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Debtors In Possession

**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES 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 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 ASC, LLC

Debtors and Debtors In Possession.

Lead Case No. 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

Chapter 11 Cases

Hon. Judge Ernest M. Robles

**MOTION TO CONTINUE HEARING ON MOTION OF  
THE DEBTORS FOR AN ORDER APPROVING:  
(I) PROPOSED DISCLOSURE STATEMENT;  
(II) SOLICITATION AND VOTING PROCEDURES;  
(III) NOTICE AND OBJECTION PROCEDURES FOR  
CONFIRMATION OF DEBTORS' PLAN; AND  
(IV) GRANTING RELATED RELIEF; DECLARATION  
OF RICHARD G. ADCOCK IN SUPPORT THEREOF  
[RELATES TO DOCKET NOS. 2994, 2995, 3120, 3193,  
3260]**

Proposed Continued Hearing Date and Time:

Date: November 6, 2019

Time: 10:00 a.m. (Pacific Time)

Place: Courtroom 1568

255 E. Temple St.

Los Angeles, CA 90012



Verity Health System of California, Inc. (“VHS”) and the affiliated debtors, the debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 bankruptcy cases, respectfully request (the “Motion”) that the Court approve a continuance of the hearing on the *Motion of the Debtors for an Order Approving: (I) Proposed Disclosure Statement; (II) Solicitation and Voting Procedures; (III) Notice and Objection Procedures for Confirmation of Debtors’ Plan; and (IV) Granting Related Relief* [Docket No. 2995] (the “Disclosure Statement Motion”) to November 6, 2019, at 10:00 a.m. (Pacific Time). In support of the Motion, the Debtors submit the attached *Declaration of Richard G. Adcock* (the “Adcock Declaration”) and respectfully state as follows:

I.

**INTRODUCTION**

The Debtors require a continuance of the hearing on the Disclosure Statement Motion until there is further resolution of the matters raised by the California Attorney General’s (the “Attorney General”) conditions and the rights of Strategic Global Management, Inc. (“SGM”) triggered under that certain asset purchase agreement [Docket No. 2305-1] (the “SGM APA”). See, e.g., SGM APA, § 8.6; Plan, §§ 7.6, 12.2(b). Until that time, the Debtors are not in a position to adequately address necessary amendments to the Disclosure Statement and Plan, if any. The Debtors also seek to avoid the unnecessary expense associated with multiple amendments to the Disclosure Statement and Plan given their limited resources.

II.

**JURISDICTION AND VENUE**

This Court has jurisdiction over this Motion under 28 U.S.C. § 157(b)(2)(A) and (L). Venue of these proceedings and this Motion is proper pursuant to 28 U.S.C. § 1409. The statutory predicate for this Motion is 11 U.S.C. § 105<sup>1</sup> and LBR 9013-1(m).

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<sup>1</sup> All references to “§” herein are to sections of the United States Bankruptcy Code, 11 U.S.C. § 101 *et. seq.*; “LBR” references the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California.

III.

**BACKGROUND FACTS**

**A. General Background**

1. On August 31, 2018, (“Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the “Cases”). By entry of an order, the Cases are currently being jointly administered before the Bankruptcy Court. [Docket No. 17]. Since the commencement of their Cases, the Debtors have been operating their businesses as debtors in possession pursuant to §§ 1107 and 1108.

**B. The Plan and Disclosure Statement**

2. On September 3, 2019, the Debtors filed the *Debtors’ Chapter 11 Plan of Liquidation (Dated September 3, 2019)* [Docket No. 2993] (the “Plan”) and related *Disclosure Statement Describing Debtors’ Chapter 11 Plan of Liquidation (Dated September 3, 2019)* [Docket No. 2994] (the “Disclosure Statement”).

3. On September 4, 2019, the Debtors filed the Disclosure Statement Motion. In the Disclosure Statement Motion, the Debtors seek approval of (i) the Disclosure Statement, (ii) proposed solicitation and voting procedures, (iii) proposed notice and objection procedures for confirmation of the Plan, and (iv) related relief. The Debtors also requested [Docket No. 2996] an order setting a hearing and briefing schedule on shortened notice.

4. On September 4, 2019, the Court entered an *Order Setting Hearing On Motion for Approval of Disclosure Statement for October 2, 2019, at 10:00 a.m.* [Docket No. 2998] (the “Disclosure Statement Scheduling Order”). The Disclosure Statement Scheduling Order set a hearing on the Disclosure Statement Motion for October 2, 2019 at 10:00 a.m., and provided that any oppositions to the Disclosure Statement Motion must be filed not later than September 18, 2019. *See* Scheduling Order at 2.

5. On September 18, 2019, certain parties in interest filed responses and oppositions to the Disclosure Statement Motion. *See* Docket Nos. 3079, 3084, 3086, 3087, 3089, 3090, 3092, 3094. Further, the Debtors have continued the opposition deadline by stipulation as they continue negotiations with certain other parties with respect to the Disclosure Statement Motion and

1 Disclosure Statement. *See* Docket Nos. 3076, 3077, 3082, 3098, 3119, 3122, 3126, 3195.

2 6. On September 20, 2019, the Debtors filed the *Motion to Continue Hearing on*  
3 *Motion of the Debtors for an Order Approving: (I) Proposed Disclosure Statement; (II)*  
4 *Solicitation and Voting Procedures; (III) Notice and Objection Procedures for Confirmation of*  
5 *Debtors' Plan; and (IV) Granting Related Relief* [Docket No. 3103] (the "First Continuance  
6 Motion"). On September 24, 2019, the Court entered an order [Docket No. 3120] approving the  
7 First Continuance Motion, which set the Debtors' reply deadline as October 7, 2019, and  
8 scheduled a continued hearing on the Motion for October 15, 2019, at 10:00 a.m. (Pacific Time).

9 **C. The Emergency Motion and SGM Sale**

10 7. On May 2, 2019, the Court entered an order [Docket No. 2306] (the "Sale Order")  
11 approving the SGM APA concerning the sale (the "SGM Sale") of certain of the Debtors' assets  
12 to SGM. On September 25, 2019, the Attorney General conditionally approved the SGM Sale  
13 subject to certain conditions (the "2019 Conditions"). Certain of the 2019 Conditions (the  
14 "Additional Conditions") are materially different than those to which SGM agreed under the  
15 Schedule 8.6 to the SGM APA.

16 8. On September 30, 2019, the Debtors filed the motion [Docket No. 3188] (the  
17 "Enforcement Motion") for entry of an order finding (i) that the Debtors could sell their assets  
18 pursuant to the SGM Sale free and clear of the Additional Conditions, or, alternatively, (ii) that  
19 the Attorney General abused his discretion when imposing the Additional Conditions. As  
20 discussed in greater detail in the Enforcement Motion, the Additional Conditions recently issued  
21 by the Attorney General threaten the SGM Sale. The Additional Conditions trigger SGM's  
22 termination rights under the APA unless the Debtors obtain the relief requested by the  
23 Enforcement Motion. *See* SGM APA, § 8.6.

24 9. On October 1, 2019, the Court entered the *Order Setting Hearing on Emergency*  
25 *Motion for the Entry of an Order Enforcing the Order Authorizing the Sale to Strategic Global*  
26 *Management for October 15, 2019, at 10:00 a.m.* [Docket No. 3193] (the "Scheduling Order"),  
27 which scheduled a hearing on the Enforcement Motion on October 15, 2019, at 10:00 a.m.  
28 (Pacific Time)—the same date and time as the hearing on the Disclosure Statement Motion. *See*

Scheduling Order at 2.

10. On October 4, 2019, the Debtors filed the *Motion to Continue Hearing on Motion of the Debtors for an Order Approving: (I) Proposed Disclosure Statement; (II) Solicitation and Voting Procedures; (III) Notice and Objection Procedures for Confirmation of Debtors' Plan; and (IV) Granting Related Relief in Light of the Courts' Ruling on Emergency Motion* [Docket No. 3238] (the "Second Continuance Motion"). As set forth more fully in the Second Continuance Motion, the Debtors' requested a continuance to ensure that any amended Disclosure Statement and Plan include "adequate information" regarding the state of the SGM Sale and the outcome of the hearing on the Enforcement Motion. *See* Second Continuance Mot. at 5. The Debtors also emphasized the importance that the Plan go effective no later than mid-December 2019 in light of liquidity concerns. *See id.*

11. On October 7, 2019, the Court entered an order [Docket No. 3260] approving the Second Continuance Motion, which set the Debtors' reply deadline as October 16, 2019, and scheduled a continued hearing on the Motion for October 23, 2019, at 10:00 a.m. (Pacific Time) (the "Hearing").

**D. Facts Relevant to the Motion**

12. On October 10, 2019, SGM filed the *Statement of Strategic Global Management, Inc. in Support of "Debtors' Emergency Motion for the Entry of an Order: (I) Enforcing the Order Authorizing the Sale to Strategic Global Management, Inc." (II) Finding that the Sale is Free and Clear of Conditions Materially Different Than Those Approved by the Court . . .*" [Docket No. 3356] (the "SGM Statement"). In the SGM Statement, SGM indicated that "it will not close the Sale unless the Debtors timely obtain a Free and Clear order from the Court." SGM Statement at 4.

13. Until the Debtors have further clarity as to the issues raised by the foregoing, the Debtors are not in a position to file papers on Wednesday, which would include amending the Disclosure Statement and Plan to address various developments and present a complete response to parties' objections in a reply in support of the Disclosure Statement Motion. The outcome also could result in further amendments to these papers. Given their limited resources, the Debtors

1 seek to avoid the unnecessary expenses associated with multiple amendments to their Disclosure  
2 Statement and Plan. Accordingly, the Debtors respectfully request a two-week continuance of the  
3 Hearing.

4 **IV.**

5 **ARGUMENT**

6 LBR 9013-1(m)(1) governs motions for continuance and sets forth various general  
7 requirements. The Motion satisfies the requirements of the LBRs because it is filed more than  
8 three days prior to the Hearing, sets forth the reasons for the proposed continuance in detail, and  
9 is supported by the Adcock Declaration. *See* LBR 9013-1(m)(1).

10 The Debtors require a continuance of the hearing on the Disclosure Statement Motion  
11 until there is further resolution of the matters raised by the Additional Conditions and the rights of  
12 SGM triggered under the SGM APA. *See, e.g.,* SGM APA, § 8.6; Plan, §§ 7.6, 12.2(b). Until  
13 that time, the Debtors are not in a position to adequately address necessary amendments to the  
14 Disclosure Statement and Plan, if any. A two-week continuance of the Hearing will also serve  
15 the best interests of the estates and creditors because it will ensure that the Debtors avoid the  
16 expense of unnecessary amendments to their Plan and Disclosure Statement.

17 In light of the benefit to the Debtors' Cases, the Debtors respectfully request that the  
18 Court continue the Hearing on the Disclosure Statement Motion from October 23, 2019, at 10:00  
19 a.m., to **November 6, 2019, to 10:00 a.m.** (the "Continued Hearing Date"), or such other date  
20 and time as may be convenient to the Court. In accordance with the LBR 9013-1(m)(4), the  
21 Continued Hearing Date will automatically extend the reply dates until October 30, 2019.

22 **V.**

23 **CONCLUSION**

24 In light of the foregoing, the Debtors respectfully request that this Court enter an Order  
25 (i) granting this Motion, (ii) continuing the hearing on the Disclosure Statement Motion to  
26 November 6, 2019 at 10:00 a.m. (Pacific Time), and (iii) granting such other relief as the Court  
27 deems just and proper under the circumstances.  
28

1 Dated: October 14, 2019

DENTONS US LLP  
SAMUEL R. MAIZEL  
TANIA M. MOYRON  
NICHOLAS A. KOFFROTH

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5 By /s/ Tania M. Moyron  
Tania M. Moyron  
6 Attorneys for Verity Health Systems of  
California, Inc., *et al.*  
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**DECLARATION OF RICHARD G. ADCOCK**

I, Richard G. Adcock, submit this Declaration in support of the *Motion to Continue Hearing on Motion of the Debtors for an Order Approving: (I) Proposed Disclosure Statement; (II) Solicitation and Voting Procedures; (III) Notice and Objection Procedures for Confirmation of Debtors' Plan; and (IV) Granting Related Relief* (the "Motion"),<sup>1</sup> and hereby state as follows:

1. I am, and have been since January 2018, the Chief Executive Officer of Verity Health System of California, Inc. ("VHS"). Prior thereto, I served as VHS's Chief Operating Officer since August 2017.

2. I have extensive senior-level experience in the nonprofit healthcare arena, especially in the areas of healthcare delivery, hospital acute care services, health plan management, budgeting, disease management, and medical devices. I have meaningful experience in both the technology and healthcare industries in the areas of product development, business development, mergers and acquisitions, marketing, financing, strategic and tactical planning, human resources, and engineering.

3. I have personal knowledge of the facts stated in this declaration, except as to those stated on information and believe, and, as to those, I am informed and believe them to be true. If called as a witness, I could and would competently testify to the matters stated herein.

4. The Debtors require a continuance of the hearing on the Disclosure Statement Motion until there is further resolution of the matters raised by the Attorney General's conditions and the rights of SGM triggered under the SGM APA.

5. In my declaration filed in support of the Second Continuance Motion, I addressed the Debtors liquidity, including daily cash losses and accelerating negative cash flow. *See* Docket No. 3238 (Adcock Decl. ¶¶ 5-7). Given their limited resources, the Debtors seek to avoid the unnecessary expenses associated with multiple amendments to their Disclosure Statement and Plan. The Debtors respectfully request that the Court continue the hearing on the Disclosure Statement Motion to November 6, 2019 at 10:00 a.m. (Pacific Time).


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<sup>1</sup> Capitalized terms not otherwise defined in this Declaration have the definitions set forth in the Motion.



1 I declare under penalty of perjury that, to the best of my knowledge and after reasonable  
2 inquiry, the foregoing is true and correct.

3  
4 Dated: October 14, 2019  
5 Los Angeles, California

By:   
Richard G. Adcock

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