Docket #0009 Date Filed: 2/11/2019

Steven J. Kahn (CA Bar No. 76933)
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Co-Counsel to Chapter 11 Debtors and
Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☐ Affects All Debtors
☒ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☒ Affects St. Francis Medical Center
☒ 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 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

Adversary No. 2:19-ap-01042-ER

NOTICE OF MOTION AND MOTION FOR AUTHORITY TO FILE COMPLAINT UNDER SEAL, MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF STEVEN J. KAHN IN SUPPORT THEREOF

Date: March 6, 2019
Time: 11:00 a.m.
Place: Courtroom 1568
255 E. Temple Street
Los Angeles, CA 90012

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

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VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation and ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation,

Plaintiffs,

v.

HERITAGE PROVIDER NETWORK, INC., a California corporation,

Defendant.

TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE, DEFENDANT, AND ALL PARTIES ENTITLED TO NOTICE:

PLEASE TAKE NOTICE that on the 6th day of March, 2019 at 11:00 a.m., or as soon as this matter may be heard before the Honorable Ernest M. Robles, United States Bankruptcy Judge, in Courtroom 1568 of the above-entitled Court, located at 255 E. Temple Street, Los Angeles, California, Debtors and Plaintiffs Verity Health System of California, Inc., St. Vincent Medical Center and St. Francis Medical Center ("Plaintiffs") will move the Court (the "Motion") for an order pursuant to Local Bankruptcy Rule 5003-2(c) permitting Plaintiffs to file under seal an unredacted version of the Complaint filed in this adversary proceeding at Docket No. 1, and attached hereto as **Exhibit "A"** (the "Redacted Complaint").

This Motion is made on the grounds that Defendant, Heritage Provider Network, Inc. ("Heritage") contends that Plaintiffs may not divulge portions of the Redacted Complaint. Although Plaintiffs do not concur that the allegations redacted from the Redacted Complaint warrant such protection under 11 U.S.C. § 107(b) or Federal Rule of Bankruptcy Procedure 9018, Defendant would not permit Plaintiffs, despite request, to file an unredacted version of the Redacted Complaint.

However, Defendant has stated that it will not oppose the filing of the unredacted version of the Redacted Complaint under seal.

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ATTORNEYS AT LAW
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This Motion will be based upon the Memorandum of Points and Authorities and Declaration of Steven J. Kahn, attached hereto, and any further evidence or argument to be presented at the time of the hearing hereon.

Local Bankruptcy Rule 9013-1(f) requires a written response to this Motion be filed and served at least fourteen (14) days before hearing. If no such response is timely filed and served, the Court may consider such lack of response to be consent to the granting of the relief requested herein.

PACHULSKI STANG ZIEHL & JONES LLP

Dated: February 11, 2019

/s/ Steven J. Kahn
Steven J. Kahn
Co-Counsel to Chapter 11 Debtors and Debtors in Possession

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

MEMORANDUM OF POINTS AND AUTHORITIES

Local Bankruptcy Rule 5003-2(c) and Section 2.8(b) of the Court Manual permit the filing of a paper under seal upon prior approval of the Bankruptcy Court through a written motion presented to the Court along with a redacted copy of the document to be filed. Section 107(b) of the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), provides bankruptcy courts with the power to issue orders that will protect entities from potential harm from the disclosure of sensitive information. Section 107(b), in relevant part, provides:

> On request of a party in interest, the bankruptcy court shall, and on the bankruptcy court's own motion, the bankruptcy court may –
>
> (1) protect an entity with respect to a trade secret or confidential research, development, or commercial information.

11 U.S.C. § 107(b). Section 107(b) of the Bankruptcy Code does not require a demonstration of "good cause." Rather, if material sought to be protected falls within one of the enumerated categories, "the court is required to protect a requesting interested party and has no discretion to deny the application." *In re Orion Pictures Corp.*, 21 F.3d 24, 27 (2d Cir. 1994). Additionally, Rule 9018 of the Federal Rules of Bankruptcy Procedure states, in part:

> On motion or on its own initiative, with or without notice, the court may make any order which justice requires (1) to protect the estate or any entity in respect of a trade secret or other confidential research, development, or commercial information, (2) to protect any entity against scandalous or defamatory matter contained in any paper filed in a case under the Code, or (3) to protect governmental matters that are made confidential by statute or regulation.

Fed. R. Bankr. P. 9018. Finally, pursuant to 11 U.S.C. § 105(a), the court may issue any order, process or judgment that is *necessary* or appropriate to carry out the provisions of this title.

As more fully set forth in the Motion and Declaration of Steven J. Kahn, attached hereto, good cause exists for the filing of the Complaint under seal in that Defendant asserts that the public disclosure of the material redacted from the Complaint is not permitted. Efforts by Plaintiffs' counsel to limit redactions to purely confidential commercial information have been unsuccessful.

Therefore, Plaintiffs request that the Court enter an order permitting them to file an unredacted copy of the Redacted Complaint under seal with the Court. Defendant has indicated that it will not oppose this Motion.

PACHULSKI STANG ZIEHL & JONES LLP

Dated: February 11, 2019

/s/ Steven J. Kahn
Steven J. Kahn
Co-Counsel to Chapter 11 Debtors and Debtors in Possession

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

DECLARATION OF STEVEN J. KAHN

I, STEVEN J. KAHN, declare:

1. I am an attorney at law duly licensed to practice before all courts in the state of California and in this District. I am of counsel to the law firm of Pachulski Stang Ziehl & Jones LLP, attorneys for Plaintiffs in this adversary proceeding. The facts stated herein are of my own personal knowledge, or were obtained by me from a review of the books, records and files maintained by me as counsel for Plaintiffs. If called upon as a witness, I could and would competently testify thereto.

2. Plaintiffs move the Court pursuant to Local Bankruptcy Rule 5003-2(c), 11 U.S.C. § 107(b) and Federal Rule of Bankruptcy Procedure 9018, to file under seal an unredacted copy of the Complaint filed to institute this proceeding. A copy of the redacted Complaint, as electronically filed, is attached hereto as **Exhibit "A."**

3. Defendant contends that the matters redacted from the Complaint may not be publicly disclosed.

4. I have had communications with Defendant's counsel, Leslie A. Cohen, regarding limiting redactions to the Complaint solely to matter that might be considered proprietary and sensitive commercial information. However, I have been advised by counsel for Defendant that it considers all the redacted matter to contain "a business process issue that precludes them from voluntarily revealing" the matter.

5. On February 4, 2019, I forwarded a copy of the final version of the unredacted Complaint to Defendant's counsel and requested counsel to consent to the filing of the unredacted version of the Complaint under seal. On February 7, 2019, Defendant's counsel responded, stating that her client would not oppose a request to file the unredacted version of the Redacted Complaint under seal, as reflected in the email exchange attached hereto as **Exhibit "B."**

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

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

Executed this 11th day of February, 2019, at Los Angeles, California.

/s/ Steven J. Kahn
STEVEN J. KAHN

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

EXHIBIT A

Steven J. Kahn (CA Bar No. 76933)
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Co-Counsel to Chapter 11 Debtors and
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,

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Debtors and Debtors In Possession.

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Case No. 2:18-bk-20181-ER;

Chapter 11 Cases

Hon. Ernest M. Robles

Adversary No. _____

COMPLAINT FOR [redacted] TURNOVER, UNJUST ENRICHMENT, DAMAGES FOR VIOLATION OF THE AUTOMATIC STAY AND INJUNCTIVE RELIEF

[REDACTED—UNREDACTED VERSION TO BE FILED UNDER SEAL]

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation and ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, Plaintiffs, v. HERITAGE PROVIDER NETWORK, INC., a California corporation, Defendant.

Plaintiffs Verity Health System of California, Inc., St. Vincent Medical Center and St. Francis Medical Center, for their Complaint against Heritage Provider Network, Inc., allege as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction over this adversary proceeding (the "Action") pursuant to 28 U.S.C. §§ 157 and 1334.

2. The Action is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

3. Venue is proper pursuant to 28 U.S.C. § 1409 because the Action arises in, and is related to, the bankruptcy cases encaptioned above pending in the United States Bankruptcy Court for the Central District of California, Los Angeles Division.

4. Plaintiffs consent to the entry of final orders or judgments by the Bankruptcy Court even if it is determined that, absent consent of the parties, the Bankruptcy Court cannot enter final orders or judgments in this proceeding.

THE PARTIES

5. Debtor and Plaintiff Verity Health System of California, Inc. ("VHS") is a California nonprofit public benefit corporation and the sole corporate member of St. Vincent Medical Center and St. Francis Medical Center.

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6. Debtor and Plaintiff St. Vincent Medical Center ("St. Vincent") is a California nonprofit public benefit corporation doing business in the County of Los Angeles providing hospital and ancillary medical services on an inpatient and outpatient basis.

7. Debtor and Plaintiff St. Francis Medical Center ("St. Francis," and together with St. Vincent, the "Plaintiff Hospitals") is a California nonprofit public benefit corporation doing business in the County of Los Angeles providing hospital and ancillary medical services on an inpatient and outpatient basis.

8. Defendant Heritage Provider Network, Inc. ("Heritage") is a California corporation doing business in the County of Los Angeles as a limited Knox-Keene licensee providing health services under contractual arrangements with Knox-Keene HealthCare Services Plans, such as the Health Net Medi-Cal HMO and plans under the Covered California Exchange Program ("HCSPs"), for enrollees or members of such HCSPs by contracting for medical services with hospitals, physicians, and other health care providers.

BANKRUPTCY BACKGROUND

9. On August 31, 2018 ("Petition Date"), each of the above encaptioned debtors (each a "Debtor" and collectively the "Debtors") filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").[1] The cases are currently being jointly administered before the Bankruptcy Court [Docket No. 17]. Since the commencement of these cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

10. VHS and its affiliated entities (collectively, the "Verity Health System") operate as an integrated nonprofit health care system, with approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical specialties, including tertiary and quaternary care.

11. On September 14, 2018, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors in these cases.

[1] All references to "§" or "section" herein are to the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.*, as amended.

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12. The claims set forth herein relate to

13. On or about July 1, 2016,

A true and correct copy of the is attached hereto and incorporated herein by reference as **Exhibit "A"**

14. On or about June 1, 2017,

A true and correct copy of the Capitation Agreement is attached hereto and incorporated herein by reference as **Exhibit "B"**

15.

health care services.

16. Pursuant to

In the event of

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17. Pursuant to

18. This Action stems from Heritage's

all to the direct and significant harm of the Plaintiff Hospitals.

FIRST CLAIM FOR RELIEF

(For Against Defendant)

19. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 18, above, as though fully set forth herein.

20. Heritage to provide

21. Heritage

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[redacted] during 2018.

22. By reason of Heritage's [redacted]

23. Pursuant to [redacted]

24. Heritage has further [redacted]

25. Rather, Heritage [redacted]

26. No [redacted]

27. Plaintiffs have [redacted]

28. By reason of the aforesaid [redacted] Plaintiffs have been damaged in a sum according to proof, but including the amount of the [redacted] and the additional losses caused by reason of Heritage's [redacted] plus interest thereon at the legal rate and attorneys' fees according to proof.

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SECOND CLAIM FOR RELIEF

(For [redacted] Against Defendant)

29. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 28, above, as though fully set forth herein.

30. Pursuant to [redacted]

31. Heritage is required [redacted]

32. No [redacted]

33. Indeed, [redacted]

34. Despite these prohibitions and [redacted] on August 15, 2018 and August 22, 2018, Heritage improperly [redacted]

35. Thereafter, on September 17, 2018, Heritage improperly [redacted] (the Post-

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Petition Offsets") [redacted]

36. Heritage has further indicated an intent to [redacted]

37. Plaintiffs have [redacted]

38. By reason of Heritage's [redacted] Plaintiffs have been damaged in the sum of $4,102,810, plus the amount of any other [redacted] interest thereon at the legal rate and attorneys' fees according to proof.

THIRD CLAIM FOR RELIEF

(For Turnover Against Defendant)

39. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 38, above, as though fully set forth herein.

40. Pursuant to § 541 of the Bankruptcy Code, [redacted]

41. Section 542 of the Bankruptcy Code requires that any entity in possession, custody, or control of property that the debtor may use, sell or lease under § 363 of the Bankruptcy Code shall deliver such property or the value of same to the debtor.

42. Pursuant to § 542(b) of the Bankruptcy Code, an entity that owes a matured debt that is property of the bankruptcy estate, shall pay such debt to the debtor.

43. Plaintiffs made demand on Heritage to turnover the amounts owed to [redacted]

44. Despite such demand, Defendant has failed and continues to fail and refuse to turnover the sums owed to the Plaintiff Hospitals [redacted]

45. Plaintiff is entitled to an order directing Heritage to immediately pay the amounts [redacted] and owing to the Plaintiff Hospitals, plus interest at the legal rate from [redacted]

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[redacted] through the date of judgment, plus interest thereon at the legal rate, according to proof.

FOURTH CLAIM FOR RELIEF

(For Unjust Enrichment Against Defendant)

46. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 45, above, as though fully set forth herein.

47. The Plaintiff Hospitals [redacted]

48. The Plaintiff Hospitals [redacted]

49. Heritage has obtained the benefit [redacted] and has been unjustly enriched thereby to the detriment of Plaintiffs.

50. By reason thereof, Plaintiffs are entitled to an order directing Heritage to disgorge not less than $4,102,810, plus [redacted] interest thereon at the legal rate and attorneys' fees according to proof.

FIFTH CLAIM FOR RELIEF

(For Damages for Violation of the Automatic Stay Against Defendant)

51. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 50, above, as though fully set forth herein.

52. Defendant had actual notice of the bankruptcy filings by the Debtors and of the imposition of the automatic stay by virtue of the *Notice of Case Commencement of Chapter 11 Cases and Meeting of Creditors Pursuant to Section 341 of the Bankruptcy Code* that was served on Defendant. [Docket No.185; 271] On August 31, 2018, Defendant was also sent an email informing Lloyd B. Wilensky, whom Plaintiffs are informed and believe to be Vice President of [redacted] of Defendant, of the Debtors' bankruptcy filings. A copy of that email is attached hereto as **Exhibit "C"**.

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53. Notwithstanding its knowledge of the bankruptcy filings, Defendant made the [redacted] and unauthorized Post-Petition Offsets for amounts [redacted]

54. Pursuant to § 541 of the Bankruptcy Code, [redacted] constitute property of the Plaintiffs' estates.

55. The Post-Petition Offsets were not authorized under the Bankruptcy Code or applicable non-bankruptcy law and no prior approval was received from the Court by Defendant prior to effectuating the Post-Petition Offsets.

56. By effectuating the Post-Petition Offsets, Defendant violated the automatic stay provisions in at least the following ways: (i) exercising control over property of the Plaintiff Hospitals' estates within the meaning of § 362(a)(3) of the Bankruptcy Code; (ii) [redacted] within the meaning of § 362(a)(6) of the Bankruptcy Code; and (iii) setting off a debt [redacted] within the meaning of § 362(a)(7) of the Bankruptcy Code.

57. Plaintiffs are entitled to a determination that Heritage's acts of effectuating the Post-Petition Offsets violate the automatic stay and that the Plaintiff Hospitals are entitled to return of not less than $1,387,885 and any other amounts [redacted] and for other compensatory damages according to proof.

SIXTH CLAIM FOR RELIEF

(For Injunctive Relief Against Defendant)

58. Plaintiffs refer to and incorporate herein by reference each and every allegation contained in Paragraphs 1 through 57, above, as though fully set forth herein.

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LOS ANGELES, CALIFORNIA

59. Plaintiffs are entitled to an order pursuant to §§ 105(a) and 362 of the Bankruptcy Code enjoining the Defendant from engaging in any further setoffs [redacted]

60. To the extent Heritage continues to setoff sums [redacted] Plaintiffs reserve the right to amend this Complaint to seek punitive damages for intentional violation of the automatic stay.

PRAYER

WHEREFORE, Plaintiffs pray for entry of judgment against Defendant as follows:

On the First Claim for Relief:

a. For damages according to proof;

b. For interest thereon at the legal rate until paid in full;

c. For attorneys' fees and costs according to proof; and

d. For such further and other relief the Court deems just and proper.

On the Second Claim for Relief:

a. For damages in the sum of not less than $4,102,810, plus the amount of any other unauthorized Post-Petition Offsets taken after September 17, 2018;

b. For interest thereon at the legal rate [redacted] until paid in full;

c. For attorneys' fees and costs according to proof; and

d. For such further and other relief the Court deems just and proper.

On the Third Claim for Relief:

a. For disgorgement of the sum of not less than $4,102,810;

b. For interest thereon at the legal rate [redacted] until paid in full;

c. For attorneys' fees and costs according to proof; and

d. For such further and other relief the Court deems just and proper.

On the Fourth Claim for Relief:

a. For disgorgement of the sum of not less than $4,102,810, plus the amount of any other unauthorized Post-Petition Offsets taken after September 17, 2018;

b. For interest thereon at the legal rate from [redacted] until paid in full;

c. For attorneys' fees and costs according to proof; and

d. For such further and other relief the Court deems just and proper.

On the Fifth Claim for Relief:

a. For a determination that Defendant's [redacted] violated the automatic stay, and for an award of not less than $1,387,885 plus the amount of any other unauthorized [redacted] taken after September 17, 2018, and other compensatory damages, according to proof;

b. For attorneys' fees and costs according to proof; and

c. For such further and other relief the Court deems just and proper.

On the Sixth Claim for Relief:

a. For injunctive relief pursuant to Bankruptcy Code §§ 105(a) and 362 prohibiting Defendant from effectuating any further setoffs [redacted] in violation of the automatic stay;

b. For attorneys' fees and costs according to proof; and

c. For such further and other relief the Court deems just and proper.

PACHULSKI STANG ZIEHL & JONES LLP

Dated: February 5, 2019

/s/ Steven J. Kahn
Steven J. Kahn
Co-Counsel to Chapter 11 Debtors and Debtors in Possession

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

EXHIBIT A

REDACTED—UNREDACTED COPY

TO BE FILED UNDER SEAL

EXHIBIT B

REDACTED—UNREDACTED COPY

TO BE FILED UNDER SEAL

EXHIBIT C

REDACTED—UNREDACTED COPY

TO BE FILED UNDER SEAL

B1040 (FORM 1040) (12/15)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)	**ADVERSARY PROCEEDING NUMBER** (Court Use Only)

PLAINTIFFS	**DEFENDANTS**
VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation and ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation,	HERITAGE PROVIDER NETWORK, INC., a California corporation,
ATTORNEYS (Firm Name, Address, and Telephone No.) Steven J. Kahn PACHULSKI STANG ZIEHL & JONES LLP 10100 Santa Monica Blvd., 13th Floor Los Angeles, California 90067 Telephone: 310/277-6910	**ATTORNEYS** (If Known) Leslie A. Cohen Leslie Cohen Law PC 506 Santa Monica Blvd., Suite 200 Santa Monica, CA 90402
PARTY (Check One Box Only) ☒ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☐ Creditor ☐ Other ☐ Trustee	**PARTY** (Check One Box Only) ☐ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☒ Creditor ☐ Other ☐ Trustee

CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)
COMPLAINT FOR DAMAGES, TURNOVER, UNJUST ENRICHMENT, FOR VIOLATION OF THE AUTOMATIC STAY AND INJUNCTIVE RELIEF

NATURE OF SUIT

(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)

FRBP 70 01(1) – Recovery of Money/Property
- ☒ 11-Recovery of money/propert y - §542 turnover of property
- ☐ 12-Recovery of money/property - §547 preference
- ☐ 13-Recovery of money/property - §548 fraudulent transfer
- ☐ 14-Recovery of money/property - other

FRBP 70 01 (2) – Validity, Priority or Extent of Lien
- ☐ 21-Validity, priority or extent of lien or other interest in property

FRBP 7001(3) – Approval of Sale of Property
- ☐ 31-Approval of sale of property of estate and of a co-owner - §363(h)

FRBP 7001(4) – Objection/ Revocation of Discharge
- ☐ 41-Objection/re vocation of discharge - §727(c),(d),(e)

FRBP 7001(5) – Revocation of Confirmation
- ☐ 51-Revocation of confirmation

FRBP 7001(6) – Dischargeability
- ☐ 6 6 -Dischargeability - §523(a)(1),(14),(14A) priority tax claims
- ☐ 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud
- ☐ 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny

(continued next column)

FRBP 70 01(6) – Dischargeability (continued)
- ☐ 61 -Dischargeability- §523(a)(5), domestic support
- ☐ 68-Dischargeability - §523(a)(6), willful and malicious injury
- ☐ 63-Dischargeability - §523(a)(8), student loan
- ☐ 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)
- ☐ 6 5 -Dischargeability - other

FRBP 70 01(7) – Injunctive Relief
- ☒ 71 -Injunctive relief- imposition of stay
- ☐ 72-Injunctive relief - other

FRBP 70 01(8) Subordination of Claim or Interest
- ☐ 81 -Subordination of claim or interest

FRBP 70 01(9) Declaratory Judgment
- ☐ 91 -Declaratory judgment

FRBP 70 01(10) Deter mi nation of Remove d Act ion
- ☐ 01 -Determination of removed claim or cause

Other
- ☐ SS-SIPA Case - 15 U.S.C. §§78aaa *et.seq.*
- ☐ 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

☒ Check if this case involves a substantive issue of state law	☐ Check if this is asserted to be a class action under FRCP 23
☐ Check if a jury trial is demanded in complaint	☒ Demand $ 4,102,810 +

Other Relief Sought
Other damages according to proof and injunction.

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B1040 (FORM 1040) (12/15)

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*,	BANKRUPTCY CASE NO. 2:18-bk-20151-ER (Jointly administered)	
DISTRICT IN WHICH CASE IS PENDING CENTRAL DISTRICT	DIVISION OFFICE LOS ANGELES DIVISION	NAME OF JUDGE HON. ERNEST M. ROBLES
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF) */s/ Steven J. Kahn*		
DATE February 5, 2019	PRINT NAME OF ATTORNEY (OR PLAINTIFF) STEVEN J. KAHN	

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and **Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

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Steven J. Kahn (CA Bar No. 76933)
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10100 Santa Monica Blvd., 13th Floor
Los Angeles, California 90067
Telephone: 310/277-6910
Facsimile: 310/201-0760
E-mail: skahn@pszjlaw.com

Co-Counsel to Chapter 11 Debtors and
Debtors In Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession. ☐ Affects All Debtors ☒ Affects Verity Health System of California, Inc. ☐ Affects O'Connor Hospital ☐ Affects Saint Louise Regional Hospital ☒ Affects St. Francis Medical Center ☒ 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 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 Adversary No. _____ **NOTICE OF REQUIRED COMPLIANCE WITH LOCAL BANKRUPTCY RULE 7026-1**

Plaintiff hereby provides this notice of the requirement of Local Bankruptcy Rule 7026-1 ("LBR 7026-1") and Federal Rule of Bankruptcy Procedure 7026 (collectively, the "Rules") that the parties meet and confer as required by and for the purposes set forth in those Rules. The text of LBR 7026-1 is attached hereto as **Exhibit A**.

PACHULSKI STANG ZIEHL & JONES LLP

Dated: February 5, 2019

/s/ Steven J. Kahn
Steven J. Kahn
Co-Counsel to Chapter 11 Debtors and
Debtors in Possession

EXHIBIT A

EXHIBIT A

NOTICE OF REQUIRED COMPLIANCE UNDER LBR 7026-1 AND FEDERAL RULE OF BANKRUPTCY PROCEDURE

LBR 7026-1. DISCOVERY

(a) **General**. Compliance with FRBP 7026 and this rule is required in all adversary proceedings.

(1) Notice. The plaintiff must serve with the summons and complaint a notice that compliance with FRBP 7026 and this rule is required.

(2) Proof of Service. The plaintiff must file a proof of service of this notice together with the proof of service of the summons and complaint.

(b) **Discovery Conference and Disclosures**.

(1) Conference of Parties. Unless all defendants default, the parties must conduct the meeting and exchange the information required by FRBP 7026 within the time limits set forth therein.

(2) Joint Status Report. Within 7 days after such meeting, the parties must prepare a joint status report containing the information set forth in LBR 7016-1(a)(2). The joint status report will serve as the written report of the meeting required by FRBP 7026.

(c) **Failure to Make Disclosures or Cooperate in Discovery.**

(1) General. Unless excused from complying with this rule by order of the court for good cause shown, a party must seek to resolve any dispute arising under FRBP 7026-7037 or FRBP 2004 in accordance with this rule.

(2) Meeting of Counsel. Prior to the filing of any motion relating to discovery, counsel for the parties must meet in person or by telephone in a good faith effort to resolve a discovery dispute. It is the responsibility of counsel for the moving party to arrange the conference. Unless altered by agreement of the parties or by order of the court for cause shown, counsel for the opposing party must meet with counsel for the moving party within 7 days of service upon counsel of a letter requesting such meeting and specifying the terms of the discovery order to be sought.

(3) Moving Papers. If counsel are unable to resolve the dispute, the party seeking discovery must file and serve a notice of motion together with a written stipulation by the parties.

(A) The stipulation must be contained in 1 document and must identify, separately and with particularity, each disputed issue that remains to be determined at the hearing and the contentions and points and authorities of each party as to each issue.

(B) The stipulation must not simply refer the court to the document containing the discovery request forming the basis of the dispute. For example, if the sufficiency of an answer to an interrogatory is in issue, the stipulation must contain, verbatim, both the interrogatory and the allegedly insufficient answer, followed by each party's contentions, separately stated.

(C) In the absence of such stipulation or a declaration of counsel of noncooperation by the opposing party, the court will not consider the discovery motion.

(4) Cooperation of Counsel; Sanctions. The failure of any counsel either to cooperate in this procedure, to attend the meeting of counsel, or to provide the moving party the information necessary to prepare the stipulation required by this rule within 7 days of the meeting of counsel will result in the imposition of sanctions, including the sanctions authorized by FRBP 7037 and LBR 9011-3.

(5) Contempt. LBR 9020-1 governing contempt proceedings applies to a discovery motion to compel a non-party to comply with a deposition subpoena for testimony and/or documents under FRBP 7030 and 7034.

EXHIBIT B

Steven J. Kahn

From: Leslie Cohen <leslie@lesliecohenlaw.com>
Sent: Thursday, February 07, 2019 11:31 AM
To: Steven J. Kahn
Cc: Henry Kevane; 'Paul, Elspeth' (ElspethPaul@verity.org); J'aime Williams
Subject: Re: Verity/Heritage

Hi Steve,

My client will not oppose a request to file the complaint under seal, and asks that you please make sure you have court approval for that before filing it.

Also, I can accept service of the complaint; please serve via email to the following addresses:

jaime@lesliecohenlaw.com
leslie@lesliecohenlaw.com
odalys@lesliecohenlaw.com

Thank you,

Leslie A. Cohen

Leslie Cohen Law PC
506 Santa Monica Bl., Suite 200
Santa Monica, CA 90402
310-394-5900
fax 310-394-9280
cell 310-922-8104
www.lesliecohenlaw.com

From: Steven J. Kahn <skahn@pszjlaw.com>
Sent: Monday, February 4, 2019 2:50 PM
To: Leslie Cohen
Cc: Henry Kevane; 'Paul, Elspeth' (ElspethPaul@verity.org)
Subject: Verity/Heritage

Leslie,

Attached is the unredacted complaint we will seek to file under seal. Also attached is the redacted version of the complaint to be efiled.

As to the unredacted complaint, please let me know if your client will agree that it can be filed under seal so that we can advise the Court in a requisite motion whether or not we have its consent.

Thanks,

Steve

Steven J. Kahn
Pachulski Stang Ziehl & Jones LLP
Tel: 310.277.6910 | Fax: 310.201.0760
skahn@pszjlaw.com
vCard | Bio | LinkedIn



Los Angeles | San Francisco | Wilmington, DE | New York | Costa Mesa

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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:
10100 Santa Monica Boulevard, 13th Floor, Los Angeles, California 90067

A true and correct copy of the foregoing document entitled (*specify):* ***NOTICE OF MOTION AND MOTION FOR AUTHORITY TO FILE COMPLAINT UNDER SEAL, MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF STEVEN J. KAHN IN SUPPORT THEREOF*** 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*) **February 11, 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:

- Steven J Kahn skahn@pszyjw.com
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On (*date*) _____, 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*) **February 11, 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.

VIA HAND DELIVERY
Honorable Ernest M. Robles
U.S. Bankruptcy Court
255 E. Temple Street, Suite 1560 / Courtroom 1568
Los Angeles, CA 90012

☒ 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.

February 11, 2019	Mary de Leon	/s/ Mary de Leon
Date	*Printed Name*	*Signature*

MAILING INFORMATION FOR ADVERSARY CASE NO. 2:19-ap-01042-ER

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL

VIA EMAIL

Leslie Cohen Law PC
506 Santa Monica Bl., Suite 200
Santa Monica, CA 90402
Email: leslie@lesliecohenlaw.com
jaime@lesliecohenlaw.com
odalys@lesliecohenlaw.com