Docket #2390 Date Filed: 03/17/2021

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8	1900 K. Street, NW Washington, DC 20006 Tel: (202) 496-7500	Hearing Date: April 15, 2021 Time: 10:30 a.m. (Pacific Time)
9	Fax: (202) 496-7756 Email: sam.alberts@dentons.com	Location: Telephonic only Phone Number: (877) 402-9757 Conference Code: 7036041
10	Attorneys for the Reorganized Debtors	Conterence Code. 7030041
11	UNITED STA EASTERN D	TES BANKRUPTCY COURT ISTRICT OF WASHINGTON
12	In re:	Chapter 11 Lead Case No. 19-01189-11
13	ASTRIA HEALTH, et al.,	Jointly Administered
14	Debtors and Debtors in	REORGANIZED DEBTORS' NOTICE OF TREATMENT OF TERMINATED
15	Possession. ¹	EMPLOYEE PRIORITY CLAIMS AND, TO THE EXTENT APPLICABLE,
		OMNIBUS OBJECTION THERETO
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17		AMES AND CLAIMS ON EXHIBIT A.
18		
19	Canyon, LLC (19-01193-11), Kitchen a LLC (19-01195-11), SHC Holdco, LI	mbers, are as follows: Astria Health (19-01189-11), Glacier and Bath Furnishings, LLC (19-01194-11), Oxbow Summit, LC (19-01196-11), SHC Medical Center - Toppenish (19-
20	01190-11), SHC Medical Center - Association (19-01191-11), Sunnyside	Yakima (19-01192-11), Sunnyside Community Hospital e Community Hospital Home Medical Supply, LLC (19-
21	01199-11), Yakima Home Care Holdi LLC (19-01200-11).	(19-01198-11), Sunnyside Professional Services, LLC (19- ngs, LLC (19-01201-11), and Yakima HMA Home Health, DENTONS US LLP BUSH KORNFELD LLP
	OMNIBUS OBJECTION TO	

1	PLEASE TAKE NOTICE that Astria Health ("Astria"), SHC Medical Center
2	- Yakima, formerly an operating hospital ("ARMC"), SHC Medical Center -
3	Toppenish, doing business as Astria Toppenish Hospital ("Toppenish"), Sunnyside
4	Community Hospital Association ("Sunnyside"), all Washington nonprofit
5	corporations under § 501(c)(3) of title 26 of the United States Code, and along with
6	the above-referenced affiliated debtors (collectively, the "Reorganized Debtors"), ²
7	formerly the debtors and debtors in possession (as such, the " <u>Debtors</u> ") in the above-
8	captioned chapter 11 bankruptcy cases (collectively, the "Chapter 11 Cases"), hereby
9	file this notice of treatment and, to the extent applicable, omnibus objection (the
10	"Objection"), pursuant to §§ 105, 502, and 507 of title 11 of the United States Code,
11	11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code"), ³ Rule 3007 of the Federal Rules
12	of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 3007-1 of the Local
13	Bankruptcy Rules (the " <u>LBR</u> ") of the United States Bankruptcy Court for the Eastern
14	District of Washington (the "Court"), to the terminated employee and provider ⁴
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16	$\frac{1}{2}$ As a technical matter, ARMC did not reorganize because it was closed and the
17	building where it operated was sold during the Chapter 11 Cases. Nevertheless, for simplicity, it is referred to as a Reorganized Debtor.
18	³ All references to "§" or "section" are to the Bankruptcy Code unless otherwise so specified.
19	⁴ As used by the Debtors and Reorganized Debtors and in the Objection, "providers" refers to physicians and other medical providers who are employed under a different
20	form of employment agreement than the non-provider staff employment agreement. Two primary differences for the purposes of this Objection, as described further in the Objection, is the treatment of PTO accrual and payout, and the entitlement to
21	reimbursement of expenses.

OMNIBUS OBJECTION TO TERMINATED EMPLOYEE CLAIMS

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LAW OFFICES 601 Union St., Suite 5000 Seattle, Washington 98101-2373
Pg Facsimil (206) 292-2110
Pg Facsimil (206) 292-2104 claims asserting priority treatment (the "<u>Claims</u>") which number 50 in total under this Objection, as listed on <u>Exhibit A</u> hereto, on account of no liability or no priority.

PLEASE TAKE FURTHER NOTICE that the Objection is based on this Notice of Treatment ("Notice"), the attached Declaration of Brian P. Gibbons, Jr., in support of the Objection (the "Gibbons Declaration"), Exhibit A, the supporting statements, arguments, and representations of counsel who will appear at the hearing on the Objection, if any, the record in these Chapter 11 Cases, and any other evidence properly brought before this Court in all other matters of which this Court may properly take judicial notice

PLEASE TAKE FURTHER NOTICE that, if necessary, a hearing on the Objection has been scheduled for <u>April 15, 2021, at 10:30 a.m. (Pacific Time)</u> (the "<u>Hearing</u>"). The Hearing will be telephonic only, with the following call-in details: (877) 402-9757; conference code 7036041.

PLEASE TAKE FURTHER NOTICE that any party opposing or responding to the Objection or the relief contained therein—specifically, the proposed disallowance or reduction and reclassification (as applicable) of terminated employees' claims—must file a response (the "Response") with this Court and serve a copy of it on the Reorganized Debtors and the office of the United States Trustee, Region 18: Eastern District of Washington no later than April 8, 2021 at 4:00 p.m. (Pacific Time) (the "Response Deadline"). A Response must be a complete written statement of all reasons in opposition to the Objection or in support declarations and

statement of all reasons in opposition to the Objection or in support, declarations and

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- 1	II .	
1	copies of all evidence on which the r	responding party intends to rely, and any
2	responding memorandum of points and a	authorities.
3	PLEASE TAKE FURTHER NO	OTICE that, pursuant to LBR 3007-1(c)(3),
4	the failure to file and serve a timely R	esponse to the Objection by the Response
5	Deadline may be deemed by this Court t	o be consent to the relief requested therein.
6	Dated: March 17, 2021	/s/ Sam J. Alberts
7	·	JAMES L. DAY (WSBA #20474) THOMAS A. BUFORD (WSBA
8	· II	#52969) BUSH KORNFELD LLP
9	·	SAMUEL R. MAIZEL (Admitted <i>Pro</i>
10) ·	Hac Vice) SAM J. ALBERTS (WSBA #22255)
11		DENTONS US LLP
12	A	ttorneys for the Reorganized Debtors
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OMNIBUS OBJECTION TO TERMINATED EMPLOYEE CLAIMS DENTONS US LLP

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I. <u>INTRODUCTION</u>

Each of the Claims, which total 50 in number under this Objection, asserts an
amount owing on account of wages ("Wages"), paid time off ("PTO"), and/or other
employment-related benefits (including PTO, the "Benefits"), including
reimbursement of certain contractually reimbursable expenses. The Reorganized
Debtors bring this Objection pursuant to §§ 105, 502, and 507 and Bankruptcy Rule
3007, and specifically do so on an omnibus basis pursuant to Bankruptcy Rule
3007(d).

Pursuant to employee compensation orders entered in these Chapter 11 Cases [Docket Nos. 83 and 368], as well as orders approving settlements with Washington State Nurses Association ("WSNA") [Adv. Pro. No. 20-80005 Docket No. 43] and SEIU Healthcare 1119NW ("SEIU") [Docket No. 2149], the two unions that represented a significant portion of Debtor employees, all Wages owing on the Petition Date earned within 180 days of the Petition Date were paid in full up to the statutory amount under § 507(a)(4). Thereafter, the Debtors paid Wages earned postpetition in the ordinary course of business. As such, to the extent that any holders of Claims continue to seek priority and administrative treatment of Wages, such Claims should be disallowed.

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⁵ Based upon information and belief, no employee was owed Wages in excess of the priority claim amount permitted under § 507(a)(4).

With respect to Benefits, employees were permitted to use them during the Chapter 11 Cases. Unused Benefits (namely PTO) of employees whose employment was terminated were paid any administrative and priority amounts to which they were entitled; while unused Benefits of employees who continued in employment without separation were rolled forward (regardless of priority) to their new Debtor employer. Thus, to the extent that any of the holders of Claims continue to seek priority and administrative treatment of Benefits, such Claims should be disallowed.

While this Objection requests disallowance of priority and administrative treatment for all Claims, it does not seek disallowance (at this time) of Claims to the extent they are based upon amounts earned prior to 180 days before the Petition Date or otherwise entitled to general unsecured treatment.

In further support of the Objection, attached hereto is the Gibbons Declaration, and the Reorganized Debtors respectfully state as follows:

II. **JURISDICTION AND VENUE**

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The venue of the Chapter 11 Cases is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for this Objection is §§ 105, 502, and 507.

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III. STATEMENT OF FACTS

A. General Overview

- 2. The Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on May 6, 2019 (the "Petition Date"). These Chapter 11 Cases are currently being jointly administered before the Court. [Docket No. 10]. Between the Petition Date and the Effective Date (defined below), the Reorganized Debtors had operated their businesses as debtors in possession pursuant to §§1107 and 1108.
- 3. The Debtors filed their *Modified Second Amended Joint Chapter 11 Plan of Reorganization of Astria Health and Its Debtor Affiliates* [Docket No. 2196] (including all exhibits thereto, any plan supplement, and as amended, modified, or supplemented from time to time, the "Plan"), which was confirmed by order dated December 23, 2020 [Docket No. 2217] (the "Confirmation Order"). The Debtors filed their disclosure statement relating to the Plan [Docket No. 1987] (the "Disclosure Statement"). The Plan became effective on January 15, 2021 (the "Effective Date").

B. Facts Specific to Objection.

First-Day Relief

4. On the Petition Date, the Debtors sought authorization to pay and honor certain prepetition obligations owing to the Debtors' employees, including, but not limited to, (a) paying amounts owed to employees for wages, salaries, and leased employee fees; (b) paying and honoring benefits and other workforce obligations,

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OMNIBUS OBJECTION TO TERMINATED EMPLOYEE CLAIMS

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such as remitting withholding obligations, maintaining workers' compensation and benefits programs, paying related administration obligations, making contributions to retirement plans, and paying reimbursable employee expenses; and (c) continuing to pay and honor such obligations as they arose postpetition in the ordinary course of business [Docket No. 83] (the "Compensation Motion").

5. On May 9, 2019, the Bankruptcy Court entered an order granting the Compensation Motion [Docket No. 83], which was subsequently amended on July 5, 2019 [Docket No. 368] (the "Compensation Order"). Pursuant to the Compensation Order, the Bankruptcy Court authorized and directed each of the banks in which the Debtors maintained a bank account to honor all prepetition and postpetition checks related to such prepetition obligations to employees. *Id.*; see also Disclosure Statement, at V.B.3.

Closure of ARMC

6. On January 3, 2020, the Debtors filed a motion seeking to close ARMC on an emergency basis [Docket No. 867] (collectively, the "Closure Motion"), which was aimed at ensuring the safety of patients and to maintain the financial viability of the Debtors' remaining two hospitals (Toppenish and Sunnyside) and related clinics. On January 8, 2020, the Court entered an Order [Docket No. 874] granting the Closure Motion. In accordance with the Order, the Debtors ceased operations at ARMC on or before January 15, 2020.

1	7. Due to the closure of ARMC, employment at ARMC was terminated for
2	most employees of ARMC. Gibbons Declaration, at ¶ 5. Employees of ARMC who
3	were owed wages on the date of their separation were paid in their last paycheck. <i>Id</i> .
4	Further, SEIU and WSNA (the " <u>Unions</u> ") are the bargaining representatives of the
5	vast majority of employees who worked at ARMC and, in certain instances, at other
6	facilities (collectively the " <u>Union Employees</u> "), pursuant to collective bargaining
7	agreements (each, a " <u>CBA</u> "). The Union Employees thereafter received payment for
8	unused and unpaid Benefits (namely PTO) earned postpetition and during the 180-
9	day priority period (up to the § 507(a)(4) statutory cap) or, for those Union
10	Employees rehired and not paid on account of such Benefits, had their Benefits rolled
11	forward consistent with company policy. ⁶ <i>Id</i> .
12	The Union Claims, Complaint, and Settlements
13	i. WSNA
14	8. On August 5, 2019, WSNA filed the following proofs of claim (the
15	"WSNA POCs") against the following Debtor entities on behalf of their represented
16	employees: (a) claim number 407 against Sunnyside seeking \$742,066.50 as a
17	priority claim under §§ 507(a)(3) and 507(a)(4); (b) claim number 408 against
18	Toppenish seeking \$541,705.50 as a priority claim under §§ 507(a)(3) and 507(a)(4);
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20	6 In addition to Benefits, resolution with the Unions included other features in
21	settlement of alleged Worker Adjustment and Retraining Notification (WARN) Act and other damage claims. DENTONS US LLP BUSH KORNFELD LLE

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and (c) claim number 409 against ARMC seeking \$1,571,887.50 as a priority claim under §\$ 507(a)(3) and 507(a)(4).

- 9. On January 31, 2020, WSNA filed an adversary proceeding, designated as Adv. Pro. No. 20-80005, against Astria and ARMC seeking damages arising out of the ARMC closure. On April 17, 2020, the Debtor defendants filed a notice of payment in full of unused administrative and prepetition priority PTO balances [Adv. Pro. Docket No. 23]. On July 30, 2020, the Parties filed a *Notice of Debtors' and WSNA's Joint Motion for Order Approving Settlement Under Federal R. Bankr. P 9019 and Resolving Adversary Proceeding* [Adv. Pro Docket No. 34] (the "WSNA Settlement Motion"), which, among other things, resolved the Adversary Proceeding and more generally, the claims of employees for PTO that was the predicate of the WSNA POCs (the "WSNA Settlement"). On September 9, 2020, the Court entered an order granting the WSNA Settlement Motion [Adv. Pro. Docket No. 43].
- 10. On January 12, 2020, WSNA filed a withdrawal of the WSNA POCs [Docket No. 2256].

ii. SEIU

11. On August 5, 2019, SEIU filed the following proofs of claim (the "SEIU POCs") against the following Debtor entities, in their respective Chapter 11 Cases, on behalf of their represented employees: (a) claim number 57 against Toppenish seeking a "contingent claim in the estimated amount of \$28,5000 for PTO under the

CBA" of which \$14,250 is sought as a priority claim under §507(a)(4); (b) claim

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The Plan

- Section 1.137 of the Plan defines "PTO Claims" as "Claims asserted by 16. Debtors' employees that are based upon accrued hours arising under Debtors' nonworking day and paid time off policies." Plan, § 1.137.
- 17. The Plan classified priority unsecured non-tax claims in Class 1, with the exception of: (a) wage claims (including severance pay) in excess of the statutory limit of \$13,650, and (b) PTO Claims in excess of the statutory limit of \$13,650 for benefits. Plan, § II.E.1. Wage claims and PTO Claims, on the other hand, "will be treated as General Unsecured Claims in Class 4." Id.
- 18. The Plan further provides that PTO of existing employees who are employed upon the Effective Date, to the extent not already paid, would be rolled forward in the applicable Reorganized Debtor entity that employs them. Specifically, the Plan provides:

Employees may have accumulated paid time off ("PTO") that the employees were able to roll forward from year to year, or cash out at retirement or departure. With limited exception regarding certain employees who were employed by SHC Medical Center - Yakima, separated after January 1, 2020 and then rehired by another Debtor and who were paid on account of unused PTO earned while at SHC Medical Center - Yakima or provided with an allowed claim, the Reorganized Debtors will assume the PTO Claims for retained employees of the Hospital, and PTO will be allowed to be used on the same terms and conditions as before Petition Date.

Id. at 28 n.3.

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- 19. Exhibit A lists 50 Claims to which the Reorganized Debtors object pursuant to this Objection. Each Claim asserts a claim for Wages, Benefits, and/or additional bases. These Claims were filed by employees and healthcare providers who provided services to the Debtors but whose employment has been terminated (the "Claimants"), either by the Debtors or the employees/providers. Gibbons Declaration, at ¶ 6.
 - 20. The Claims fall into the following categories:
 - Contractually Ineligible Certain of the Claims were filed by a. employees or other employed healthcare providers who, pursuant to their employment contracts, are ineligible to receive any pay-out of unused Benefits. Gibbons Declaration, at ¶ 7. (This category does not include Claims seeking pay-out of accrued but unused sick days, for which no employee is eligible.) For medical providers, although their paystubs may indicate unused and available PTO, these hours are not accrued and not payable, but rather are populated and available to "use or lose" while employed. *Id*. Similarly, employees and providers may receive an allowance toward continuing medical education ("CME") courses or other reimbursable expenses over the course of a year, but cashing in the allowance requires expenditure of actual eligible and reimbursable expenses, and have no intrinsic cash-out value. Id. Employees employed for less than one year are similarly contractually ineligible for PTO payout. Id.
 - b. Terminated and Paid Certain of the Claims were filed by employees whose employment was terminated and were contractually eligible for final Wages and PTO cash-out. Gibbons Declaration, at ¶ 8. (Some of these Claims sought post-termination wages and/or payout for accrued but unused sick days; however, no Claimant's employment or termination arrangement provided for these. *Id.*) For the seven Union Employees, treatment of these amounts have already been resolved with the representing Unions; and for the remainder these amounts have been calculated internally by the

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OMNIBUS OBJECTION TO

TERMINATED EMPLOYEE CLAIMS

IV. **OBJECTION**

The Reorganized Debtors object to the Claims pursuant to §§ 105, 502, and 507, Bankruptcy Rule 3007, and LBR 3007-1. More specifically, the Reorganized Debtors object to the Claims on an omnibus basis, and seek disallowance or reduction and reclassification thereof, pursuant to Bankruptcy Rule 3007(d), because (a) "they duplicate other claims" (Fed. R. Bankr. P. 3007(d)(1)), (b) "they have been satisfied or released during the case in accordance with the Code, applicable rules, or a court order" (Fed. R. Bankr. P. 3007(d)(1)), and (c) "they assert priority in an amount that exceeds the maximum amount under §507 of the Code" (Fed. R. Bankr. P. 3007(d)(8)).

V. **ARGUMENT**

Section 502(a) of the Bankruptcy Code provides that "[a] claim or interest, proof of which is filed under section 501 of this title, is deemed allowed, unless a party in interest . . . objects." 11 U.S.C. § 502(a). A debtor in possession has the duty to object to the allowance of any claim that is improper. See 11 U.S.C. § 1106(a)(1).

Bankruptcy Rule 3001(a) provides that a proof of claim is a written statement setting forth a creditor's claim. Fed. R. Bankr. P. 3001(a). Bankruptcy Rule 3001(f) provides that a proof of claim executed and filed in accordance with "these rules" shall constitute prima facie evidence of the validity and amount of the claim. Fed.

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TERMINATED EMPLOYEE CLAIMS

OMNIBUS OBJECTION TO

R. Bankr. P. 3001(f); see also In re Southern Cal. Plastics, Inc., 165 F.3d 1243, 1247-48 (9th Cir. 1999); In re Garner, 246 B.R. 617, 620-21 (9th Cir. B.A.P. 2000).

However, Bankruptcy Rule 3001(f) "operates merely as an evidentiary presumption that is rebuttable." *In re Garvida*, 347 B.R. 697, 706 (9th Cir. B.A.P. 2006). Once the debtor satisfies its burden of going forward by rebutting the presumption with counter-evidence, the burden of going forward shifts to the claimant. *In re Lundell*, 223 F.3d 1035, 1039 (9th Cir. 2000); *Garvida*, 347 B.R. at 706-708. While the "burden of going forward is primarily a procedural matter pertaining to the order of presenting evidence," the substantive burden of proof remains at all times upon the claimant. *Garvida*, 347 B.R. at 706; *Lundell*, 223 F.3d at 1039 (ultimate burden of persuasion remains at all times upon the claimant); *So. Cal. Plastics*, 165 F.3d at 1248.

A claimant must establish by a preponderance of the evidence that its claim should be allowed. *Lundell*, 223 F.3d at 1039. The objecting party is not required to disprove the claim. *In re Kahn*, 114 B.R. 40 (Bankr. S.D.N.Y. 1990). The Bankruptcy Court has the power to "sift" the circumstances surrounding any claim to see that injustice or unfairness is not done in the administration of the bankruptcy estate. *Pepper vs. Litton*, 308 U.S. 295, 304, 60 S.Ct. 238, 244 (1939).

In *In re Circle J. Dairy, Inc.*, the court held that, among other things, "[a] claim, to be legally sufficient and, therefore, to be prima facie valid, under the Bankruptcy Rules, must . . . be based upon facts which would allow, as a matter of equity, to have DENTONS US LLP BUSH KORNFELD

OMNIBUS OBJECTION TO TERMINATED EMPLOYEE CLAIMS 16

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the document accepted as a proof of claim." 112 B.R. 297, 299-300 (W.D. Ark. 1989). The court further explained that, under this requirement:

> the allegations of the proof of claim must set forth all the necessary facts to establish a claim and must not be selfcontradictory. The prima facie validity of the claim does not attach unless the claim is in compliance with the [Bankruptcy Rules], including [Bankruptcy Rule] 3001, and sets forth the facts necessary to support the claim. These requirements for legal sufficiency are consistent with the idea that the proof of claim itself is to be scrutinized with an eye to credibility.

Id. at 300 (citations omitted).

Section 105(a) of the Bankruptcy Court authorizes the Court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Upon reviewing the Claims, supporting documentation attached thereto (if any), and their own Books and Records, the Reorganized Debtors request that the Court disallow or reduce and reclassify (as applicable) the Claims for the following reasons:

Contractually Ineligible Claims. Certain of the Claims were filed by a. employees or other healthcare providers who, pursuant to their employment contracts, are ineligible to receive any pay-out of unused Benefits. Gibbons Declaration, at ¶ 7. (This category does not include Claims seeking pay-out of accrued but unused sick days, for which no employee is eligible.) For medical providers, although their paystubs may indicate unused and available PTO, these hours are not accrued and not payable, but rather are populated and available to "use

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allowance toward CME courses or other reimbursable expenses over the course of a year, but cashing in the allowance requires expenditure of actual eligible and reimburseable expenses, and have no intrinsic cash-out value. *Id.* Employees employed for less than one year are similarly contractually ineligible for PTO payout. *Id.* Accordingly, all Claims in this category should be disallowed. The Reorganized Debtors—on behalf of themselves and any other Estate representative with standing to maintain and pursue objections to the Claims (collectively, the "Estate Representatives")—further reserve the right to maintain and pursue this objection post-Effective Date or raise other objections to the amount and basis of these Claims in the future.

or lose" while employed. Id. Similarly, employees and providers may receive an

b. Terminated and Paid. Certain of the Claims were filed by employees whose employment was terminated and were contractually eligible for final Wages and PTO cash-out. Gibbons Declaration, at ¶ 8. (Some of these Claims sought posttermination wages and/or pay-out for accrued but unused sick days; however, no Claimant's employment or termination arrangement provided for these. *Id.*) For the seven Union Employees, treatment of these amounts have already been resolved with the representing Unions; and for the remainder these amounts have been calculated internally by the Reorganized Debtors. *Id.* To the extent payments were due, the Debtors or Reorganized Debtors have paid such amounts up to the § 507 statutory cap (and to the extent administrative in nature, paid in full). *Id*. Pursuant to the Plan

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and Union Settlements, any additional amounts above the Union Settlement amounts and/or statutory cap now constitute GUCs. Furthermore, pursuant to the Compensation Order and the Union Settlements, the Debtors have paid all Wages and Benefits entitled to priority treatment. Id., at ¶ 10. Accordingly, these Claims should be reduced by the amounts already paid and reclassified as non-priority To the extent any GUC amount remains on the Claim thereafter, the Reorganized Debtors further reserve the Estate Representatives' rights to object to the amount and basis of these Claims in the future.

- Non-Priority. In addition to those "Terminated and Paid" Claims above, c. certain of the Claims assert priority status for amounts incurred or alleged to having been incurred prior to the priority compensation period of 180 days prepetition. Gibbons Declaration, at ¶ 9. The Reorganized Debtors have reconciled some of these amounts, but not all, but have confirmed that these claims are not entitled to priority treatment. Id. Accordingly, these Claims should be reclassified as non-priority claims. With regard to any GUC amount remaining on the Claim thereafter, the Reorganized Debtors further reserve the Estate Representatives' rights to object to the amount and basis of these Claims in the future.
- d. Non-Debtor. One of the Claims was filed by a terminated employee of a non-Debtor entity, whose reimbursement claim is therefore not allowable against the Debtors and should be expunged.

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OMNIBUS OBJECTION TO

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To the extent any of the Claims are duplicative, the e. Duplicate. Reorganized Debtors further seek disallowance of those Claims, as Claimants are limited to a single recovery on any claim.

Additionally, many of the Claims do not attach any supporting documents or information, which cause them to fall short of satisfying the procedural and evidentiary burden necessary to allow the Claims in the asserted amounts. The Reorganized Debtors reserve the Estate Representatives' rights to object to the Claims on this, and any other, basis in the future.

Exhibit A reflects the administrative and priority amounts, if any, paid to the Claimants as reflected in the Books and Records as owing. Any remaining amounts owed are general unsecured claims (GUC) to the extent not objected to by the GUC Distribution Trustee.

If the Claims are not formally reduced and reclassified, the potential exists for the applicable claimants to receive recoveries to which they are not entitled, to the detriment of the Debtors' other stakeholders, or for the process of claims administration and reconciliation to be unnecessarily burdensome. Thus, the relief requested in this Objection is necessary to prevent any inappropriate distribution of estate funds and to facilitate the administration of the claims-allowance process.

VI. RESPONSES AND SEPARATE CONTESTED MATTERS

The Notice accompanying this Objection provides that (and how) any

Claimant wishing to contest the Objection as to any Claim listed on Exhibit A must DENTONS US LLP

file and serve a written Response so that it is actually received by no later than the Response Deadline, i.e., April 8, 2021 at 4:00 p.m. (Pacific Time). Pursuant to LBR 3007-1(c)(3), "[f]ailure by the claimant to file a response shall be deemed as consent to have the court consider and determine the issue on the pleadings without oral argument."

To the extent a Response is filed regarding any Claim listed in this Objection and the Estate Representatives are unable to resolve the Response, the objection by the Reorganized Debtors to such Claim shall constitute a separate contested matter as contemplated by Bankruptcy Rule 9014. Any order entered by the Court regarding an objection asserted in this Objection shall be deemed a separate order with respect to each Claim subject thereto.

VII. **RESERVATION OF RIGHTS**

The Reorganized Debtors expressly reserve the Estate Representatives' rights to amend, modify or supplement this Objection or file a new objection to assert additional objections to the Claims or any other proofs of claim (filed or not) that may be asserted by the Claimants. Should the grounds for disallowance and/or reduction and reclassification of the Claims as stated in this Objection be deemed insufficient, the Reorganized Debtors reserve the Estate Representatives' rights to object to the Claims on any other grounds. Separate notice and a hearing will be provided in respect of any such additional objections.

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OMNIBUS OBJECTION TO

For the avoidance of doubt, (a) nothing in the Objection or any order thereon 1 shall constitute an allowance of any GUC of the affected employees not otherwise 2 previously allowed; and (b) all of the Reorganized Debtors' and the GUC 3 Distribution Trustee's rights, claims, defenses, causes of action and/or objections, 4 including, without limitation, objections to any general unsecured claims asserted by 5 such employees, are expressly reserved and preserved 6 VIII. **CONCLUSION** 7 WHEREFORE, the Reorganized Debtors request this Court enter an order (a) 8 sustaining the Objection, (b) disallowing or reducing and reclassifying the Claims as 9 set forth on Exhibit A, and (c) granting such other and further relief the Court deems 10 just and proper. 11 Dated: March 17, 2021 /s/ Sam J. Alberts 12 JAMES L. DAY (WSBA #20474) 13 THOMAS A. BUFORD (WSBA **#52969**) 14 BUSH KORNFELD LLP 15 SAMUEL R. MAIZEL (Admitted *Pro* Hac Vice) 16 SAM J. ALBERTS (WSBA #22255) DENTONS US LLP 17 Attorneys for the Reorganized Debtors 18 19 20 21

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OMNIBUS OBJECTION TO
TERMINATED EMPLOYEE CLAIMS
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DECLARATION OF BRIAN P. GIBBONS, JR.

I, Brian P. Gibbons, Jr., declare that if called on as a witness, I would and could testify of my own personal knowledge as follows:

- 1. I am the President and Chief Executive Officer of Astria Health ("CEO"). I was appointed CEO by the Astria Health Board in November 2020.
- 2. I have been involved in the healthcare industry as a C-Suite executive since 2003. I hold a Bachelor Degree in Public Administration from Loyola University and Masters Degrees in Administration (MBA) and in Health Science (MHS) from the University of Florida. I have been associated with Astria Sunnyside Hospital since 2013 and have been President of Astria Sunnyside Hospital since 2017, before being appointed President and CEO of Astria Health.
- 3. This declaration is prepared in support of the Reorganized Debtors' Notice of Treatment of Terminated Employee Priority Claims and, to the Extent Applicable, Omnibus Objection Thereto (the "Objection").⁷
- 4. The statements herein are based upon my personal knowledge of the facts and information gathered by me in my capacity as CEO for Astria.
- 5. Due to the closure of ARMC, employment at ARMC was terminated for most employees of ARMC. Certain employees from ARMC were offered continued employment at other Reorganized Debtor facilities. Employees of ARMC who were

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OMNIBUS OBJECTION TO TERMINATED EMPLOYEE CLAIMS 601 South Figueroa Street, Suite 2500 Los Angeles, CA 90017-5704 Phone: (213) 623-9300

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⁷ All capitalized terms not otherwise defined herein have the meanings ascribed to them in the Objection.

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- Each of the 50 Claims listed on Exhibit A to the Objection were filed by 6. employees and healthcare providers who provided services to the Debtors but whose employment has been terminated (the "Claimants"), either by the Debtors or the employees/providers. The Claims fall into the following categories:
- 7. Contractually Ineligible. Certain of the Claims were filed by employees or other healthcare providers who, pursuant to their employment contracts, are ineligible to receive any pay-out of unused Benefits. (This category does not include Claims seeking pay-out of accrued but unused sick days, for which no employee is eligible.) For medical providers, although their paystubs may indicate unused and available PTO, these hours are not accrued and not payable, but rather are populated and available to "use or lose" while employed. Similarly, employees and providers may receive an allowance toward continuing medical education ("CME") courses or other reimbursable expenses over the course of a year, but cashing in the allowance requires expenditure of actual eligible and reimbursable expenses, and have no

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intrinsic cash-out value. Employees employed for less than one year are similarly contractually ineligible for PTO payout.

- Terminated and Paid. Certain of the Claims were filed by employees 8. whose employment was terminated and were contractually eligible for final Wages and PTO cash-out. (Some of these Claims sought post-termination wages and/or pay-out for accrued but unused sick days; however, no Claimant's employment or termination arrangement provided for these.) For the seven Union Employees, treatment of these amounts have already been resolved with the representing Unions; and for the remainder these amounts have been calculated internally by the Reorganized Debtors. With respect to priority amounts payable, the Debtors or Reorganized Debtors already have paid all these amounts up to the § 507(a)(4) statutory cap. Any additional amounts above the amounts paid, settled (with regard to Union Employees pursuant to the Union Settlements), or statutorily capped are either not owing or now constitute general unsecured claims ("GUC").
- Non-Priority. In addition to those "Terminated and Paid" Claims above, 9. certain of the Claims assert priority status for amounts incurred or alleged to having been incurred prior to the priority compensation period of 180 days prepetition. The Reorganized Debtors have reconciled some of these amounts, but not all, but have confirmed that these claims are not entitled to priority treatment.
- 10. Pursuant to the Compensation Order and the Union Settlements, the Debtors or Reorganized Debtors have paid all Wages and Benefits entitled to priority

1	treatment. In accordance with the Compensation Order, the Plan, and the Union
2	Settlements, the Books and Records reflect that no priority amounts are due and
3	owing on the Claims. Exhibit A reflects the administrative and priority amounts, if
4	any, paid to the Claimants as reflected in the Books and Records as owing.
5	I declare under penalty of perjury under the laws of the United States of
6	America that the foregoing is true and correct.
7	Dated: March 17, 2021 ASTRIA HEALTH
8	
9	2-0201
10	By: Brian P. Gibbons, Jr. President and Chief Executive Officer
11	Tresident and emer Executive Officer
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Exhibit A: Schedule of Claims Subject to Objection

providers for wages, paid time off (PTO), reimbursement of expenses, or other benefits. The schedule below reflects the administrative The Reorganized Debtors seek disallowance or reduction and reclassification of the following claims filed by terminated employees and and/or priority amounts already paid by the Reorganized Debtors as reflected in the Debtors' Books and Records as owing. remaining amounts owed are general unsecured claims (GUC) to the extent not objected to by the GUC Distribution Trustee.¹

e and		Claim	Claim Filed Claim Amo	ount	laim Amount Administrative Priority Claim	Priority Claim	Comments
Number ² Number ¹ and Pric	and		Priority	?	Claim Amount Paid	Amount Paid	
. G. Annabell 485 \$11,866.28	485 \$11,866.2	\$11,866.23	<u>~</u>	Ь	\$4,120.05	\$607.93	\$607.93 Settled (SEIU)
4106250							Remainder, if any, GUC

For the avoidance of doubt, (a) nothing in the Objection or any order thereon shall constitute an allowance of any GUC of the affected defenses, causes of action and/or objections, including, without limitation, objections to any general unsecured claims asserted by such employees not otherwise previously allowed; and (b) all of the Reorganized Debtors' and the GUC Distribution Trustee's rights, claims, employees, are expressly reserved and preserved.

to § 507(a)(4) (wages, salaries, or commissions, including vacation, severance, and sick leave pay earned by an individual within 180 Wages, PTO, or other Benefits. For the purpose of the Objection, the Debtors treat these Claims as having asserted priority pursuant Certain of the Claims check the box for § 507(a)(5) priority (contributions to an employee benefit plan) when asserting a claim for days prepetition); however, the Debtors reserve the right to argue that priority was asserted erroneously.

² Unless otherwise indicated, claimant and claim numbers refer to official claims register maintained in Case No. 19-01189 (Astria

Objection, in seeking reclassification as non-priority, the Debtors treat these Claims as having asserted the entire claim amount as ³ Certain of the Claims check the box for priority status without specifying an amount entitled to priority. For the purpose of the priority; however the Debtors reserve the right to argue that priority was only asserted for \$0.

	Claimant Name and	Claim	Filed Claim Amount	mount	Administrative	Priority Claim	Comments
	Number ²	Number ¹	and Priority ³	ty ³	Claim Amount Paid	Amount Paid	
2.	K. Basmeh 4136070	533	\$5,651.18	Ь	\$754.94	N/A	Remainder, if any, GUC
3.	N. Basmeh 4136071	534	\$13,650.00	Ь	N/A	\$1,817.87	Remainder, if any, GUC
			\$2,340.87	GUC			
4.	R. Beecroft 4138483	618	\$4,895.92	P1	N/A	N/A	Remainder, if any, GUC
			\$287.31	P2			
			\$2,794.86	GUC			
5.	V. Calayan 4138428	615	\$15,319.91	Ь	N/A	N/A	Not entitled to PTO payout per policy
							Remainder, if any, GUC
6.	A. Campeau 4137878	592	\$5,936.06	Ь	N/A	N/A	Remainder, if any, GUC
7.	S. Carlson 4138224	597	\$1,146.09	Ь	\$94.87	N/A	Remainder, if any, GUC
∞.	A. Castellanos 4137494	577	\$3,257.52	Ь	\$1,203.26	\$660.20	Remainder, if any, GUC
9.	J. Cornella 4110600 ⁴	9 86	\$9,135.89	Ь	N/A	\$871.41	Remainder, if any, GUC
			\$35,806.78	GUC			

⁴ Claim filed in Case No. 19-01192 (SHC Medical Center - Yakima).

	Claimant Name and	Claim	Filed Claim Amount	10unt	Administrative	Priority Claim	Comments
	Number ²	Number ¹	and Priority ³	y3	Claim Amount Paid	Amount Paid	
10.	H. Crawford 4110598	503	\$15,106.71	Ь	N/A	N/A	Remainder, if any, GUC
11.	G. Davila Jr 4134802	524	\$9,500.00	Ь	\$1,249.08	\$2,787.24	Remainder, if any, GUC
12.	K. Eder 4139666	657	\$5,200.00	Д	\$1,427.41	\$2,652.06	Remainder, if any, GUC
13.	B. Fischer 4138143	594	\$7,391.28	Ь	\$2,900.27	\$2,802.90	Remainder, if any, GUC
			\$33,796.90	GUC			
14.	C. Frisbie 4138411	614	\$2,328.61	P1	\$429.94	\$444.12	Remainder, if any, GUC
			\$179.12	P2			
			\$496.64	GUC			
15.	C. Harris 4136875	540	\$6,932.43	Д	\$7,898.62	N/A	Remainder, if any, GUC
16.	R. Hartwig 4063136	493	\$12,882.00	Ь	N/A	\$2,145.26	Remainder, if any, GUC
17.	S. Honey-Morrow 4138323	209	\$641.02	Ь	N/A	\$641.02	Remainder, if any, GUC
18.	W. Johnson 4116452	511	\$4,716.26	Ь	N/A	N/A	Remainder, if any, GUC
19.	J. Johnston 4089903	461	\$10,776.00	Ь	N/A	N/A	Remainder, if any, GUC

	Claimant Name and	Claim	Filed Claim Amount	mount	Administrative	Priority Claim	Comments
	Number ²	Number ¹	and Priority³	ıty³	Claim Amount Paid	Amount Paid	
20.	J. Jones 4074226 ⁵	29 7	\$1,301.00	Ь	N/A	\$1,301.00	Paid
21.	S. Kasper 4138382	611	\$517.43	P1	\$2,832.21	\$517.43	Remainder, if any, GUC
			\$44.49	P2			
			\$6,390.65	GUC			
22.	J. Ketterer 25456062	999	\$3,597.00	Ь	N/A	N/A	Wrong case, non- Debtor employee
	7000117						Remainder, if any, GUC
23.	K. Knoepfle	909	\$5,447.84	Ь	\$1,961.20	\$3,275.94	Remainder, if any, GUC
			\$1,944.60	GUC			
24.	A. Lyons	520	\$3,792.95	Ь	\$1,405.25	N/A	Settled (SEIU)
	415382/						Remainder, if any, GUC
25.	S. Martinez	504	\$4,655.44	Ь	\$674.61	N/A	Remainder, if any, GUC
	4110869	1	0	ı		,	
26.	S. McClure 4112679	509	\$852.26	Ь	N/A	N/A	Remainder, if any, GUC
27.	A. McManus 4136717	539	\$1,921.62	Ь	N/A	\$400.45	Remainder, if any, GUC

⁵ Claim filed in Case No. 19-01192 (SHC Medical Center - Yakima).

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	Cialillaiit Maille aild	Claim	Filed Claim Amount	10unt	Administrative	Priority Claim	Comments
	Number ²	Number ¹	and Priority ³	£V	Claim Amount Paid	Amount Paid	
28.	P. McSloy 4138570	633	\$6,135.70	Ь	N/A	N/A	Remainder, if any, GUC
			Unliquidated	GUC			
29.	O. Mendoza ⁶ 4119362	513	\$5,529.76	Ь	N/A	\$1,380.08	Remainder, if any, GUC
30.	R. Philips Jr.	491	\$8,797.94	Ь	N/A	\$2,200.80	Settled (SEIU)
	000/014						Remainder, if any, GUC
31.	R. Philips Jr. 4107886	536	\$8,797.94	Ы	N/A	N/A	Disallow - Duplicate of 491
32.	C. Phillips 4101605	477	\$9,201.00	Ь	N/A	N/A	Remainder, if any, GUC
33.	R. Pierson	512	\$13,650.00	Ь	N/A	N/A	
			\$52,967.39	GUC			Poncy Remainder, if any, GUC
34.	K. Rae	501	\$3,039.24	Ь	\$955.87	N/A	Settled (SEIU)
							Remainder, if any, GUC
35.	G. Shubart 4135141	529	\$2,959.20	Ь	N/A	N/A	Remainder, if any, GUC

which belong to the Debtors. For the purpose of complete notice, the name and address included in this schedule are taken from the ⁶ The proof of claim indicates the Claimant's name and address as Astria Sunnyside Hospital, 1016 Tacoma Ave, Sunnyside, WA 98944, Claim's signature page.

	Claimant Name and Number ²	Claim Number ¹	Filed Claim Amount and Priority ³	mount ty ³	Administrative Claim Amount Paid	Priority Claim Amount Paid	Comments
36.	M. Smith 4137037	561	\$12,769.14	Ь	\$1,056.26	N/A	Settled (SEIU) Remainder, if any, GUC
37.	K. Stansbury 4110515	499	\$8,293.50	Ь	N/A	N/A	Remainder, if any, GUC
38.	C. Steinfeldt 4084644	456	\$6,796.00	А	N/A	N/A	N/A Not entitled to PTO payout per policy Remainder, if any, GUC
39.	I. Stoddard 40775517	484	\$3,000.00	Ь	N/A	\$3,000.00	Paid
40.	I. Stoddard 4077551 ⁸	85 2	\$616.28	Ь	N/A	\$616.28	Paid
41.	I. Stoddard 4113316	280	\$2,307.60	Ь	N/A	N/A	Remainder, if any, GUC
42.	I. Stoddard 4113316	604	\$2,944.50	Ь	N/A	N/A	Not entitled to PTO payout per policy Remainder, if any, GUC
43.	B. Strutner 4109572	495	\$4,998.18	Ь	N/A	\$1,739.48	Remainder, if any, GUC

⁷ Claim filed in Case No. 19-01192 (SHC Medical Center - Yakima).

⁸ Claim filed in Case No. 19-01192 (SHC Medical Center - Yakima). The Debtors reserve their right to object to this claim as a multidebtor duplicate claim (and on any other basis) in the future.

	Claimant Name and	Claim	Filed Claim Amount	nt Administrative	Priority Claim	Comments
	Number ²	Number ¹	and Priority ³	Claim Amount Paid	Amount Paid	
44.	N. Trevino ⁹ 4078439	601	\$3,600.00 P	N/A	N/A	Remainder, if any, GUC
45.		585	\$9,496.96 P	N/A	\$3,072.49	Settled (SEIU) Remainder, if any, GUC
46.		521	\$6,443.25 P	N/A	N/A	Remainder, if any, GUC
47.	J. Wilburn 4134057	522	\$4,386.63 P	N/A	N/A	Settled (SEIU) Remainder, if any, GUC
48.	S. Williamson 4138338	809	\$9,231.60 P	N/A	N/A	Wrong case, non- Debtor employee Not entitled to sick leave payout per policy Remainder, if any, GUC
49.	B. Yost 4112480	507	\$6,682.43 P	N/A	N/A	Remainder, if any, GUC
50.	S. Young 4100721	476	\$5,083.86 P	N/A	N/A	Remainder, if any, GUC

⁹ The claims register reflects the Claimant's name as Astria Health, which belongs to the Debtors, and Claimant's address as 3304 Sharon Way, Yakima, WA 98902-2754, which appears to belong to another creditor. For the purpose of complete notice, the name and address included in this schedule are taken from the Claim's signature page and the other address will also receive notice.