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**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

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In re:

Chapter 11

FEDERATION EMPLOYMENT AND
GUIDANCE SERVICE D/B/A FECS¹,

Case No.: 15-71074 (REG)

Debtor.

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STATUS REPORT ON PENDING CLAIMS

UJA AND UJA RETIREMENT PLAN

UJA filed four separate claims, either on behalf of itself or on behalf of the UJA Retirement Plan (the “Plan”), relating to unpaid pension plan contributions due UJA and the Plan’s claim for withdrawal liability deriving from FECS’ termination of its participation in the Plan:

- o Claim No. 1915 – \$37,032,993.00 for FECS’ withdrawal liability to the Plan;
- o Claim No. 1916 – \$5,447,898.00 for unpaid pension contributions due UJA for Plan Years 2013 and 2014.
- o Claim No. 2348 – \$37,032,993.00 asserting administrative priority for the withdrawal liability claim; and
- o Claim No. 2349 – \$3,381,239.00 asserting a portion of Claim No. 1916 that is entitled to administrative claim status.

On January 24, 2018, prior to the hearing on confirmation of the Debtor’s Third Amended Plan of Liquidation, FECS filed an objection to Claim 2348 alleging any withdrawal liability claim was not entitled to elevated priority as an administrative expense, seeking to have the claim reclassified as a general unsecured claim and thereupon expunged as duplicative of claim 1915 [Docket No. 1043]. By Stipulation and Agreement Providing for Amendment of Proof of Claim 2348, so ordered by the Court on February 8, 2018 [Docket No. 1051], the parties agreed that any portion of the claim afforded administrative or priority status shall not exceed \$3 million, that each party reserved all rights and defenses with respect to the claim and the

¹ The last four digits of the Debtor’s federal tax identification number are 4000.

objection was otherwise deemed withdrawn. The Stipulation did not otherwise resolve any portion of the claim.

To this point, no other objections have been filed by the Plan Administrator to any of the UJA or Retirement Plan claims. Rather, the parties have expended considerable time and effort informally trying to resolve UJA's claim for unpaid pension contributions and the Plan's claim for withdrawal liability without the need for litigation.

To this end, the parties initially exchanged discussion memoranda setting out in considerable detail their respective legal positions and equitable arguments as to the merits of the respective claims. PBGC, which has asserted similar claims aggregating more than \$65 million, was also engaged as part of these ongoing discussions.

The internal workings of the UJA contribution reimbursement process which historically billed and collected from participating agencies in a manner which straddled plan and fiscal years, among other things adds significant complexity to the arguments regarding the appropriate application of payments and the consequent priority and allowed amount to be afforded outstanding claims. Given the potential magnitude of UJA's and the Plan's claims, they potentially dwarf the claims pool and their ultimate allowance and prioritization bears heavily on the return to creditors generally.

To advance and focus the discussion, FECS and its counsel created and have refined an Excel waterfall to model dividend returns to priority and unsecured creditors based on the various claim and priority scenarios advanced by FECS on the one hand and UJA and the Plan on the other. Under three possible scenarios which vary the potential priority claims payable to UJA and the resultant unsecured claim for pension contributions, and factoring in different levels of allowed withdrawal liability claims, FECS has been able to develop a sensitivity analysis which models the range of potential returns to UJA, the Plan and unsecured creditors generally under each of those cases.

All along, FECS and the Creditor Trust have been working to resolve essential predicate issues and refining the waterfall assumptions as claims and litigations have been resolved and estate assets have been collected. We are at a point where the waterfall analysis is increasingly accurate, as the majority of claims have been resolved or can be valued, litigations have been concluded and all but a few assets have been monetized.

An updated waterfall and sensitivity analysis was shared several days ago with UJA which outlines the potential range of recoveries. UJA asked for some updated information yesterday to review with the trustees of the Plan. The Debtor is hopeful that the level of specificity provided in the analysis will help and expedite resolution of the UJA and Plan claims. UJA and the Plan have advised us that their respective governance committees are meeting within the next week and they should have a response to the Debtor shortly thereafter. Any resolution with UJA and the Plan will, in turn, resolve the claims asserted by PBGC.

SELFHELP AND SINGLEPOINT

The Debtor's objection [Docket No. 1182] to the claims of Singlepoint Care Network, LLC (Claim No. 572) and SelfHelp Community Services, Inc. (Claim No. 146) appears to be resolved by an agreement in principal settling the claims at a substantially reduced amount, subject to the approval of the Oversight Committee. The Debtor is in the process of obtaining such approval, and will thereupon submit an agreed order for entry.