Docket #0019 Date Filed: 1/22/2020

GARY E. KLAUSNER (SBN 69077)
gek@lnbyb.com
JEFFREY S. KWONG (SBN 288239)
jsk@lnbyb.com
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
10250 Constellation Boulevard, Suite 1700
Los Angeles, CA 90067
Telephone: (310) 229-1234
Facsimile: (310) 229-1244

L. RACHEL LERMAN
rachel.lerman@btlaw.com
BARNES &THORNBURG LLP
2029 Century Park East Suite 300
Los Angeles, CA 90067-2904
Telephone: (310) 284-3871

Attorneys for Strategic Global Management, Inc.

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 ASC, LLC	CHAPTER 11 Lead Bankr. 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 Adversary Case No. 2:20-ap-01001-ER **STRATEGIC GLOBAL MANAGEMENT, INC.'S EMERGENCY MOTION TO STAY ADVERSARY PROCEEDINGS; DECLARATION OF GARY E. KLAUSNER IN SUPPORT THEREOF** Date: [TBD]

1820151200122000000000004

Debtors and Debtors in Possession.

VERITY HEALTH SYSTEM OF CALIFORNIA, INC., a California nonprofit public benefit corporation, ST. VINCENT MEDICAL CENTER, a California nonprofit public benefit corporation, ST. VINCENT DIALYSIS CENTER, INC., a California nonprofit public benefit corporation, and ST. FRANCIS MEDICAL CENTER, a California nonprofit public benefit corporation, SETON MEDICAL CENTER, a California nonprofit public benefit corporation, and VERITY HOLDINGS, LLC, a California limited liability company; and

Plaintiffs,

v.

KALI P. CHAUDHURI, M.D., an individual, STRATEGIC GLOBAL MANAGEMENT, INC., a California corporation, KPC HEALTHCARE HOLDINGS, INC. a California Corporation KPC HEALTH PLAN HOLDINGS, INC. a California Corporation, KPC HEALTHCARE, INC. a Nevada Corporation, KPC GLOBAL MANAGEMENT, LLC, a California Limited Liability Company, and DOES 1 through 500,

Defendants.

Time: [TBD]
Judge: Ernest Robles
Place: Department 1568
255 E. Temple Street
Los Angeles, CA 90012

SUMMARY

Pursuant to Local Bankruptcy Rules 2081-1(a)(12) and 9075-1, and 11 U.S.C. § 105(a), Strategic Global Management, Inc. ("SGM") moves for a stay on the ground this Court lacks jurisdiction to adjudicate the Adversary Proceeding until final resolution of SGM's appeals from three of this Court's Orders, which are currently pending in the U.S. District Court for the Central District of California (the "District Court"), and on which the Adversary Proceeding is based. This Court may not take any action on the Adversary Proceeding, including any pre-trial action, before the appeals are resolved, lest it disturb the *status quo* and usurp the jurisdiction of the District Court. Accordingly, all matters relating to the Adversary Proceeding, including the filing of any responsive pleading by the Defendants or compliance with this Court's Scheduling Order of January 6, 2020, must be stayed pending the final adjudication of the Appeals.

ADDITIONAL INFORMATION

The Motion is based upon Local Bankruptcy Rules 2081-1(a)(12) and 9075-1, 11 U.S.C. §105(a), the Motion, the supporting Memorandum of Points and Authorities and Klausner Declaration annexed hereto, the arguments and statements of counsel made at the hearing on the Motion, and other admissible evidence properly brought before the Court.

Concurrently with the filing of the Motion with the Court, SGM has served the Motion by messenger on the Office of the United States Trustee, counsel for the Debtor and counsel to the Official Committee of Unsecured Creditors (as a courtesy only). Notice of the hearing date and time on the Motion will also be served by overnight mail (or in another manner directed by the Court) once set by the Court. Additional hard copies or electronic copies of the Motion are available upon request to counsel for SGM, whose contact information is located on the upper-left hand corner of the Motion.

WHEREFORE, SGM respectfully requests that this Court enter an order staying the Adversary Proceeding and all matters relating to the Adversary Proceeding, including the filing of any responsive pleading or compliance with this Court's Scheduling Order of January 6, 2020 pending resolution of the Appeals.

Dated: January 16, 2020

LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.

By: */s/ Gary E. Klausner*
Gary E. Klausner
Counsel for Strategic Global Management, Inc.

MEMORANDUM OF POINTS AND AUTHORITIES

Strategic Global Management, Inc. ("SGM") submits this emergency motion for a stay of the Adversary Proceedings, Case No. 2:20-ap-01001-ER, filed by Verity Health System of California, Inc., St. Vincent Medical Center, St. Vincent Dialysis Center, Inc., St. Francis Medical Center, Seton Medical Center, and Verity Holdings, LLC ("Plaintiffs").

I. INTRODUCTION

"The filing of a notice of appeal is an event of jurisdictional significance-it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal." *Griggs v. Provident Consumer Discount Co*., 459 U.S. 56, 58 (1982). This rule applies to matters on appeal from the bankruptcy court. *Matter of Combined Metals Reduction Co*., 557 F.2d 179, 200 (9th Cir. 1977).

SGM moves for a stay on the ground this Court lacks jurisdiction to adjudicate the Adversary Proceeding until final resolution of SGM's appeals from three of this Court's Orders, which are currently pending in the U.S. District Court for the Central District of California (the "District Court"), and which touch directly on the issues raised in the Adversary Proceeding. This Court cannot take any action on the Adversary Proceeding, including any pre-trial action, before the appeals are resolved, lest it disturb the *status quo* and usurp the jurisdiction of the District Court. Accordingly, all matters relating to the Adversary Proceeding, including the filing of any responsive pleading by the Defendants or compliance with this Court's Scheduling Order of January 6, 2020, must be stayed pending the final adjudication of the Appeals.

II. STATEMENT OF FACTS & PROCEDURAL HISTORY

In November 2019, this Court issued Orders dated November 14 (Doc. No. 3611), November 18 (Doc. No. 3633), and November 27 (Doc. No. 3724), all of which are pending appeal in the District Court.

In its November 14 Order, the Court granted, over SGM's objection, *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*, ruling that the Assets (as defined in the APA) were

to be sold free and clear of Additional Conditions imposed by the California Attorney General ("AG"). SGM objected to the November 14 Order because the language agreed to by the Debtors and the AG failed to provide SGM the protection to which it was entitled under Section 8.6 of the APA.

In its November 18, Order, the Court held, *sua sponte*, without any adjudication of the merits, that the Debtors had complied with their obligations under Section 8.6 of the APA and that SGM was obligated "to promptly close the SGM Sale, provided that all other conditions to closing have been satisfied." (Doc No. 3633.)

In the November 27 Order and accompanying Memorandum of Decision, the Court ruled *sua sponte,* and without any adjudication of the merits, that "all conditions precedent to SGM's obligation to close the SGM Sale have been satisfied," and that SGM was thus "obligated to close by no later than December 5, 2019." (Doc. No. 3723.)

SGM timely appealed these Orders to the District Court. *See* Case Nos. 2:19-cv-10352; 2:19-cv-10354; and 2:19-cv-10356, respectively (collectively "the Appeals").

On December 10, 2019, Plaintiffs filed an "Emergency Motion to Dismiss" SGM's appeal of the November 14 Order; and, on December 19, 2019, they filed two similar "Emergency Motions to Dismiss" the Appeals of the November 18 and November 27 orders, arguing, *inter alia*, that the Orders appealed from were not final, appealable orders. All three motions were denied by the District Court, Honorable Dale S. Fischer presiding, on December 20, 2019.[1]

Notwithstanding the pendency of the Appeals, Plaintiffs filed an Adversary Proceeding in this Court against SGM and others on January 3, 2020, seeking damages related to SGM's failure to close by December 5, 2019. As we show, the Adversary Proceeding cannot go forward in this Court because it covers the same ground as, and is based on, the rulings on appeal.

As a separate matter, Plaintiffs' Adversary Proceeding is jurisdictionally flawed because it

---

[1] On December 20, 2019, SGM filed a motion to consolidate the three Appeals on the grounds they involve the same parties, the same operative facts, the same record, and same issues. Plaintiffs did not oppose SGM's consolidation motion, which is set for hearing on January 27, 2020.

names a number of parties, including Kali P. Chaudhuri, M.D., KPC Healthcare Holdings, Inc., KPC Health Plan Holdings, Inc., KPC Healthcare, Inc., and KPC Global Management, LLC (the "Non-SGM Defendants"), who have had no involvement in the Chapter 11 proceedings – they have not filed proofs of claim or participated in the Chapter 11 cases in any way; they have not waived their right to trial by an Article III court or their right to trial by jury; and they have not consented to having any specific issue, dispute, or motion relating to the Adversary Proceeding adjudicated by this Court. These Non-SGM Defendants are thus not properly before this Court.

On January, 14, 2020, Defendants' counsel requested that Plaintiffs' counsel extend the deadline for Defendants to respond to the Adversary Complaint 30 days to allow this Motion to be heard on normal notice. *See* Declaration of Gary Klausner ¶ 11. Plaintiffs refused to grant this request, thus necessitating that this motion be heard on an emergency basis. *Id.* ¶ 11 (attaching Plaintiffs' counsel's January 15, 2020 email stating that Defendants' ability to file this motion "on an expedited basis … undermines any notion that additional time is needed [to respond to the Complaint].")

III. ARGUMENT

A. This Court lacks jurisdiction over the Adversary Proceeding, which should be stayed pending resolution of the three Appeals.

The pending Appeals divest this Court of jurisdiction over the Adversary Proceeding, because it raises claims based on the rulings set forth in this Court's November 14, November 18 and November 27 Orders, all of which are pending appeal in the District Court. (*See, e.g.* Compl. ¶¶ 74-76; 83-95; 100; 107).

"The general rule is that once a notice of appeal has been filed, the lower court loses jurisdiction over the subject matter of the appeal." *Combined Metals*, 557 F.2d at 200 ("'The filing of a timely and sufficient notice of appeal has the effect of immediately transferring jurisdiction from the district court to the court of appeals with respect to any matters involved in the appeal. . . . Thus, after a notice of appeal is timely filed, the district court has no power to vacate the judgment, or to grant the appellant's motion to dismiss the action without prejudice, or to allow the filing of amended or supplemental pleadings.'") (quoting 9 Moore's Federal Practice,

2d ed., P 203.11, pp. 734-36) (further citations omitted); *see also Griggs*, 459 U.S. at 58 ("The filing of a notice of appeal is an event of jurisdictional significance-it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal.").

While bankruptcy courts have "wide latitude to reconsider and vacate its prior decisions, so long as the proceedings have not been terminated," they are nevertheless bound by the general rule that an appeal divests the lower court of the power to modify the order or decision being appealed. *Combined Metals Reduction Co*., 557 F.2d at 200-201. A different result "would permit bankruptcy courts to divest the courts of appeals of jurisdiction over appeals." *Id*. at 201; *accord, e.g.*, *In re Bialac*, 694 F.2d 625, 627 (1982) (following *Combined Metals*); *Midwest Properties No. Two v. Big Hill Inv. Co., Inc*., 93 B.R. 357, 360 (N.D. Tex., 1988) ("The rule is well established that the taking of an appeal transfers jurisdiction from the Bankruptcy Court to the Appellate Court with regard to any matters involved in the appeal and divests the Bankruptcy Court of jurisdiction to proceed further with such matters[.]"); *Matter of Urban Development Ltd., Inc*., 42 B.R. 741, 744 (Bankr. Fla., 1984) ("While the bankruptcy court has a wide latitude to reconsider and vacate its own prior decisions, it may not do anything which has any impact on the order on appeal."); *In re Butcher Boy Meat Market, Inc*., 10 B.R. 258, 259 (Bankr. Pa., 1981).

"This [jurisdictional] rule is clearly necessary to prevent the procedural chaos that would result if concurrent jurisdiction were permitted." *Matter of Urban Development Ltd., Inc*., 42 B.R. 741 (Bankr. M.D. Fla., 1984) (citing *Combined Metals, supra*); see also *In re Kendrick Equipment Corp*., 60 B.R. 356, 358 (Bankr. W.D. Va., 1986) ("The divestment of jurisdiction is a judicial rule to avoid confusion and waste of time that might flow from putting the same issue before two courts at the same time.").

The Adversary Proceeding seeks damages arising from SGM's failure to close the Sale, and relies heavily on this Court's conclusions (set forth in the Orders on appeal) that Plaintiffs had complied with all of the conditions required for closing and that SGM was obligated to close

on December 5, 2019. SGM's appeals challenge these rulings on the merits,[2] and the manner in which they were decided, *i.e.*, without granting SGM notice or an opportunity to be heard.

Perusal of the Complaint readily demonstrates the degree to which the Adversary Proceeding overlaps with the challenged rulings. For example, Plaintiffs allege that SGM breached the APA by, *inter alia*: (1) "asserting entitlement to an 'Evaluation Period' when no such period existed after the entry of the Enforcement Order [the November 14 Order], the Section 8.6 Order [the November 18 Order] and the Closing Order [the November 27 Order]"; "appealing the Enforcement Order [the November 14 Order] to avoid its' obligation to close and despite the APA's requirement that Defendants cooperate to render it a final, nonappealable order"; and "filing meritless and frivolous Notices of Appeal." Compl. ¶ 100. A plain and fair reading of the Complaint compels the conclusion that all of the claims and relief requested directly implicate the matters on appeal in the District Court.

SGM's timely notices of appeal from this and two other Orders dealing with the interpretation of the APA divests this Court of jurisdiction, which transferred immediately to the District Court. Pursuant to the foregoing authorities, this Court may not take any action on Plaintiffs' Adversary Complaint, because it covers the same ground as the matters pending appeal and any action, including pre-trial action, may displace the status quo. If, for example, this Court were to determine that SGM materially breached the APA because it failed to consummate and close the Sale by December 5, 2019 in accordance with the APA and its November 27 Order, it would usurp SGM's right to appellate review, the jurisdiction of the District Court, and potentially the jurisdiction of the Ninth Circuit, should an appeal be taken by any party from the decision of the District Court.[3]

---

[2] For example, SGM contends that Section 8.7 of the APA was not satisfied at the time the November 27 Order was entered, or on November 20 when Plaintiffs made their Closing Demand, because Plaintiffs had failed to enter into the type of agreement with Medi-Cal required by Section 8.7.

[3] It remains to be seen which tribunal should handle the Adversary Proceeding, as set forth in SGM's forthcoming motion to withdraw the reference to this Court with respect to the Adversary Proceeding (the "Motion to Withdraw the Reference"). SGM's Motion to Withdraw the

B. Emergency Relief is Necessary Because Defendants' Response to the Complaint must be Filed on or Before February 5, 2020.

The Summons and Notice of Status Conference issued by this Court on January 6, 2020 requires Defendants to file and serve their responses to the Complaint on or before February 5, 2020. If this motion were heard on normal notice, any ruling on this motion would be delayed until at least 21 days from the filing of this motion; which would be after the deadline for responding to the Complaint. Recognizing this problem, Defendants requested that Plaintiff stipulate to a 30 day extension of the response date to permit this motion to be heard on normal notice. Plaintiffs refused to consent. Accordingly, this motion must be heard on an emergency basis so that Defendants' request for a stay (to which they are entitled) can be heard and decided before any response to the Complaint is due or other action needs to be taken in connection with the Adversary Proceeding.

IV. CONCLUSION

For all of the foregoing reasons, the Adversary Proceeding and all matters relating to the Adversary Proceeding, including the filing of any responsive pleading or compliance with this Court's Scheduling Order of January 6. 2020 should be stayed pending resolution of the Appeals.

Dated: January 16, 2020

LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.

By: */s/ Gary E. Klausner*
Gary E. Klausner
Counsel for Strategic Global Management, Inc.; Kali P., Chaudhuri, M.D.; KPC Healthcare Holdings, Inc.; KPC Healthcare, Inc., KPC Global Management, LLC

Reference will be based, *inter alia*, on the grounds that: (1) the Adversary Proceeding is a "non-core" matter under 28 U.S.C § 157(b); (2) this Court lacks jurisdiction to rule on the Adversary Proceeding pending resolution of the Appeals; (3) the interests of judicial economy support having the Adversary Proceeding considered by the District Court after it decides the Appeals.

DECLARATION OF GARY E. KLAUSNER

I, Gary E. Klausner, declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am a partner of Levene, Neale, Bender, Yoo & Brill L.L.P. ("LNBYB"), bankruptcy counsel for Strategic Global Management, Inc. ("SGM"). I am licensed to practice law in the State of California and before this court.

3. I submit this Declaration in support of the "*Emergency Motion To Stay Adversary Proceedings*" (the "Motion"). Unless otherwise indicated, all capitalized but undefined terms herein shall have the same meanings ascribed to them in the Motion.

4. In November 2019, the Court issued Orders dated November 14 (Doc. No. 3611), November 18 (Doc. No. 3633), and November 27 (Doc. No. 3724), all of which are pending appeal in the District Court.

5. In its November 14 Order, the Court granted, over SGM's objection, *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*.

6. In its November 18, Order, the Court held that the Debtors had complied with their obligations under Section 8.6 of the APA and that SGM was obligated "to promptly close the SGM Sale, provided that all other conditions to closing have been satisfied." (Doc No. 3633.)

7. In the November 27 Order and accompanying Memorandum of Decision, the Court ruled that "all conditions precedent to SGM's obligation to close the SGM Sale have been satisfied," and that SGM was thus "obligated to close by no later than December 5, 2019." (Doc. No. 3723.)

8. SGM timely appealed these Orders to the District Court. *See* Case Nos. 2:19-cv-10352; 2:19-cv-10354; and 2:19-cv-10356, respectively (collectively "the Appeals").

9. On December 10, 2019, Plaintiffs filed an "Emergency Motion to Dismiss" SGM's appeal of the November 14 Order; they filed two similar "Emergency Motions to Dismiss" the Appeals of the November 18 and November 27 orders on December 19, 2019, arguing, *inter alia*, that the Orders appealed from were not final, appealable orders. All three motions were denied by the District Court, Honorable Dale S. Fischer presiding, on December 20, 2019.[4]

10. Notwithstanding the pendency of the Appeals, Plaintiffs filed an Adversary Proceeding in this Court against SGM and others on January 3, 2020, seeking damages related to SGM's failure to close by December 5, 2019.

11. On January, 14, 2020, I sent a letter (the "Letter") to Plaintiffs' counsel requesting a 30 day extension of the deadline for Defendants to respond to the Adversary Complaint, to allow for this Motion to be heard on normal notice. Plaintiffs refused to grant this request, thus necessitating that this motion be heard on an emergency basis. True and correct copies of the Letter, and Plaintiffs' counsel's email correspondence refusing to grant the extension request are attached respectively as **Exhibits "1" and "2"** hereto.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed December 20, 2019, at Los Angeles, California.

/s/ Gary E. Klausner
GARY E. KLAUSNER

[4] On December 20, 2019, SGM filed a motion to consolidate the three Appeals on the grounds they involve the same parties, the same operative facts, the same record, and same issues. Plaintiffs did not oppose SGM's consolidation motion, which is set for hearing on January 27, 2020.

EXHIBIT "1"

LAW OFFICES
LNBY&B

January 14, 2020

Sonia R. Martin, Esq.
Dentons US, LLP
One Market Plaza Spear Tower
24th Floor
San Francisco, CA 94105

Re: In re Verity Health Systems, Inc., Debtor
Verity Health Systems of California, Inc., et al v. Strategic Global Management, Inc., et al, Adversary No. 2:20-ap-01001-ER

Dear Sonia:

The Summons and Notice of Status Conference in the above captioned Adversary Proceeding [LBR 7004-1] provides for the Defendants to file and serve a written response on or before February 5, 2020. The purpose of this letter is to request from Plaintiffs a 30-day extension of time for Defendants to respond to the Complaint, i.e. through March 5, 2020.

SGM intends to file a motion for a stay of all matters pertaining to the Adversary Proceeding, including the filing of responses by any of the Defendants. The motion for stay will be based upon the existence of the three appeals currently pending before District Judge Fischer, from the Bankruptcy Court's Orders of November 14, November 18 and November 27, 2019 (herein the "Appeals").

In its November 27 Memorandum Decision and Order, the Bankruptcy Court ruled that, as of November 19, 2019, Verity had complied with all of the conditions required of it for closing the SGM sale and concluded that SGM was obligated to close the sale by December 5, 2019 pursuant to Verity's closing demand of November 20, 2019. SGM has appealed from that Order. Similarly, SGM has appealed the November 14 Order and November 18 Order, which purported to establish Verity's compliance with APA section 8.6.

The pendency of the Appeals divests the Bankruptcy Court of jurisdiction to adjudicate the Adversary Proceeding. *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982); *Matter of Combined Metals Reduction Company,* 557 S. 2d. 179, 200-201 (9th Cir. 1977). As a result, the District Court now has exclusive jurisdiction over the subject matter of the Appeals. Therefore, so long as the Appeals are pending, the Bankruptcy Court lacks jurisdiction to make any rulings related or bearing on the issues, which are the subject of appeal, i.e. Verity's compliance with all of its closing conditions and SGM's breach for failing to close theAPA on December 5, 2019 – all of which are the subject matter, and indeed the core allegations, of the Complaint.

At this time, we are not requesting that Verity stipulate to a stay; only that the response date be extended to March 5, 2020 to enable SGM to bring its stay motion on

GARY E. KLAUSNER ATTORNEY AT LAW • EMAIL: GEK@LNBYB.COM • DIRECT: 310.229.3360
10250 CONSTELLATION BLVD., STE 1700, LOS ANGELES, CA 90067 • TEL: 310.229.1234 FAX: 310.229.1244 WWW.LNBYB.COM

normal notice. If after having seen SGM's motion for stay Verity is in agreement that the Bankruptcy Court has been divested of jurisdiction regarding the Adversary Proceeding, we will work in good faith with you to enter into a stipulation providing for a stay pending the resolution of the Appeals.

Please confirm that you will grant the extension by Wednesday January 15 at 5:00 p.m. If for some reason Verity will not agree to the extension, please explain your reasoning for refusing to grant a request for an extension that is both (1) generally granted as a normal professional courtesy (See Central District's Civility Guidelines § B, 2) and (2) would allow the parties and the Court a full opportunity to address the motion to stay. If we do not have Verity's agreement at that time then we will ask that the Court hear the motion on an expedited basis.

Finally, the request for this extension is without prejudice to any of the rights, claims or defenses of any of the parties to the Adversary Proceeding.

Very truly yours,

Gary E. Klausner

cc: Sam Maizel, Esq.
Tanya Moyron, Esq.

EXHIBIT "2"

From: Martin, Sonia R. [mailto:sonia.martin@dentons.com]
Sent: Wednesday, January 15, 2020 2:55 PM
To: Gary E. Klausner
Cc: Maizel, Samuel R.; Moyron, Tania M.; Montgomery, Claude D.; Koffroth, Nick
Subject: RE: Verity; Verity v SGM

Gary:

Your request for a 30-day extension is not reasonable under the circumstances.

First, the appeals and the complaint are not a surprise and you have been involved in all of the briefing and the events to date. To the extent you believe the three orders that your clients appealed need a stay to protect them (putting aside that they never filed motions to stay the effect of those orders), your clients have more than enough time to prepare such a motion. The defendants' responses are due February 5 (22-days from your request and 30 days after issuance of the summons and the complaint). Indeed, in the same letter in which you requested this extension, you also threatened alternatively to move for such relief on an expedited basis, which undermines any notion that additional time is needed.

Second, the length of time of your request is not reasonable, as it seeks to extend the 30-day period by an additional 30 days without any explanation and to the prejudice of the Debtors. Indeed, you have cited to the Central District's Civility Rules, which state that counsel will not request an extension of time solely for the purpose of unjustified delay or to obtain a tactical advantage.

Third, your firm is not new to the representation of SGM or Dr. Chaudhuri, and your clients' request for an extension is not taken lightly by the Debtors given the harm your clients caused to the hospitals and the Debtors' estates and the need to move with alacrity given the nature of the bankruptcy cases (including the daily cash losses of $450,000).

Consequently, the Debtors will not agree to your request for a 30-day extension. The Debtors, however, we will agree to a one week (7 day) extension of your time to respond under FRBP 7012 for each client that you represent, provided you confirm to us today the identity of each client that you expect to represent.

DENTONS Sonia R. Martin

D +1 415 882 2476 | US Internal 42476
sonia.martin@dentons.com
Bio | Website

Dentons US LLP

Larraín Rencoret > Hamilton Harrison & Mathews > Mardemootoo Balgobin > HPRP > Zain & Co. > Delany Law > Dinner Martin > Maclay Murray & Spens > Gallo Barrios Pickmann > Muñoz > Cardenas & Cardenas > Lopez Velarde > Rodyk > Boekel > OPF Partners

Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. This

email may be confidential and protected by legal privilege. If you are not the intended recipient, disclosure, copying, distribution and use are prohibited; please notify us immediately and delete this copy from your system. Please see dentons.com for Legal Notices.

From: Gary E. Klausner <GEK@lnbyb.com>
Sent: Tuesday, January 14, 2020 2:50 PM
To: Martin, Sonia R. <sonia.martin@dentons.com>
Cc: Maizel, Samuel R. <samuel.maizel@dentons.com>; Moyron, Tania M. <tania.moyron@dentons.com>; Gary E. Klausner <GEK@lnbyb.com>
Subject: Verity; Verity v SGM

[External Sender]

Sonia; please see the attached letter. Thanks.

GARY E. KLAUSNER, Esq.
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
10250 Constellation Blvd. | Suite 1700 | Los Angeles, CA 90067
Phone 310 229 1234 | Direct 310 229 3360 | Fax 310 229 1244
gek@lnbyb.com | **www.lnbyb.com**

The preceding E-mail message is subject to Levene, Neale, Bender, Yoo & Brill L.L.P.'s email policies which can be found at http://www.lnbyb.com/disclaimers.htm.

Please consider the environment before printing this email

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 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled **STRATEGIC GLOBAL MANAGEMENT, INC.'S EMERGENCY MOTION TO STAY ADVERSARY PROCEEDINGS; DECLARATION OF GARY E. KLAUSNER 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 **January 16, 2020**, 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:

- 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
- 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 Benvenutti pbenvenutti@kellerbenvenutti.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
- 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;olivia@lesliecohenlaw.com
- Marcus Colabianchi mcolabianchi@duanemorris.com
- Kevin Collins kevin.collins@btlaw.com, Kathleen.lytle@btlaw.com
- Joseph Corrigan Bankruptcy2@ironmountain.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
- John-Patrick M Fritz jpf@lnbyb.com, JPF.LNBYB@ecf.inforuptcy.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@jmbm.com, bt@jmbm.com;fc3@jmbm.com;tmg@ecf.inforuptcy.com
- Lawrence B Gill lgill@nelsonhardiman.com, rrange@nelsonhardiman.com;mmarkwell@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 M. Guess guessd@gtlaw.com
- Anna Gumport agumport@sidley.com
- Melissa T Harris harris.melissa@pbgc.gov, efile@pbgc.gov
- James A Hayes jhayes@zinserhayes.com, jhayes@jamesahayesaplc.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
- 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@kellerbenvenutti.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
- Jeffrey S Kwong jsk@lnbyb.com, jsk@ecf.inforuptcy.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, louisa.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, dare.law@usdoj.gov
- Craig G Margulies Craig@MarguliesFaithlaw.com, Victoria@MarguliesFaithlaw.com;Helen@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, glenda.spratt@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
- 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, tingman@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;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
- Julie H Rome-Banks julie@bindermalter.com
- Mary H Rose mrose@buchalter.com
- Megan A Rowe mrowe@dsrhealthlaw.com, lwestoby@dsrhealthlaw.com
- Nathan A Schultz nschultz@goodwinlaw.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
- James Toma james.toma@doj.ca.gov, teresa.depaz@doj.ca.gov
- Gary F Torrell gtorrell@health-law.com
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov
- Cecelia Valentine cecelia.valentine@nlrb.gov
- 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, dare.law@usdoj.gov;kelly.l.morrison@usdoj.gov;kenneth.g.lau@usdoj.gov
- Andrew J Ziaja aziaja@leonardcarder.com, sgroff@leonardcarder.com;msimons@leonardcarder.com;lbadar@leonardcarder.com
- Rose Zimmerman rzimmerman@dalycity.org

2. SERVED BY UNITED STATES MAIL: On **January 16, 2020**, 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 **January 16, 2020**, 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.

SERVED BY PERSONAL DELIVERY

The Honorable Ernest M. Robles
United States Bankruptcy Court
Edward R. Roybal Federal Building
255 E. Temple Street, Suite 1560
Los Angeles, CA 90012

Samuel R Maizel
Tania M Moyron
John A Moe, II
Nicholas A Koffroth
Dentons US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, CA 90017

Alvin Mar
Hatty K Yip
Office of the UST/DOJ
915 Wilshire Blvd., Suite 1850
Los Angeles, CA 90017

Alexandra Achamallah
James Cornell Behrens
Daniel Denny
Mark Shinderman
Milbank LLP
2029 Century Park East
Los Angeles, CA 90067

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

January 16, 2020	Lourdes Cruz	*/s/ Lourdes Cruz*
Date	*Type Name*	*Signature*