

# **Bond Case Briefs**

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## **HOSPITALS - OHIO**

### **The CIT Group/Equipment Fin., Inc. v. Brown Cty.**

**Court of Appeals of Ohio, Twelfth District, Brown County - December 15, 2014 - Slip Copy - 2014 -Ohio- 5489**

Two municipal lease agreements were entered into by CIT and Brown County General Hospital (the Hospital). CIT is a company that leases medical equipment. The Hospital is a county hospital created by statute whereby a board of Hospital Trustees (Hospital Trustees) is appointed to govern the Hospital. The lease agreements were entered into by CIT and the Hospital in early 2008 regarding an MRI and related site improvements. Both leases were signed by the president and CEO of the Hospital, Michael C. Patterson, and authorized by the Hospital Trustees.

In 2007, the Hospital was facing financial troubles and to alleviate the budget crisis, the Hospital Trustees presented the Brown County Board of Commissioners (Board of Commissioners) with a request to issue \$5 million in bonds. The Board of Commissioners approved the issuance of \$5 million worth of revenue bonds. These revenue bonds were secured solely by the Hospital's revenues as opposed to the full faith and credit of the county.

On January 6, 2011, having defaulted on the leases and facing the insolvency, the Hospital was sold to Southwest Healthcare Services, LLC (Southwest).

On August 7, 2013, CIT filed suit against Southwest and Brown County, claiming that they were jointly and severally liable for default on the two leases. Motions for summary judgment were subsequently filed by CIT and Brown County. The trial court granted summary judgment in favor of CIT in regard to its claim against Southwest. Regarding CIT's claim against Brown County, the trial court granted summary judgment in favor of Brown County. The trial court found that as a matter of law, no principal/agent relationship existed between Brown County and the Hospital, either by statute or conduct. Further, the trial court found that the language in the previously-executed Forbearance and Assignment and Assumption Agreements was clear that CIT was to look to the Hospital exclusively for satisfaction of the leases. In turn, Southwest had assumed the Hospital's obligations. CIT appealed as to the grant of summary judgment in favor of Brown County.

The Court of Appeals affirmed, finding that Brown County was entitled to judgment as a matter of law because no agency relationship existed between Brown County and the Hospital Trustees. In addition, even if such a relationship did exist, the proper procedures were not satisfied in order to bind the county to the contracts.