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6  
7 Proposed Attorneys for the Chapter 11 Debtors and  
Debtors In Possession

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

10 In re,  
11 VERITY HEALTH SYSTEM OF  
CALIFORNIA, INC., *et al.*,  
12 Debtor and Debtor In  
13 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

- 14  Affects All Debtors  
15  Affects Verity Health System of California, Inc.  
16  Affects O'Connor Hospital  
 Affects Saint Louise Regional Hospital  
17  Affects St. Francis Medical Center  
 Affects St. Vincent Medical Center  
 Affects Seton Medical Center  
 Affects O'Connor Hospital Foundation  
18  Affects Saint Louise Regional Hospital  
Foundation  
19  Affects St. Francis Medical Center of Lynwood  
Medical Foundation  
20  Affects St. Vincent Foundation  
 Affects St. Vincent Dialysis Center, Inc.  
21  Affects Seton Medical Center Foundation  
 Affects Verity Business Services  
22  Affects Verity Medical Foundation  
 Affects Verity Holdings, LLC  
23  Affects De Paul Ventures, LLC  
24  Affects De Paul Ventures - San Jose Dialysis,  
LLC

Chapter 11 Cases

**EMERGENCY MOTION OF DEBTORS  
FOR ENTRY OF AN ORDER LIMITING  
SCOPE OF NOTICE; MEMORANDUM OF  
POINTS AND AUTHORITIES**

Filed Pursuant to LBR 2081-1(a)(9) and 9075-1(a)]

[Declaration of Richard Adcock in Support of Debtors' First Day Motions filed concurrently herewith]

25 Debtors and Debtors In  
26 Possession.

**EMERGENCY HEARING:**

Date: September 5, 2018  
Time: 10:00 a.m.  
Place: Courtroom 1568

Judge: Hon. Ernest M. Robles

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1 **EMERGENCY MOTION**

2 Verity Health System of California, Inc. (“VHS”) and the above-referenced affiliated  
3 debtors (collectively, the “Debtors”), the debtors and debtors in possession in the above-captioned  
4 chapter 11 bankruptcy cases (collectively, the “Cases”), hereby move, on an emergency basis (the  
5 “Motion”), for the entry of an order, pursuant to Rules 2081-1(a)(1) and 9075-1(a) of the Local  
6 Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California  
7 (“LBR”) and Rule 2002 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”),  
8 for entry of an order approving a limited notice procedure.

9 **SUMMARY OF REQUESTED RELIEF**

10 The Debtors request that the Court enter an order authorizing it to limit the scope of  
11 service of all notices, motions, or applications, including, but not limited to, the Limited Notice  
12 Matters (as defined in the supporting Memorandum of Points and Authorities). The Limited  
13 Notice Matters shall be served on the Limited Service List (as defined in the supporting  
14 Memorandum of Points and Authorities).

15 The Debtors Mailing Matrix has tens of thousands of creditors. Limiting notice in the  
16 fashion described herein will prevent the unnecessary waste of time and resources required to  
17 serve notice of certain pleadings and other documents on all creditors and allow the Debtors to  
18 focus on patient care, business, operations and thereby conduct this case in a more efficient  
19 manner. Limiting notice will not materially prejudice any party because parties will have an  
20 opportunity to respond to this Motion and/or request special notice in the Debtors’ Cases.  
21 Furthermore, any party with a pecuniary interest in the matters affected by this Motion will be  
22 served by the Debtors as a matter of course. Thus, the relief requested herein will not prejudice  
23 any party with an interest in these bankruptcy proceedings, and ultimately, due to cost savings,  
24 will benefit creditors of the Debtors’ bankruptcy estates.

25 **ADDITIONAL INFORMATION**

26 The Motion is based on the Notice of Emergency Motions that will be filed and served  
27 after obtaining a hearing date for the Debtors’ “First Day Motions,” the attached Memorandum of  
28 Points and Authorities, the concurrently filed Declaration of Richard Adcock in Support of

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1 Debtors' First Day Motions (the "Adcock Declaration"), the arguments of counsel and other  
2 admissible evidence properly brought before the Court at or before the hearing on this Motion. In  
3 addition, the Debtors request that the Court take judicial notice of all documents filed with the  
4 Court in this Case.

5 Counsel to the Debtors will serve this Motion, the attached Memorandum of Points and  
6 Authorities, the Adcock Declaration and the Notice of Emergency Motions on: (i) the Office of  
7 the United States Trustee; (ii) all alleged secured lenders; (iii) the 50 largest general unsecured  
8 creditors appearing on the consolidated list filed in accordance with Bankruptcy Rule 1007(d);  
9 (iv) the United States of America, and the State of California; and (vi) parties that file with the  
10 Court and serve upon the Debtors requests for notice of all matters in accordance with  
11 Bankruptcy Rule 2002(i). To the extent necessary, the Debtors request that the Court waive  
12 compliance with LBR 9075-1(a)(6) and approve service (in addition to the means of services set  
13 forth in such LBR) by overnight delivery. Among other things, the Notice of Emergency Motions  
14 will provide that any opposition or objection to the Motion may be presented at any time before  
15 or at the hearing regarding the Motion, but that failure to timely object may be deemed by the  
16 Court to constitute consent to the relief requested herein. In the event that the Court grants the  
17 relief requested by the Motion, the Debtors shall provide notice of the entry of the order granting  
18 such relief upon each of the foregoing parties and any other parties in interest as the Court directs.  
19 The Debtors submit that such notice is sufficient and that no other or further notice be given.

20 **WHEREFORE**, the Debtors respectfully request that this Court enter an Order:

- 21 (i) Authorizing the service of the Limited Notice Matters on the Limited Service List;  
22 and  
23 (ii) Granting such other and further relief as is just and proper under the  
24 circumstances.

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1 Dated: August 31, 2018

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TANIA M. MOYRON

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By /s/ Tania M. Moyron  
Tania M. Moyron

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Proposed Attorneys for the Chapter 11 Debtors  
and Debtors In Possession

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Verity Health System Of California, Inc. (“VHS”) and the above-referenced affiliated  
4 debtors, the debtors and debtors in possession in the above-captioned Chapter 11 bankruptcy  
5 cases (collectively, the “Debtors”), request that the Court exercise authority granted to it by the  
6 Bankruptcy Rules to limit notice in these Cases in the manner described in this Motion. The  
7 requested limited notice procedure is necessary and appropriate because the Debtors’ creditor  
8 matrix in these Cases exceed thousands of creditors. Requiring notice to, and service upon, so  
9 many persons or entities would substantially increase the cost and administrative burden to the  
10 Debtors and its estate and diminish the assets ultimately available for creditors without conferring  
11 any meaningful benefit on the Debtors’ estates. The Debtors submit that the proposed limited  
12 scope of notice is necessary to avoid the administrative costs of serving notice of all pleadings on  
13 hundreds of parties while simultaneously assuring that the interested parties in these Cases  
14 receive proper and sufficient notice of all matters that may materially impact their interests.

15 **II. JURISDICTION AND VENUE**

16 The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This  
17 is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The venue is proper pursuant to  
18 28 U.S.C. §§ 1408 and 1409.

19 **III. STATEMENT OF FACTS**

20 **A. General Background**

21 1. On August 31, 2018 (“Petition Date”), Verity Health System of California, Inc.  
22 (“VHS”) and the above-referenced affiliated debtors, the debtors and debtors in possession in the  
23 above-captioned chapter 11 bankruptcy cases (collectively, the “Debtors”), each filed a voluntary  
24 petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).  
25 Since the commencement of their cases, the Debtors have been operating their businesses as  
26 debtors in possession pursuant to §§1107 and 1108 of the Bankruptcy Code.<sup>1</sup>

27  
28 <sup>1</sup> All references to “§” or “section” herein are to the Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.*, as amended.



1           2. Debtor VHS, a California nonprofit public benefit corporation, is the sole  
2 corporate member of the following five Debtor California nonprofit public benefit corporations  
3 that operate six acute care hospitals, O'Connor Hospital, Saint Louise Regional Hospital, St.  
4 Francis Medical Center, St. Vincent Medical Center, Seton Medical Center and Seton Medical  
5 Center Coastside (collectively, the "Hospitals") and other facilities in the state of California.  
6 Seton Medical Center and Seton Medical Center Coastside operate under one consolidated acute  
7 care license.

8           3. VHS, the Hospitals, and their affiliated entities (collectively, "Verity Health  
9 System") operate as a nonprofit health care system, with approximately 1,680 inpatient beds, six  
10 active emergency rooms, a trauma center, eleven medical office buildings, and a host of medical  
11 specialties, including tertiary and quaternary care.

12           4. The VHS affiliated entities, including the Debtors and non-debtor entities, are as  
13 follows:

- 14           • O'Connor Hospital
- 15           • Saint Louise Regional Hospital
- 16           • St. Francis Medical Center
- 17           • St. Vincent Medical Center
- 18           • Seton Medical Center, including Seton Medical Center Coastside
- 19           • Verity Business Services
- 20           • Marillac Insurance Company, Ltd.
- 21           • O'Connor Hospital Foundation
- 22           • Saint Louise Regional Hospital Foundation
- 23           • St. Francis of Lynwood Medical Center Foundation
- 24           • St. Vincent Medical Center Foundation
- 25           • Seton Medical Center Foundation
- 26           • St. Vincent de Paul Ethics Corporation
- 27           • St. Vincent Dialysis Center
- 28           • De Paul Ventures, LLC
- De Paul Ventures - San Jose Dialysis, LLC
- De Paul Ventures - San Jose ASC, LLC
- Verity Medical Foundation
- Verity Holdings, LLC

29           5. Verity Medical Foundation ("VMF"), incorporated in 2011, is a medical  
30 foundation, exempt from licensure under California Health & Safety Code § 1206(l). VMF  
31 contracts with physicians and other healthcare professionals to provide high quality,

1 compassionate, patient-centered care to individuals and families throughout California. With  
2 more than 100 primary care and specialty physicians, VMF offers medical, surgical and related  
3 healthcare services for people of all ages at community-based, multi-specialty clinics  
4 conveniently located in areas served by the Debtor Hospitals. VMF holds long-term professional  
5 services agreements with the following medical groups: (a) Verity Medical Group; (b) All Care  
6 Medical Group, Inc.; (c) CFL Children’s Medical Associates, Inc.; (d) Hunt Spine Institute, Inc.;  
7 (e) San Jose Medical Clinic, Inc., D/B/A San Jose Medical Group; and (f) Sports, Orthopedic and  
8 Rehabilitation Associates.

9 6. Verity Holdings, LLC (“Holdings”) is a direct subsidiary of its sole member VHS  
10 and was created in 2016 to hold and finance VHS’ interests in four medical office buildings  
11 whose tenants are primarily physicians, medical groups, healthcare providers, and certain of the  
12 VHS Hospitals. Holdings’ real estate portfolio includes more than 15 properties. Holdings is the  
13 borrower on approximately \$66.2 million of non-recourse financing secured by separate deeds of  
14 trust and revenue and accounts pledges, including the rents on each medical office building.

15 7. O’Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St.  
16 Francis of Lynwood Medical Center Foundation, St. Vincent Medical Center Foundation, and  
17 Seton Medical Center Foundation handle fundraising and grant-making programs for each of their  
18 respective Debtor Hospitals.

19 8. As of August 31, 2018, the Debtors have approximately 7,385 employees, of  
20 whom 4,733 are full-time employees. Approximately 74% of these employees are represented by  
21 collective bargaining units. A majority of the employees are represented by either the Service  
22 Employees International Union (approximately 39% of employees) or California Nurses  
23 Associations (approximately 22% of employees).

24 9. Each of the Debtors is exempt from federal income taxation as an organization  
25 described in Section 501(c)(3) of the Internal Revenue Code of 1986, except for Verity Holdings,  
26 LLC, DePaul Ventures, LLC, and DePaul Ventures - San Jose Dialysis, LLC.

27 10. To date, no official committee or examiner has been appointed by the Office of the  
28 United States Trustee in these chapter 11 Cases.

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1 **B. Historical Challenges**

2 11. The Hospitals and VMF were originally owned and operated by the Daughters of  
3 Charity of St. Vincent de Paul, Province of the West (the “Daughters of Charity”), to support the  
4 mission of the Catholic Church through a commitment to the sick and poor. The Daughters of  
5 Charity began their healthcare mission in California in 1858 and they ministered to ill, poverty-  
6 stricken individuals for more than 150 years. In March 1995, the Daughters of Charity merged  
7 with Catholic Healthcare West (“CHW”). In June 2001, Daughters of Charity Health System  
8 (“DCHS”) was formed, and in October 2001, the Daughters of Charity withdrew from CHW. In  
9 2002, DCHS commenced operations and was the sole corporate member of the Hospitals, which  
10 at that time were California nonprofit religious corporations.

11 12. Between 1995 and 2015, the Daughters of Charity and DCHS struggled to find a  
12 solution to continuing operating losses, either through a sale of some or all of the hospitals or a  
13 merger with a more financially sound partner. All these efforts failed. During these efforts,  
14 however, the health system’s losses continued to mount, and the health system borrowed more  
15 than \$500 million – including through a 2008 bond issuance (the “2008 Bonds”) – to fund  
16 operations, acquire assets, fund needed capital improvements and/or refinance existing debt.

17 13. Despite continuous efforts to improve operations, operating losses continued to  
18 plague the health system due to, among other things, mounting labor costs, low reimbursement  
19 rates and the ever-changing healthcare landscape. In 2013, DCHS actively solicited offers for  
20 O’Connor Hospital, St. Louise Regional Hospital, Seton Medical Center and Seton Medical  
21 Center Coastside. In 2013, to avoid failing debt covenants, the Daughters of Charity Foundation,  
22 an organization separate and distinct from DCHS, donated \$130 million to DCHS to allow it to  
23 retire the 2008 Bonds in the total amount of \$143.7 million.

24 14. In early 2014, DCHS announced that they were beginning a process to evaluate  
25 strategic alternatives for the health system. Throughout 2014, DCHS explored offers to sell their  
26 health system and, in October of 2014, they entered into an agreement with Prime Healthcare  
27 Services and Prime Healthcare Foundation (collectively, “Prime”) to sell the health  
28 system. However, to keep the hospitals open, DCHS needed to borrow another \$125 million to

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1 mitigate immediate cash needs during the sales process; in other words, to allow DCHS to  
2 continue to operate until the sale could be consummated. In early 2015, the California Attorney  
3 General consented to the sale to Prime, subject to conditions on that sale that were so onerous that  
4 Prime terminated the transaction.

5 15. In 2015, DCHS again marketed their health system for sale, and, again, focused on  
6 offers that maintained the health system as a whole, and assumed all the obligations. In July  
7 2015, the DCHS Board of Directors selected BlueMountain Capital Management LLC  
8 (“BlueMountain”), a private investment firm, to recapitalize its operations and transition  
9 leadership of the health system to the new Verity Health System (the “BlueMountain  
10 Transaction”).

11 16. In connection with the BlueMountain Transaction, BlueMountain agreed to make a  
12 capital infusion of \$100 million to the hospital system, arrange loans for another \$160 million to  
13 the health system, and manage operations of the health system, with an option to buy the health  
14 system at a future time. In addition, the parties entered into a System Restructuring and Support  
15 Agreement (the “Restructuring Agreement”), DCHS’s name was changed to Verity Health  
16 System, and Integrity Healthcare, LLC (“Integrity”) was formed to carry out the management  
17 services under a new management agreement.

18 17. On December 3, 2015, the California Attorney General approved the  
19 BlueMountain Transaction, subject to conditions. Despite BlueMountain’s infusion of cash and  
20 retention of various consultants and experts to assist in improving cash flow and operations, the  
21 health system did not prosper.

22 18. In July 2017, NantWorks, LLC (“NantWorks”) acquired a controlling stake in  
23 Integrity. NantWorks brought in a new CEO, CFO, and COO. NantWorks loaned another \$148  
24 million to the Debtors.

25 19. Despite the infusion of capital and new management, it became apparent that the  
26 problems facing the Verity Health System were too large to solve without a formal court  
27 supervised restructuring. Thus, despite VHS’ great efforts to revitalize its Hospitals and  
28 improvements in performance and cash flow, the legacy burden of more than a billion dollars of

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1 bond debt and unfunded pension liabilities, an inability to renegotiate collective bargaining  
2 agreements or payor contracts, the continuing need for significant capital expenditures for seismic  
3 obligations and aging infrastructure, and the general headwinds facing the hospital industry, make  
4 success impossible. Losses continue to amount to approximately \$175 million annually on a cash  
5 flow basis.

6 20. Additional background facts on the Debtors, including an overview of the Debtors'  
7 business, information on the Debtors' capital structure and additional events leading up to these  
8 chapter 11 cases, are contained in the Declaration of Richard G. Adcock.

#### 9 IV. ARGUMENT

##### 10 A. Proposed Limited Notice

11 The Debtors request that the Court limit the scope of service of all notices, motions, or  
12 applications, including, but not limited to, the following:

- 13 • any proposed use, sale, or lease of property of the estate pursuant to § 363 and  
14 Bankruptcy Rules 2002(a)(2), 4001(b), and 6004);
- 15 • any proposed debtor in possession financing or use of cash collateral;
- 16 • any proposed extension of the Debtors' exclusive time to file a plan of reorganization  
17 and solicit acceptance thereof (including, without limitation, the time to file a  
18 disclosure statement) pursuant to § 1121 and Bankruptcy Rule 3016;
- 19 • any proposed approval of a compromise or settlement of a controversy pursuant to  
20 Bankruptcy Rules 2002(a)(3) and 9019 and/or § 363;
- 21 • any proposed abandonment or disposition of property of the estate pursuant to § 554  
22 and Bankruptcy Rules 6007(a) or (c);
- 23 • any proposed assumption, assumption and assignment or rejection of contracts or  
24 leases pursuant to § 365 and Bankruptcy Rule 6006(a) or (c);
- 25 • any proposal to prohibit or condition the use, sale or lease of property pursuant to §  
26 363 or Bankruptcy Rule 4001(a);
- 27 • any proposed objections to claims pursuant to § 502 or Bankruptcy Rules 3002, 3003  
28 or 3007;
- any verified statement filed by any entity or committee (other than those appointed  
pursuant to §§ 1102 or 1104) representing more than one creditor pursuant to  
Bankruptcy Rule 2019(a) and any motion filed in respect thereof pursuant to  
Bankruptcy Rule 2019(b);

- 1 • any proposed application for employment of professionals pursuant to §§ 327, 1103 or  
2 1104 or Bankruptcy Rule 2014;
- 3 • any proposed application for compensation or reimbursement of expenses of  
4 professionals, pursuant to §§ 328, 329, 330, or 331 and Bankruptcy Rules 2002(a)(6),  
5 2016, 2017, and 6005; except as provided by other orders of this Court;
- 6 • a hearing on any other contested matter in this Case that requires notice to all creditors  
7 or equity holders pursuant to the Bankruptcy Code, Bankruptcy Rule 9014, or the  
8 LBR; and
- 9 • all other pleadings, papers, and requests for relief or other order of the Court, except as  
10 limited below.

11 (The notices, motions and applications for which the Debtors are seeking to limit notice are  
12 hereinafter referred to as the “Limited Notice Matters.”)

13 Notwithstanding the foregoing, the relief requested in this Motion does not affect the  
14 rights of all creditors to receive notice of the following matters or proceedings: (i) the date fixed  
15 for filing proofs of claim; (ii) the time fixed for filing objections to any disclosure statement and  
16 any hearing to consider approval of any disclosure statement; (iii) the time fixed for accepting,  
17 rejecting, or objecting to confirmation of a plan or any modification thereof and the hearing  
18 thereon; (iv) the entry of an order confirming a plan; and (v) a hearing regarding the dismissal or  
19 conversion of this Case (the “Complete Notice Matters.”).

20 **B. The Court Has Authority to Limit the Scope of Notice**

21 Bankruptcy Rule 2002(i) provides, in pertinent part:

22 [T]he Court may order that notices required by subdivision (a)(2),  
23 (3) and (6) of this rule be transmitted to the United States Trustee  
24 and be mailed only to the committees ... appointed under § 1102 of  
25 the Code or to their authorized agents and to the creditors and  
26 equity security holders who serve on the trustee or debtor in  
27 possession and file a request that all notices be mailed to them.

28 Fed. R. Bankr. P. 2002(i). In addition, Bankruptcy Rules 4001, 6004, 6006, 9006, 9007, 9013,  
9014 and 9019 each allow this Court to determine those parties to whom the Debtors must  
provide notice. Given that there are tens of thousands of creditors in this case, it would be  
impractical and would impose a large administrative and economic burden upon the Debtors’

1 estates if the Debtors were required to mail notice of every matter in this Case to all parties listed  
2 on the creditor matrix.

3 **C. Proposed Notice Procedures**

4 As permitted by Bankruptcy Rules 2002(i) and (m), the Debtors propose that the Court  
5 enter an order that, to the extent allowed, limits the parties upon whom the Debtors must serve the  
6 Limited Notice Matters in this Case. This Order should also designate the manner of service as  
7 set forth below regarding all matters for which the Bankruptcy Code and the Bankruptcy Rules  
8 authorize the Court to designate the manner of service, including matters subject to Bankruptcy  
9 Rules 2002(i), 4001, 6004, 6006 or 6007 and LBR 2081-1(a)(1). It is well within the Court's  
10 authority to regulate notices and to approve the notice procedures proposed by the Debtors.  
11 Further, these notice procedures will minimize administrative burdens in this Case without  
12 diminishing creditor participation.

13 **1. Service of Limited Notice Matters that Are Not Emergency or Expedited**  
14 **Motions**

15 Specifically, the Debtors propose that notices regarding the Limited Notice Matters that  
16 will be heard on regular notice be served by first class mail upon only: (a) the Office of the  
17 United States Trustee, (b) the creditors appearing on the list filed in accordance with Bankruptcy  
18 Rule 1007(d) by the Debtors unless and until a Committee is appointed and it retains counsel,  
19 then in such event, to counsel for the Committee, (c) the United States of America, by service to  
20 the Attorney General of the United States and the United States Attorney for the Central District  
21 of California, and any department or agency of the United States of America that is affected by  
22 the Limited Notice Matter until counsel for the United States makes an appearance on behalf of  
23 that department or agency, and, thereafter on that counsel, (d) the State of California, by service  
24 to the Attorney General of California, and any department or agency of the State that is affected  
25 by the Limited Notice Matter until counsel for the State makes an appearance on behalf of that  
26 department or agency, and thereafter on that counsel, (e) parties that file with the Court and serve  
27 upon the Debtors requests for notice of all matters in accordance with Bankruptcy Rule 2002(i),  
28 (f) all secured lenders and lenders providing debtor in possession financing, and (g) any party



1 with a pecuniary interest in the subject matter of the particular Limited Notice Matter or its  
2 counsel (collectively, the “Limited Service List”).

3 **2. Service of Limited Notice Matters that Require Emergency or Expedited**  
4 **Relief**

5 Pursuant to LBR 9075-1(a)(6), motions filed in these chapter 11 cases that require  
6 emergency or expedited relief must be served by email, fax or personal service. In some  
7 instances, service by one of the means listed is not possible within the time frame available or is  
8 not practical (e.g., service on a very large group for which a debtor has no fax or email addresses  
9 readily available). The Debtors propose that service of emergency or expedited Limited Notice  
10 Matters be upon only the Limited Service List and that, in addition to the service methods  
11 authorized by LBR 9075-1, service of emergency or expedited Limited Notice Matters by  
12 overnight delivery be authorized if such notice will be delivered prior to the scheduled hearing  
13 time.

14 **D. The Limited Notice Procedures are Necessary and Appropriate**

15 The above proposed limited notice procedures are necessary and appropriate given that  
16 the creditor body is large and many of the creditors would not be interested in receiving copies of  
17 all the Limited Notice Matters, but would find service of all these motions and other documents  
18 wasteful. Requiring notice to, and service upon, so many parties, therefore, would substantially  
19 augment the cost and administrative burden on the Debtors, without conferring any meaningful  
20 benefit to the Debtors’ estates, and thus would diminish the assets ultimately available for the  
21 operations of the Debtors and distributions to creditors. Further, allowing service of an  
22 emergency motion by overnight delivery in the instances outlined above provides parties on the  
23 Limited Service List with adequate notice and preserves the Debtors’ ability to bring such matters  
24 on a timely and efficient basis. The Debtors submit that such notice constitutes due and sufficient  
25 notice of the Limited Notice Matters.

26 If this Motion is granted, the Debtors will provide a copy of the Limited Service List to  
27 any creditor or party in interest that requests it. *The Debtors will also send a copy of any order*  
28 *granting this Motion to all known creditors.*



1 **V. EMERGENCY RELIEF AND WAIVER OF STAY**

2 Pursuant to Rule 6003 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy  
3 Rules”), the Court may grant relief within 21 days after the filing of the petition regarding a  
4 motion to use property of the estate only if such relief is necessary to avoid immediate and  
5 irreparable harm. For the reasons set forth above, the relief requested herein is necessary to avoid  
6 immediate and irreparable harm to the Debtors’ estates. Accordingly, the relief requested herein  
7 may be granted within the 21 days following the Petition Date.

8 The Debtors further request a waiver of any stay of the effectiveness of the order  
9 approving this Motion to the extent such an order is entered. Pursuant to Bankruptcy Rule  
10 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is  
11 stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.”  
12 Fed. R. Bankr. P. 6004(h). As set forth above, the relief requested herein is critically important to  
13 prevent irreparable damage to the Debtors’ operations. Accordingly, the Debtors submit that  
14 cause exists to justify a waiver of the fourteen-day stay imposed by Bankruptcy Rule 6004(h), to  
15 the extent it applies.

16 **VI. CONCLUSION**

17 **WHEREFORE**, to facilitate the efficient administration of this Case, and to reduce the  
18 significant costs, delays, and burdens that would be associated with providing notice of all  
19 matters in this Case to all creditors, the Debtors hereby respectfully request that the Court enter  
20 the order granting (a) the relief requested herein; (b) finding that notice of the Motion is sufficient  
21 under the circumstances; and (c) granting the Debtors such other and further relief as is just and  
22 proper under the circumstances.

23 Dated: August 31, 2018

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