

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

In re)	
)	Case No. 18-05665
Curae Health, Inc., <i>et al</i> ¹ ,)	Chapter 11
)	
1721 Midpark Road, Suite B200)	Judge Walker
Knoxville, TN 37921)	
)	Jointly Administered
Debtors.)	
)	Hearing Date & Time: February 21, 2019,
)	9:00 a.m., Courtroom Two

**SUPPLEMENT TO OBJECTIONS TO (A) PROPOSED SALE OF PANOLA ASSETS AND
ASSUMPTION, ASSIGNMENT AND CURE OF EXECUTORY CONTRACTS, AND (B)
STALKING HORSE PURCHASER’S INTENT TO ASSUME AND BE ASSIGNED
EXECUTORY CONTRACTS REGARDING SALE OF PANOLA ASSETS**

On December 7, 2018, MEDHOST of Tennessee, Inc., its wholly-owned subsidiary, MEDHOST Direct, Inc., and MEDHOST Cloud Services, Inc., formerly known as YourCareUniverse, Inc., (collectively, “MEDHOST”), filed their limited objection to the proposed sale of certain Panola Hospital assets and the assumption, assignment and cure of executory contracts (“MEDHOST Objection No. 1”) (Docket No. 533). On December 27, 2018, MEDHOST filed an objection to the stalking horse purchaser’s intent to assume and to be assigned certain executory contracts regarding the sale of the Panola Hospital assets (“MEDHOST Objection No. 2”) (Docket No. 603). This Supplement is intended to supplement those MEDHOST Objections and advise the Court of recent events which cast a significant cloud over the potential sale of the Panola Hospital assets.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are Curae Health, Inc. (5638); Amory Regional Medical Center, Inc. (2640); Batesville Regional Medical Center, Inc. (7929); Clarksdale Regional Center, Inc. (4755); Amory Regional Physicians, LLC (5044); Batesville Regional Physicians, LLC (4952); and Clarksdale Regional Physicians, LLC (5311).

1. On November 6, 2018, the Debtors filed their motion for the entry of an order authorizing the sale of the Panola Medical Center assets (the “Panola Sale Motion”) (Docket No. 401). Objections to the Panola Sale Motion, including objections to cure amounts, were to be filed by December 10, 2018. The MEDHOST Objection No. 1 was filed December 7, 2018 (Docket No. 533). The MEDHOST Objection No. 1 raised objections (i) to the assumption and assignment of the MEDHOST Agreements, (ii) to the cure amounts listed by the Debtors on the Panola Assumption Notice filed by the Debtors with the Panola Sale Motion, (iii) to the Debtors’ efforts to sever or bifurcate the MEDHOST Agreements per medical facility, and (iv) to the failure by the Debtors and the stalking horse purchaser to provide MEDHOST with adequate assurance of future performance of all obligations under the MEDHOST Agreements.

2. On December 11, 2018, Progressive Medical Management of Batesville, LLC, the proposed stalking horse purchaser (“Progressive”), filed its notice of Progressive’s intent to assume executory contracts and unexpired leases (the “Progressive Assumption Notice”) (Docket No. 549). In the MEDHOST Objection No. 2, MEDHOST advised the Court and all parties that the actual amount necessary to cure all defaults under the MEDHOST Agreements is approximately \$3,153,129.98 (the “Cure Amount”). MEDHOST further objected to the Progressive Assumption Notice by noting that Progressive and the Debtors have failed to provide MEDHOST with adequate assurance of future performance of all obligations required under the MEDHOST Agreements. In both MEDHOST Objection No. 1 and MEDHOST Objection No. 2, MEDHOST advised that the MEDHOST Agreements have not been assumed in accordance with all applicable requirements of U.S.C. § 365, and that in the absence of any agreement between MEDHOST and Curae Health, Inc. and/or Progressive, MEDHOST expects to discontinue its software and hosting services to the Panola Hospital facility. Moreover, in MEDHOST

Objection No. 2, MEDHOST advised the Court and all parties that if, as of the date of the closing of the purchase of the Panola Hospital, Progressive has not been properly assumed and assigned the MEDHOST Agreements and complied with all cure requirements, Progressive will have no valid rights to the software licenses or hosting facilities provided by MEDHOST. As of the date of the submission of this Supplement, the MEDHOST Agreements have not been properly assumed and assigned, and cure requirements have not been met.

3. MEDHOST has been advised by representatives of the Debtor and Progressive that one of the principals of Progressive, Dr. Kenneth Williams, has executed a purported contract for the purchase of software and hosting services from an entity known as CPSI/TrueBridge, a MEDHOST competitor. Dr. Williams executed the purported contract with CPSI/TrueBridge (titled the “TrueBridge Master Services Agreement for Panola Medical Center”) in the name of “Panola Medical Center,” a d/b/a of the Debtor Batesville Regional Medical Center, Inc. Dr. Williams, of course, has no authority whatsoever to represent the Debtors or bind the Debtors contractually. Dr. Williams’ actions were invalid, void, and of no legal effect. A second principal of Progressive, Mr. Quentin Whitwell, has advised the Debtors and MEDHOST that Progressive intends to purchase software and hosting services from MEDHOST, not CPSI/TrueBridge. The confusion created by the conflicting positions of Progressive’s principals threatens the scheduled closing of the sale of the Panola Hospital facility.

4. MEDHOST has been further advised by representatives of the Debtors that the Panola Hospital cannot function without the use of the MEDHOST software and the MEDHOST hosting services. If that is true, the Panola Hospital will close and all medical services will be

terminated if the MEDHOST Agreements are rejected. The actions of Dr. Williams have created a roadblock to closing the sale of the Panola Hospital and other assets.

WHEREFORE, and for reasons articulated in the MEDHOST Objection No. 1, MEDHOST Objection No. 2 and herein, MEDHOST objects to the assumption and assignment of the MEDHOST Agreements; MEDHOST objects to the implication in the Panola Assumption Notice and the Progressive Assumption Notice that the Cure Amount owed to MEDHOST under the MEDHOST Agreements is severable or subject to reduction. If Progressive desires to take advantage of the benefits of the MEDHOST Agreements, the proposed sale cannot close unless and until all requirements of 11 U.S.C. § 365 have been fully satisfied, including payment in full of the Cure Amount, or some other agreement acceptable to MEDHOST has been made. Further, the Debtors and Progressive must demonstrate adequate assurance of future performance of the MEDHOST Agreements. The proposed closing of the sale of the Panola Hospital and other assets cannot occur under the present circumstances.

Respectfully submitted this the 8th day of February, 2019.

/s/ Thomas H. Forrester

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CERTIFICATE OF SERVICE

I hereby certify that on February 8, 2019, a true and correct copy of the foregoing document was filed electronically. Notice of this filing will be sent by operation of the Court's electronic filing system to all parties indicated on the electronic filing receipt. Parties may access this filing through the Court's electronic filing system.

/s/ Thomas H. Forrester _____
Thomas H. Forrester