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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 REPLY DEADLINE 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, 3389, 3506]**

Hearing Date and Time:

Date: November 20, 2019

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

Place: Courtroom 1568

255 E. Temple St.

Los Angeles, CA 90012



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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 reply deadline 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”) from November 13, 2019 to November 15, 2019. The Debtors do not intend to request that the Court continue the hearing on the Disclosure Statement Motion, which is currently scheduled for November 20, 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 request a short two-day extension of the deadline to file replies and related documents in support of the Disclosure Statement Motion from November 13, 2019 to November 15, 2019. The Debtors request this extension to allow time for the Court to enter (i) the order granting the Enforcement Motion (defined below), pursuant to the terms stipulated between the Debtors and the California Attorney General (the “Attorney General”) lodged on November 8, 2019, (ii) consider the objection of Strategic Global Management, Inc. (“SGM”) thereto, and (iii) provide the Debtors additional time to incorporate the Court’s order into the Disclosure Statement and related filings. Further, the extension will allow the Debtors additional time to confer with constituents concerning various aspects of the Plan. The Debtors do not, at this time, request a continuance of the hearing on the Disclosure Statement Motion to ensure the confirmation process moves forward apace.

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

1 statutory predicate for this Motion is 11 U.S.C. § 105<sup>1</sup> and LBR 9013-1(m).

2 **III.**

3 **BACKGROUND FACTS**

4 **A. General Background**

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

10 **B. The Plan and Disclosure Statement**

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

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

20 4. On September 4, 2019, the Court entered an *Order Setting Hearing On Motion for*  
21 *Approval of Disclosure Statement for October 2, 2019, at 10:00 a.m.* [Docket No. 2998] (the  
22 “Disclosure Statement Scheduling Order”). The Disclosure Statement Scheduling Order set a  
23 hearing on the Disclosure Statement Motion for October 2, 2019 at 10:00 a.m., and provided that  
24 any oppositions to the Disclosure Statement Motion must be filed not later than September 18,  
25 2019. *See* Scheduling Order at 2.

26  
27 <sup>1</sup> All references to “§” herein are to sections of the United States Bankruptcy Code, 11 U.S.C.  
28 § 101 *et. seq.*; “LBR” references the Local Bankruptcy Rules of the United States Bankruptcy  
Court for the Central District of California.

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

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

6. On May 2, 2019, the Court entered an order [Docket No. 2306] (the “Sale Order”) approving the SGM APA concerning the sale (the “SGM Sale”) of certain of the Debtors’ assets to SGM. On September 25, 2019, the Attorney General conditionally approved the SGM Sale subject to certain conditions (the “2019 Conditions”). Certain of the 2019 Conditions (the “Additional Conditions”) are materially different than those to which SGM agreed under the Schedule 8.6 to the SGM APA.

7. On September 30, 2019, the Debtors filed the motion [Docket No. 3188] (the “Enforcement Motion”) for entry of an order finding (i) that the Debtors could sell their assets pursuant to the SGM Sale free and clear of the Additional Conditions, or, alternatively, (ii) that the Attorney General abused his discretion when imposing the Additional Conditions. As discussed in greater detail in the Enforcement Motion, the Additional Conditions recently issued by the Attorney General threatened the SGM Sale, and could have triggered SGM’s termination rights under the APA unless the Debtors obtain the relief requested by the Enforcement Motion. *See* SGM APA, § 8.6.

8. On October 1, 2019, the Court entered the *Order Setting Hearing on Emergency Motion for the Entry of an Order Enforcing the Order Authorizing the Sale to Strategic Global Management for October 15, 2019, at 10:00 a.m.* [Docket No. 3193] (the “Scheduling Order”), which scheduled a hearing on the Enforcement Motion on October 15, 2019, at 10:00 a.m. (Pacific Time)—the same date and time as the hearing on the Disclosure Statement Motion. *See* Scheduling Order at 2.

9. On October 23, 2019, the Court entered the *Memorandum of Decision Granting Debtors’ Emergency Motion to Enforce the Sale Order* [Doc. No. 3188] (the “Memorandum

1 Decision”). The Memorandum Decision granted the Enforcement Motion and further provided  
2 that the Court will enter an order certifying the matter for direct appeal to the Ninth Circuit. *See*  
3 Mem. Dec. at 24. The Court requested that the Debtors submit an order on the Enforcement  
4 Motion consistent with the Memorandum Decision not later than October 30, 2019. *See id.* As of  
5 the date of this motion, the Debtors are in the process of negotiating the language of a proposed  
6 order with the Attorney General, SGM, and other interested parties.

7 **D. Continuance of Hearing On Disclosure Statement Motion**

8 10. The Debtors have filed four motions [Docket No. 3103, 3238, 3384, 3502] to  
9 continue the hearing on the Disclosure Statement Motion, which were granted by the Court  
10 Docket No. 3120, 3260, 3389, 3506]. The order on the Debtors’ fourth continuance motion set  
11 the Debtors’ reply deadline as November 13, 2019 (the “Reply Deadline”), and scheduled a  
12 continued hearing on the Motion for November 20, 2019, at 10:00 a.m. (Pacific Time) (the  
13 “Hearing”).

14 **E. Facts Relevant to the Motion**

15 11. On November 8, 2019, the Debtors filed the *Notice Regarding Proposed Order*  
16 *Resolving the Debtors’ Emergency Motion for the Entry of an Order Enforcing the Sale Order*  
17 *and Requesting Related Relief* [Docket No. 3573] (the “Notice”). As set forth more fully in the  
18 Notice, the Debtors and the Attorney General reached a stipulation [Docket No. 3572] (the  
19 “Stipulation”) concerning the form of a proposed order (the “Proposed Order”) granting the  
20 Enforcement Motion. *See* Notice at 2, Ex. A. The Stipulation will result in, among other things:  
21 granting of the Enforcement Motion; vacation and withdrawal of the Court’s memorandum  
22 decision on the Enforcement Motion; the Attorney General’s agreement not to appeal from the  
23 proposed order granting the Enforcement Motion; and, in the Debtors’ view, satisfaction of  
24 section 8.6 of the SGM APA. *See id.* at 2-3. On November 11, 2019, SGM filed an objection  
25 [Docket No. 3582] to the Proposed Order and lodged a competing proposed order [Docket No.  
26 3583] that alters the terms of the Proposed Order from those agreed-to between the Debtors and  
27 Attorney General.

28 12. The Debtors request an extension of the deadline to file replies in support of the

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1 Disclosure Statement Motion from November 13, 2019 to November 15, 2019. The Debtors  
2 request this extension to allow time for the Court to enter the order granting the Enforcement  
3 Motion, pursuant to the terms stipulated between the Debtors and the Attorney General, consider  
4 the SGM objection, and provide the Debtors additional time to incorporate the Court's order into  
5 the Disclosure Statement and related filings. Further, the extension will allow the Debtors  
6 additional time to confer with constituents concerning various aspects of the Plan. Given their  
7 limited resources, the Debtors seek to avoid the unnecessary expenses associated with multiple  
8 amendments to their Disclosure Statement and Plan, and, at the same time, do not wish to  
9 unnecessarily delay the confirmation process with another continuance of the Hearing.  
10 Accordingly, the Debtors respectfully request a two-day continuance of the Reply Deadline and  
11 that the Court retain the current date and time of the Hearing.

12 **IV.**

13 **ARGUMENT**

14 The Court may modify the deadline to file a reply for "good cause" pursuant to LBR  
15 9013-1(g)(3). Although the Debtors do not seek a continuance of the Hearing, the Motion  
16 nevertheless complies with LBR 9013-1(m)(1), which governs motions for continuance and sets  
17 forth various general requirements. The Motion satisfies the requirements of the LBRs because it  
18 is filed more than three days prior to the Hearing, sets forth the reasons for the proposed  
19 continuance in detail, is supported by the Adcock Declaration, and demonstrates "good cause" for  
20 the proposed continuance. *See* LBR 9013-1(g)(3), LBR 9013-1(m)(1).

21 The Debtors require a continuance of the Reply Deadline to allow the Debtors time to  
22 determine whether the Court's order granting the Enforcement Motion is consistent with the  
23 Proposed Order and Stipulation with the Attorney General, and to incorporate the same into the  
24 Disclosure Statement and related filings. A two-day continuance of the Reply Deadline, without  
25 moving the Hearing, will serve the best interests of the estates and creditors because it will ensure  
26 that the Debtors avoid the expense of unnecessary amendments to their Plan and Disclosure  
27 Statement while limiting any delay in the Debtors' confirmation timeline if the Proposed Order is  
28 entered without modification. In light of the benefit to the Debtors' Cases, the Debtors

1 respectfully request that the Court continue the Reply Deadline on the Disclosure Statement  
2 Motion from November 13, 2019 to November 15, 2019.

3 V.

4 **CONCLUSION**

5 In light of the foregoing, the Debtors respectfully request that this Court enter an Order  
6 (i) granting this Motion, (ii) continuing the Reply Deadline from November 13, 2019 to  
7 November 15, 2019, (iii) preserving the Hearing date and time on November 20, 2019, at 10:00  
8 a.m. (Pacific Time), and (iv) granting such other relief as the Court deems just and proper under  
9 the circumstances.

10 Dated: November 11, 2019

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TANIA M. MOYRON  
NICHOLAS A. KOFFROTH

14 By /s/ Tania M. Moyron  
15 Tania M. Moyron  
16 Attorneys for Verity Health Systems of  
California, Inc., *et al.*

**DECLARATION OF RICHARD G. ADCOCK**

I, Richard G. Adcock, submit this Declaration in support of the *Motion to Continue Reply Deadline 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 request an extension of the deadline to file replies in support of the Disclosure Statement Motion from November 13, 2019 to November 15, 2019. The Debtors request this extension to allow time for the Court to enter the order granting the Enforcement Motion, pursuant to the terms stipulated between the Debtors and the Attorney General, consider the SGM objection, and provide the Debtors additional time to incorporate the Court's order into the Disclosure Statement and related filings. Further, the extension will allow the Debtors additional time to confer with constituents concerning various aspects of the Plan.

5. In my declaration filed in support of the second motion to continue the hearing on the Disclosure Statement Motion, I addressed the Debtors liquidity, including daily cash losses

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



1 and accelerating negative cash flow. Given their limited resources, the Debtors seek to avoid the  
2 unnecessary expenses associated with multiple amendments to their Disclosure Statement and  
3 Plan. The Debtors respectfully request that the Court continue the Reply Deadline from  
4 November 13, 2019 to November 15, 2019 and that the Court retain the current Hearing date and  
5 time as November 20, 2019 at 10:00 a.m. (Pacific Time).

6 I declare under penalty of perjury of the laws of the United States of America that the  
7 foregoing is true and correct.

8 Executed this 11th day of November, 2019, in Los Angeles, California.



Richard G. Adcock

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