Docket #0027 Date Filed: 2/9/2020

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

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
☐ Verity Health System of California, Inc.
☐ O'Connor Hospital
☐ Saint Louise Regional Hospital
☐ St. Francis Medical Center
☐ St. Vincent Medical Center
☐ Seton Medical Center
☐ O'Connor Hospital Foundation
☐ Saint Louise Regional Hospital Foundation
☐ St. Francis Medical Center of Lynwood Foundation
☐ St. Vincent Foundation
☐ 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
Adversary Case No. 2:20-ap-01001-ER

OFFICIAL COMMITTEE OF UNSECURED CREDITORS' EMERGENCY NOTICE OF MOTION AND MOTION TO INTERVENE RE: STRATEGIC GLOBAL MANAGEMENT, INC.'S EMERGENCY MOTION TO STAY ADVERSARY PROCEEDING; DECLARATION OF JAMES C. BEHRENS IN SUPPORT THEREOF

Hearing:
Date: February 11, 2020
Time: 10:00 a.m.
Location: Courtroom 1568


18201512002100000000000003

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.

TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE, THE UNITED STATES TRUSTEE, AND ALL PARTIES-IN-INTEREST HEREIN:

PLEASE TAKE NOTICE that a hearing will be held on February 11, 2020, at 10:00 a.m., at the above referenced location for the Court to consider this emergency motion to intervene (the "Intervention Motion") filed by the Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al*. (the "Committee") appointed in connection with the chapter 11 cases of the above-captioned debtors and debtors-in-possession (the "Debtors").

PLEASE TAKE FURTHER NOTICE that the Committee hereby moves to intervene in the above-captioned adversary proceeding pursuant to Federal Rule of Civil Procedure 24, as incorporated by Federal Rule of Bankruptcy Procedure 7024, for the limited purpose of opposing *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* (the "Stay Motion") [Adv. Dkt. No. 19] filed by the De Strategic Global Management, Inc. ("SGM").

PLEASE TAKE FURTHER NOTICE that this Intervention Motion is based on the facts and legal analysis set forth in the Memorandum of Points and Authorities attached hereto, the Declaration of James C. Behrens attached hereto, the record in this case, any other evidence properly before the Court prior to or at the hearing on the Intervention Motion, and all matters of which this Court may properly take judicial notice.

PLEASE TAKE FURTHER NOTICE that any objections to the relief requested in this Intervention Motion may be made either in advance of or at the hearing on the Intervention Motion.

PLEASE TAKE FURTHER NOTICE that, pursuant to Local Bankruptcy Rule 9013-1(h), the failure to oppose the Intervention Motion may be deemed by the Court to be consent to the relief requested.

DATED: February 9, 2020

MILBANK LLP

/s/ Mark Shinderman
GREGORY A. BRAY
MARK SHINDERMAN
JAMES C. BEHRENS

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

MEMORANDUM OF POINTS AND AUTHORITIES

The Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al*. (the "Committee") appointed in connection with the chapter 11 cases of the above-captioned debtors and debtors-in-possession (the "Debtors"), hereby submits this emergency motion to intervene (the "Intervention Motion") with regard to *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* (the "Stay Motion") [Adv. Dkt. No. 19] filed by Defendant Strategic Global Management, Inc. ("SGM"). In support of the Committee's Intervention Motion, the Committee respectfully represents as follows:

PRELIMINARY STATEMENT

As this Court is aware, SGM originally filed its Stay Motion *in the main bankruptcy case*, on an emergency basis. The Committee responded by immediately filing its opposition *in the main case*. Subsequently, this Court instructed all relevant parties—including the Committee—to re-file their initial pleadings, and to file any subsequent briefing, in the adversary action, which the Committee did. *See* the Court's *Order (1) Denying SGM's Request for a Hearing on its Motion on 48 Hours' Notice, (2) Setting SGM's Motion for Hearing on February 11, 2020 at 10:00 a.m., and (3) Sua Sponte Extending Defendants' Deadline to Respond to the Complaint* [Adv. Dkt. No. 15].

Having acted upon the Court's instruction and having received no notice from SGM, formal or otherwise, that SGM believed there to be a problem, Committee counsel was surprised to read on Wednesday evening that SGM, in its reply, was challenging the Committee's right to be heard. Committee counsel then informed SGM that the Committee planned to participate in the hearing, and, thereafter, the Committee obtained permission from the Court to file its Intervention Motion on an emergency basis (for which the Committee immediately provided notice). The Committee views this "emergency" as something that could have been avoided had SGM registered its concern timely, but SGM did not so act after the Committee's initial opposition or the Court's scheduling order. The Committee is grateful for the Court's accommodation of setting the Intervention Motion for hearing on Tuesday, concurrent with the hearing on SGM's Stay Motion.

The Committee wishes to clarify that, at this time, the Committee seeks to intervene in the above-captioned adversary proceeding on a limited basis: solely with regard to SGM's Stay Motion.

The Committee has not yet made a decision regarding whether it will formally move to intervene as a party to the remainder of the adversary action, an issue the Debtors and the Committee are discussing. As set forth below, the Committee believes that it has met the requirements necessary for intervention with regard to this limited matter. Also, the Committee understands that the Debtors support the Committee's Intervention Motion.

BACKGROUND

A. Relevant Pleadings and Scheduling Order

Below is a list of relevant pleadings and the Court's scheduling order, organized by the dates on which they were filed. The Committee requests that the Court take judicial notice of these pleadings and the Court's scheduling order.

On January 16, 2020, SGM filed *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Dkt. No. 3949] in the main bankruptcy case.

Also on January 16, 2020, the Debtors filed the *Debtors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Dkt. No. 3961] in the main bankruptcy case.

On January 17, 2020, the Committee filed the *Official Committee of Unsecured Creditors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Dkt. No. 3963] in the main bankruptcy case.

On January 21, 2020, the Court entered its *Order (1) Denying SGM's Request for a Hearing on its Motion on 48 Hours' Notice, (2) Setting SGM's Motion for Hearing on February 11, 2020 at 10:00 a.m., and (3) Sua Sponte Extending Defendants' Deadline to Respond to the Complaint* [Adv. Dkt. No. 15], requiring SGM, the Debtors, and the Committee to re-file their pleadings in the adversary proceeding by January 22, 2020. This scheduling order also stated that, "[a]ll subsequent briefing on the Motion shall be filed in the adversary proceeding" and set an opposition deadline of January 29, 2020 and a reply deadline of February 5, 2020.

On January 22, 2020, SGM re-filed *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Adv. Dkt No. 19] in the adversary proceeding.

Also on January 22, 2020, the Debtors re-filed the *Debtors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Adv. Dkt. No. 22] in the adversary proceeding.

Also on January 22, 2020, the Committee re-filed the *Official Committee of Unsecured Creditors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Adv. Dkt. No. 21] in the adversary proceeding.

On January 29, the Debtors filed the *Debtors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Adv. Dkt. No. 24].

Also on January 29, the Committee filed the *Official Committee of Unsecured Creditors' Opposition to Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceedings* [Adv. Dkt. No. 21].

On February 5, SGM filed its *Reply to Oppositions to "Strategic Global Management, Inc.'s Motion to Stay Adversary Proceeding* [Adv. Dkt. No. 26].

B. Necessity for the Emergency Nature of Intervention Motion

Having received no notice from SGM that SGM believed there to be a problem with the Committee's ability to be heard regarding SGM's Stay Motion, Committee counsel first learned on the evening of February 5—six days before the hearing on the Stay Motion—that SGM, in its reply, was challenging the Committee's right to be heard. *See* Declaration of James C. Behrens ("Behrens Decl."), attached hereto, at ¶ 3. On the following day, February 6, Committee counsel informed counsel for SGM that the Committee planned to participate in the hearing for the reasons set forth herein. Behrens Decl. at ¶ 4, and Exhibit A thereto, which is a true and correct copy of Committee counsel's email to SGM's counsel and SGM's counsel's response. The next day, February 7, the Committee requested permission from the Court to file its Intervention Motion on an emergency basis. Behrens Decl. at ¶ 5.

The reason for setting the hearing on an emergency basis is that the Committee only learned that its right to be heard would be challenged on February 5, six days in advance of the hearing, which was a surprise to the Committee given that (a) SGM's Stay Motion originally was filed in the

main case and (b) the Court's scheduling order authorized the Committee to file its pleadings. Behrens Decl. at ¶ 5.

Upon receiving permission to set the Intervention Motion for hearing on an emergency basis, Committee Counsel promptly gave telephonic notice to the relevant parties, as required by Local Bankruptcy Rule 9075-1(a). Behrens Decl. at ¶¶ 6-7. Debtors' counsel has informed Committee counsel that the Debtors support the Intervention Motion. Behrens Decl. at ¶ 7.

ARGUMENT

A. Intervention is Governed by Rule 24

In an adversary proceeding, intervention is governed by Federal Rule of Civil Procedure 24 ("Rule 24"), as incorporated by Federal Rule of Bankruptcy Procedure 7024. Rule 24 provides for intervention of right and permissive intervention, stating as follows:

> (a) INTERVENTION OF RIGHT. On timely motion, the court must permit anyone to intervene who:
>
> (1) is given an unconditional right to intervene by a federal statute; or
>
> (2) claims an interest relating to the property or transaction that is the subject of the action, and is so situated that disposing of the action may as a practical matter impair or impede the movant's ability to protect its interest, unless existing parties adequately represent that interest.
>
> (b) PERMISSIVE INTERVENTION.
>
> (1) *In General.* On timely motion, the court may permit anyone to intervene who:
>
> (A) is given a conditional right to intervene by a federal statute; or
>
> (B) has a claim or defense that shares with the main action a common question of law or fact.
>
> . . .
>
> (3) *Delay or Prejudice.* In exercising its discretion, the court must consider whether the intervention will unduly delay or prejudice the adjudication of the original parties' rights.

Fed. R. Civ. P. 24.

B. The Committee Meets the Rule 24(a)(1) Requirement for Intervention of Right

The Committee is given an unconditional right to intervene by a federal statute: Section 1109(b) of the Bankruptcy Code. Section 1109(b) states: "A party in interest, including the debtor, the trustee, ***a creditors' committee***, an equity security holders' committee, a creditor, an equity

security holder, or any indenture trustee, may raise and may appear and be heard on any issue in a case under this chapter." 11 U.S.C. 1109(b) (emphasis added). While there appears to be no binding Ninth Circuit authority on point, multiple circuit courts have held that, pursuant to Section 1109(b), any "party in interest" may appear and be heard in *any proceeding* in the bankruptcy court—including adversary proceedings. *See, e.g*., *In re Caldor Corp.*, 303 F.3d 161, 175-76 (2nd Cir. 2002) (term loan holder committee had unconditional right under Section 1109(b) to intervene in adversary proceeding against Chapter 11 debtors); *Matter of Marin Motor Oil, Inc.*, 689 F2d 445, 451-54 (3rd Cir. 1982) (under Section 1109(b), creditors' committee had "absolute right" to intervene in adversary proceeding).[1]

C. Alternatively, the Committee Meets the Rule 24(a)(2) Requirements for Intervention of Right

"A party seeking to intervene as of right must meet four requirements: (1) the applicant must timely move to intervene; (2) the applicant must have a significantly protectable interest relating to the property or transaction that is the subject of the action; (3) the applicant must be situated such that the disposition of the action may impair or impede the party's ability to protect that interest; and (4) the applicant's interest must not be adequately represented by existing parties." Fed. R. Civ. P. 24(a)(2); *Allied Concrete & Supply Co. v. Baker*, 904 F.3d 1053, 1067 (9th Cir. 2018). The Ninth Circuit has held that "the requirements for intervention are broadly interpreted in favor of intervention." *Prete v. Bradbury*, 438 F.3d 949, 954 (9th Cir. 2006) (internal quotation marks and citation omitted). "In determining whether intervention is appropriate, we are guided primarily by practical and equitable considerations." *Donnelly v. Glickman*, 159 F3d 405, 409 (9th Cir. 1998). A trial court must accept as true the non-conclusory allegations made in support of a motion to intervene. *Southwest Ctr. for Biological Diversity v. Berg*, 268 F.3d 810, 819-20 (9th Cir. 2001); *see also United States v. Ritchie Special Credit Investments, Ltd*., 620 F3d 824, 832 (8th Cir. 2010)

[1] SGM cites as contrary authority an unpublished case from the Bankruptcy Court in the District of Alaska: *Catholic Bishop of N. Alaska v. Continental Insurance Co*. (*In re Catholic Bishop of N. Alaska)*, No. ADV F08-90019-DMD, 2009 WL 8446700 (Bankr. D. Alaska Mar. 25, 2009). *Catholic Bishop* is not binding on this Court and has not been followed by other courts within the Ninth Circuit.

(doubts resolved in favor of proposed intervenors). The Committee meets the requirements for intervention of right.

First, the Committee's Intervention Motion is timely. The Ninth Circuit has advised courts to consider: (1) the stage of the litigation; (2) prejudice to other parties; and (3) the reason for and length of any delay. *San Jose Mercury News, Inc. v. U.S. District Court – Northern District (San Jose)*, 187 F.3d 1096, 1101 (9th Cir. 1999). Here, the litigation is in its early stages, as the Debtors initiated this adversary proceeding approximately one month ago, and SGM had not filed a pleading in response to the Debtors' complaint.

There is little or no prejudice to SGM, as the Committee is only seeking to intervene on a limited basis at this time to contest SGM's Stay Motion and, because the Committee has already filed its pleadings, SGM is aware of and has already had the opportunity to respond to the Committee's arguments. Also, SGM should have anticipated that the Committee would participate with respect to the Stay Motion because the Court's scheduling order permitted the Committee to participate. The Debtors support the Intervention Motion, evidencing that there is no prejudice to the Debtors.

The reason for the delay in filing the Intervention Motion is that the Committee only learned on February 5 that it would need to do so. Committee counsel communicated with SGM on February 6 that the Committee planned to participate in the hearing on the Stay Motion, and, once the Committee obtained an emergency hearing date and time, the Committee promptly gave telephonic notice to the relevant parties.

With regard to the second and third requirements, the Committee has a significant protectable interest in this matter, and that interest may be impaired by the outcome of this matter. As this Court is aware, as a direct consequence of SGM's failure to close the purchase of the Debtors' remaining four hospitals, the Debtors have lost tens of millions of dollars, have had to begin the process of closing one hospital and laying off its employees, have had to move patients from that hospital to other facilities, and may have to close additional hospitals in the next few months. This will have a significant adverse impact on recoveries for unsecured creditors. The Debtors' claims against SGM for breach, which are outlined in the Debtors' complaint, represent a significant source of money

that might be available to give unsecured creditors a recovery. With respect to SGM's stay motion in particular, unsecured creditors, as represented by the Committee, have a significant interest in opposing SGM's Stay Motion and allowing the Debtors' adversary action to proceed. The Committee is concerned that, in the course of the delay that SGM seeks, SGM's principals could strip SGM of its assets and, thus, negate SGM's ability to satisfy a future judgment in the adversary action—which will force the Debtors and creditors to chase funds for years after the Debtors' claims prove successful.

Finally, with regard to the fourth requirement, the Committee understands that the Debtors support the proposed intervention as the Committee and Debtors represent somewhat overlapping but different interests. For example, the Debtors might be tempted to settle for a sum that pays a substantial portion of the secured claims but leaves nothing for unsecured creditors. Moreover, if the Stay Motion is granted, it is unsecured creditors who will suffer the most from the ensuing delay and possible stripping of assets from SGM. It was precisely because unsecured creditors have so much on the line that the Committee filed two pleadings opposing the purported emergency nature of the Stay Motion and opposing the substance of the Stay Motion itself. While the Debtors' pleadings focused on the divesture rule and its application to these cases, and while the Committee strongly agrees with the Debtors' thorough analysis, the Committee presented additional important arguments relating to the fact that SGM failed to seek a stay pending their appeals of the sale-related orders. Because the stakes are so high for unsecured creditors, and because the Committee is focusing on arguments that are different from, and complementary to, those of the Debtors, unsecured creditors need the Committee involved in the resolution of the Stay Motion in order to be adequately represented.

D. <u>The Committee Also Meets the Requirements for Permissive Intervention</u>

Federal Rule of Civil Procedure 24(b)(1)(B) provides for permissive intervention where a party "has a claim or defense that shares with the main action a common question of law or fact." That standard is more than met here because all of the Committee's arguments regarding the Stay Motion are supported by the same record that contains the facts and documents forming the basis for

the Debtors' and SGM's arguments and upon which the Stay Motion will ultimately be resolved by the Court.

CONCLUSION

For the reasons set forth above, the Committee respectfully requests that the Court grant the Committee's Intervention Motion and grant such further relief as the Court deems just and proper.

DATED: February 9, 2020

MILBANK LLP

/s/ Mark Shinderman
GREGORY A. BRAY
MARK SHINDERMAN
JAMES C. BEHRENS

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

DECLARATION OF JAMES C. BEHRENS

I, James C. Behrens, submit this declaration in support of the *Official Committee of Unsecured Creditors' Emergency Notice of Motion and Motion to Intervene re: Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding*, and I hereby declare as follows:

1. I have personal knowledge of the facts stated in this declaration, except as to those stated on information and belief, and, as to those, I am informed and believe them to be true. If called as a witness, I could and would competently testify to the matters stated herein.

2. I am an associate attorney at Milbank LLP, at 2029 Century Park East, 33rd Floor, Los Angeles, California 90067, and I am one of the attorneys primarily responsible for representing the Official Committee of Unsecured Creditors of Verity Health System of California, Inc., *et al*., (the "Committee") appointed in connection with the chapter 11 cases of the above-captioned debtors and debtors-in-possession (the "Debtors") pending in the United States Bankruptcy Court for the Central District of California.

3. To my knowledge, the Committee received no notice from Strategic Global Management, Inc. ("SGM") or the other Defendants that SGM believed there to be a problem with the Committee's ability to be heard regarding SGM's *Strategic Global Management, Inc.'s Emergency Motion to Stay Adversary Proceeding* [Adv. Dkt. No. 19] (the "Stay Motion"). I first learned on the evening of February 5 that SGM, in its reply, was challenging the Committee's right to be heard.

4. On the following day, February 6, my colleague Mark Shinderman informed counsel for SGM via email that the Committee planned to participate in the hearing, and this communication was acknowledged by SGM's counsel. A true and correct copy of this email exchange is attached hereto as Exhibit A.

5. The next day, February 7, I called chambers at approximately 2:00 p.m. PST and requested permission from the Court to file the Intervention Motion on an emergency basis. I told the Court's law clerk that the reason for the need to set the hearing on an emergency basis was that the Committee had learned that its right to be heard would be challenged on February 5, only six

days in advance of the hearing, which was a surprise to the Committee given that (a) SGM's Stay Motion originally was filed in the main case and (b) the Court's scheduling order authorized he Committee to file its pleadings.

6. I received a call back from the Court's law clerk at approximately 5:05 p.m. on February 7. The law clerk stated that the Intervention Motion would be heard on February 11, 2020, at 10:00 a.m., and the Intervention Motion had to be filed by 5:00 p.m. on February 9.

7. I promptly gave telephonic notice to the relevant parties. I spoke with Jeffrey Kwong of Levene, Neale, Bender, Yoo & Brill LLP, counsel for SGM, at approximately 5:20 p.m. I stated that the Intervention Motion would be filed by 5 p.m. on Sunday, February 9, and will we served on the relevant parties via email, I stated the basis for the Intervention Motion, and I stated that oppositions may be made in advance of or at the hearing, which will be on Tuesday, February 11, at 10:00 a.m. I also left a voicemail for Gary Klausner of Levene, Neale, Bender, Yoo & Brill LLP, counsel for SGM, with this information. At approximately 5:25 p.m., I spoke with Tania Moyron and Nick Koffroth of Dentons US LLP, counsel for the Debtors, and relayed the same information. Tania Moyron stated that the Debtors support the Intervention Motion. At approximately 5:30 p.m., I left a voicemail for Hatty Yip of the Office of the United States Trustee relaying the same information.

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

Executed this 9th day of February, 2020, in Cambridge, Massachusetts.



James C. Behrens

EXHIBIT A

Behrens, James

From: Gary E. Klausner <GEK@lnbyb.com>
Sent: Friday, February 7, 2020 10:28 AM
To: Shinderman, Mark
Cc: Behrens, James
Subject: [EXT] RE: Verity: SGM's motion to stay adversary action

Thanks Mark.
See you on Tuesday.

GARY E. KLAUSNER, Esq.
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
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From: Shinderman, Mark [mailto:mshinderman@milbank.com]
Sent: Thursday, February 06, 2020 10:53 PM
To: Gary E. Klausner
Cc: Behrens, James
Subject: Verity: SGM's motion to stay adversary action

Gary:

I hope this finds you well.

I am in receipt of SGM's reply brief re its motion to stay the adversary action. In that brief, SGM states that it need not respond to the Committee's arguments because the Committee lacks standing. That is not true and please understand that the Committee intends to participate fully in the hearing next week.

Among other things, the case SGM cites actually refers to Circuit-level precedent supporting the Committee's standing. Perhaps more importantly, SGM's position ignores that the original stay motion was filed in the main case and not the adversary action and that the Court's scheduling order invited the Committee to submit further briefing.

So, to be clear, the Committee intends to proceed and does not want to hear SGM argue that they were unaware that the Committee planned to do so.

Thank you,

Mark

Mark Shinderman| Milbank
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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:

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' EMERGENCY NOTICE OF MOTION AND MOTION TO INTERVENE RE: STRATEGIC GLOBAL MANAGEMENT, INC.'S EMERGENCY MOTION TO STAY ADVERSARY PROCEEDING; DECLARATION OF JAMES C. BEHRENS 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 9, 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:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On (*date*) February 9, 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 (*date*) February 9, 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.

☒ 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 9, 2020	Alexandra Achamallah	/s/ Alexandra Achamallah
Date	*Printed Name*	*Signature*

SERVICE LIST
(Via NEF)

- **James Cornell Behrens** jbehrens@milbank.com, gbray@milbank.com;mshinderman@milbank.com;dodonnell@milbank.com;jbrewster@milbank.com;JWeber@milbank.com
- **Gary E Klausner** gek@lnbyb.com
- **Jeffrey S Kwong** jsk@lnbyb.com, jsk@ecf.inforuptcy.com
- **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
- **Tania M Moyron** tania.moyron@dentons.com, chris.omeara@dentons.com;nick.koffroth@dentons.com;Sonia.martin@dentons.com;Isabella.hsu@dentons.com;lee.whidden@dentons.com;Jacqueline.whipple@dentons.com
- **United States Trustee (LA)** ustpregion16.la.ecf@usdoj.gov

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

Gary E. Klausner
Levene, Neale, Bender, Yoo & Brill L.L.P.
10250 Constellation Blvd., Ste. 1700
Los Angeles, CA 90067

SERVICE LIST
(Via Personal Delivery)

The Honorable Ernest M. Robles
United States Bankruptcy Court
Central District of California
Edward R. Roybal Federal Building and Courthouse
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Los Angeles, CA 90012-3300

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