UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:		
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	Case No. 02-2250 (SMT) Jointly Administered (Chapter 11)	
Debtors.		

FILED
FEB 18 2004
Denise H. Curtis, Clerk
U.S. Bankruptcy Court for D.C.

OBJECTION OF PATHOLOGY ASSOCIATES OF CHICAGO, LTD. TO (A) MOTION OF DEBTORS PURSUANT TO SECTIONS 105(a) AND 502(b) OF THE BANKRUPTCY CODE AND RULE 9019(a) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR APPROVAL OF SETTLEMENT BY AND BETWEEN DEBTORS, CREDITORS' COMMITTEE AND NATIONAL CENTURY FINANCIAL ENTERPRISES, INC., AND ITS AFFILIATES; AND (B) MOTION OF DEBTORS TO SHORTEN TIME AND FIX DATE, TIME AND PLACE FOR HEARING AND PRESCRIBE NOTICE THEREOF TO CONSIDER THE MOTION OF DEBTORS FOR APPROVAL OF SETTLEMENT BY AND BETWEEN DEBTORS, CREDITORS' COMMITTEE AND NATIONAL CENTURY FINANCIAL ENTERPRISES, INC. AND ITS AFFILIATES

Pathology Associates of Chicago, Ltd. ("Pathology Associates of Chicago"), by and through its undersigned attorneys, hereby respectfully objects to the Motion of Debtors Pursuant to Sections 105(a) and 502(b) of the Bankruptcy Code and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure for Approval of Settlement By and Between Debtors, Creditors' Committee, and National Century Financial Enterprises, Inc., and Its Affiliates, (the "Motion to Approve Settlement") and the Motion of Debtors to Shorten Time and Fix Date, Time and Place for Hearing and Prescribe Notice Thereof to Consider the Motion to Approve Settlement (the "Motion to Shorten Notice") and in support thereof, states as follows:

INTRODUCTION

1. On November 20, 2002, Greater Southeast Community Hospital Corporation I and certain of its affiliates (collectively, the "Debtors"), including Michael Reese Medical Center

Corporation of Chicago, Illinois ("Michael Reese Hospital"), PACIN-Hadley Memorial Hospital Corporation of Washington, D.C., Pacifica Hospital of the Valley Corporation of Sun Valley, California, Pine Grove Hospital Corporation of Canoga Park California, and Doctors Community Healthcare Corporation, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§101 et seq. (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. On or about November 25, 2002, the Office of the United States Trustee appointed an official committee of unsecured creditors (the "Creditors Committee") in these bankruptcy proceedings.

3. Pathology Associates of Chicago is an entity which, prior to the commencement of these Chapter 11 cases, entered into a contract for pathology services with Michael Reese Hospital, which contract has been designated by the Debtors to be rejected. Pathology Associates of Chicago, therefore, is a creditor and party in interest and has standing to object to the Motion to Approve Settlement.

4. On February 10, 2004, the Debtors filed the Motion to Approve Settlement, pursuant to which they are seeking court approval of the proposed settlement (the "NCFE Settlement") between National Century Financial Enterprises, Inc. and its affiliates (collectively, the "NCFE Entities"), the Debtors and the Creditors Committee.

5. On February 11, 2004, the Debtors filed their Second Amended Disclosure Statement (the "Disclosure Statement") Pursuant to Section 1125 of the Bankruptcy Code for Debtors' Second Amended Joint Chapter 11 Plan of Reorganization (the "Management Plan").

THE NCFE SETTLEMENT IS NOT FAIR AND EQUITABLE IN LIGHT OF THE SUBSTANTIVE CONSOLIDATION CONTEMPLATED BY THE MANAGEMENT PLAN

6. While the NCFE Settlement contemplates a settlement with the Debtors on a substantively consolidated basis, the Debtors are, in fact, only jointly administered rather than substantively consolidated. Under the terms of the proposed Management Plan, "[t]he Debtors shall be deemed consolidated for purposes of voting on and making distributions under the [Management] Plan." *See* Disclosure Statement, page 40. The Debtors fail to provide, either in the Disclosure Statement or in the Motion to Approve Settlement, an analysis of how the NCFE Settlement with the substantively consolidated Debtors compares to the NCFE Settlement with Michael Reese Hospital individually. Therefore, it is impossible for Pathology Associates of Chicago to assess whether the NCFE Settlement is "fair and equitable". *See In re Ionosphere Clubs, Inc.*, 15 6 B.R. 414, 426 (S.D.N.Y. 1993).

7. In addition, the Debtors have not shown that the NCFE Settlement is "in the best interests" of the estate of Michael Reese Hospital. *Id.* The Debtors make general assertions about the benefit of the NCFE Settlement to the estates of the Debtors as a group – yet the Debtors are not substantively consolidated and therefore an analysis of whether the NCFE Settlement is in the best interests of each of the Debtors individually, including Michael Reese Hospital is required.

8. Substantive consolidation should not be employed when it "would benefit one set of creditors at the expense of another unless the proponent can advance some equitable reason for such a redistribution." *In re Huntco, Inc.*, 302 B.R. 35, 40 (Bankr. E.D. Mo. 2003), citing *Union Savs. Bank v. Augie/Restivo Banking Co. (In re Augie/Restivo Banking Co.)*, 860 F.2d 515, 521 (2d Cir. 1988) and *In re Circle Land & Cattle*, 213 B.R. 870, 875-76 (Bankr. D. Kan.

1997).

9. Neither the Board of Directors nor the management of Michael Reese Hospital has been asked to review and approve the NCFE Settlement, even though the NCFE Settlement purports to resolve "in excess of $600 million in secured, ownership and/or unsecured claims against the Debtors." Disclosure Statement, page 24. Accordingly, no formal analysis of the NCFE Settlement has been made by an entity which is focused on the effect of the NCFE Settlement on the estate of Michael Reese Hospital (separate from the estates of the other Debtors).

10. Furthermore, the NCFE Settlement provides that the NCFE Entities will receive 62.5% of the funds available for distribution under the Management Plan and the general unsecured claimholders will receive 37.5% of such funds. *See* Motion to Approve Settlement, ¶16. The heavier burden placed on the creditors of Michael Reese Hospital by the Management Plan and the NCFE Settlement is inappropriate when compared to the individual liability of Michael Reese Hospital to the NCFE Entities.

11. Footnote 9 to the Motion to Approve Settlement states that "[a]sserted general unsecured claims are estimated to be allowed in the amount of approximately $77 million." While the claims of the NCFE Entities asserted against the Debtors (the "NCFE Claims") exceed $600 million, it is unclear what portion of the NCFE Claims are allocable to Michael Reese Hospital. It is also unclear what portion of the general unsecured claims are allocable to Michael Reese Hospital or how Michael Reese Hospital benefited from this $600 million of debt.[1]

[1] The Claims Estimates spreadsheet attached to the Disclosure Statement as Exhibit 6 suggests that Michael Reese Hospital holds approximately 28% of the secured claims, 19% of the NCFE claims and 12% of the priority claims – yet the spreadsheet fails to include a breakdown of the unsecured claims by individual hospital.

12. In contrast to some, if not all, of the other Debtors, Michael Reese Hospital has been operating profitably and has a stand alone value – as evidenced by the fact that significant separate cash bids were made for the assets and operations of Michael Reese Hospital. Therefore, the Motion to Approve Settlement should contain an analysis of why the NCFE Settlement is in the best interests of the estate of Michael Reese Hospital.

THE SHORTENED NOTICE PERIOD FOR THE MOTION TO APPROVE SETTLEMENT IS INSUFFICIENT

13. The Motion to Approve Settlement was filed with the Court on February 10, 2004 and received by the undersigned counsel on February 11, 2004. Objections to the Motion to Approve Settlement are due on or before February 18, 2004 and a hearing is scheduled for February 23, 2004. The already short time to object is further shortened by an intervening federal holiday, leaving only four business days to review the NCFE Settlement, review the Disclosure Statement and its Exhibits, assess the adequacy thereof, and analyze the effect that substantive consolidation and the NCFE Settlement will have on the estate of Michael Reese Hospital. The Local Rules of the United States Bankruptcy Court for the District of Columbia allow eleven (11) days from the date of service to file an objection to a motion. *See* Local Rule 9013-1(b)(4). Clearly, the time to object to the Motion to Approve Settlement specified by the Debtors is insufficient.

14. In addition, the NCFE Settlement is related to issues surrounding confirmation of the Management Plan. At a minimum, the Motion to Approve Settlement should be heard at the confirmation hearing.

WHEREFORE, for the reason set forth above, Pathology Associates of Chicago, Ltd. respectfully requests that the Court (a) deny the Motion to Approve Settlement, (b) deny the Motion to Shorten Notice, and (c) grant such other relief as the Court deems equitable under the circumstances.

Respectfully Submitted,

PATHOLOGY ASSOCIATES OF CHICAGO, LTD.

By: Debra L. Felder
One of its attorneys

Douglas J. Lipke, Esq.
Allyson B. Russo, Esq.
Vedder, Price, Kaufman & Kammholz, P.C.
222 N. LaSalle Street, Suite 2600
Chicago, Illinois 60601
312.609.7500 (phone)
312.609.5005 (fax)

Monique D. Almy, Esq.
Matthew W. Cheney, Esq. (DC Bar #464013)
Debra L. Felder, Esq. (DC Bar # 480507)
Swidler Berlin Shereff Friedman, LLP
The Washington Harbour
3000 K Street, N.W.
Washington, D.C. 20007
202.424.7500 (phone)
202.424.7643 (fax)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:	:	
	:	**Case No. 02-2250 (SMT)**
GREATER SOUTHEAST COMMUNITY:	:	**Jointly Administered**
HOSPITAL CORPORATION I, et al.,	:	**(Chapter 11)**
Debtors.	:	

CERTIFICATE OF SERVICE

The undersigned certifies that on February 18, 2004, she caused a true and correct copy of the foregoing *Objection of Pathology Associates of Chicago, Ltd. to (a) Motion of Debtors Pursuant to Sections 105(a) and 502(b) of the Bankruptcy Code and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure for Approval of Settlement By and Between Debtors, Creditors' Committee and National Century Financial Enterprises, Inc., and its Affiliates; and (b) Motion of Debtors to Shorten Time and Fix Date, Time and Place for Hearing and Prescribe Notice Thereof to Consider the Motion of Debtors for Approval of Settlement By and Between Debtors, Creditors' Committee and National Century Financial Enterprises, Inc. and Its Affiliates* to be served via overnight mail and e-mail upon the parties listed on the attached Service List.

Debra L. Felder

Debra L. Felder, Esq.

Service List

Deryck A. Palmer, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
deryck.palmer@weil.com
Counsel for the Debtors

Andrew M. Troop, Esq.
Weil, Gotshal & Manges LLP
100 Federal Street
Boston, Massachusetts 02110
andrew.troop@weil.com
Counsel for the Debtors

Peter D. Isakoff, Esq.
Holly E. Loiseau, Esq.
Weil, Gotshal & Manges LLP
1501 K Street, N.W., Suite 100
Washington, DC 20005
peter.isakoff@weil.com
holly.loiseau@weil.com
Counsel for the Debtors

Kevyn D. Orr, Esq.
Jones Day
51 Louisiana Avenue
Washington, DC 20001
korr@jonesday.com
Counsel for National Century Financial Enterprises, Inc.

Michael L. Bernstein, Esq.
Charles A. Malloy, Esq.
Arnold & Porter
555 Twelfth Street, NW
Washington, DC 20004
michael_bernstein@aporter.com
charles_malloy@aporter.com
Counsel for Health Care REIT

Guy S. Neal, Esq.
Natalie Kuehn, Esq.
Sidley, Austin, Brown & Wood LLP
1501 K Street, NW, Suite 600
Washington, DC 20005
gneal@sidley.com
nkuehn@sidley.com
Counsel for Medline Industries, Inc.

David Fisher, Esq.
Corporation Counsel, D.C.
441 4th Street, NW, 6th Floor North
Washington, DC 20001
David.Fisher@dc.gov
Counsel for the District of Columbia

Michael Goodstein, Esq.
Arter & Hadden
1801 K Street, NW, Suite 3001
Washington, DC 20006
Counsel for Provident

Richard Levy, Esq.
Vik Puri, Esq.
Latham & Watkins LLC
One Sears Tower
Suite 5800
Chicago, IL 60606
richard.levy@lw.com
vik.puri@law.com
Counsel for Merrill

Sam J. Alberts, Esq.
Akin Gump Strauss Hauer & Feld LLP
133 New Hampshire Avenue, N.W.
Suite 400
Washington, DC 20001
salberts@akingump.com
Counsel for the Joint Committee of Unsecured Creditors

Dennis J. Early, Esq.
Office of the United States Trustee
115 S. Union Street, #210
Alexandria, Virginia 22314
Dennis.j.early@usdoj.gov
United States Trustee

Ted A. Berkowitz, Esq.
Farrell Fritz, P.C.
EAB Plaza
Uniondale, New York 11556-0120
tberkowitz@farrellfritz.com
Counsel for Recapitalization Proposal Proponents

Michael Goodstein, Esq.
Bailey Cavalieri LLC
10 West Broad Street, Suite 2100
Columbus, Ohio 43215-3422
michael.goodstein@baileycavalieri.com
Counsel for Provident

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:	:	
	:	**Case No. 02-2250 (SMT)**
GREATER SOUTHEAST COMMUNITY	:	**Jointly Administered**
HOSPITAL CORPORATION I, et al.,	:	**(Chapter 11)**
	:	
Debtors.	:	

ORDER ON THE OBJECTION OF PATHOLOGY ASSOCIATES OF CHICAGO, LTD. TO (A) MOTION OF DEBTORS PURSUANT TO SECTIONS 105(a) AND 502(b) OF THE BANKRUPTCY CODE AND RULE 9019(a) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR APPROVAL OF SETTLEMENT BY AND BETWEEN DEBTORS, CREDITORS' COMMITTEE AND NATIONAL CENTURY FINANCIAL ENTERPRISES, INC., AND ITS AFFILIATES; AND (B) MOTION OF DEBTORS TO SHORTEN TIME AND FIX DATE, TIME AND PLACE FOR HEARING AND PRESCRIBE NOTICE THEREOF TO CONSIDER THE MOTION OF DEBTORS FOR APPROVAL OF SETTLEMENT BY AND BETWEEN DEBTORS, CREDITORS' COMMITTEE AND NATIONAL CENTURY FINANCIAL ENTERPRISES, INC. AND ITS AFFILIATES

Upon consideration of the Motion of Debtors Pursuant to Sections 105(a) and 502(b) of the Bankruptcy Code and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure for Approval of Settlement By and Between Debtors, Creditors' Committee and National Century Financial Enterprises, Inc., and Its Affiliates, the Motion of Debtors to Shorten Time and Fix Date, Time and Place for Hearing and Prescribe Notice Thereof to Consider the Motion to Approve Settlement, and the Objection thereto filed by Pathology Associates of Chicago, Ltd. (the "Objection"), and for good cause shown and for the reasons stated on the record, it is hereby

ORDERED, that the Objection is sustained.

Signed this ___ day of _____, 2004.

S. MARTIN TEEL, JR.
UNITED STATES BANKRUPTCY JUDGE

Copies to:

Monique D. Almy, Esq.
Matthew W. Cheney, Esq.
Debra L. Felder, Esq.
Swidler Berlin Shereff Friedman, LLP
The Washington Harbour
3000 K Street, N.W., Suite 300
Washington, DC 20007
Counsel for Pathology Associates of Chicago, Ltd.

Douglas J. Lipke, Esq.
Allyson B. Russo, Esq.
Vedder, Price, Kaufman & Kammholz, P.C.
222 N. LaSalle Street, Suite 2600
Chicago, Illinois 60601
Counsel for Pathology Associates of Chicago, Ltd.

Deryck A. Palmer, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Counsel for the Debtors

Andrew M. Troop, Esq.
Weil, Gotshal & Manges LLP
100 Federal Street
Boston, Massachusetts 02110
Counsel for the Debtors

Peter D. Isakoff, Esq.
Holly E. Loiseau, Esq.
Weil, Gotshal & Manges LLP
1501 K Street, N.W., Suite 100
Washington, DC 20005
Counsel for the Debtors

Kevyn D. Orr, Esq.
Jones Day
51 Louisiana Avenue
Washington, DC 20001
Counsel for National Century Financial Enterprises, Inc.

Michael L. Bernstein, Esq.
Charles A. Malloy, Esq.
Arnold & Porter
555 Twelfth Street, NW
Washington, DC 20004
Counsel for Health Care REIT

Guy S. Neal, Esq.
Natalie Kuehn, Esq.
Sidley, Austin, Brown & Wood LLP
1501 K Street, NW, Suite 600
Washington, DC 20005
Counsel for Medline Industries, Inc.

David Fisher, Esq.
Corporation Counsel, D.C.
441 4th Street, NW, 6th Floor North
Washington, DC 20001
Counsel for the District of Columbia

Michael Goodstein, Esq.
Arter & Hadden
1801 K Street, NW, Suite 3001
Washington, DC 20006
Counsel for Provident

Richard Levy, Esq.
Vik Puri, Esq.
Latham & Watkins LLC
One Sears Tower
Suite 5800
Chicago, IL 60606
Counsel for Merrill

Sam J. Alberts, Esq.
Akin Gump Strauss Hauer & Feld LLP
133 New Hampshire Avenue, N.W., Suite 400
Washington, DC 20001
Counsel for the Joint Committee of Unsecured Creditors

Dennis J. Early, Esq.
Office of the United States Trustee
115 S. Union Street, #210
Alexandria, Virginia 22314
United States Trustee

Ted A. Berkowitz, Esq.
Farrell Fritz, P.C.
EAB Plaza
Uniondale, New York 11556-0120
Counsel for Recapitalization Proposal Proponents