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Debtors in Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re:

BEVERLY COMMUNITY HOSPITAL
ASSOCIATION, dba BEVERLY HOSPITAL
(A NONPROFIT PUBLIC BENEFIT
CORPORATION), *et al.*¹

Debtors,

- ☒ Affects all Debtors
☐ Affects Beverly Community
Hospital Association
☐ Montebello Community Health
Services, Inc.
☐ Beverly Hospital Foundation

Lead Case No.: 2:23-bk-12359

Jointly administered with:

Case No: 2:23-bk-12360

Case No: 2:23-bk-12361

Hon. Sandra R. Klein

Chapter 11 Case

**DEBTORS' EMERGENCY MOTION FOR
ENTRY OF AN ORDER (I) LIMITING
SCOPE OF NOTICE, AND
(II) GRANTING RELATED RELIEF**

Date: April [•], 2023

Time: TBD

Judge: [TBD]

Place: Zoom.Gov – or - Courtroom 1575
255 E. Temple St.
Los Angeles, CA 90012

¹ The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: Beverly Community Hospital Association d/b/a Beverly Hospital (6005), Montebello Community Health Services, Inc. (3550), and Beverly Hospital Foundation (9685). The mailing address for the Debtors is 309 W. Beverly Blvd., Montebello, California 90640.



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I.

RELIEF REQUESTED

The above-captioned debtors and debtors in possession (collectively, the “Debtors”)² hereby move, on an emergency basis (this “Motion”), to seek entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Order”): (a) limiting the service of certain notices of hearings, applications, motions, stipulations, and other matters as the Court may direct on (i) the Office of the U.S. Trustee Region 16; (ii) the holders of the 30 largest unsecured claims against the Debtors (on a consolidated basis); (iii) U.S. Bank, N.A. and counsel thereto; (iv) Hanmi Bank and counsel thereto; (v) counsel for any party directly affected by a particular motion; (vi) the Internal Revenue Service; (vii) the Attorney General of the State of California; (viii) the National Association of Attorneys General; and (ix) all other parties who have filed a request for special notice and service of papers with the clerk of this Court; and (b) granting related relief.

II.

JURISDICTION AND VENUE

The United States Bankruptcy Court for the Central District of California (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *General Order No. 13-05* (C.D. Cal. Jul. 1, 2013), and Rule 5011-1(a) of the Local Bankruptcy Rules for the United States Bankruptcy Court Central District of California (the “Local Bankruptcy Rules”). This is a core proceeding pursuant to 28 U.S.C. § 157(b).

Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

The bases for the relief requested herein are sections 105(a), 1107 and 1108 of the Bankruptcy Code, Rule 2002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and applicable rules of the Local Rules (the “Local Rules”) of the U.S. Bankruptcy Court for the Central District of California.

² A detailed description of the Debtors and their business, and the facts and circumstances supporting this Motion and the Debtors’ chapter 11 cases, are set forth in greater detail in the *Declaration of Alice Cheng in Support of the Debtors’ First Day Emergency Motions* (the “First Day Declaration”), filed contemporaneously with the Debtors’ voluntary petitions for relief filed under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), on the date hereof (the “Petition Date”). Capitalized terms used but not otherwise defined in this Motion have the meanings given to them in the First Day Declaration or elsewhere in this Motion.

1 **III.**

2 **STATEMENT OF FACTS**

3 Beverly Hospital is a nonprofit, 202-bed hospital in Montebello that serves low-income
4 patients in the nearby Los Angeles area. As a safety net hospital, Beverly serves a geographic area
5 where half of the population lives under the 200% Federal Poverty Level. Beverly has been
6 historically underfunded and, in the post-Covid economy, became increasingly cash-strapped. With
7 91% of its patients relying on Medicare and Medi-Cal, the Hospital's financial struggles only
8 worsened as the cost of labor, medical supplies and medicine ballooned while government
9 reimbursement rates have stayed the same.

10 On the Petition Date, each of the Debtors filed a voluntary petition for relief under chapter
11 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties
12 as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
13 Concurrently with the filing of this Motion, the Debtors filed a motion requesting procedural
14 consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy
15 Rule 1015(b). No request for the appointment of a trustee or examiner has been made in these
16 chapter 11 cases, and no committees have been appointed or designated.

17 **IV.**

18 **BASIS FOR RELIEF**

19 As there are approximately several hundreds of creditors and other parties to be served in
20 this case, providing notice of all matters identified in Bankruptcy Rule 2002 to all creditors and
21 interested parties in this case would be costly and time-consuming. The Debtors bring this Motion
22 in an effort to minimize the administrative burden and expense on the Debtors while remaining
23 cognizant of the due process concerns of creditors and other parties in interest.

24 **A. Limited Notice Procedures.**

25 By this Motion, the Debtors seek an order of the Court, pursuant to Bankruptcy Rule 2002(i),
26 limiting service of certain notices of hearings, applications, motions, stipulations, and other matters
27 to the parties (the "Notice Parties") set forth below:

- 28 i. The Office of the U.S. Trustee Region 16;

- 1 ii. The Debtors' creditors holding the thirty (30) largest unsecured claims;
- 2 iii. U.S. Bank, N.A. and counsel thereto;
- 3 iv. Hanmi Bank and counsel thereto;
- 4 v. Counsel for any party directly affected by a particular motion;
- 5 vi. The Internal Revenue Service;
- 6 vii. California Attorney General;
- 7 viii. The National Association of Attorneys General;
- 8 ix. Parties who file and serve on counsel for the Debtors requests for special
- 9 notice or service of papers; and
- 10 x. Any other parties that the Court may direct.

11 This requested limitation of service of notice does not apply to various matters, including
12 those described in Bankruptcy Rules 2002(a)(1), (4), (5), and (7), and 2002(b).

13 The matters to be specifically excepted from this limitation of service of notice are the
14 following:

- 15 i. Any continued or additional meetings of creditors pursuant to Bankruptcy
- 16 Code section 341(a);
- 17 ii. The time fixed for filing proofs of claim;
- 18 iii. The time fixed for filing objections to, and the hearing to consider, approval
- 19 of any proposed disclosure statement;
- 20 iv. The time fixed for filing objections to, and the hearing to consider,
- 21 confirmation of any proposed plan of reorganization;
- 22 v. The time fixed for accepting or rejecting a proposed modification of a plan
- 23 of reorganization; and
- 24 vi. Any other proceedings for which the Court orders further notice.

25 The Debtors submit that in view of the significant number of vendors and other interested
26 parties in the Debtors' case, and in the interest of minimizing the administrative burden and costs
27 on the estate, the proposed limitation of service of notices is appropriate under the circumstances
28 and should be approved. Serving all parties in interest in this case with all of the notices

1 contemplated in Bankruptcy Rule 2002 will result in substantial expense to the estate without any
2 attended benefit thereto, while an order limiting notice will facilitate the service of notice to only
3 those parties who wish to be active participants in this chapter 11 case. Moreover, the Debtors
4 believe that the proposed limited notice still protects the parties' right to be heard. As set forth
5 below, the Debtors will serve all known creditors and parties in interest in this case with copies of
6 the order granting this Motion, which will alert interested parties to file and serve requests for notice
7 if they desire. Accordingly, granting such relief is an acceptable use of the power bestowed upon
8 the Court.

9 **B. Service of Order Granting Motion; Special Notice Requests.**

10 Should the Court grant the Motion, the Debtors will cause true and correct copies of the
11 order as entered to be served on all known creditors and parties in interest in this case. The order
12 will explain that the Debtors shall serve all papers filed in this case on any party who requests to be
13 included on the Debtors' service lists in this case. Such a request may be made by filing a request
14 for special notice with the Court and properly serving such request on the Debtors' bankruptcy
15 counsel.

16 **V.**

17 **EMERGENCY CONSIDERATION**

18 Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the
19 petition date "to the extent that relief is necessary to avoid immediate and irreparable harm." Fed.
20 R. Bankr. P. 6003. Additionally, Local Bankruptcy Rule 2081-1(a)(1) allows a movant to request
21 the type of relief herein for emergency consideration. For the reasons discussed above, (a) limiting
22 the scope of notice, and (b) granting related relief as requested herein is integral to the Debtors'
23 ability to transition their operations into these chapter 11 cases. Failure to receive such authorization
24 and other relief during the first 21 days of these chapter 11 cases would severely disrupt the Debtors'
25 operations at this critical juncture. The relief requested is necessary in order for the Debtors to
26 operate their business in the ordinary course and preserve the ongoing value of the Debtors'
27 operations and maximize the value of their estates for the benefit of all stakeholders. Accordingly,
28 the Debtors submit that they have satisfied the "immediate and irreparable harm" standard of

1 Bankruptcy Rule 6003 and request that the Court approve the relief requested in this Motion on an
2 emergency basis.

3 **VI.**

4 **WAIVER OF BANKRUPTCY RULE 6004(A) AND 6004(H)**

5 To implement the foregoing successfully, the Debtors seek a waiver of the notice
6 requirements under Bankruptcy Rule 6004(a) and the 14-day stay of an order authorizing the use,
7 sale, or lease of property under Bankruptcy Rule 6004(h).

8 **VII.**

9 **WAIVER OF MEMORANDUM OF POINTS AND AUTHORITIES**

10 The Debtors also respectfully request that this Court treat this Motion as a written
11 memorandum of points and authorities or waive any requirement that this Motion be accompanied
12 by a written memorandum of points and authorities as described in Local Bankruptcy
13 Rule 9013-1(c).

14 **VIII.**

15 **NOTICE**

16 The Debtors will provide notice of this Motion via first class mail, facsimile or email (where
17 available) to: (a) the Office of the U.S. Trustee Region 16; (b) the holders of the 30 largest unsecured
18 claims against the Debtors (on a consolidated basis); (c) U.S. Bank, N.A. and counsel thereto; (d)
19 Hanmi Bank and counsel thereto; (e) the Internal Revenue Service; (f) the Office of the Attorney
20 General of the State of California; (g) the National Association of Attorneys General; and (h) all
21 other parties who have filed a request for special notice and service of papers with the clerk of this
22 Court.

23 No prior request for the relief sought in this Motion has been made by the Debtors to this
24 Court or any other court.

1 WHEREFORE, the Debtors respectfully request that the Court grant this Motion and enter
2 an order in the form attached hereto as **Exhibit A**, granting the relief requested herein and granting
3 such other relief as is just and proper.

4 Dated: April 19, 2023

5 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

6
7 By /s/ Jennifer L. Nassiri
8 Jennifer L. Nassiri

9 JUSTIN R. BERNBROCK
10 JENNIFER L. NASSIRI
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12 ROBERT B. McLELLARN
13 ALEXANDRIA G. LATTNER

14 Proposed Counsel to Debtors and
15 Debtors in Possession
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Exhibit A

Proposed Order

EXHIBIT A

[Proposed Order]

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

In re:

BEVERLY COMMUNITY HOSPITAL
ASSOCIATION, dba BEVERLY HOSPITAL
(A NONPROFIT PUBLIC BENEFIT
CORPORATION), *et al*,¹

Debtors,

- ☒ Affects all Debtors
- ☐ Affects Beverly Community
Hospital Association
- ☐ Montebello Community Health
Services, Inc.
- ☐ Beverly Hospital Foundation

Lead Case No.: 2:23-bk-12359

Jointly administered with:

Case No: 2:23-bk-12360

Case No: 2:23-bk-12361

Hon. Sandra R. Klein

Chapter 11 Case

**[PROPOSED] ORDER APPROVING
DEBTOR'S EMERGENCY MOTION FOR
ENTRY OF AN ORDER (I) LIMITING
SCOPE OF NOTICE, AND
(II) GRANTING RELATED RELIEF**

Date: April [•], 2023

Time: TBD

Judge: [TBD]

Place: Zoom.Gov – or - Courtroom 1575
255 E. Temple St.
Los Angeles, CA 90012

Upon the *Debtors' Emergency Motion for Entry of an Order (I) Limiting Scope of Notice, and (II) Granting Related Relief* (the "Motion")² of the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed on April 19, 2023; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: Beverly Community Hospital Association d/b/a Beverly Hospital (6005), Montebello Community Health Services, Inc. (3550), and Beverly Hospital Foundation (9685). The mailing address for the Debtors is 309 W. Beverly Blvd., Montebello, California 90640.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

1 this Court having found that venue of this proceeding and the Motion in this district is permissible
2 pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the
3 Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest;
4 and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on
5 the Motion were appropriate under the circumstances and no other notice need be provided; and this
6 Court having reviewed the Motion and having heard the statements in support of the relief requested
7 therein at a hearing before this Court on April [___], 2023 at [____].m; and this Court having
8 determined that the legal and factual bases set forth in the Motion and at the Hearing establish just
9 cause for the relief granted herein and is necessary to avoid immediate and irreparable harm pursuant
10 to Bankruptcy Rule 6003; and after due deliberation and sufficient cause appearing therefor,

11 **IT IS HEREBY ORDERED THAT:**

- 12 1. The Motion is GRANTED as set forth in this Order.
- 13 2. Pursuant to Rule 2002(i) of the Federal Rules of Bankruptcy Procedure, except for
14 those matters specifically excluded in Paragraph 3 of this Order, service of notice of hearings,
15 applications, motions, stipulations, and certain other matters may be limited to the parties set forth
16 below:
- 17 a. The Debtors and their proposed bankruptcy counsel;
- 18 b. The Office of the U.S. Trustee Region 16;
- 19 c. The Debtors' creditors holding the thirty (30) largest unsecured claims;
- 20 d. U.S. Bank, N.A. and counsel thereto;
- 21 e. Hanmi Bank and counsel thereto;
- 22 f. Counsel for any party directly affected by a particular motion;
- 23 g. The Internal Revenue Service;
- 24 h. The Office of the Attorney General of the State of California;
- 25 i. National Association of Attorneys General;
- 26 j. Parties who file and serve on counsel for the Debtors requests for special
27 notice or service of papers; and
- 28 k. Any other parties that the Court may direct.

1 3. The matters to be specifically excepted from this limitation of service of notice are
2 the following:

- 3 a. Any continued or additional meetings of creditors pursuant to Bankruptcy
4 Code section 341(a);
5 b. The time fixed for filing proofs of claim;
6 c. The time fixed for filing objections to, and the hearing to consider, approval
7 of any proposed disclosure statement;
8 d. The time fixed for filing objections to, and the hearing to consider,
9 confirmation of any proposed plan of reorganization;
10 e. The time fixed for accepting or rejecting a proposed modification of a plan
11 of reorganization; and
12 f. Any other proceedings for which the Court orders further notice.

13 4. The requirement under Local Bankruptcy Rule 9013-1(c) to file a memorandum of
14 law in connection with the Motion is waived.

15 5. Notice of the Motion as provided therein shall be deemed good and sufficient notice
16 of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Bankruptcy Rules
17 are satisfied by such notice.

18 6. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order
19 are immediately effective and enforceable upon its entry.

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