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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

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

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☐ 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.

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

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

STRATEGIC GLOBAL MANAGEMENT, INC.'S RESPONSE TO PLAINTIFFS' MOTION TO DISMISS AND STATEMENT OF INTENT TO FILE AMENDED CROSS-COMPLAINT

Date: August 31, 2020
Time: 1:30 p.m.
Place: Courtroom 7D
350 W. 1st Street
Los Angeles, CA 90012
Judge: Hon. Dale S. Fischer

STRATEGIC GLOBAL MANAGEMENT, INC., a California corporation,

Counter-Plaintiff,

v.

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,

Counter-Defendants.

Defendant and Counter-Plaintiff Strategic Global Management, Inc., ("SGM") by and through its undersigned counsel of record, hereby sets forth this Response to Plaintiffs and Counter-Defendants' Motion to Dismiss and Statement of Intent to File Amended Cross-Complaint.

Verity's Motion to Dismiss does not challenge all of SGM's cross-claims. Nor could it, as SGM has plead valid breach of contract claims as a matter of law. Instead, Verity's Motion strangely seeks to strike SGM's claims for the return of its $30 million deposit on the erroneous and unsupported basis that the APA supposedly does not require Verity to return SGM's deposit even where, as here, Verity breached the parties' Agreement. This argument is absurd. Verity's argument contemplates a scenario where Verity could take SGM's $30 million, repudiate the APA the next day, and keep the entire $30 million. Plaintiffs' tortured reading of the APA is not supported by its plain language or the parties' intent. Indeed, the APA specifically states that SGM is entitled to the return of the deposit if Verity materially breaches the agreement. *See* APA §11.2 ("If Sellers commit any material default under this Agreement, Purchaser shall have right to demand and receive a refund of the Deposit…."). Verity's flawed argument also infects its challenges to SGM's conversion and unfair competition claims.

Nonetheless, in an effort to conserve judicial resources and avoid unnecessary briefing, SGM states that it will file a First Amended Cross-Complaint pursuant to Federal Rule of Civil Procedure 15(a)(1)(B) on or before the deadline of August 21, 2020, thereby mooting Verity's currently pending motion to dismiss. *See Ramirez v. Cty. of San Bernardino*, 806 F.3d 1002, 1008 (9th Cir. 2015) (discussing ability to file amended pleading in response to a motion to dismiss).

BARNES & THORNBURG LLP

Dated: August 10, 2020

By: /s/ Joel R. Meyer
Kevin D. Rising
L. Rachel Lerman
Joel R. Meyer

Attorneys for 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 and Counter-Plaintiff Strategic Global Management, Inc.