

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

In re: )  
)  
CURAE HEALTH INC., *et al.* ) Case No. 3:18-bk-05665  
) Chapter 11  
Debtors. ) Judge Charles M. Walker  
)  
) (Jointly Administered)  
)

**Objection deadline: February 21, 2019  
Hearing date: February 28, 2019, 9:00 a.m.,  
Courtroom 2, 701 Broadway, Nashville, TN**

**OBJECTION OF CHS/COMMUNITY HEALTH SYSTEMS, INC.  
TO DEBTORS' DISCLOSURE STATEMENT**

CHS/Community Health Systems, Inc. ("CHS/"), by and through its undersigned counsel, hereby objects (the "Objection") to the Debtors' Disclosure Statement for Chapter 11 Plan of Liquidation (the "Disclosure Statement") [Doc. No. 699]. The Disclosure Statement fails to include adequate information as defined in 11 U.S.C. § 1125(a)(1), and accordingly should not be approved. In support of its Objection, CHS/ states as follows:

1. CHS/ is the largest unsecured creditor in this case, with the Debtors owing CHS/ and its affiliates in excess of \$30 million. As set forth in several proofs of claim filed by CHS/ and its affiliates, CHS/'s claims arise out of, among other things, (1) promissory note, term loan, and guaranty obligations incurred by the Debtors in connection with the Debtors' purchase of the Amory, Batesville, and Clarksdale hospitals from CHS/ in 2017; (2) obligations incurred by the Debtors in connection with certain transition services agreements entered into between the Debtors and CHS/ and/or its affiliates; and (3) certain contractual guaranty obligations of CHS/ and/or its affiliates arising out the Debtors' default under leases, contracts or other agreements assigned to Debtors in connection with the Debtors' purchase of hospitals from CHS/.

2. In the Debtors' Disclosure Statement, the Debtors make reference to certain potential claims and causes of action that the Debtors' estates purport to hold against CHS/ and/or its affiliates, although the precise nature of such claims is not revealed.

3. While purporting to preserve unspecified claims against CHS/, the Debtors' Plan and Disclosure Statement contemplate a broad and sweeping third party release and exculpation of the Debtors' own principals, officers, directors, and certain affiliates. Remarkably, the Debtors seek such a release in the face of numerous facts and circumstances that strongly suggest the Debtors' business was grossly mismanaged by the very insiders and related parties the Debtors now seek to release.

4. In particular, the Debtors experienced a sudden and dramatic decline in the Debtors' financial performance following their purchase of the Amory, Batesville, and Clarksdale hospitals from CHS/. Indeed, the Amory, Batesville, and Clarksdale hospitals operated at a positive EBITDA while under the control of CHS/, yet immediately collapsed once taken over by the Debtors, resulting in a bankruptcy filing just ten months after the Debtors completed their purchase of the Clarksdale hospital. These circumstances strongly suggest that, at a minimum, the Debtors' officers and directors were not sufficiently experienced to operate a hospital, let alone to manage a multi-hospital healthcare system such as the group of hospitals acquired from CHS/.

5. Moreover, there appear to be numerous questions about the financial dealings between the Debtors and Strategic Healthcare Resources, Inc. ("Strategic"), a for-profit management company owned by the Debtors' CEO. The Debtors appear to have paid Strategic approximately \$47,000 per month for certain management, administration, consulting, and other services. However, it appears that not all payments to Strategic have been disclosed, and there

are serious questions about the value of the services provided by Strategic considering that Strategic and the Debtors appear to have egregiously mismanaged the Debtors' business, resulting in a Chapter 11 filing less than a year after the November 2017 closing of the most recent hospital purchased from CHS/.

6. CHS/ also understands that a \$5 million directors and officers insurance policy is in place, which represents a substantial source of potential recovery for creditors of the estates.

7. The foregoing facts and circumstances warrant an independent investigation into potential claims against the Debtors' officers and directors. Indeed, CHS/ believes that such investigation is likely to result in claims against the Debtors' directors, officers, and/or affiliates due to their mismanagement of the Debtors' business.

8. Notwithstanding the foregoing, the Debtors' Disclosure Statement and Plan contain a sweeping non-debtor release and exculpation of the Debtors' officers, directors, and affiliates, including Strategic, without any independent investigation whatsoever into potential causes of action against the released parties. The purported release and exculpation provisions of the Debtors' plan are entirely inappropriate and they render the plan unconfirmable on its face.

9. To the extent a Disclosure Statement supports a Chapter 11 Plan of Reorganization which is patently unconfirmable under 11 U.S.C. §1129, the Disclosure Statement should not be approved. *In re Valrico Square Limited Partnership*, 113 B.R. 794 (Bankr. S.D. Fla. 1990); *In re Unichem Corp.*, 72 B.R. 95 (Bankr. N.D. Ill. 1987), *affd.*, 80 B.R. 448 (N.D. Ill. 1987). To do so would be a waste of the time, efforts and resources of the Court, creditors and other parties-in-interest.

10. Here, because the non-debtor releases and exculpation provisions render the plan unconfirmable on its face, CHS/ respectfully submits that the Court should deny approval of the

Disclosure Statement and grant such other and further relief as the Court deems just and appropriate.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that, on the 21<sup>st</sup> day of February, 2019, notice of the filing of the foregoing was served upon all parties on the electronic service list by operation of the Court's CM/ECF system.

/s/ Paul G. Jennings