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Attorneys for Christopher Steele

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

IN RE

Lead Case No: 2:18-bk-20151-ER

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., et al.,

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

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 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

Chapter 11 Case
Hon. Ernest M. Robles

**CREDITOR CHRISTOPHER STEELE'S
REPLY TO DEBTORS' OPPOSITION
TO MOTION FOR RELIEF FROM
AUTOMATIC STAY TO COMPLETE
PENDING STATE COURT LITIGATION**

Hearing:

Date: June 24, 2019

Time: 10:00 a.m.

Place: Courtroom 1568

255 East Temple St

Los Angeles, CA 90012-3300

Debtors and Debtors In Possession.



1 In their opposition to Creditor Christopher Steele’s Motion for Relief from Automatic
2 Stay, Debtors erroneously state that the motion should be denied “because the time for the Movant
3 [“Steele”] to file a Proof of Claim has expired, and Movant did not file a claim.”

4 This assertion is incorrect. Mr. Steele filed a Proof of Claim through the court’s ePOC
5 system on March 28, 2019, which was before the April 1, 2019 Bar Date. (Declaration of
6 Nathaniel Leeds in Support of Christopher Steele’s Reply to Debtors’ Opposition to Christopher
7 Steele’s Motion for Relief from Automatic Stay (“Leeds Decl.”), ¶ 3, Exhibit A)

9 The claim is based on Mr. Steele’s evolving physical injuries which he suffered as a result
10 of medical malpractice. At the time the Proof of Claim was filed, Mr. Steele was still recovering
11 and could not accurately state what the extent of his injury would be once he was stable, so the
12 amount of the claim was indicated as “unknown.” (Leeds Decl., ¶ 4). However, Mr. Steele did
13 include the following filer’s comment, which is readily visible on the register of actions:
14 “Estimated to be in excess of \$1,000,000, subject to the determination of the trustee or lower court
15 rulings.” (Leeds Decl., ¶ 5, Exhibit B).

17 If Movant’s claim was not technically sufficient, Movant requests leave to correct any
18 technical deficiencies in light of Movant’s substantial compliance with the proof of claims
19 process.

21 Turning to the substance of the Debtors’ opposition, Debtors readily concede that “VHS
22 and St. Louise understand that they must respond to discovery directed to causes of action against
23 other Defendants.” Discovery has not begun in the state-court litigation and cannot begin in any
24 meaningful way until the present motion has been ruled on. (Leeds Decl., ¶ 6).

25 Because discovery has not begun, the obligations of the Debtors as a party to the state-
26 court litigation over the next year will be substantially similar to those if Debtors were merely
27 required to respond to subpoenas and other non-party. Because the litigation demands on the
28

1 Debtors if the stay is lifted are effectively indistinguishable from the obligations the Debtors
2 would have with the stay in place, there is no compelling reason to prejudice the state-court
3 litigants by not granting a relief from stay.

4 Accordingly, Creditor Christopher Steele respectfully asks that the automatic stay be lifted
5 so he can conduct discovery and determine the extent of Debtors' liability, even if any judgment
6 obtained is reduced in the course of the bankruptcy.
7

8
9 Dated: June 14, 2019

MITCHELL LEEDS, LLP

10
11
12 By:  _____

13 Nathaniel M. Leeds
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☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures – San Jose
Dialysis, LLC

Chapter 11 Case
Hon. Ernest M. Robles

**DECLARATION OF NATHANIEL M.
LEEDS IN SUPPORT OF CREDITOR
CHRISTOPHER STEELE'S REPLY TO
DEBTOR'S OPPOSITION TO
CREDITOR'S MOTION FOR RELIEF
FROM AUTOMATIC STAY TO
COMPLETE PENDING STATE COURT
LITIGATION**

Hearing:

Date: June 24, 2019

Time: 10:00 a.m.

Place: Courtroom 1568

255 East Temple St

Los Angeles, CA 90012-3300

Debtors and Debtors In Possession.

1 I, Nathaniel M. Leeds, declare as follows:

2 1. I have personal knowledge of the facts set forth below. I can testify that said facts
3 are true and correct.

4 2. I am Movant's attorney of record in the case *Christopher Steele v. Jeremy Orvik, et*
5 *al.*, Superior Court of California for the County of Santa Clara, Case No. 18CV331350
6 ("Nonbankruptcy Action").

7 3. On March 28, 2019, we filed the proof of claim through the Central District's
8 ePOC (<https://www.cacb.uscourts.gov/epoc-electronic-proof-claim>) system. A filed-stamped
9 copy of the proof of claim is attached hereto as Exhibit A.

10 4. At that time our client's injuries were continuing to evolve, so it was and remains
11 difficult to assess the full extent of his claim until he has finished treating and adapting to his
12 prosthesis. Accordingly, we entered "unknown" in Section 7 of the proof of claim form.

13 5. However, we did alert the Debtors as to the anticipated extent of the claim by
14 offering a filer's comment that the claim was "Estimated to be in excess of \$1,000,000, subject to
15 the determination of the trustee or lower court rulings", which we believed would be incorporated
16 into the claim filing. That filer comment is viewable on the claim history associated with the
17 registration of claims, a true and correct copy of which is attached hereto as Exhibit B.

18 6. Discovery has not begun in the Nonbankruptcy Action, and cannot begin in any
19 meaningful way until the motion for relief from stay has been ruled on.

20
21 I declare under penalty of perjury under the laws of the United States of America that the
22 foregoing is true and correct and that this Declaration is executed this 14th day of June 2019.

23
24 Dated: June 14, 2019

MITCHELL LEEDS, LLP

25
26
27 By: 

28 Nathaniel M. Leeds

EXHIBIT A

Fill in this information to identify the case:

Debtor 1 Verity Health System of California, Inc.
 Debtor 2 _____
 (Spouse, if filing)
 United States Bankruptcy Court Central District of California
 Case number: 18-20151

FILED
U.S. Bankruptcy Court
Central District of California
 3/28/2019
Kathleen J. Campbell, Clerk

Official Form 410

Proof of Claim

04/16

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. **Do not send original documents**; they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) that you received.

Part 1: Identify the Claim

| | | |
|---|--|--|
| 1. Who is the current creditor? | <u>555 California Street, Ste. 4925</u> Name of the current creditor (the person or entity to be paid for this claim) Other names the creditor used with the debtor _____ | |
| 2. Has this claim been acquired from someone else? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. From whom? _____ | |
| 3. Where should notices and payments to the creditor be sent? | Where should notices to the creditor be sent? <u>555 California Street, Ste. 4925</u> Name <u>C/O Mitchell Leeds, LLP</u> <u>555 California St., Ste. 4925</u> <u>San Francisco, CA 94104</u> Contact phone <u>4156591555</u> Contact email <u>Nathaniel@mitchelllawsf.com</u> Uniform claim identifier for electronic payments in chapter 13 (if you use one): _____ | Where should payments to the creditor be sent? (if different) _____ Name _____ Contact phone _____ Contact email _____ |
| 4. Does this claim amend one already filed? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Claim number on court claims registry (if known) _____ Filed on _____ <div style="text-align: right;">MM / DD / YYYY</div> | |
| 5. Do you know if anyone else has filed a proof of claim for this claim? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Who made the earlier filing? _____ | |

| | |
|--|---|
| 6. Do you have any number you use to identify the debtor? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: _____ |
| 7. How much is the claim? | \$ unknown _____ <div style="float: right; text-align: right;"> Does this amount include interest or other charges? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A). </div> |
| 8. What is the basis of the claim? | Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card. Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c). Limit disclosing information that is entitled to privacy, such as healthcare information. Personal injury (medical negligence) case currently in litigation. |
| 9. Is all or part of the claim secured? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. The claim is secured by a lien on property. <div style="margin-left: 20px;"> Nature of property: <input type="checkbox"/> Real estate. If the claim is secured by the debtor's principal residence, file a <i>Mortgage Proof of Claim Attachment</i> (Official Form 410-A) with this <i>Proof of Claim</i>. <input type="checkbox"/> Motor vehicle <input type="checkbox"/> Other. Describe: _____ </div> <div style="margin-left: 20px;"> Basis for perfection: _____ </div> Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.) <div style="margin-left: 20px;"> Value of property: \$ _____ Amount of the claim that is secured: \$ _____ Amount of the claim that is unsecured: \$ _____ (The sum of the secured and unsecured amounts should match the amount in line 7.) </div> <div style="margin-left: 20px;"> Amount necessary to cure any default as of the date of the petition: \$ _____ Annual Interest Rate (when case was filed) _____ % <input type="checkbox"/> Fixed <input type="checkbox"/> Variable </div> |
| 10. Is this claim based on a lease? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Amount necessary to cure any default as of the date of the petition. \$ _____ |
| 11. Is this claim subject to a right of setoff? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Identify the property: _____ |

~~Desc Declaration in Support of Reply Page 6 of 8~~

| 12. Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)? | | <div> <input checked="" type="checkbox"/> Yes. <i>Check all that apply.</i> <input type="checkbox"/> No </div> | | Amount entitled to priority |
|---|--|---|----|-----------------------------|
| A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority. | | <input type="checkbox"/> Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). | \$ | _____ |
| | | <input type="checkbox"/> Up to \$2,850* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7). | \$ | _____ |
| | | <input type="checkbox"/> Wages, salaries, or commissions (up to \$12,850*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4). | \$ | _____ |
| | | <input type="checkbox"/> Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8). | \$ | _____ |
| | | <input type="checkbox"/> Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5). | \$ | _____ |
| | | <input type="checkbox"/> Other. Specify subsection of 11 U.S.C. § 507(a)(<u> </u>) that applies | \$ | _____ |
| * Amounts are subject to adjustment on 4/01/19 and every 3 years after that for cases begun on or after the date of adjustment. | | | | |

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

**A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both.
18 U.S.C. §§ 152, 157 and 3571.**

Check the appropriate box:

- ☐ I am the creditor.
- ☒ I am the creditor's attorney or authorized agent.
- ☐ I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.
- ☐ I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this Proof of Claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this Proof of Claim and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date 3/28/2019
MM / DD / YYYY

/s/ Nathaniel M. Leeds

Signature

Print the name of the person who is completing and signing this claim:

Name Nathaniel M. Leeds

| | First name | Middle name | Last name |
|-------|------------|-------------|-----------|
| Title | Partner | | |

Company Mitchell Leeds, LLP

Identify the corporate servicer as the company if the authorized agent is a servicer

Address 555 California Street, Ste. 4925

Number Street
San Francisco, CA 94104

City State ZIP Code

Contact phone 4156591555 Email Nathaniel@mitchellllawsf.com

EXHIBIT B

Claim History

Desc Declaration in Support of Reply Page 8 of 8

Detailed Description of Claim Activity 423-1

| Date of Change | Change Made by | Description of Change |
|----------------|----------------|-----------------------|
|----------------|----------------|-----------------------|

| | | |
|------------|-------------------------|--|
| 03/28/2019 | ePOC-User AutoDocket | |
|------------|-------------------------|--|

Created *Filed By:* Creditor
Created *Date Filed:* 03/28/2019

Created *Remarks:* Filer Comment: Estimated to be in excess of \$
;1000000 subject to the determination of the trust
ee or lower court rulings.

| PACER Service Center | | | |
|-----------------------------|------------------------|-------------------------|------------------|
| Transaction Receipt | | | |
| 06/14/2019 09:37:45 | | | |
| PACER Login: | Nathaleedsjh:5925394:0 | Client Code: | |
| Description: | Claim History | Search Criteria: | 2:18-bk-20151-ER |
| Billable Pages: | 1 | Cost: | 0.10 |