In re Adeptus Health Securities Litigation

COURT: United States District Court for the Eastern District of Texas
CASE NUMBER: 4:17-CV-0449-ALM
CLASS PERIOD: 06/25/2014 - 03/01/2017
CASE LEADERS: Jeremy P. Robinson, Abe Alexander

Please note the Claim Form is no longer available.

This is a securities fraud class action on behalf of a class of persons and entities who purchased or acquired the securities of Adeptus Health Inc. ("Adeptus" or the "Company") from June 25, 2014 through March 1, 2017, inclusive (the "Class Period"), including purchasers of Adeptus common stock in the Company's public offerings. On August 31, 2017, the Honorable Amos Mazzant appointed the Arkansas Teacher Retirement System as co-Lead Plaintiff and BLB&G as co-Lead Counsel for the Class.

Plaintiffs Have Settled The Action for $44 Million

Lead Plaintiffs Alameda County Employees' Retirement Association and Arkansas Teacher Retirement System and additional named plaintiff Miami Fire Fighters' Relief and Pension Fund (collectively, "Plaintiffs"), on behalf of themselves and the Settlement Class, have settled the Action for $44,000,000 in cash, resolving all claims in the Action (the "Settlement").

On May 20, 2020, following a hearing, the Court approved the Settlement and entered a Judgment approving the Settlement, an order approving the proposed Plan of Allocation, and an order awarding attorneys' fees and litigation expenses.

If you are a member of the Settlement Class, your rights will be affected and you may be eligible for a payment from the Settlement. The Settlement Class consists of:

All persons who purchased or otherwise acquired Adeptus Class A common stock during the period from June 25, 2014 through March 1, 2017, inclusive, and were damaged thereby.

Included in the Settlement Class are all persons and entities who purchased shares of Adeptus Class A common stock on the open market and/or pursuant or traceable to the July 29, 2015 and June 8, 2016 Offerings during the Class Period. The Settlement Class includes a subclass of all persons who purchased Adeptus Class A common stock contemporaneously with sales of Adeptus securities made or caused by certain Defendants in connection with Adeptus's July 2015 and June 2016 secondary public offerings of Adeptus Class A common stock, and were damaged thereby (the "20A Sub-Class").

Certain persons and entities who are excluded from the Class by definition (*see* paragraph 26 of the Notice) or who requested exclusion pursuant to the instructions set forth in the Notice.

Please read the Notice to fully understand your rights and options. A copy of the Notice can be found on the **Case Documents** page. You may also visit the Settlement website, AdeptusHealthSecuritiesLitigation.com, for more information about the Settlement.

Background

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The action arises from the rapid decline and ultimate implosion of Adeptus, formerly the largest operator of freestanding emergency rooms in the United States. The complaint asserts claims under the federal securities laws concerning misstatements made by Adeptus, its executives, underwriters, and the private equity fund that controlled the Company (collectively, "Defendants") that overstated the Company's profitability and concealed a number of serious strains on its liquidity. Among other things, Defendants' misstatements concealed that: (1) Adeptus routinely overbilled patients for minor treatments, leading insurers to reject claims for reimbursement and threatening the Company's revenues and the quality of its receivables; (2) the Company suffered from serious internal control failures that materially affected the Company's revenue collection; and (3) that the Company's coverage of 100% of pre-opening operating costs and losses on its key joint ventures with existing health systems, which created a serious drag on the Company's liquidity. Defendants' misstatements caused Adeptus' share price to soar during the Class Period. Capitalizing on Adeptus' artificially inflated stock price, the Company's former CEO and CFO alone were able to reap over $50 million by selling their personally held Adeptus shares at artificially inflated prices.

Investors learned about Adeptus' misconduct and the Company's true financial condition through a series of corrective disclosures, including shocking revelations that the Company was facing a liquidity crisis. These corrective disclosures wiped out hundreds of millions of dollars in shareholder value. Plaintiffs filed the Amended Complaint on November 21, 2017. Defendants' motions to dismiss were filed February 5, 2018, and were fully briefed on June 15, 2018.

On September 12, 2018, the court denied in substantial part Defendants' motions to dismiss, sustaining all of Plaintiffs' Exchange Act claims as well as a significant portion of their Securities Act claims – and dismissing only certain Securities Act claims based on two early registered offerings in 2014 and 2015. On September 25, 2018, Plaintiffs filed an amended complaint to conform their claims to the court's motion to dismiss opinion by removing the minor dismissed claims.

On December 7, 2018, Plaintiffs moved for class certification. Plaintiffs' motion was fully briefed as of May 6, 2019.

Also, on January 31, 2019, Plaintiffs moved to amend the complaint to add additional claims (alleging insider trading), additional false statements, and to specify certain entities affiliated with Adeptus's private equity sponsor as named defendants. On February 14, 2019, Defendants consented to Plaintiffs' motion to amend, though they stated that they would move to dismiss the amended claims. On March 5 and 5, 2019, certain of the Defendants filed motions to dismiss certain of the claims newly asserted in the Second Amended Complaint. These motions, along with Plaintiffs' class certification motion, were fully briefed and pending at the time the parties reached their agreement to settle the action.

The parties participated in a mediation with a former United States District Judge on April 26, 2019. The mediation did not result in settlement, but the parties continued their negotiations in the months that followed (while continuing to conduct extensive discovery).

Fact discovery concluded in August 2019.

On October 14, 2019, the parties reached an agreement to resolve the case for $44 million. On November 26, 2019, the parties executed the Stipulation of Settlement setting out the full terms of their agreement to settle and Plaintiffs filed a motion for preliminary approval of the settlement.

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On January 9, 2020, the court preliminarily approved the Settlement, authorized sending notice of the Settlement to potential class members. On May 20, 2020, the Court granted final approval of the settlement. The claims administration process has concluded. On February 22, 2021, Lead Counsel filed the Adeptus Unopposed Motion for Approval of the Distribution Plan to conduct the Initial Distribution which was approved by the Court on February 24, 2021. The Initial Distribution was conducted in April 2021. A second distribution occurred in June 2022. A third distribution occurred in April of 2023. The claims administrator is reviewing whether any further distributions are possible for the second quarter of 2024.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Fairness Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses ("Notice")
- February 24, 2021 - Order Approving the Distribution Plan
- February 22, 2021 - Plaintiffs' Unopposed Motion for Approval of Distribution Plan and Memorandum in Support Thereof
- February 22, 2021 - Declaration of Eric Miller in Support of Unopposed Motion for Approval of Distribution Plan
- February 22, 2021 - Exhibit A
- February 22, 2021 - Exhibit B
- February 22, 2021 - Exhibit C
- February 22, 2021 - Exhibit D
- February 22, 2021 - Exhibit E
- February 22, 2021 - Exhibit F
- February 22, 2021 - Exhibit G
- February 22, 2021 - {Proposed} Order Approving the Distribution Plan
- May 20, 2020 – Judgment Approving Class Action Settlement
- May 20, 2020 – Order Approving Plan of Allocation of Net Settlement Fund
- May 20, 2020 – Order Awarding Attorneys' Fees and Litigation Expenses
- May 13, 2020 - Reply Brief
- May 13, 2020 - Supplemental Declaration of Eric J. Miller
- April 15, 2020 – Plaintiffs' Motion for Final Approval of Class Action Settlement and Plan of Allocation and Memorandum of Law in Support Thereof
- April 15, 2020 – Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses and Memorandum of Law in Support Thereof

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- April 15, 2020 – Joint Declaration of Jeremy P. Robinson and Richard A. Russo, Jr. in Support of: (A) Plaintiffs' Motion for Final Approval of Class Action Settlement and Plan of Allocation; and (B) Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses
- March 31, 2020 – Order Providing That Final Settlement Hearing Scheduled for May 20, 2020 Be Conducted by Telephone
- January 9, 2020 - Order Preliminarily Approving Settlement and Providing for Notice
- November 26, 2019 - Stipulation and Agreement of Settlement
- January 31, 2019 - Second Amended Consolidated Class Action Complaint
- September 12, 2018 - Memorandum Opinion and Order Granting in Part and Denying in Part Defendants' Motions to Dismiss
- November 21, 2017 - Consolidated Class Action Complaint

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