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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
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

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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 STAY OF ADVERSARY PROCEEDING PENDING COURT'S RESOLUTION OF PENDING APPEALS** 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 30, 2020 to April 13, 2020, and SGM's deadline to file its Reply Brief is now May 11, 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 a Motion to Dismiss Plaintiffs' Complaint and a 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 Adversary Action.

H. 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. Defendants do not plan to file a Special Motion to Strike Plaintiffs' Complaint Pursuant to California Code of Civil Procedure Section 425.16 in relation to the First Amended Complaint.

I. In summary, Defendants contend that this action should be stayed at least until the final 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.

J. In contrast, 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.[1]

K. During the Parties' meet and confer discussions regarding Defendants' planned motion for stay, the Parties first agreed to an intermediate stay so the Parties could continue to meet and confer regarding the details of a stay that would better address Defendants' concerns. On March 25, 2020, the Court entered the order regarding the Parties' stipulation for the intermediate stay, which stayed the action until April 20, 2020 and extended Defendants' deadline to respond to the First Amended Complaint to May 8, 2020.

L. After further meet and confer, the Parties have now agreed to stay the Adversary Action until this Court resolves the appeals pending before this Court (discussed in Paragraph A above).

M. The Parties respectfully request that the Court consider expediting its resolution of the appeals.

N. Although the Parties are happy to discuss any issues with the Court at the Scheduling Conference currently set for April 20, 2020, given the current circumstances, the Parties suggest that the Scheduling Conference be continued to a date so it takes place after the Court resolves the pending appeals.

O. 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 stayed until 30 days after the Court issues a ruling regarding SGM's appeals from the Bankruptcy Court's November 14, November 18, and November 27, 2019 orders. The deadline for Defendants to answer or otherwise respond to Plaintiffs'

[1] The statements set forth in Paragraph I solely reflect Defendants' contentions and the statements set forth in Paragraph J solely reflect Plaintiffs' contentions.

First Amended Complaint is also hereby extended from May 8, 2020 until 30 days after the Court issues the ruling regarding the appeals. If Defendants believe a stay is no longer necessary, Defendants also can terminate the stay by emailing written notice to Plaintiffs, which will terminate the stay 30 calendar days from the date of service of the notice. In addition, the Parties reserve the right to move to have the stay terminated if the appeals remain pending 120 days from the date of this Stipulation.

2. Once the Court issues a ruling regarding the appeals, the parties will further meet and confer regarding any motion to dismiss contemplated by Defendants, and any amendment to the First Amended Complaint contemplated by Plaintiffs.

3. The Parties are only agreeing to stay the Adversary Proceeding pending the current appeals being heard by the District Court. The Parties all reserve their respective rights to seek and to oppose a further stay from the District Court sitting as a trial court in the Adversary Proceeding or the Ninth Circuit Court of Appeals, should there be any further appeals, or to seek any other relief that may be appropriate.

4. The Scheduling Conference currently set for April 20, 2020 is continued to _____.

IT IS SO STIPULATED.

Dated: April 13, 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: April 13, 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*

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,	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 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
☐ 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	

Dialysis, 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 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

[PROPOSED] ORDER GRANTING JOINT STIPULATION FOR STAY OF ADVERSARY PROCEEDING PENDING COURT'S RESOLUTION OF PENDING APPEALS

Judge: Hon. Dale S. Fischer

The Court, having considered the Parties' Joint Stipulation for Stay of Adversary Proceeding and, good cause having been shown, **GRANTS** the Stipulation and

HEREBY ORDERS AS FOLLOWS:

1. The Adversary Proceeding is stayed until 30 days after the Court issues a ruling regarding SGM's appeals from the Bankruptcy Court's November 14, November 18, and November 27, 2019 orders. The deadline for Defendants to answer or otherwise respond to Plaintiffs' First Amended Complaint is also hereby extended from May 8, 2020 until 30 days after the Court issues the ruling regarding the appeals. If Defendants believe a stay is no longer necessary, Defendants also can terminate the stay by emailing written notice to Plaintiffs, which will terminate the stay 30 calendar days from the date of service of the notice. In addition, the Parties reserve the right to move to have the stay terminated if the appeals remain pending 120 days from the date of this Stipulation.

2. Once the Court issues a ruling regarding the appeals, the parties will further meet and confer regarding any motion to dismiss contemplated by Defendants, and any amendment to the First Amended Complaint contemplated by Plaintiffs.

3. The Parties are only agreeing to stay the Adversary Proceeding the pending the current appeals being heard by the District Court. The Parties all reserve their respective rights to seek and to oppose a further stay from the District Court sitting as a trial court in the Adversary Proceeding, or the Ninth Circuit Court of Appeals should there be any further appeals, or to seek any other relief that may be appropriate.

4. The Scheduling Conference currently set for April 20, 2020 is

continued to _____.

IT IS SO ORDERED.

Dated: April __, 2020

_____
Hon. Dale S. Fischer
UNITED STATES DISTRICT JUDGE