

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF RHODE ISLAND**

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| In re CITY OF CENTRAL FALLS, RHODE ISLAND, Debtor | Case No. 11-13105 Chapter 9 |
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**ORDER CONFIRMING FOURTH AMENDED PLAN FOR THE
ADJUSTMENT OF DEBTS OF CITY OF CENTRAL FALLS,
RHODE ISLAND, DATED JULY 27, 2012**

After hearing and consideration of the memorandum of the City of Central Falls, Rhode Island (the "City") in support of confirmation of the Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls, Rhode Island dated July 27, 2012 [doc. #479] (the "Plan"), a copy of which Plan is attached hereto as *Exhibit 1*; the Declaration of Gayle Corrigan and exhibits thereto; the Declaration of Tracey Pecchia and exhibits thereto; the Declaration of William Dolan, Esq.; and the evidence, representations, and arguments adduced at the confirmation hearing, the Court now makes the findings and determinations set forth below. Any capitalized terms not defined in this Order shall have the meanings ascribed to them in the Plan.

1. The City's Plan has been accepted in writing by the creditors whose acceptances are required by law;
2. At least one class of claims that is impaired under the Plan has accepted the Plan; in fact, all impaired classes of claimants have accepted the Plan.
3. The Plan complies with the provisions of Title 11 of the United States Bankruptcy Code made applicable by Section 901 to Chapter 9 plans;

4. The City has proposed the Plan in good faith and not by any means forbidden by law in compliance with Section 1129(a)(3);
5. The Plan complies with the provisions of Chapter 9, Section 943(b)(2);
6. All amounts to be paid by the City or by any person for services or expenses in the case have been fully disclosed and are reasonable in accordance with Section 943(b)(3);
7. The Plan provides for payment of administrative claims in accordance with Section 943(b)(5);
8. The Plan is in the best interests of the City's creditors; and
9. The Plan is feasible.

Based upon these findings and determinations the Court hereby ORDERS, ADJUDGES, AND DECREES that:

1. The City's Plan is CONFIRMED;
2. Within seven (7) days of the entry of this Order, the City shall serve by mail a Notice of Entry of this Order, with a copy of this Order, on all creditors, parties in interest (including the City's elected officials), and all parties to the City's executory contracts and unexpired leases. The Notice of Entry need not include a copy of the Plan but shall direct recipients to the City's website and indicate that copies of the Plan will be provided at no cost upon written request.

2.1 Within the term of the Plan, if and when the current elected officials of the City are replaced with new elected officials, and if and when a new fiduciary is appointed for the City under the Act Relating to Cities and Towns – Providing Financial Stability, Rhode Island General Laws § 45-9-1 *et seq.*, and when a new Administrative and Finance

Officer is appointed for the City under R.I. Gen. Laws § 45-9-10, it shall be the obligation of the State of Rhode Island, by and through its Director of Revenue, promptly to effect service of this confirmation order on the newly-elected official or the newly appointed fiduciary or Administrative and Finance Officer, as the case may be, and to file a certificate of such service.

3. The Effective Date of the Plan shall be thirty (30) days from the expiration of the appeal period with regard to this Order.

4. On the Effective Date, a trust (the "Trust") shall be deemed created for the benefit of the State, and all of the City's claims against Elected Officials shall be deemed transferred into the Trust including, without limitation, the City's claims against Elected Officials under any Final Order in *Flanders vs. Moreau* et al., P.B. No 10-5615 ("*Flanders vs. Moreau*").

5. On the Effective Date, Allan M. Shine shall be deemed appointed as "Trustee" of the Trust in accordance with the terms of the Plan. The Trustee (and successor Trustees, if any), shall be impressed with the duty to make a good faith effort to collect the maximum amount reasonably attainable from any Final Order against Elected Officials, including a Final Order in *Flanders vs. Moreau*.

6. Any holder of Class 1 \$12,000,000 General Obligation School Bonds Claims, Class 2 \$8,700,000 General Obligation Municipal Facility Bonds Claims, Class 3 \$1,300,000 General Obligation School Bonds Claims, Class 4 \$750,000 General Obligation School Bonds, of Class 5 \$4,250,000 General Obligation School Bonds, that seeks allowance of a Class 16 General Unsecured Claim or a Class 17 General Unsecured Convenience Claim for attorney fees, shall file a Proof of Claim with the Court no later

than thirty (30) days after entry of this Order or shall be deemed forever barred from doing so.

7. Notwithstanding the longer time period set forth in Section IX A of the Plan, the City, or any other creditor, shall file and serve any objections to Claims by no later than sixty (60) days after the Effective Date (or, in the case of Claims lawfully filed or amended after the Effective Date, by no later than sixty (60) days after the date of filing of such Claims or amended Claims).

8. Any creditor under the Plan, including the State of Rhode Island, and the City's other major stakeholders, including its labor unions and its retirees, are hereby granted standing to seek specific enforcement and other appropriate relief from the Bankruptcy Court to enforce compliance with the Plan terms if the City or any other person or entity takes, or seeks to take, any action(s) which makes or would make the Plan not in Material Conformity with the Plan terms, as that term is defined in Section VII B.2 of the Plan.

9. Further, the retirees of the City are hereby granted standing to have this Court interpret, apply, and enforce the terms of the Settlement and Release Agreement approved by the Court by Order entered January 9, 2012 (the Settlement Agreement"), as provided by the Settlement Agreement, which has been incorporated into the Plan.

10. In the event that the Rhode Island Director of Revenue terminates the Receiver in conformity with the terms of the Fiscal Stability Act, R.I. Gen. Laws § 45-9-1 *et seq.*, the rights and obligations of the Receiver under the Plan and this Confirmation Order shall transfer to the appropriate Central Falls officials as authorized under Rhode Island General Laws, the Central Falls Charter, and Central Falls ordinances.

11. Following the Effective Date, this case will remain open during the term of the Plan. This Court will hold annual status conferences with the City and other parties in interest during the term of the Plan to be scheduled after passage of the budget for each fiscal year. The City shall file and serve on parties in interest or their representatives a status report regarding the City's performance under the Plan and compliance with the Six-Year Financial Projection within thirty (30) days of the passage of the budget, after which time this Court may schedule a status conference with the City and any interested parties.

12. Following the Effective Date, the Bankruptcy Court shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code and relating to the City, arising in or related to the Chapter 9 Case, the Plan or the Settlement Agreement as set forth specifically in Section XI, paragraphs 1-15 of the Plan, subject to this Court's exercise of its mandatory and discretionary abstention powers. The Bankruptcy Court shall not exercise jurisdiction over labor disputes that may arise under the collective bargaining agreements or other day-to-day disputes that may arise within the City, and with respect to labor disputes, nothing in the Plan shall impair the rights that the parties have under the collective bargaining agreements or under state law.

13. **Discharge and Discharge Injunction:** In accordance with 11 U.S.C. 944(b), the City will be and hereby is discharged from all debts upon the entry of this Order. All entities who have held, hold or may hold pre-Effective Date Claims are hereby permanently enjoined from and after the Effective Date from: (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such pre-Effective Date Claim against the City or its property; (b) enforcing, attaching,

collecting, or recovering by any manner or means any judgment, award, decree or order against the City or its property with respect to such pre-Effective Date Claims; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against the City or its property; and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to the City with respect to any such pre-Effective Date Claim, except as otherwise permitted by § 553 of the Bankruptcy Code.

14. The City shall be the disbursing agent for all amounts to be distributed under the Plan.

15. Nothing in the Plan or this Order will be construed to impair the rights of the State of Rhode Island and/or the Rhode Island Director of Revenue under the Fiscal Stability Act, R.I. Gen. Laws § 45-9-1 et seq., in accordance with the Tenth Amendment to the United States Constitution.

16. **Budgetary and Disclosure Injunctions:** In accordance with Section VII(B) of the Plan, the Court hereby ORDERS as follows:

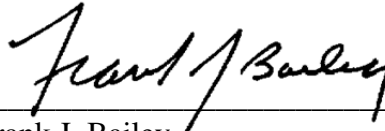
- a. **Obligation to Keep Budget in Balance:** The City's elected officials, and any fiduciary acting with the powers of elected officials under the Act Relating to Cities and Towns – Providing Financial Stability, Rhode Island General Laws § 45-9-1 *et seq.*, shall keep the City's budget in balance through June 30, 2017, the term of the Plan.
- b. **Annual Attestation Forms:** Within thirty (30) days after the City enacts any budget or amended budget before the term of the Plan, each person acting with the powers of an elected official (i.e. the Mayor and each City Council member or a state-appointed fiduciary, as the case may be) shall sign an "Annual Attestation Form," in the form set forth in Exhibit S to the Plan, attesting, under oath either (i) that to the best of his or her knowledge and belief, the budget is in "Material Conformity" with the terms of the Six-Year Financial Projection, Exhibit X, or (ii) that to the best of his or her knowledge and belief, the budget is *not* in "Material Conformity" with the terms of the Six-Year Financial Projection, and, if the latter, identifying the specific line items in the budget that are not in Material Conformity with the Six-Year Financial Projection. "Material Conformity" shall mean that the budget is consistent with the Six-Year

Financial Projection and/or that any increase in expenditures in any line item is offset by increases in revenues based upon additional revenues and/or decreases in expenditures. Any assumptions regarding any such additional revenues and/or decreases in expenditures must be reasonable. Each Annual Attestation Form shall be electronically filed with the Bankruptcy Court, and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.

- c. **Annual Administrative and Finance Officer Statements:** Within fourteen (14) days after the filing of each Annual Attestation Form, the Administrative and Finance Officer appointed under R.I. Gen. Laws § 45-9-10 shall file an “Annual Administrative and Finance Officer Statement” in the form set forth in **Exhibit S** to the Plan, stating whether he or she agrees or disagrees with the attestations therein. If the Administrative and Finance Officer disagrees with the attestations, he or she shall explain why. Each Annual Administrative and Finance Officer Statement shall be filed with the Bankruptcy Court, and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.
- d. **Quarterly Attestation Forms:** Within thirty (30) days after the end of each fiscal quarter before the term of the Plan, each person acting with the powers of an elected official (i.e. the Mayor and each City Council member or a state-appointed fiduciary, as the case may be) shall sign a “Quarterly Attestation Form” in the form set forth in **Exhibit S** to the Plan, stating under oath and to the best of his or her knowledge and belief whether or not actual performance by the City during the prior quarter and year-to-date remains in Material Conformity with the terms of the Six-Year Financial Projection. To the extent that an elected official states that actual performance by the City during the prior quarter and year-to-date does not remain in Material Conformity with the terms of the Six-Year Financial Projection, the elected official shall also identify the specific line items that do not remain in Material Conformity with the Six-Year Financial Projection. Each Quarterly Attestation Form shall be electronically filed with the Bankruptcy Court, and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.
- e. **Quarterly Administrative and Finance Officer Statements:** Within fourteen (14) days after the filing of each Quarterly Attestation Form, the Administrative and Finance Officer shall file a “Quarterly Administrative and Finance Officer Statement” in the form set forth in **Exhibit S** to the Plan, stating whether he or she agrees or disagrees with the attestations

therein. If the Administrative and Finance Officer disagrees with the attestations, he or she shall explain why. Each Quarterly Administrative and Finance Officer Statement shall be filed with the Bankruptcy Court, and a copy shall be sent by first class mail to the Rhode Island Director of Revenue at Rosemary Booth Gallogly, Director of Revenue, State of Rhode Island, Department of Revenue, One Capitol Hill, Providence, Rhode Island 02908.

Dated: September 11, 2012



Frank J. Bailey
United States Bankruptcy Judge
Sitting by designation in the
District of Rhode Island