

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:	:	Chapter 11
	:	
Wordsworth Academy,	:	Case No. 17- 14463 (AMC)
	:	
Debtor.	:	(Joint Administration Requested)
	:	

In re:	:	Chapter 11
	:	
Wordsworth CUA 5, LLC,	:	Case No. 17- 14466 (AMC)
	:	
Debtor.	:	(Joint Administration Requested)
	:	

In re:	:	Chapter 11
	:	
Wordsworth CUA 10, LLC,	:	Case No. 17- 14467 (AMC)
	:	
Debtor. ¹	:	(Joint Administration Requested)
	:	

**DECLARATION OF DONALD STEWART
IN SUPPORT OF FIRST DAY MOTIONS**

I, Donald Stewart, hereby declare under penalty of perjury:

1. I am the Acting Chief Executive Officer and Chief Financial Officer of Wordsworth Academy (“Wordsworth”), a Pennsylvania non-profit corporation, and an Authorized Officer of Wordsworth CUA 5, LLC (“CUA 5”) and Wordsworth CUA 10, LLC (“CUA 10”), each a debtor and debtor-in-possession in the above-captioned chapter 11 cases. Wordsworth, CUA 5 and CUA 10 are referred to herein as the “Debtors”. In this capacity, I am generally familiar with the Debtors’ day-to-day operations, organizations, financial affairs, and

books and records.

2. To enable the Debtors to minimize the adverse effects of the commencement of these chapter 11 cases on their organizations, the Debtors have requested various types of relief in their “first day” motions and applications (each, a “First Day Motion” and collectively, the “First Day Motions”). The First Day Motions seek relief intended to allow the Debtors to effectively transition into chapter 11 and minimize disruption of their operations, thereby preserving and maximizing the value of the Debtors’ estates. I am familiar with the contents of each First Day Motion (including the exhibits and schedules thereto), and I believe that the relief sought in each First Day Motion: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and value; (b) constitutes a critical element to achieving a successful reorganization of the Debtors; and (c) best serves the Debtors’ estates and creditors’ interests.

3. Except as otherwise indicated, all facts set forth herein are based upon my personal knowledge of the Debtors’ operations and finances, information learned from my review of relevant documents, and information supplied to me by other members of the Debtors’ management and the Debtors’ advisors. I am authorized to submit this Declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts set forth herein.

Background

A. Commencement of Chapter 11 Cases

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: Wordsworth Academy (9031); Wordsworth CUA 5, LLC (0983); and Wordsworth CUA 10, LLC (5980). Wordsworth Academy has an address at 3300 Henry Ave., Philadelphia, PA 19129.

4. On the date hereof (the “Petition Date”), each of the Debtors filed a voluntary petition for relief with the Court under chapter 11 of title 11 of the Bankruptcy Code. The Debtors are operating their organizations and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases (the “Chapter 11 Cases”) and, as of the date of the filing of this Declaration, no official committees have been appointed or designated. Concurrently with the filing of this Declaration, the Debtors have sought procedural consolidation and joint administration of these Chapter 11 Cases.

B. The Debtors’ Corporate Structure

4. Debtor Wordsworth is a Pennsylvania non-profit corporation. Its mission is to provide education, behavioral health and child welfare services to children and youth who have emotional, behavioral and academic challenges so that they are empowered to reach their potential and lead productive, fulfilling lives.

5. In addition to other programs, Wordsworth provides services through two (2) Community Umbrella Agencies. Wordsworth is the sole member of Debtors CUA 5 and CUA 10 (together, the “CUAs”), which are Pennsylvania non-profit limited liability companies.

6. The CUAs are part of an initiative of Philadelphia’s Department of Human Services (“DHS”) that began in 2015 to provide a partnership approach to children and families through family-centered, community-based child welfare services. CUA 5 provides services to children and families in the 35th and 39th Police Districts in Philadelphia, encompassing much of

North Central Philadelphia. CUA 10 provides services to children and families in the 16th and 19th Police Districts in Philadelphia, encompassing much of West Philadelphia.

7. Wordsworth was founded in 1952 as a small private school that served students with reading disabilities. Over the years, Wordsworth has expanded its services and now serves nearly 5,000 children and families annually through several locations in the Philadelphia area. Wordsworth's services include an acute partial hospitalization program and a state-licensed approved private school. In addition, Wordsworth provides a variety of child welfare and prevention services through the CUAs, Out of School Time Programs, Family First Services for children who have been placed outside of their family homes, Community Residential Rehabilitation Host Homes for children who are unable to live with their own families, Family Based Mental and Behavioral Health Services, School Therapeutic Services, and Multi-Systemic Treatment programs.

C. The Debtors' Capital Structure

8. In 2016, Wordsworth operated with a budget of \$77,880,000, employed 817 staff members throughout its 13 program areas, and provided services to more than 5,600 children and their families. Wordsworth's revenues are received from the Commonwealth of Pennsylvania, the School District of Philadelphia and other local school districts, DHS, Community Behavioral Health and a variety of grants and other financial support.

9. Wordsworth owns the real estate located at 2101 Pennsylvania Avenue, Fort Washington, PA, where the Wordsworth Academy is located.

10. M&T Bank (“M&T”) was the Wordsworth’s primary prepetition lender. M&T holds a term loan secured by Wordsworth’s 2101 Pennsylvania Avenue property. The balance on the term loan just prior to the Petition Date was approximately \$4.7 million.

11. M&T provided a prepetition line of credit to Wordsworth and provided corporate credit cards which were used by certain officers and employees of the Debtors for Debtor-related purchases and expenses. Prior to the Petition Date, M&T froze Wordsworth’s line of credit while Wordsworth had a zero balance on the line of credit. Further, prior to the Petition Date, M&T effectively suspended the use of M&T credit cards by setting the credit limit for these cards to \$1.

D. Events Leading to the Commencement of the Chapter 11 Cases

12. In October of 2016, a resident of Wordsworth’s Ford Road residential facility (the “Ford Road Facility”) died while being restrained by Wordsworth staff. Immediately upon the occurrence of this event and upon learning of allegations of other serious problems at the Ford Road Facility, Wordsworth’s Board of Trustees shuttered the Ford Road Facility and terminated Wordsworth’s then-existing senior management, as well as several other employees. Nevertheless, the events at the Ford Road Facility have resulted in a breach of public trust and threaten the continued support of other Wordsworth programs that have historically proven very successful and are critical to meeting the emotional, behavioral and educational needs of a large number of children and families in the community. A wrongful death action has been filed against Wordsworth as a result of these events at the Ford Road Facility.

13. Other claims asserting personal injuries have been filed against Wordsworth and remain pending at this time.

14. Following the closure of the Ford Road Facility as a treatment facility, the Debtors have used a portion of that leased space as administrative offices. Despite the partial use of the facility, the annual rent at the Ford Road facility represents a significant burden for the Debtors.

E. Desired outcomes for Chapter 11 process

15. To continue Wordsworth's important mission and provide a recovery to all who are served by and support Wordsworth, the Debtors made the difficult decision to seek Chapter 11 relief. The Debtors' Chapter 11 Cases are operational restructuring cases in which the Debtors intend to strengthen their remaining programs, streamline their operations, reject certain leases and contracts, provide as much recovery as possible to their existing creditors, and continue their mission through a transaction with the Public Health Management Company ("PHMC"), a non-profit, public health institution that serves the Philadelphia area through a variety of public health and social welfare programs.

F. The Affiliation Agreement and Transition Management Agreements

16. On or about June 26, 2017, Wordsworth negotiated an Affiliation Agreement with PHMC and Transition Management Agreements by and among the Debtors, PHMC and Turning Points for Children ("Turning Points," an affiliate of PHMC) by which the parties agreed, inter alia, that: (a) PHMC shall provide certain back office, administrative and other management support pursuant to written Transition Management Agreements during the Debtors' Chapter 11

cases; (b) PHMC shall become the sole member and parent of Wordsworth and the CUAs shall affiliate with Turning Points; and (c) subject to certain terms and conditions set forth in the Affiliation Agreement, as of the Effective Date of a Plan, the Debtors mission will be continued through their affiliation with PHMC and its affiliates.

Dated: June 30, 2017

/s/ Donald Stewart

Donald Stewart
Acting Chief Executive Officer and
Chief Financial Officer of Wordsworth Academy