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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA - WESTERN 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

Case No. 2:20-CV-00613-DSF

Related to District Court Appeals: Case Nos.: 2:19-cv-10352-DSF; 2:19-cv-10354-DSF; and 2:19-cv-10356-DSF)

Lead Chapter 11 Bankr. Case 2:18-bk-20151-ER

Jointly Administered With:

CASE NO.: 2:18-bk-20162-ER
CASE NO.: 2:18-bk-20163-ER
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CASE NO.: 2:18-bk-20175-ER
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of Lynwood Foundation ☐ Affects St. Vincent Foundation ☐ Affects St. Vincent Dialysis Center, Inc. ☐ Affects Seton Medical Center Foundation ☐ Affects Verity Business Services ☐ Affects Verity Medical Foundation ☐ Affects Verity Holdings, LLC ☐ Affects De Paul Ventures, LLC ☐ Affects De Paul Ventures - San Jose Dialysis, LLC, Debtors and Debtors-in-Possession.	CASE NO.: 2:18-bk-20179-ER CASE NO.: 2:18-bk-20180-ER CASE NO.: 2:18-bk-20181-ER
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.	Adv. Case No. 2:20-ap-01001-ER **JOINT STIPULATION FOR INTERMEDIATE STAY OF ADVERSARY PROCEEDING PENDING FURTHER STIPULATION AND/OR COURT RULING REGARDING STAY** Judge: Hon. Dale S. Fischer

Plaintiffs 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 (collectively, "Plaintiffs") and Defendants Strategic Global Management, Inc., Kali P. Chaudhuri, M.D., KPC Healthcare Holdings, Inc., KPC Health Plan Holdings, Inc., KPC Healthcare, Inc., and KPC Global Management, LLC, (collectively, the "Defendants"), by and through their respective counsel of record, hereby enter into this stipulation based on the following recitals of fact:

RECITALS AND GOOD CAUSE SUPPORTING RELIEF

A. SGM has appealed orders entered by the Bankruptcy Court on November 14 (Doc. No. 3611), November 18 (Doc. No. 3633), and November 27, 2019 (Doc. No. 3724). SGM's appeals have been consolidated before this Court.

B. SGM has filed its opening brief in the consolidated appeals. Recently, the Court approved the parties' stipulation to extend Plaintiffs' deadline to file their responsive brief from March 23, 2020 to March 30, 2020, and SGM's deadline to file its Reply Brief from April 13, 2020 to April 27, 2020.

C. On January 3, 2020, Plaintiffs initiated an adversary proceeding in the Bankruptcy Court by filing their original Complaint against Defendants.

D. On February 19, 2020, Defendants filed their Motion to Dismiss Plaintiffs' Complaint and their Special Motion to Strike Plaintiffs' Complaint Pursuant to California Code of Civil Procedure Section 425.16 (the "Motions").

E. On March 4, 2020, Plaintiffs filed their oppositions to the Motions.

F. On March 5, 2020, the Court granted Defendants' Motion to Withdraw the Reference of Adversary Proceeding and took jurisdiction over the adversary proceeding.

G. On March 11, 2020, Plaintiffs filed their First Amended Complaint in the action.

H. The President of the United States has issued an emergency

declaration with respect to the ongoing COVID-19 global pandemic. Likewise, on March 19, 2020, California Governor Gavin Newsom issued Executive Order N-33-20 which ordered all individuals living in the State of California to stay at home or in their place of residence except as needed to maintain critical infrastructure sectors. As operators of hospitals, both Plaintiffs and certain Defendants are "considered so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, economic security, public health or safety, or any combination thereof."

I. Pursuant to Local Rule 7-3, Defendants met and conferred with Plaintiffs regarding their intention to file a new motion to dismiss the First Amended Complaint and a motion to stay the proceedings.

J. Defendants contend that this action should be stayed at least until the resolution of the consolidated appeals for reasons including:

- This Court is technically divested of jurisdiction to adjudicate the Adversary Proceeding until final resolution of SGM's consolidated appeals, which addresses many of the issues raised in SGM's appeals;
- The appeal ruling will help inform the scope of the issues to be litigated in the Adversary Proceeding; and, most importantly,
- The stay would alleviate discovery burdens on the Defendant healthcare providers who Plaintiffs acknowledge and allege in their Amended Complaint operate numerous hospitals including seven hospitals in California. Of course, these hospitals are on the front line treating patients impacted by the COVID-19 pandemic. Given the unprecedented situation confronting medical providers at the current time, Defendants should not be burdened with what later may be determined to be unnecessary discovery and litigation obligations and they instead should focus their thinly-spread resources managing the current health crisis.

K. Plaintiffs contend the consolidated appeals do not divest this Court of jurisdiction over this action and will not be dispositive of the issues in this action. The appeals concern interlocutory orders and/or are moot and cover discrete issues that do not warrant halting the matter under the divestiture doctrine. According to the Bankruptcy Court, they were entered for a very limited purpose. Plaintiffs seek to expediently move forward with the matter, given they are in Chapter 11 bankruptcy and are continuing to incur losses directly related to Defendants' conduct.

L. During the parties' meet and confer discussions regarding Defendants' motion for stay, Plaintiffs agreed to the intermediate stay herein while the parties continue to confer regarding the details of a more comprehensive agreement regarding a stay that attempts to address Defendants' concerns regarding the need for a stay or the Court is able to advise on the issue at either the upcoming conference on April 20, 2020 or, if necessary, on a motion for stay filed by Defendants.

M. After the parties started their meet and confer, the parties agreed to a an initial stipulation that the Court approved extending Defendants' deadline to respond to Plaintiffs' First Amended Complaint by one week until April 1, 2020.

N. The Parties agree there is good cause to support this stipulation and proposed order.

AGREEMENT

NOW, THEREFORE, the parties to this Stipulation hereby agree and stipulate as follows:

1. The Adversary Proceeding is temporarily stayed until April 20, 2020 and the deadline for Defendants to answer or otherwise respond to Plaintiffs' First Amended Complaint is hereby extended from April 1, 2020 until May 8, 2020.

2. The Parties will continue to meet and confer regarding the issues

raised by Defendants regarding the need, if any, for a further stay and, if an agreement can be reached, will present a further joint stipulation and proposed order for the Court's consideration. If a further agreement cannot be reached, the Parties all reserve their rights to request or oppose further relief from the Court at the April 20, 2020 conference or by motion.

IT IS SO STIPULATED.

Dated: March 25, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
SONIA R. MARTIN
TANIA M. MOYRON
NICHOLAS A. KOFFROTH

By */s/ Sonia R. Martin*
Sonia R. Martin

Counsel for Verity Health Systems of California, Inc., *et al.*

Dated: March 25, 2020

BARNES & THORNBURG LLP

By: */s/ Joel R. Meyer*
Joel R. Meyer

Counsel for Defendants, Strategic Global Management, Inc., et. al.

Pursuant to Local Rule 5-4.3.4(a)(2)(i), I, Joel R. Meyer, attest that all other signatories listed, and on whose behalf this filing is submitted, concur in the filing's content and have authorized the filing.

/s/ *Joel R. Meyer*

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The Court, having considered the Parties' Joint Stipulation for Intermediate Stay of Adversary Proceeding Pending Further Stipulation and/or Court Ruling Regarding Stay, and, good cause having been shown, **GRANTS** the Stipulation and **HEREBY ORDERS AS FOLLOWS:**

1. The Adversary Proceeding is temporarily stayed until April 20, 2020 and the deadline for Defendants to answer or otherwise respond to Plaintiffs' First Amended Complaint is hereby extended from April 1, 2020 until May 8, 2020.

2. The Parties will continue to meet and confer regarding the issues raised by Defendants regarding the need, if any, for a further stay and, if an agreement can be reached, will present a further joint stipulation and proposed order for the Court's consideration. If a further agreement cannot be reached, the Parties all reserve their rights to request or oppose further relief from the Court at the April 20, 2020 conference or by motion.

IT IS SO ORDERED.

Dated: March __, 2020

Hon. Dale S. Fischer
UNITED STATES DISTRICT JUDGE