

# Plan Modification, Bankruptcy Filing and Next Steps Briefing

November 15, 2022

# Purpose of Briefing

- The purpose of this short briefing is to provide a high-level overview of what transpired last week and, to the extent we know, what will happen next.
- This briefing will not answer every question that you have may have, but instead is intended to provide basic information and ways to keep informed as these matters progress.

# What Happened Last Week?

- The Receiver made two separate court filings in two different courts:
  - On November 8<sup>th</sup>, the Receiver filed a Plan Modification in Pennsylvania Commonwealth Court to modify his Amended Recovery Plan. This is a state court matter involving operational impediments the Receiver has encountered in performing his duties under Pennsylvania's Act 47.
  - On November 10<sup>th</sup>, the Receiver filed a chapter 9 bankruptcy proceeding on behalf of the City of Chester in the Eastern District of Pennsylvania. This is a federal proceeding.
- These are separate actions with different judges in different court systems.

# What is the Plan Modification?

- Under Pennsylvania's Act 47, a receiver is required to develop a recovery plan that, among other things, ensures that the city continues to provide vital and necessary services to its residents. The receiver may modify the recovery plan.
- A Commonwealth Court judge must approve any recovery plan or modification. The Commonwealth Court has 30 days from the date of the plan modification filing to hold a hearing and 60 days from the date of the plan modification filing to render a decision.
- The Receiver filed the plan modification to address primarily City operational issues in order to ensure that the City is providing vital and necessary services to Chester residents.

# What Does Bankruptcy Mean for Chester?

- Bankruptcy is a **process** that gives the City protection against creditors while it seeks to adjust its debts and resolve disputes.
- During this process, the City continues to operate normally. Employees continue to get paid as they have before and retirees continue to receive their pension checks as they have before.
  - The City does **NOT** shut down. Employees should continue to report to work as they have before.
- The goal of a bankruptcy is to develop a confirmable “plan of adjustment” with all the creditors that restructures the City’s financial affairs.

# What Does Bankruptcy Mean for Chester?

- In order to ensure the City is able to provide vital and necessary services to residents and to avoid disruptions to residents caused by the bankruptcy case, the City is looking to work with trade vendors and pay undisputed claims of trade vendors in the ordinary course so long as those trade vendors commit to continue to provide services and goods to the City on the same terms as existed before the bankruptcy filing.

# Receiver's Request for Mediator

- As part of the bankruptcy filings, the Receiver filed a motion requesting that the bankruptcy court appoint a judicial mediator.
- The Receiver prefers to reach a consensus solution with all of the parties if possible.

# Expected Next Steps on Bankruptcy

- First Day Hearing
  - At this hearing, which will take place later today, we expect the bankruptcy court to address first day motions and to set a schedule for future filings.



# How to Stay Informed

- City proposed claims agent bankruptcy website located at:
  - [www.donlinrecano.com/chesterpa](http://www.donlinrecano.com/chesterpa)
- Receiver website located at:
  - [www.chesterreceivership.com](http://www.chesterreceivership.com)
- Receiver Facebook page located at:
  - <https://www.facebook.com/ChesterReceivership>
  - Note: The Receiver uses Facebook as it provides the most convenient way for Chester residents to receive updates and to watch meetings.