.gov
- **Christopher Minier** becky@ringstadlaw.com, arlene@ringstadlaw.com
- **John A Moe** john.moe@dentons.com, derry.kalve@dentons.com
- **Susan I Montgomery** susan@simontgomerylaw.com,
assistant@simontgomerylaw.com;simontgomerylawecf.com@gmail.com;montgomerysr71631@notify.bestcase.com
- **Monserrat Morales** Monsi@MarguliesFaithLaw.com,
Victoria@MarguliesFaithLaw.com;Helen@marguliesfaithlaw.com;Dana@marguliesfaithlaw.com
- **Kevin H Morse** kmorse@clarkhill.com, blambert@clarkhill.com
- **Marianne S Mortimer** mmartin@jmbm.com
- **Tania M Moyron** tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com
- **Alan I Nahmias** anahmias@mbnlawyers.com, jdale@mbnlawyers.com
- **Akop J Nalbandyan** jnalbandyan@LNtriallawyers.com, cbautista@LNtriallawyers.com
- **Jennifer L Nassiri** jennifernassiri@quinnemanuel.com
- **Charles E Nelson** nelsonc@ballardspahr.com, wassweilerw@ballardspahr.com
- **Sheila Gropper Nelson** shedoesbklaw@aol.com
- **Mark A Neubauer** mneubauer@carltonfields.com,
mlrodriguez@carltonfields.com;smcloughlin@carltonfields.com;schau@carltonfields.com;NDunn@carltonfields.com;ecfla@carltonfields.com
- **Fred Neufeld** fneufeld@sycr.com
- **Nancy Newman** nnewman@hansonbridgett.com,
ajackson@hansonbridgett.com;calendarclerk@hansonbridgett.com
- **Bryan L Ngo** bngo@fortislaw.com,
BNgo@bluecapitallaw.com;SPicariello@fortislaw.com;JNguyen@fortislaw.com;JNguyen@bluecapitallaw.com
- **Abigail V O'Brient** avobrient@mintz.com,
docketing@mintz.com;DEHashimoto@mintz.com;nleali@mintz.com;ABLevin@mintz.com;GJLeon@mintz.com
- **John R OKeefe** jokeefe@metzlewis.com, slohr@metzlewis.com
- **Scott H Olson** solson@vedderprice.com, jcano@vedderprice.com,jparker@vedderprice.com;scott-olson-
2161@ecf.pacerpro.com,ecfsfdocket@vedderprice.com
- **Giovanni Orantes** go@gobklaw.com, gorantes@orantes-
law.com,cmh@gobklaw.com,gobklaw@gmail.com,go@ecf.inforuptcy.com;orantesgr89122@notify.bestcase.com
- **Keith C Owens** kowens@venable.com, khoang@venable.com
- **R Gibson Pagter** gibson@ppilawyers.com, ecf@ppilawyers.com;pagterrr51779@notify.bestcase.com
- **Paul J Pascuzzi** ppascuzzi@ffwplaw.com
- **Lisa M Peters** lisa.peters@kutakrock.com, marybeth.brukner@kutakrock.com
- **Christopher J Petersen** cjpetersen@blankrome.com, gsolis@blankrome.com
- **Mark D Plevin** mplevin@crowell.com, cromo@crowell.com

- **Steven G. Polard** spolard@ch-law.com, calendar-lao@rmkb.com;melissa.tamura@rmkb.com;anthony.arriola@rmkb.com
- **David M Powlen** david.powlen@btlaw.com, pgroff@btlaw.com
- **Christopher E Prince** cprince@lesnickprince.com, jmack@lesnickprince.com;erivas@lesnickprince.com;cprince@ecf.courtdrive.com
- **Lori L Purkey** bareham@purkeyandassociates.com
- **William M Rathbone** wrathbone@grsm.com, jmydlandevans@grsm.com;sdurazo@grsm.com
- **Jason M Reed** Jason.Reed@Maslon.com
- **Michael B Reynolds** mreynolds@swlaw.com, kcollins@swlaw.com
- **J. Alexandra Rhim** arhim@hrhlaw.com
- **Emily P Rich** erich@unioncounsel.net, bankruptcycourtnotices@unioncounsel.net
- **Robert A Rich** , candonian@huntonak.com
- **Lesley A Riis** lriis@dpmclaw.com
- **Debra Riley** driley@allenmatkins.com
- **Jason E Rios** jrios@ffwplaw.com, scisneros@ffwplaw.com
- **Julie H Rome-Banks** julie@binderhalter.com
- **Mary H Rose** mrose@buchalter.com
- **Megan A Rowe** mrowe@dsrhealthlaw.com, lwestoby@dsrhealthlaw.com
- **Nathan A Schultz** nschultz@goodwinlaw.com
- **William Schumacher** wschumacher@jonesday.com
- **Mark A Serlin** ms@swllplaw.com, mor@swllplaw.com
- **Seth B Shapiro** seth.shapiro@usdoj.gov
- **David B Shemano** dshemano@shemanolaw.com
- **Joseph Shickich** jshickich@riddellwilliams.com
- **Mark Shinderman** mshinderman@milbank.com, dmuhrez@milbank.com;dlbatie@milbank.com
- **Rosa A Shirley** rshirley@nelsonhardiman.com, ksherry@nelsonhardiman.com;lgill@nelsonhardiman.com;rrange@nelsonhardiman.com
- **Kyrsten Skogstad** kskogstad@calnurses.org, rcraven@calnurses.org
- **Michael St James** ecf@stjames-law.com
- **Andrew Still** astill@swlaw.com, kcollins@swlaw.com
- **Jason D Strabo** jstrabo@mwe.com, cfuraha@mwe.com
- **Sabrina L Streusand** Streusand@slollp.com
- **Ralph J Swanson** ralph.swanson@berliner.com, sabina.hall@berliner.com
- **Michael A Sweet** msweet@foxrothschild.com, swillis@foxrothschild.com;pbasa@foxrothschild.com
- **Gary F Torrell** gtorrell@health-law.com
- **United States Trustee (LA)** ustpregion16.la.ecf@usdoj.gov
- **Cecelia Valentine** cecelia.valentine@nlrb.gov
- **Matthew S Walker** matthew.walker@pillsburylaw.com, renee.evans@pillsburylaw.com,docket@pillsburylaw.com
- **Jason Wallach** jwallach@ghplaw.com, g33404@notify.cincompass.com
- **Kenneth K Wang** kenneth.wang@doj.ca.gov, Jennifer.Kim@doj.ca.gov;Stacy.McKellar@doj.ca.gov;yesenia.caro@doj.ca.gov
- **Phillip K Wang** phillip.wang@rimonlaw.com, david.kline@rimonlaw.com
- **Sharon Z. Weiss** sharon.weiss@bclplaw.com, raul.morales@bclplaw.com
- **Adam G Wentland** awentland@tocounsel.com, lkwon@tocounsel.com
- **Latonia Williams** lwilliams@goodwin.com, bankruptcy@goodwin.com
- **Michael S Winsten** mike@winsten.com
- **Jeffrey C Wisler** jwisler@connollygallagher.com, dperkins@connollygallagher.com
- **Neal L Wolf** nwolf@hansonbridgett.com, calendarclerk@hansonbridgett.com,lchappell@hansonbridgett.com
- **Hatty K Yip** hatty.yip@usdoj.gov
- **Andrew J Ziaja** aziaja@leonardcarder.com, sgroff@leonardcarder.com;msimons@leonardcarder.com;lbadar@leonardcarder.com
- **Rose Zimmerman** rzimmerman@dalcycity.org

SERVICE LIST
(Via First Class Mail)

Verity Health System of California, Inc.

2040 E. Mariposa Avenue
El Segundo, CA 90245

Samuel R. Maizel

Dentons US LLP
601 South Figueroa Street
Suite 2500
Los Angeles, CA 90017

SERVICE LIST
(Via FedEx Overnight)

The Honorable Ernest M. Robles
United States Bankruptcy Court
Central District of California
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1560/Courtroom 1568
Los Angeles, CA 90012-3300

SERVICE LIST
(Via Email)

Attorneys for Chapter 11 Debtors and Debtors in Possession

Samuel R. Maizel – samuel.maizel@dentons.com

John A. Moe, II – john.moe@dentons.com

Tania M. Moyron – tania.moyron@dentons.com

Nick Koffroth – nick.koffroth@dentons.com