

Sale of Nursing Home Giant Genesis Stalls in Court, With Judge Seeking Mathematical Comparison of Bids

Amy Stulick

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A court hearing regarding the sale of Genesis Healthcare properties continued today, with U.S. Bankruptcy Judge Stacey Jernigan indicating she would not rule on the case until she holds another hearing on the matter.

The hearing will likely be scheduled for Dec. 17, Elizabeth Green, partner at Baker Hostetler, told Skilled Nursing News.

Jernigan wants a clear mathematical comparison of bids received, including the [winning offer](#) from a ReGen Healthcare affiliate which is identified in court filings as CPE 88988, and another from newly formed Delaware company Genie 3 Partners, according to reports from [Bloomberg Law News](#) and the [Boston Globe](#).

Genesis, meanwhile, defended its choice of an up to \$155 million sale to this affiliate of an existing investor, against heightened scrutiny from creditors and the U.S. Government over potential irregularities in the auction process, multiple reports said.

Rival bidder Genie 3 offered at least \$922 million before proceedings concluded on Nov. 19, quite the difference from the up to \$155 million accepted by Genesis, according to the Globe and Bloomberg. The operator's "special restructuring committee," three people hired by Genesis, decided "in an exercise of its reasonable

business judgment" that CPE 88988 won the auction.

ReGen is a private equity company owned by Joel Landau, who also owns another private equity firm called Pinta Capital Partners; ReGen has at least 93% equity in Genesis.

The sale would allow the company to escape much of the \$1 billion in claims against it, some from families of patients who injured or died in the company's facilities, according to the Globe. The Genie 3 bid would have allowed some of the financial claims against Genesis to continue, but the winning bid wiped out most of them, the Globe reported.

The sale has caught the attention of Democratic lawmakers, who argued that the troubled nursing home giant is proposing to sell itself to the same people who were leading the company as it faced patient mistreatment lawsuits; these individuals made financial and management decisions that preceded its bankruptcy as well, they said.

Lisa Lambert, the U.S. Trustee in Texas, said Jernigan should deny the sale until the court can determine if it is fair and equitable, and whether it's "the product of arms-length bargaining," the Globe reported.

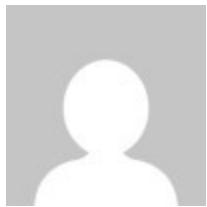
The lawmakers filed objections in an [amicus brief](#) which supports 339 plaintiffs, mostly families or estates of patients who died in Genesis facilities. Jernigan was also asked to appoint an independent person to review November's auction, arguing that Genesis controlled the bidding process and awarded the sealed bid to itself.

This is despite signs that there were better and higher offers, the lawmakers wrote.

The nursing home giant filed [Chapter 11 bankruptcy](#) in July. Genesis currently operates 175 nursing homes in 18 states.

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