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BANKRUPTCY - ALABAMA

In re Jackson Hospital & Clinic, Inc.

United States Bankruptcy Court, M.D. Alabama - May 15, 2025 - Slip Copy - 2025 WL 1419423

In connection with the bankruptcy of Jackson Hospital and Clinic ("Debtors"), Debtors filed an Emergency Motion to Amend Employment Applications of the law firms and consultants (the "Professionals") retained by Debtors in connection with the bankruptcy. (the "Motion"). UMB Bank, N.A. filed an objection to the Debtors' Emergency Motion to Amend Employment Applications (the "Objection").

The Professionals sought to amend their employment applications, such that the scope of their employment is expanded to include the potential representation of The Medical Clinic Board of the City of Montgomery, Alabama (the "Medical Clinic Board") in any necessary restructuring efforts.

As the Bankruptcy Court explained, "The Debtors operate their businesses on real property and with the use of certain essential equipment and other personal property owned by the Medical Clinic Board pursuant to, without limitation, that certain Series 2015 Supplemental and Restated Lease Agreement between The Medical Clinic Board of the City of Montgomery, Alabama and Jackson Hospital & Clinic, Inc. dated as of December 1, 2015 (the "Lease Agreement"). Under the Lease Agreement, the Debtors pay rent that equals the debt service obligations under the Health Care Facility Revenue Bonds, Jackson Hospital & Clinic Series 2015. The bonds were issued by the Medical Clinic Board under the Series 2015 Bond Trust Indenture between the Medical Clinic Board and Regions Bank, as trustee, dated December 1, 2015. Under this debt and lease structure and through other transactions with the Medical Clinic Board, the Debtors have been able to purchase, finance, and utilize real and personal property owned by the Medical Clinic Board in a manner that provides favorable tax attributes to the Debtors."

"The Medical Clinic Board does not have a bank account and does not engage in day-to-day business operations. In most respects, the Medical Clinic Board serves primarily as a pass-through entity for the benefit of the Debtors. However, contrary to the Debtors' assertions, the Medical Clinic Board does have its own independent board of directors and officers. It was through the Medical Clinic Board's board of directors, for example, that bonds were authorized and the Lease Agreement was executed."

The Bankruptcy Court denied the Emergency Motion to Amend Employment Applications.

The Bankruptcy Court noted that the Debtors sought an order from the Court authorizing the Professionals to represent the Medical Clinic Board when the Medical Clinic Board currently is not a debtor. In addition, the Medical Clinic Board was not a debtor in possession. As such, the Medical Clinic Board is not a party that the Professionals can be employed to represent. The Medical Clinic Board has no duties under the Bankruptcy Code for which the Professionals can offer assistance. The Court lacks authority to approve or disapprove the selection of attorneys for non-debtor parties.

Accordingly, the Court concluded that it was the duty of the Court to refrain from granting the

Motion.

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