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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, 3389, 3594, 3632, 3633, 3644, 3724]**

Proposed Continued Hearing Date and Time:

Date: December 30, 2019

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

Place: 255 E. Temple St., Courtroom 1568  
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 (the “Cases”), respectfully request (the “Motion”) that the Court (A) 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 December 30, 2019, at 10:00 a.m. (Pacific Time), (B) reschedule the deadline to file replies to objections to the Disclosure Statement Motion to December 23, 2019, and (C) grant such further relief as is just and proper. 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**

Strategic Global Management, Inc. (“SGM”) did not close the sale (the “SGM Sale”) on December 5, 2019 notwithstanding (i) its obligations under that certain asset purchase agreement [Docket No. 2305-1] (the “SGM APA”), (ii) the Court’s order approving the SGM Sale [Docket No. 2306], and (iii) the Court’s orders requiring SGM to close the SGM Sale [Docket Nos. 3611, 3633, 3724] (collectively, the “Closing Orders”). Rather, SGM has appealed [Docket Nos. 3726, 3727, 3746] each of the Closing Orders.

The Debtors request an additional continuance to gain further clarity as to whether there is any prospect of that the SGM Sale will close. If the Debtors determine that the foregoing is not possible within this continuance period, the Debtors will seek to withdraw and/or modify the Plan and Disclosure Statement. At this time, however, the Debtors believe that such withdrawal or modification would be premature.

Consequently, the Debtors request that the Court enter an order granting the following relief (collectively, the “Proposed Relief”): (A) continuing the hearing on the Disclosure Statement, currently scheduled on December 12, 2019, to December 30, 2019, at 10:00 a.m. (Pacific Time), (B) continuing the deadline to file replies to objections to the Disclosure

Statement Motion to December 23, 2019, and (C) grant such further relief as is just and proper.

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).

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

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<sup>1</sup>

1 “Disclosure Statement Scheduling Order”). The Disclosure Statement Scheduling Order set a  
2 hearing on the Disclosure Statement Motion for October 2, 2019 at 10:00 a.m., and provided that  
3 any oppositions to the Disclosure Statement Motion must be filed not later than September 18,  
4 2019. *See* Scheduling Order at 2.

5 5. On September 18, 2019, certain parties in interest filed responses and oppositions  
6 to the Disclosure Statement Motion. *See* Docket Nos. 3079, 3084, 3086, 3087, 3089, 3090, 3092,  
7 3094. Further, the Debtors have continued the opposition deadline by stipulation as they continue  
8 negotiations with certain other parties with respect to the Disclosure Statement Motion and  
9 Disclosure Statement. *See* Docket Nos. 3076, 3077, 3082, 3098, 3119, 3122, 3126, 3195.

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

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

16 7. 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 threatened the SGM Sale, and could have triggered SGM’s termination  
22 rights under the APA unless the Debtors obtained the relief requested by the Enforcement  
23 Motion. *See* SGM APA, § 8.6.

24 8. 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.

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 Decision"). The Memorandum Decision granted the Enforcement Motion and further provided that the Court will enter an order certifying the matter for direct appeal to the Ninth Circuit. *See* Mem. Dec. at 24. The Court requested that the Debtors submit an order on the Enforcement Motion consistent with the Memorandum Decision not later than October 30, 2019. *See id.* On November 14, 2019, after holding an emergency hearing on the proposed form of order, the Court entered the order granting the Enforcement Motion [Docket No. 3611] (the "Enforcement Order").

**D. Continuance of Hearing on Disclosure Statement Motion**

10. The Debtors have filed seven motions [Docket No. 3103, 3238, 3384, 3502, 3589, 3621, 3644] to continue the hearing on the Disclosure Statement Motion, which were granted by the Court [Docket No. 3120, 3260, 3389, 3506, 3594, 3633, 3724]. The order on the Debtors' seventh continuance motion set the Debtors' reply deadline as December 9, 2019 (the "Reply Deadline"), and scheduled a continued hearing on the Motion for December 12, 2019, at 10:00 a.m. (Pacific Time) (the "Hearing").

**E. Facts Relevant to the Motion**

11. SGM has appealed each of the three Closing Orders that, collectively (and in addition to SGM's obligations under the SGM APA), required SGM to close the SGM Sale not later than December 5, 2019. *First*, 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. The SGM APA further provides that such order must be final and non-appealable, that is, an order "which has been affirmed or the appeal of which has been

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1 dismissed by any appellate court and for which the relevant appeal period has expired (other than  
2 any right of appeal to the U.S. Supreme Court).” *See* SGM APA § 8.6. The Court entered the  
3 Enforcement Order on November 14, 2019. On November 29, 2019, SGM appealed [Docket No.  
4 3726] the Enforcement Order.

5 12. ***Second***, on November 18, 2019, the Court entered the *Order (1) Finding That*  
6 *SGM Is Obligated to Promptly Close the SGM Sale under § 8.6 of the APA, Provided That All*  
7 *Other Conditions to Closing Have Been Satisfied and (2) Granting Debtors’ Motion for A*  
8 *Continuance of the Hearing to Approve the Disclosure Statement* [Docket No. 3633] (the  
9 “Section 8.6 Order”). On November 29, 2019, SGM appealed [Docket No. 3727] the Section 8.6  
10 Order.

11 13. ***Third***, on November 27, 2019, the Court entered the *Order (1) Finding That SGM*  
12 *Is Obligated to Close the SGM Sale by No Later Than December 5, 2019 and (2) Setting*  
13 *Continued Hearing on Debtors’ Motion for Approval of Disclosure Statement* [Docket No. 3724]  
14 (the “Closing Order”). On December 3, 2019, SGM appealed [Docket No. 3746] the Closing  
15 Order.

16 14. On December 3, 2019, SGM’s counsel notified the Debtors that SGM did not  
17 intend to close the SGM Sale by December 5, 2019. *See* Docket No. 3773 (Martin Decl., Ex. B).  
18 The SGM Sale did not close on December 5, 2019 and no alternative closing date is currently  
19 scheduled. *See* Adcock Decl. ¶ 4.

20 15. On December 9, 2019, the Court entered an order [Docket No. 3784] confirming  
21 that the Debtors could undertake efforts “with respect to the alternative disposition of the  
22 Hospitals” without violating or breaching the SGM APA. *See* Docket No. 3784 at 2. While  
23 neither party has terminated the SGM APA, the Debtors and SGM have each alleged material  
24 defaults under the SGM APA. *See* Docket No. 3773 (Martin Decl., Exs. C, F).

25 **IV.**

26 **ARGUMENT**

27 LBR 9013-1(m)(1) governs motions for continuance and sets forth various general  
28 requirements. The Motion satisfies the requirements of the LBRs because it is filed more than

1 three days prior to the Hearing, sets forth the reasons for the proposed continuance in detail, and  
2 is supported by the Adcock Declaration. *See* LBR 9013-1(m)(1).

3 The Debtors require a continuance of the Hearing on the Disclosure Statement Motion for  
4 the reasons discussed above. A continuance of the Hearing will serve the best interests of the  
5 estates and creditors because it will ensure that the Debtors avoid the expense of unnecessary  
6 amendments to their Plan and Disclosure Statement. In light of the benefit to the Debtors' Cases,  
7 the Debtors respectfully request that the Court continue the Hearing on the Disclosure Statement  
8 Motion from December 12, 2019, at 10:00 a.m., to December 30, 2019, at 10:00 a.m. (Pacific  
9 Time) (the "Continued Hearing Date"). In accordance with the LBR 9013-1(m)(4), the  
10 Continued Hearing Date will automatically extend the reply deadline unless otherwise ordered by  
11 the Court at the Status Conference.

12 V.

13 **CONCLUSION**

14 In light of the foregoing, the Debtors respectfully request that this Court enter an Order  
15 (i) granting this Motion, (ii) continuing the hearing on the Disclosure Statement Motion to  
16 December 30, 2019, at 10:00 a.m. (Pacific Time), (iii) continuing the deadline to file replies to  
17 objections to the Disclosure Statement Motion to December 23, 2019, and (iv) granting such  
18 other relief as the Court deems just and proper under the circumstances.

19 Dated: December 9, 2019

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TANIA M. MOYRON  
NICHOLAS A. KOFFROTH

23 By /s/ Tania M. Moyron  
24 Tania M. Moyron  
25 Attorneys for Verity Health Systems of  
26 California, Inc., *et al.*

**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 SGM Sale did not close on December 5, 2019 and no alternative closing date is currently scheduled.

5. Given the foregoing, the Debtors anticipate that the Proposed Relief is necessary. Without a continuance, the outcome also could result in further amendments to the Disclosure Statement and Plan if the Debtors are required to file papers by the current December 9, 2019 deadline. Given their limited resources, the Debtors seek to avoid the unnecessary expenses associated with multiple amendments to their Disclosure Statement and Plan. Accordingly, the Debtors respectfully request the Proposed Relief.


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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 of the laws of the United States of America that the  
2 foregoing is true and correct.

3 Executed this 9th day of December, 2019, in Los Angeles, California.

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6 Richard G. Adcock  
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