



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 16-0709, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF JULY 7, 2016

COMMITTEE ON JUDICIARY

Mr. David St. Pierre, Executive Director

Authority to settle the Metropolitan Water Reclamation District of Greater Chicago's claim as a creditor in the bankruptcy case In Re: Edgewater Medical Center, Chapter 11, Case No. 02-bk-07378, in the amount of \$5,000.00 in full and final compromise of the total amount claimed by the District for unpaid User Charges for the years 1997 through 2001 for two Users, Edgewater Property c/o Edgewater Medical Center and Northside Operating d/b/a Edgewater Medical Center

Dear Sir:

Edgewater Medical Center was a User in the Metropolitan Water Reclamation District of Greater Chicago ("District") User Charge system until it filed for voluntary bankruptcy protection under Chapter 11 in February 2002. At the time the bankruptcy was filed, Edgewater Medical Center was in arrears for the years 1997 through 2001 with payment of its User Charges in the total amount of \$351,536.62. In compliance with the Bankruptcy Court's mandate, as a creditor of the debtor, Edgewater Medical Center, the District filed its Proof of Claim on September 19, 2002. In May of this year, the debtor's estate filed an objection to the District's claim seeking to discharge the entire claim as junior to the mortgage holder whose lien rights exceed any sale proceeds for the property upon which the debtor's real property is located.

The other relevant creditor in this bankruptcy proceeding is a secured creditor holding a mortgage recorded in 1994 that predates the District's claim for unpaid User Charges. By virtue of express language in Section 7 of the District's enabling statute, the District's statutory lien is superseded by any lien that was filed first in time. Additionally, the debtor has represented to the Bankruptcy Court that the proceeds of the sale of the Edgewater Medical Center were less than is owed to the mortgage holder. Thus, the debtor claims that the mortgage holder will take all the assets of the sale and leave nothing for junior creditors, such as the District.

Notably, the Edgewater Medical Center property has not been part of the District's User Charge system since filing bankruptcy, and therefore, has not accrued additional User Charges since 2001.

To avoid the expense of litigating its objection to the District's claim, Edgewater Medical Center has offered the sum of \$5,000 in full and final settlement of the District's claim. Given the expense of litigating the issue, and the likelihood of not recovering any of its claim once the mortgage holder takes all the assets in the debtor's estate as the superior secured creditor, the District is unlikely to recoup any money at all for its claim.

Therefore, the General Counsel respectfully requests that the Board of Commissioners approve the settlement of the District's claim as a creditor in the bankruptcy case In Re: Edgewater Medical Center, Chapter 11, Case No. 02-BK-07378, upon the terms stated herein. The Monitoring and Research and Finance Departments are in agreement with settlement of the District's claim under the terms of the offer from the debtor's estate.

It is further requested that the Board grant authority to the requisite District personnel to execute such

documents as they may be necessary to effectuate settlement.

Requested, Ronald M. Hill, General Counsel, LLD:MTC:kk

Respectfully Submitted, Mariyana Spyropoulos, Chairman Committee on Judiciary

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the board of Commissioners for July 7, 2016