

**STATE OF TENNESSEE
FOURTEENTH JUDICIAL DISTRICT
CHANCERY COURT OF COFFEE COUNTY**

FILED

AUG 02 2010

CHANCERY COURT,
COFFEE COUNTY, TN
TIME 9:53 AM

**LISA VETETO, and THE FAIRMONT)
GROUP, LLC, a Kentucky limited)
liability company,)**

Plaintiffs,

vs.

Case No. 10-282

ROBERT GEORGE,

Defendant,

vs.

**COFFEE MEDICAL GROUP, LLC, a)
Tennessee limited liability company,)**

Nominal Defendant.

COMPLAINT

Come the Plaintiffs, Lisa Veteto, and The Fairmont Group, LLC, a Kentucky limited liability company, both individually, and derivatively on behalf of the Nominal Defendant, Coffee Medical Group, LLC, a Tennessee limited liability company, d/b/a United Regional Medical Center (hereinafter "URMC" or the "Company"), and hereby allege upon personal belief as to themselves and their own acts, and upon information and belief as to all other matters as follows:

NATURE OF THE ACTION

1. This a member derivative action brought on behalf of Coffee Medical Group, LLC d/b/a United Regional Medical Center against the Company's Chief Executive Officer,



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GABRIEL & LABAR, P.L.L.C.

ATTORNEYS AT LAW
100 NORTH JACKSON STREET
TULLAHOMA, TENNESSEE

Robert George, for breaches of fiduciary duty, standard of care, waste of corporate assets and violations of the Tennessee Limited Liability Company Act.

2. URMC is a company engaged in the business of operating an acute-care, full-service community hospital and nursing home.

3. The Complaint alleges that the Defendant 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 corporate assets for his own use, failed to fairly and accurately report the operations and financial condition of URMC, and mismanagement of corporate assets.

4. This action, brought on behalf of URMC, seeks to remedy the harms caused to the Company by the course of conduct described herein and to prevent URMC from continuing to suffer such harms in the future.

JURISDICTION AND VENUE

5. Plaintiffs re-state, re-aver, adopt, and re-allege each and every allegation contained in the previous paragraphs as if fully rewritten or restated herein in their entirety.

6. The claims asserted herein arise under Tennessee statutory and common law.

7. This Court has jurisdiction over all causes of action asserted herein pursuant to Tennessee Code Annotated §§ 48-230-101 *et seq.*, which authorizes derivative actions by members of limited liability companies.

8. Venue is proper in Coffee County, Tennessee. The Defendant George is a resident of Coffee County, Tennessee. The principal place of business and registered office of URMC is located in Coffee County, Tennessee. The wrongful acts alleged herein occurred in Coffee County, Tennessee.



HENRY, McCORD, BEAN, MILLER,
GABRIEL & LABAR, P.L.L.C.

ATTORNEYS AT LAW
300 NORTH JACKSON STREET
TULLAHOMA, TENNESSEE

PARTIES

9. Plaintiffs re-state, re-aver, adopt, and re-allege each and every allegation contained in the previous paragraphs as if fully rewritten or restated herein in their entirety.

10. Plaintiff, Lisa Veteto (hereinafter "Veteto"), is a resident and citizen of Kentucky, residing at 2134 Rutledge Falls, Tullahoma, Coffee County, Tennessee. Veteto presently holds, and at all times relevant hereto, held a membership interest in Coffee Medical Group, LLC d/b/a United Regional Medical Center (hereinafter "URMC" or the "Company").

11. Plaintiff, The Fairmont Group, LLC (hereinafter "Fairmont Group"), is a Kentucky limited liability company with its principal place of business located at 178 Early Wyne Drive, Taylorsville, Kentucky. Fairmont Group presently holds, and at all times relevant hereto, held a membership interest in URMC.

12. Veteto and the Fairmont Group, by and through their attorneys, bring this ~~action on their own behalf and derivatively on behalf of Coffee Medical Group, LLC and its~~ Members.

13. Coffee Medical Group, LLC d/b/a United Regional Medical Center is a Tennessee limited liability company with its principal office located at 1001 McArthur Street, Manchester, Coffee County, Tennessee. URMC's registered agent for service of process is Mark Williams, 121 North Irwin Street, Manchester, Tennessee 37355.

14. Defendant, Robert George (hereinafter "George"), is a resident and citizen of Coffee County, Tennessee, residing at 164 Roberts Lane, Manchester, Tennessee 37355.

15. Defendant George, at all relevant times, was the Chief Executive Officer of URMC and as such Chief Executive Officer of URMC, owed a duty to URMC and its members to be reasonably informed about the business, operations and finances of the



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ATTORNEYS AT LAW
300 NORTH JACKSON STREET
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Company.

FACTUAL BACKGROUND

16. Plaintiffs re-state, re-aver, adopt, and re-allege each and every allegation contained in the previous paragraphs as if fully rewritten or restated herein in their entirety.

17. UPMC was founded on June 7, 2002, by registration of its Articles of Organization with the Tennessee Secretary of State.

18. UPMC is engaged in the business of operating an acute-care full-service community hospital and nursing home located at 1001 McArthur Drive, Manchester, Tennessee 37355.

19. From its inception, UPMC has reported positive results to its members and in publicly disseminated press releases.

20. Despite the positive outlook presented by UPMC 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.

21. During 2009, James Veteto, the sole member of the Plaintiff, The Fairmont Group, LLC, and husband of the Plaintiff, Lisa Veteto, expressed his concerns to Defendant, Robert George, on several occasions and requested additional information about the Company.

22. Company refused to provide such information and instead, directed James Veteto to address all further inquiries to the attorney for UPMC, Mark Williams.

23. James and Lisa Veteto, by and through counsel, by correspondence dated October 9, 2009, (the "First Demand Letter") (a copy of which is attached hereto as **Exhibit A** and incorporated herein by reference), requested that the Company, pursuant to T.C.A. §§ 48-228-101 *et seq.* and the relevant provisions of the Company's Operating Agreement,



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ATTORNEYS AT LAW
300 NORTH JACKSON STREET
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provide to the Plaintiffs certain corporate records to which they were entitled.

24. Plaintiffs also requested in the First Demand Letter, pursuant to T.C.A. §§ 48-228-201 *et seq.*, that the Company provide to them certain financial records and financial statements of the Company to which they were statutorily entitled.

25. Notwithstanding the First Demand Letter, the Company failed and refused to provide any of the required information.

26. James and Lisa Veteto, by and through counsel, by correspondence dated October 30, 2009 (the "Second Demand Letter") (a copy of which is attached hereto as **Exhibit B** and incorporated herein by reference), again requested that the Company provide the financial and business records to which they were statutorily and contractually entitled.

27. Notwithstanding the Second Demand Letter, the Company failed and refused to provide any of the required information.

28. Plaintiffs by and through counsel, by correspondence dated November 30, 2009, (the "Third Demand Letter") (a copy of which is attached hereto as **Exhibit C** and incorporated herein by reference), requested an update on the possible purchase of Plaintiffs membership interest and that if such was not to be accomplished that the Plaintiffs would require the Company to provide the financial and business records to which they were statutorily and contractually entitled.

29. Notwithstanding the Third Demand Letter, the Company failed to communicate with the Plaintiffs; and, the Company refused to provide any of the requested financial and business records.

30. Plaintiffs by and through counsel, by correspondence dated January 22, 2010, sent individual letters to Defendant George, in his capacity as President and Chief Executive Officer of URMC, and the attorney for URMC (the "Fourth Demand Letter") (copies of which are attached hereto as collective **Exhibit D** and incorporated herein by reference),



HENRY, McCORD, BEAN, MILLER,
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300 NORTH JACKSON STREET
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requesting an update on the possible purchase of Plaintiffs membership interest; and, if such was not to be accomplished, the Plaintiffs requested the Company to provide the financial and business records to which they were statutorily and contractually entitled.

31. Notwithstanding the Fourth Demand Letter, the Company failed and refused to provide any of the requested information.

32. On March 27, 2010, James Veteto, on behalf of the Plaintiffs sent individual letters (the "Governor Demand Letters") to each member of the Board of Governors of URMC requesting that the purchase of Plaintiffs' membership interest in the Company either be completed or that all of the requested financial and business records to which the Plaintiffs were statutorily and contractually required to receive be provided by the Company.

33. James Veteto also included with the Governor Demand Letters an outline of the previous attempts made to obtain the requested business and financial records and, in addition, attached a copy of the First Demand Letter.

34. Notwithstanding the Governor Demand Letters, as of the date of this Complaint, ~~Defendant George, the Board of Governors and the Company have failed and~~ refused, after demand, to provide any of the requested financial and business records in violation of the Operating Agreement of the company, T.C.A. §§ 48-228-101 *et seq.* and T.C.A. §§ 48-228-201 *et seq.*

35. On June 27, 2010, Coffee Medical Group, LLC held an annual membership meeting.

36. At said annual membership meeting, it was announced that Defendant George had been removed from his position as Chief Executive Officer of URMC for reasons which the Board of Governors did not wish to discuss.

37. At said annual membership meeting, it was also announced that several months prior, the Board of Governors had retained Quorum Health Resources to review the



business operations of the company due to irregularities which had been discovered.

COUNT I
Corporate Audit

38. Plaintiffs re-state, re-aver, adopt, and re-allege each and every allegation contained in the previous paragraphs as if fully rewritten or restated herein in their entirety.

39. Plaintiffs, as members of the Company, have repeatedly demanded that the Company, its Chief Executive Officer and the Board of Governors produce certain financial information and corporate records to which they are statutorily and contractually entitled and for the Company and the Board of Governors to address serious financial and business concerns as expressed by the Plaintiffs and there counsel.

40. The Company by and through its officers and board members have wrongfully refused to do so despite repeated demands through counsel. This is a violation of T.C.A. §§ 48-228-101 *et seq.* and §§ 48-228-201 *et seq.*

41. URMC should be required to produce all corporate records, all financial records, and to submit to a corporate audit by an independent certified professional accountant so that this Court and the members of URMC can evaluate the current financial circumstances of the Company and the extent to which Defendant George may have diverted corporate assets for his own use and purpose.

COUNT II
Defendant George Wrongful Acts

42. Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.



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43. On information and belief, Plaintiffs believe and allege that Defendant George has diverted corporate assets for his own use. To date, Defendant George and UPMC 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 UPMC are forced to provide the information with which to confirm or deny these allegations.

44. If Defendant George has diverted corporate assets for his own use, then UPMC should recover all of those sums, plus pre-judgment interest from Defendant George.

COUNT III

Violation of Standard of Conduct and Breach of Fiduciary Duty

45. Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.

46. That Defendant George through his wrongful actions as set forth herein above, has failed to perform his duties as an officer of UPMC in that his actions were not taken in good faith, were not given the care an ordinarily prudent person in a like position would exercise under similar circumstances and were not in a manner that Defendant George, in his position as an officer, believed to be in the best interests of UPMC.

47. That Defendant George, by his fiduciary duties of care, good faith and loyalty, also owed to UPMC a duty to ensure that the Company's financial reporting fairly presented, in all material respects, the operations and financial condition of UPMC.

48. That Defendant George's, intentional violation and/or reckless disregard of his standard of conduct as an officer, his breaches of his fiduciary duties of care, loyalty,



HENRY, MCCORD, BEAN, MILLER,
GABRIEL & LABAR, P.L.L.C.

ATTORNEYS AT LAW
300 NORTH JACKSON STREET
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accountability and disclosure to members has harmed the Plaintiffs and the Company for which they are entitled to recover damages from Defendant George, personally.

49. Plaintiffs, as members and representatives of URMC, seek damages and other relief for the Company as hereinafter set forth.

COUNT IV
Negligent Breach of Fiduciary Duty

50. Except to the extent they allege intentional or reckless misconduct by any Defendant herein, Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.

51. As set forth in this Complaint, Defendant George engaged in the aforesaid conduct without exercising the reasonable and ordinary care owed to the Company by an officer and employee of the Company.

~~52. URMC and its members have been injured by reason of Defendant George's~~
negligent breaches of his fiduciary duties.

53. Plaintiffs, as members and representatives of URMC, seek damages and other relief for the Company as hereinafter set forth.

COUNT V
Mismanagement of Corporate Assets

54. Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.



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55. By his actions alleged herein, Defendant George, either directly or through aiding and abetting, abandoned his responsibilities and fiduciary duties with regard to prudently managing the assets and business of URMC in a manner consistent with the operations of a limited liability company.

56. As a direct and proximate result of Defendant George's mismanagement and breaches of his duties and standard of care alleged herein, URMC has sustained significant damages for which it is entitled to recover.

COUNT VI
Judicial Intervention

57. Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.

58. This is a proceeding for judicial intervention pursuant to T.C.A. § 48-245-901.

59. As set forth herein above, Defendant George and URMC, by and through its current Board of Governors, have acted, are acting and most likely will continue to act in a manner that is illegal, oppressive and fraudulent with respect to the operations of URMC.

60. That the wrongful actions of Defendant George have caused, and continue to cause the assets of URMC to be misapplied and wasted.

61. That the wrongful actions of Defendant George as set forth above have substantially harmed the Plaintiffs and URMC.

62. That judicial intervention is necessary for the safekeeping, collection, management, and disposition of the Company's property and to achieve the substantial ends of justice and to prevent further harm to the Company.



COUNT VII
Shareholder Derivative Action

63. Plaintiffs restate, re-aver, adopt and re-allege each and every allegation as contained in the previous paragraphs as if same were fully rewritten and restated herein in their entirety.

64. Plaintiffs bring this action derivately pursuant to T.C.A. §§ 48-230-101 *et seq.* and Tenn. R. Civ. Proc. 23.06, on behalf of and for the benefit of URMC, to remedy the wrongdoing alleged herein.

65. Plaintiffs at all times during the events alleged in this Complaint, and as of the date of this Complaint, continue to hold membership interest in URMC.

66. Plaintiffs will fairly and adequately represent the interests of the members similarly situated in enforcing the right of the Company and has retained competent counsel, experienced and successful in corporate litigation to prosecute this action.

67. As evidenced by the First Demand Letter, the Second Demand Letter, the Third Demand Letter, the Fourth Demand Letter and the Governor Demand Letters, Plaintiffs have taken all reasonable actions in order to try and get the officers and governors of URMC to provide the corporate and financial records which Plaintiffs have repeatedly requested and to address Plaintiffs' concerns.

68. Defendant George, as Chief Executive Officer of URMC, and the current Board of Governors, have failed and refused to provide the corporate and financial records and statements which Plaintiffs have requested and have failed to take any action to address the concerns of the Plaintiffs.

69. The wrongful nonfeasance and misfeasance of Defendant George and the current board of governors (as set forth above), have substantially harmed URMC, Plaintiffs



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GABRIEL & LABAR, P.L.L.C.

ATTORNEYS AT LAW
300 NORTH JACKSON STREET
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and other members of the Company for which Plaintiffs and URMC are entitled to recover.

PRAVERS FOR RELIEF

IN WITNESS WHEREOF, with respect to all Counts set forth in this Complaint, Plaintiffs demand judgment against the Defendants as follows:

1. That proper process be issued upon the Defendants and that they be required to answer within the time period allotted by law.

2. That at the expense of Defendant George, that URMC be required to produce all corporate records necessary to fully and completely establish the financial circumstances of URMC and the disposition of all corporate funds and sums due URMC since January 1, 2005.

3. That this Court enter an Order granting URMC a judgment against Defendant George for all sums wrongfully diverted from URMC, plus prejudgment interest.

4. That this Court enter an Order granting URMC a judgment against Defendant George for compensatory and punitive damages for Defendant George's intentional wrongful acts against URMC.

5. That this Court enter an Order granting URMC and the Plaintiffs a judgment against Defendant George, personally, for all damages incurred by Plaintiffs as a result of Defendant George's, breach of his standard of conduct and fiduciary duties, including reasonable attorney's fees, accountants' fees, interest, costs and other reasonable expenditures incurred by the Plaintiffs in the prosecution of this action.

6. That this Court enter an Order at its earliest convenience regarding the Plaintiffs request for judicial intervention, with such Order granting to the Plaintiffs such equitable relief that it considers just and reasonable under the circumstances of this cause.

7. That this Court enter an Order that a receiver be appointed for URMC with



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ATTORNEYS AT LAW
300 NORTH JACKSON STREET
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the full authority to run the day-to-to management and business affairs of the Company.

8. That this Court enter an Order granting URMC a judgment against Defendant George for all wrongful acts.

9. That this Court enter an Order granting Plaintiffs a judgment pursuant to statute, for all of their reasonable attorney's fees, accountant's fees, expert's fees, interest, costs and other reasonable expenditures incurred by them in the prosecution of this action on behalf of URMC pursuant to the provisions of T.C.A. §§ 48-230-101 *et seq.*

10. That this Court enter an Order granting URMC a judgment against the Defendants for any other damages or losses suffered by URMC as a result of the actions described herein.

11. In the alternative, this Court enter an Order granting Plaintiffs a judgment against the Defendants for unspecified compensatory damages for the Defendants', plus prejudgment interest.

12. In the alternative, this Court enter an Order granting Plaintiffs a judgment against the Defendants for any other damages or losses suffered by Plaintiffs as a result of the actions described herein.

13. For such other, further, special, extraordinary and general relief to which the Plaintiffs are entitled under the circumstances of this cause.



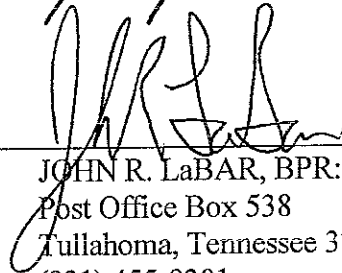
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ATTORNEYS AT LAW
300 NORTH JACKSON STREET
TULLAHOMA, TENNESSEE

RESPECTFULLY SUBMITTED this 2nd day of August 2010.

**HENRY, McCORD, BEAN, MILLER, GABRIEL
& LaBAR, P.L.L.C.**

By: 
CLIFTON N. MILLER, BPR: #014958

By: 
JOHN R. LaBAR, BPR: #020843
Post Office Box 538
Tullahoma, Tennessee 37388
(931) 455-9301

*Attorneys for Lisa Veteto and The Fairmont Group,
LLC*

[VERIFICATIONS ON NEXT PAGE]



HENRY, McCORD, BEAN, MILLER,
GABRIEL & LaBAR, P.L.L.C.

ATTORNEYS AT LAW
300 NORTH JACKSON STREET
TULLAHOMA, TENNESSEE

STATE OF TENNESSEE

COUNTY OF COFFEE

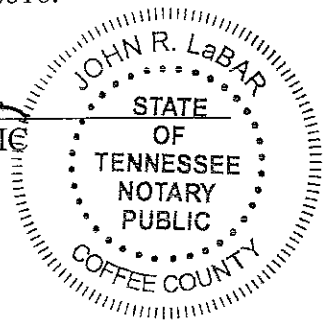
LISA VETETO, after being duly sworn according to law, makes oath and says that the allegations contained in the foregoing Complaint are true of her own knowledge and that the same are not made out of levity or by collusion with the Defendants, but in sincerity and truth, and for the causes stated in the Complaint, and that the Plaintiffs are justly entitled to the redress sought, to the best of her knowledge and belief.

Lisa Veteto

LISA VETETO

SWORN TO and Subscribed before me this 30th day of July 2010.

John R. LaBar
NOTARY PUBLIC



My Commission Expires: Sept 12, 2012

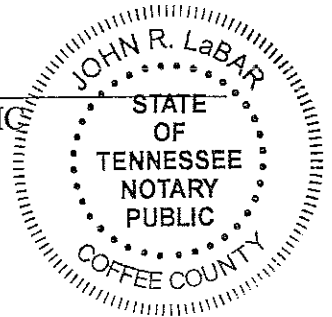
STATE OF TENNESSEE
COUNTY OF COFFEE

JAMES VETETO, managing member of **THE FAIRMONT GROUP, LLC**, a Kentucky limited liability company, after being duly sworn according to law, makes oath and says that the allegations contained in the foregoing Complaint are true of his own knowledge and that the same are not made out of levity or by collusion with the Defendants, but in sincerity and truth, and for the causes stated in the Complaint, and that the Plaintiffs are justly entitled to the redress sought, to the best of his knowledge and belief.

James Veteto
JAMES VETETO

SWORN TO and Subscribed before me this 30th day of July 2010.

John R. LaBar
NOTARY PUBLIC



My Commission Expires: Sept 12, 2012



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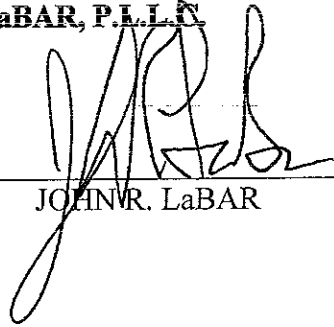
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COST BOND

We are sureties for court costs in this case not to exceed the sum of Five Hundred Dollars (\$500.00).

**HENRY, McCORD, BEAN, MILLER, GABRIEL
& LaBAR, P.L.L.C.**

By: _____



JOHN R. LaBAR

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300 NORTH JACKSON STREET
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