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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re: VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.*, Debtors and Debtors In Possession	District Court Case No.: 2:19-cv-10352-DSF Bankruptcy Court Lead Case No.: 2:18-bk-20151-ER Hon. Dale S. Fischer
STRATEGIC GLOBAL MANAGEMENT, INC.[1] Appellant v. VERITY HEALTH SYSTEM OF CALIFORNIA, INC., *et al.* Appellees	**DEBTORS' RESPONSE AND CONDITIONAL NON-OPPOSITION TO STRATEGIC GLOBAL MANAGEMENT, INC.'S MOTION TO: (1) AUGMENT RECORD ON APPEAL AND REQUEST FOR JUDICIAL NOTICE; AND (2) ACCEPT SALE CORRESPONDENCE FILED UNDER SEAL WITH THE BANKRUPTCY COURT FOR THE PURPOSES OF THE APPEALS** [No Hearing Required]

[1] The other Debtors in the chapter 11 cases, jointly administered under Lead Case No. 2:18-bk-20151-ER, are O'Connor Hospital 2:18-bk-20168-ER, Saint Louise Regional Hospital 2:18-bk-20162-ER, St. Francis Medical Center 2:18-cv-20165-ER, St. Vincent Medical Center 2:18-bk-20164-ER, Seton Medical Center 2:18-cv-20167-ER, O'Connor Hospital Foundation 2:18-bk-20179-ER, Saint Louise Regional Hospital Foundation 2:18-cv-20172-ER, St. Francis Medical Center of Lynwood Foundation 2:18-cv-20178-ER, St. Vincent Foundation 2:18-cv-20180-ER, St. Vincent Dialysis Center, Inc. 2:18-cv-20171- ER Seton Medical Center Foundation 12:8-cv-20175-ER, Verity Business Services 2:18-cv-20173-ER, Verity Medical Foundation 2:18-cv-20169-ER, Verity Holdings, LLC 2:18-cv-20163-ER, DePaul Ventures, LLC 2:18-cv-20176-ER, and DePaul Ventures - San Jose Dialysis, LLC 2:18-cv-20181-ER.

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Verity Health System of California, Inc. ("VHS"), and the above-referenced affiliated debtors and debtors-in-possession (the "Debtors") in the above-captioned chapter 11 cases (the "Bankruptcy Cases") pending in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") and the appellees herein, hereby submit this response and conditional non-opposition (the "Response") to *Strategic Global Management, Inc.'s Notice of Motion and Motion to: (1) Augment Record on Appeal and Request for Judicial Notice; and (2) Accept the Sale Correspondence Filed Under Seal with the Bankruptcy Court for Purposes of the Appeals* (the "Motion") [Docket No. 42], filed by appellant, Strategic Global Management, Inc. ("SGM") in the consolidated appeals[2] currently pending before this Court (the "Appeals"). This Response is based on the appendix [Docket No. 3] (the "Debtors' Appendix") previously filed in these Appeals.

I.
INTRODUCTION

SGM seeks authority to augment the record on appeal to include (i) inadvertently omitted documents (the "Documents") concerning the Debtors' satisfaction of Section 8.6 of that certain asset purchase agreement (the "APA"), *see* Debtors' App., Ex. 4, and (ii) certain correspondence filed under seal in the Bankruptcy Cases (the "Correspondence"). The Debtors do not object to the inclusion of the Documents and Correspondence, provided that (i) additional related documents are also added to the record on appeal (the "Additional Documents"), and (ii) the Correspondence remains under seal.

[2] The Appeals are Case Nos. 2:19-cv-10352-DSF, 2:19-cv-10354-DSF, 2:19-cv-10356-DSF.

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II.

DISCUSSION

This Court is authorized to correct and supplement the record on appeal pursuant to Rule 8009(e)(2)(C) ("If anything material to either party is omitted from or misstated in the record by error or accident, the omission or misstatement may be corrected, and a supplemental record may be certified and transmitted [. . .] by the court where the appeal is pending."). As noted by SGM, "the record on appeal should contain ***all documents and evidence bearing on the proceedings below*** and considered by the bankruptcy judge in reaching his decision." *In re W.T. Grant co.*, 432 F. Supp. 105, 106 (S.D.N.Y. 1977) (cited in Mot. at 5 n.6) (emphasis added). The purpose of Rule 8009[3] is "to enable the District Court to have ***a full understanding*** of the case being reviewed" and, thus, "should be construed liberally." *In re Candor Diamond Corp.*, 26 B.R. 844, 846 (S.D.N.Y. 1983) (emphasis added).

SGM seeks to augment the record by cherry picking certain Documents related to the California Department of Health Care Services ("DHCS") and Medi-Cal. The Debtors have no objection to the foregoing provided that the following Additional Documents that afford the Court the full record are also included in the supplemented record on appeal:

[3] Unless specified otherwise, all Rule references are to the Federal Rules of Bankruptcy Procedure.

Date	Case No.	Docket No.	Description
10/3/19	2:18-bk-20151	3211	Creditor California Department of Health Care Services's Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Provisions That Relate to Buyer SGM's Rights and Obligations Under Debtors' Medi-Cal Provider Agreements [ECF No. 3146]
10/3/19	2:18-bk-20151	3223	Debtors' Opposition to the California Department of Health Care Services' Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Provisions That Relate to Buyer SGM's Rights and Obligations Under Debtors' Medi-Cal Provider Agreements [Relates to Docket Nos. 3146, 3211]
10/4/19	2:18-bk-20151	3228	Official Committee of Unsecured Creditors' Joinder in Debtors' Opposition to the California Department of Health Care Services' Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and Other Relief [Relates to Dkt. Nos. 3146, 3211, 3223]
10/4/19	2:18-bk-20151	3232	Order: (1) Denying DHCS' Application for a Hearing on its Motion for a Stay Pending Appeal on 48 Hours' Notice and (2) Setting Hearing on DHCS' Motion for a Stay Pending Appeal for October 22, 2019, at 10:00 a.m.
10/11/19	2:18-bk-20151	3372	Order Authorizing Debtors to Sell Medi-Cal Provider Agreements, Free and Clear of Interests Asserted by the California Department of Health Care Services, Pursuant to §§ 363(b) and (f)(5)

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Date	Case No.	Docket No.	Description
10/11/19	2:18-bk-20151	3373	Debtors' Opposition to the California Department of Health Care Services' Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Provisions that Relate to Buyer SGM's Rights and Obligations Under Debtors' Medi-Cal Provider Agreements; Declaration of Peter C. Chadwick in Support Thereof [Relates to Docket Nos. 3146, 3211, 3232]
10/11/19	2:18-bk-20151	3374	Official Committee of Unsecured Creditors' Opposition to the California Department of Health Care Services' Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and Other Relief [Dkt. No. 3211]
10/11/19	2:18-bk-20151	3375	Objection to Declaration of Deputy Attorney General Kenneth K. Wang in Support of Creditor California Department of Health Care Services's Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Agreement Provisions that Relate to Buyer SGM's Rights and Obligations Under Debtor's Medi-Cal Provider Agreements [Related to Docket Nos. 3211]
10/17/19	2:18-bk-20151	3399	Reply to Creditor California Department of Health Care Services's Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Provisions That Relate to Buyer SGM's Rights and Obligations Under Debtors' Medi-Cal Provider Agreements [ECF No. 3146]

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Date	Case No.	Docket No.	Description
10/22/19	2:18-bk-20151	3436	Tentative Ruling re Creditor California Department of Health Care Services's Emergency Motion for the Entry of an Order to Stay the Sale of Medi-Cal Provider Agreements Free and Clear of Interests and the Asset Purchase Provisions That Relate to Buyer SGM's Rights and Obligations Under Debtors' Medi-Cal Provider Agreements
10/23/19	2:18-bk-20151	3444	Order Denying California Department of Health Care Services' Emergency Motion for a Stay Pending Appeal [Doc. No. 3211]
10/23/19	2:18-bk-20151	3445	Order Certifying Direct Appeal to the Ninth Circuit Court of Appeals of Order Authorizing Debtors to Sell Medi-Cal Provider Agreements, Free and Clear of Interests Asserted by the California Department of Health Care Services, Pursuant to §§ 363(b) and (f)(5) [Doc No. 3372]
12/12/19	2:19-cv-08762	8	Appellants California Department of Health Care Services's Motion for Voluntary Dismissal of Appeal

The Additional Documents include all pleadings and orders relevant to the APA with respect to the DHCS and Medi-Cal.[4] Particularly, the Documents identified by SGM do not include DHCS's dismissal of its appeal, which reflects the

[4] The Additional Documents do not include the pleadings and orders already designated by SGM and the Debtors for the record on appeal, including, but not limited to, the *Stipulation Between the Debtors and the California Department of Health Care Services re: Assumption and Assignment of Medi-Cal Provider Agreements to Strategic Global Management, Inc.* [Bankr. Docket No. 3786] and the *Order Approving Stipulation Between the Debtors and the California Department of Health Care Services re: Assumption and Assignment of Medi-Cal Provider Agreements to Strategic Global Management, Inc.* [Bankr. Docket No. 3787]. *See, e.g., Appellees' Designation of Additional Items to Be Included in the Record On Appeal (USDC Case No. 2:19-cv-10354-DSF)* [Bankr. Docket No. 3868].

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ultimate resolution of the DHCS and Medi-Cal issues raised by SGM in the Motion. Accordingly, the Additional Documents will afford this Court "a full understanding of the case being reviewed." *See Candor Diamond Corp.*, 26 B.R. at 846.

Further, the Debtors do not object to SGM's request that the Court accept the Correspondence under seal, pursuant to Rule 8009(f), provided that the Correspondence remains under seal only for this Court's review, pursuant to the Bankruptcy Court's order as noted by SGM. *See* Mot. at 9 ("SGM notes that it is *not* seeking to 'unseal' the Sale Correspondence so that its contents would be revealed to the public—only that the Court accept it for purposes of the Appeals.").

III.

RESERVATION OF RIGHTS

The Debtors reserve all rights to object to the relief requested in the Motion or to appeal, or seek reconsideration of, any order granting the Motion to the extent (i) the Additional Documents are not included in the record on appeal, and/or (ii) SGM seeks or obtains relief providing any party access to the Correspondence in a manner inconsistent with the Bankruptcy Court's order related thereto. Nothing contained herein shall be construed as an admission, waiver, or release of rights, arguments, or defenses concerning the subject matter of these Appeals, which the Debtors expressly reserve.

IV.

CONCLUSION

For the foregoing reasons, the Debtors do not oppose the relief requested in the Motion on the condition that (i) the Additional Documents are included in the record on appeal, and (ii) the Correspondence remains under seal.

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Dated: February 20, 2020

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CERTIFICATE OF COMPLIANCE

1. This Response complies with the word limit of FED. R. BANKR. P. 8013(f) because, excluding the parts of the Opposition exempted by FED. R. BANKR. P.8013(a)(2)(C) and FED. R. BANKR. P. 8015(g), this Response contains 1,463 words.

2. This Response complies with the typeface requirements of FED. R. BANKR. P. 8015(a)(5) and the type-style requirements of FED. R. BANKR. P. 8015(a)(6) because this document has been prepared in a proportionally spaced typeface using Microsoft Word in 14-point Times New Roman.

Dated: February 20, 2020

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CERTIFICATE OF SERVICE

I hereby certify that on February 20, 2020, I electronically filed the foregoing document with the Clerk of the Court for the United States District Court for the Central District of California by using the CM/ECF system.

I further certify that parties of record to this appeal who either are registered CM/ECF users, or who have registered for electronic notice, or who have consented in writing to electronic service, will be served through the CM/ECF system.

I further certify that I have served the foregoing document by the means set forth below:

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