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Investors sue hospital, former CEO

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WRITTEN BY BYRON HENSLEY | 09 AUGUST 2010

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A complaint against United Regional Medical Center and its former CEO, Bob George, was filed Monday on behalf of investors in the company in Coffee County Chancery Court, on the heels of suit filed by George against URM. The complaint, a member derivative brought on behalf of Coffee Medical Group, LLC, by members Lisa Veteto and the Fairmont Group, LLC, alleges that George "breached his fiduciary duty and standard of care to the Company by, among other things, failing and refusing to provide financial and business records to members of the Company to which they were statutorily and contractually required to produce, diverting assets for his own use, failed to fairly and accurately report the operations and financial condition of URM, and mismanagement of corporate assets...This action, brought on behalf of URM, seeks to remedy the harms caused to the Company."

The action falls on the heels of actions taken last week by George against URM, as reported in The Saturday Independent.

Veteto's attorney, John LaBar emphasized that the complaint names URM as a "nominal defendant." LaBar said that is typical for member derived actions, in which a member or investor sues the company for the company's benefit when the member or investor believes actions by governors or officers is hurting the company."

According to the complaint, "From its inception, URM has reported positive results to its members and in publicly disseminated press releases...Despite the positive outlook presented by URM to its members and the public, by and through the actions of its officers and governors in disseminating such information, the Plaintiffs began to have serious doubts as to the financial condition of the Company..."

"During 2009, James Veteto, the sole member of the Plaintiff, The Fairmont Group, LLC, and the husband of the Plaintiff, Lisa Veteto, expressed his concerns to Defendant, Robert George, on several occasions and requested additional information about the Company...Company refused to provide such information and instead, directed James Veteto to address all further inquiries to the attorney for URM, Mark Williams."

The complaint continues that the Vetetos sent a number of letters demanding that URM provide them certain financial records and statements which the complaint contends they were entitled and that the company failed and refused to comply.

The complaint continues that at the annual membership meeting of Coffee Medical Group, held June 27, it was announced that George had been removed from his position of CEO of URM "for reasons which the Board of Governors did not wish to discuss...it was also announced that several months prior, the Board...had retained Quorum Health Resources to review the business operations of the company due to irregularities which had been discovered.

"On information and belief, Plaintiffs believe and allege that Defendant George has diverted corporate assets for his own use. To date, Defendant George and URM have refused to provide the documentation which would prove whether or not those beliefs are correct; and, therefore, the exact details of those allegations cannot be made until Defendant George and URM are forced to provide the information with which to confirm or deny these allegations...If Defendant George has diverted corporate assets for his own use, then URM should recover all of those sums, plus pre-judgment interest from Defendant George."

In addition, the complaint requests that URM be required to produce all corporate

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records necessary to fully and completely establish the financial circumstances of URM and the disposition of all corporate funds and sums due URM since Jan. 1, 2005; and that the court grant URM a judgment against George for any sums wrongfully diverted from URM, prejudgment interest, compensatory and punitive damages, and any damages due the plaintiffs.

The Saturday Independent reported on July 31 that George had filed suit against URM on Thursday after being informed on July 23 that he would not be paid his base salary "as a result of some investigation," according to the complaint filed by George's attorney, Tim Pirtle.

According to Pirtle, the terms of George's employment contract with URM, George is entitled to 24 months of pay and benefits, and that George be given notice of any deficiencies in his performance as CEO, and a period of 60 days to cure any such deficiencies, with continuation of salary and benefits.

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Melting in the heat

There is something about the summer that makes people impatient. A common cliché used this time of year is that 'people are reaching their boiling point' when describing conflict. It makes sense, I guess. Our outward environment definitely can impact us. If the temperature is hot and the humidity is high on the outside, then our internal thermostat can easily explode if we are not careful.

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