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14 Strategic Global Management, Inc.,
Kali P. Chaudhuri, M.D.,
15 KPC Healthcare Holdings, Inc.,
KPC Health Plan Holdings, Inc.,
16 KPC Healthcare, Inc., and
17 KPC Global Management, LLC

18 **UNITED STATES BANKRUPTCY COURT**

19 **CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**
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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

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

CHAPTER 11

Lead Chapter 11 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

DEFENDANTS’ RESPONSE TO COURT’S ORDER OF JANUARY 21, 2020 REGARDING CONFIDENTIALITY OF DOCUMENTS, AND APPLICATION IN SUPPORT OF SEALING MATERIALS REFERENCED IN PLAINTIFFS’ COMPLAINT

Judge: Ernest Robles
Place: Courtroom 1568
255 E. Temple Street
Los Angeles, CA 90012

1 liability company;

2 Plaintiffs,

3 v.

4 KALI P. CHAUDHURI, M.D., an individual,
5 STRATEGIC GLOBAL MANAGEMENT,
6 INC., a California corporation, KPC
7 HEALTHCARE HOLDINGS, INC. a
8 California Corporation KPC HEALTH PLAN
9 HOLDINGS, INC. a California Corporation,
10 KPC HEALTHCARE, INC. a Nevada
11 Corporation, KPC GLOBAL
12 MANAGEMENT, LLC, a California Limited
13 Liability Company, and DOES 1 through 500,

14 Defendants.

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TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that pursuant to 11 U.S.C. § 107(b)-(c), Fed. R. Bankr. P. 9018, LBR 5003-2(c), and § 2.8(b) of the Court Manual, and the Court’s orders of January 16, 2020 [Dkt. No. 2] and January 21, 2020 [Dkt. No. 15], Defendants Strategic Global Management, Inc. (“SGM”), Kali P. Chaudhuri, M.D., KPC Healthcare Holdings, Inc., KPC Health Plan Holdings, Inc., KPC Healthcare, Inc., and KPC Global Management, LLC, (collectively, the “Non-SGM Defendants”), hereby request that the Court seal the “Liquidity Letter” referenced in Plaintiffs’ Ex Parte Motion For An Order Allowing Plaintiffs To File Correspondence Related To Complaint Under Seal (“the Ex Parte Motion”).

Dated: February 19, 2020

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

MEMORANDUM OF POINTS AND AUTHORITIES

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I. INTRODUCTION

Plaintiffs’ Adversary Complaint makes reference to two documents which Strategic Global Management (“SGM”) produced during the Bankruptcy proceedings on a confidential basis. These two documents are: (1) a letter discussing Dr. Kali P. Chaudhuri’s relationship with his personal financial institution and a statement identifying certain available liquidity (the “Bank Letter”) and (2) a non-binding discussion draft term sheet that SGM provided to Debtors on or about October 3, 2019 (the “Term Sheet”). Defendants do not take issue with the public filing of the Term Sheet – which contains financial information with respect to SGM. Unlike the Term Sheet, however, the Bank Letter contains confidential and constitutionally protected *personal* financial information of Dr. Chaudhuri and must be sealed.

II. BACKGROUND

Plaintiffs filed their Adversary Complaint in this action on January 3, 2020. Concurrently with that filing, Plaintiffs filed the Ex Parte Motion and sought to seal two documents: (1) a letter that SGM provided the Debtors regarding Dr. Kali P. Chaudhuri’s relationship with his personal financial institution and certain assets (the “Bank Letter”) and (2) a non-binding discussion draft term sheet that SGM provided to Debtors on or about October 3, 2019 (the “Term Sheet”). *See* Dkt. No. 2 at 3-4. Debtors did not serve this Ex Parte Motion on SGM.

On January 16, 2020, the Court denied Plaintiffs’ Ex Parte Motion without prejudice. In so doing, the Court ordered Defendants to submit evidence showing that the materials fall within the scope of 11 U.S.C § 107(b) by no later than January 30, 2020. [Dkt. No. 13]. On January 21, 2020, the Court continued that deadline until February 19, 2020. [Dkt. No. 15].

III. ARGUMENT

In the Ninth Circuit, a court may seal records relating to non-dispositive motions upon a showing of “good cause.” *Kamakana v. City & County of Honolulu*, 447 F.3d 1172, 1180 (9th Cir. 2006). To satisfy the “good cause” standard, a party must make a “particularized showing” sufficient to warrant a protective order under Fed. R. Civ. P. 26. *Kamakana*, 477 F.3d at 1180. This standard is incorporated into adversary proceedings pursuant Rule 9014 and grants the Court

1 “broad discretion to fashion protective orders to protect a party or person from annoyance,
2 embarrassment, oppression, or undue burden or expense.” Bankr. Proc. Manual § 9018:4 (2020
3 ed.)

4 Likewise, 11 U.S.C. § 107(c) gives the Court broad discretion to seal a private
5 individual’s information. Indeed, courts interpreting Section 107 have held that it codifies “that
6 the public’s right to access [information in a case is] far from absolute.” *In re JMS Auto.*
7 *Rebuilders, Inc.*, 2002 WL 32817517, at *3 (C.D. Cal. Jan. 15, 2002).

8 It is well-settled law that “personal financial information comes within the zone of privacy
9 protected by Article I, Section I of the California Constitution.” *Moskowitz v. Superior Court*, 137
10 Cal. App. 3d 313, 315 (1982); *Valley Bank of Nevada v. Superior Court*, 15 Cal. 3d 652, 656-57
11 (1975); *Burrows v. Superior Court*, 13 Cal. 3d 238 (1974) (recognizing the constitutional right to
12 privacy in financial records); 9A Am. Jur. 2d Bankruptcy § 1110 (“Decisions construing the
13 constitutional right of privacy may also be informative as to the extent to which a bankruptcy
14 court may prevent the divulgence of information arising out of a bankruptcy”).

15 Dr. Chaudhuri’s constitutional right to financial privacy is more than sufficient to satisfy
16 both the “good cause” standard of Rule 26(c) and 11 U.S.C. § 107 and to seal the Bank Letter.
17 *Nursing Home Pension Fund v. Oracle Corp.*, 2007 WL 3232267, *4 (N.D. Cal. Nov. 1, 2007)
18 (Third party’s request to seal personal financial information held sufficient to satisfy meets the
19 good cause standard to seal the information); *Brown v. Brown*, 2013 WL 12400041, at *1 (N.D.
20 Cal. Dec. 30, 2013) (holding that the protection of an individual’s personal financial information
21 is a “compelling reason” justifying the sealing of documents); *In re Boston Herald, Inc.*, 321 F.3d
22 174, 190 (1st Cir. 2003) (“Personal financial information, such as one’s income ... , is universally
23 presumed to be private, not public. The magistrate judge sensibly concluded that [the defendant’s]
24 strong interest in the privacy of his and his family’s personal financial information outweighs any
25 common law presumption in these circumstances.”); *Doran v. Cameron Park Inn*, 2003 WL
26 24205918, at *1 (E.D. Cal. Aug. 25, 2003) (“Defendants correctly assume that personal financial
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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 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled **DEFENDANTS' RESPONSE TO COURT'S ORDER OF JANUARY 21, 2020 REGARDING CONFIDENTIALITY OF DOCUMENTS, AND APPLICATION IN SUPPORT OF SEALING MATERIALS REFERENCED IN PLAINTIFFS' COMPLAINT** 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 **February 19, 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:

- 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
- Kyrsten Skogstad kskogstad@calnurses.org, rcraven@calnurses.org
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov

2. SERVED BY UNITED STATES MAIL: On **February 19, 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 **February 19, 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 via Attorney Service

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

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

February 19, 2020

Date

Lisa Masse

Type Name

/s/ Lisa Masse

Signature