Bankruptcy

Genesis Healthcare Creditors Challenge Insider Sale, Move to Sue

December 5, 2025, 1:59 PM EST

Summary by Bloomberg AI

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- Creditors are challenging the selection of an insider to acquire Genesis Healthcare Inc.'s assets, citing concerns over the buyer's secured debt and seeking an independent examiner to investigate the auction.
- A committee of unsecured claimholders is seeking court permission to pursue a lawsuit against Genesis insiders, including Joel Landau and Welltower Inc., with potential claims worth more than $150 million.
- The committee and other creditors are objecting to the value of secured term loan claims and the auction process, alleging that Genesis can't be trusted to select a winning bid fairly and that the sale process was "flawed and opaque".

Bankrupt nursing home giant Genesis Healthcare Inc.'s selection of an insider to acquire its assets has come under attack by creditors challenging the buyer’s secured debt and claimants seeking an independent examiner to investigate the auction.

A committee of Genesis’ unsecured claimholders also sought court permission Thursday to pursue a wide-ranging lawsuit against Genesis insiders, including health-care entrepreneur Joel Landau and publicly-traded real estate investment trust Welltower Inc.

The motion, filed in the US Bankruptcy Court for the Northern District of Texas, estimates the potential claims to be worth more than $150 million.

The committee objected to the value of about $317.8 million in secured term loan claims held by Welltower, Landau’s entities, and others, arguing the debt is undersecured and the liens aren’t fully perfected. The committee said the secured positions should be reduced to no more than $123.5 million and the rest treated as an unsecured claim.

The pushback comes after a ReGen Healthcare LLC affiliate was selected on Dec. 1 to buy most of the assets of Genesis, one of the largest nursing home operators in the US. ReGen is an affiliate of Pinta Capital Partners, the private equity group co-founded by Landau.

The ReGen affiliate was already an investor in Pennsylvania-based Genesis and was tapped to set the floor price for bidding.

A group of 338 wrongful death and personal injury tort claimants on Thursday also asked the court to appoint an independent examiner to investigate the "flawed and opaque" auction for the assets, alleging that Genesis can't be trusted to select a winning bid fairly.

The group's attorney, John Anthony of Anthony and Partners PLLC, said its firm represents $380 million of claims across 73 law firms and 20 states.

"Because of the 'cloak and dagger' tactics that we perceive from our vantage point, our clients requested appointment of an objective examiner to investigate the labyrinthine auction process, and weigh the two bids without a hand on the scale," Anthony said.

Genesis, which runs 175 facilities in the US, filed Chapter 11 in July. It blamed its troubles on rising labor costs and other operating expenses following the Covid-19 pandemic.

The claimholder committee asked the court to allow it to sue Landau, Welltower, ReGen, Pinta, and others on behalf of the Genesis estate for alleged fraudulent transfers, breach of fiduciary duty, RICO violations, and other claims potentially worth more than $150 million, according to court papers.

Allowing creditor standing will prevent Genesis from extinguishing valuable claims through the sale, including anticipated releases for Landau and others, the committee said.

Landau and Welltower, an REIT in the senior housing sector, forged an alliance at the expense of Genesis, its patients, and its creditors, according to the committee's proposed complaint. Welltower, Genesis' largest landlord and a major lender, installed Landau to control Genesis and protect its interests as the company was on the brink of insolvency in 2020, the complaint said.

The actions by Landau, Welltower, and others hurt Genesis' finances and the vulnerable residents in its care, the committee alleged.

Creditors also cited problems in the auction process, arguing that Genie 3 Partners LLC emerged as a credible and higher bidder and that Genesis violated the court's bidding procedures by taking 12 days to announce a winner instead of the required one day.

Nursing home executive Jacob Sod has interests in one of two LLCs that own Genie, according to court papers. Sod is associated with Milrose Capital LLC, a private investment firm that focuses on real estate investments and health care, according to its website.

Genesis has refused to explain its justification for choosing ReGen and has artificially deflated the value of the estate's causes of action to make the ReGen's bid appear higher, while giving it full credit for assuming secured debts that are up for objections, creditors said.

A sale hearing is scheduled for Dec. 10.

Genesis didn't immediately respond to a request for comment on Friday.

McDermott Will & Schulte LLP represents Genesis. The ReGen affiliate is represented by DLA Piper LLP. The unsecured claimholders' committee is represented by Stinson LLP and Proskauer Rose LLP.

The case is Genesis Healthcare Inc., Bankr. N.D. Tex., No. 25-80185, motion 12/4/25.

To contact the reporter on this story: James Nani in New York at jnani@bloombergindustry.com

To contact the editor responsible for this story: Maria Chutchian at mchutchian@bloombergindustry.com

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