

**Exhibit B**

[Stipulation]

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

-----X  
 In re: :  
 : Chapter 11  
 WORDSWORTH ACADEMY, *et al.*,<sup>1</sup> :  
 : Bankruptcy No. 17-14463 (AMC)  
 :  
 Debtors. : (Jointly Administered)  
 -----X

**STIPULATION AND AGREED ORDER GRANTING  
(I) RELIEF TO ALLOW THE CITY OF PHILADELPHIA,  
BY AND THROUGH ITS DEPARTMENT OF HUMAN SERVICES,  
TO EXERCISE SETOFF RIGHTS, AND (II) GRANTING RELATED RELIEF**

The above-captioned debtors (the “Debtors”) and the City of Philadelphia, by and through its Department of Human Services, (the “City” and together with the Debtors, the “Parties”), by and through the Parties’ undersigned counsel, submit this proposed stipulation and agreed order for the purpose of: (I) permitting the City to exercise setoff rights under section 553 of title 11 of the United States Code (the “Bankruptcy Code”) for amounts owing as between the Debtors and the City; and (II) granting related relief.

**RECITALS**

WHEREAS, on June 30, 2017 (the “Petition Date”), the Debtors filed voluntary petitions for relief under the Bankruptcy Code with the United States Bankruptcy Court for the Eastern District of Pennsylvania (the “Bankruptcy Court”).

WHEREAS, the City and Wordsworth Academy (“Wordsworth”), along with successor in interest, assignee, Wordsworth CUA 10, LLC (“CUA 10”), are parties to City contract 1520005, as amended by 1520005-01, - 02, and-03, and City contract 1720355, as amended by

<sup>1</sup>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.

1720355-01, and -02 (collectively and along with such contracts' related amendments, the "CUA 10 Contracts").

WHEREAS, the City and Wordsworth, along with successor in interest, assignee, Wordsworth CUA 5, LLC ("CUA 5"), are parties to City contract 1420038, as amended by 1420038-01, -02, -03, -04, -05, -06, -07, and -08 and City contract 1720356, as amended by 1720356-01, and -02 (collectively and along with such contracts' related amendments, and together with the CUA 10 Contracts, the "Contracts").

WHEREAS, pursuant to the Contracts the Debtors are responsible for the provision of direct case management services to children and families in its region that are served by the Philadelphia Department of Human Services.

WHEREAS, the Debtors are required by the Contracts to complete an independent audit for each year services are performed and the Contracts also provide the City is entitled to recover amounts of money which result from audit exceptions due to non-compliance with the Contracts and all applicable law.

WHEREAS, on October 13, 2017, the City timely filed a claim against CUA 10 subject to a right of setoff, proof of claim number 7-1 on the Bankruptcy Court claims register (proof of claim number 121 on the claims agent's claims register), in the amount of \$247,929.00 for non-compliant costs following the City's fiscal year 2015 audit of CUA 10 (the "CUA 10 Claim").

WHEREAS, on October 13, 2017, the City timely filed a claim against CUA 5 subject to a right of setoff, proof of claim number 13-1 on the Bankruptcy Court claims register (proof of claim number 118 on the claims agent's claims register), in the amount of \$83,103.00 for non-compliant costs following the City's fiscal year 2014 audit of CUA 5 (the "CUA 5 Claim").

WHEREAS, on October 13, 2017, the City timely filed a claim against Wordsworth subject to a right of setoff, proof of claim number 36-1 on the Bankruptcy Court's claims register (proof of claim number 115 on the claims agent's claims register), in the amount of \$331,032.00 asserting Wordsworth is jointly and severally liable with CUA 10 and CUA 5 for non-compliant costs (the "Wordsworth Claim").

WHEREAS, pursuant to ongoing reconciliation efforts between the Parties, the Parties agree that the total non-compliant costs for CUA 5 fiscal year 2014 are \$83,103.00 and the total non-compliant costs for CUA 10 fiscal year 2015 are \$77,792.00 (the "Liquidated Claims").

WHEREAS, the Parties agree that audits of CUA 10 for fiscal years 2016 and 2017 and audits of CUA 5 for fiscal years 2015, 2016 and 2017 are incomplete and may result in the identification of additional non-compliant costs (the "Unliquidated Claims" and together with the Liquidated Claims, the "Debtors' Obligations").

WHEREAS, prior to the Petition Date, the Debtors subcontracted with individual provider agencies for the provision of dependent placement services and the Debtors were reimbursed for these payments through the Contracts.

WHEREAS, the Parties agree that in some instances subcontractor services for pre-petition fiscal years were not invoiced to the City and are part of an ongoing reconciliation process upon completion of which the City may owe the Debtors funds for outstanding invoices (the "City Obligations").

WHEREAS, the Parties agree that the City Obligations relating to periods prior to the Petition Date and Debtors' Obligations relating to periods prior to the Petition Date owed under the Contracts are mutual obligations between the Parties, that, under Section 553 of the

Bankruptcy Code and applicable non-bankruptcy law, may be set off against one another (the “Setoff”).

WHEREAS, on December 18, 2017, the Bankruptcy Court entered the Order Confirming the Debtors’ Joint Chapter 11 Plan (Docket No. 456). Pursuant to the Article VIII of the Plan, the City’s rights of setoff and recoupment under the Contracts were preserved, to the extent available under applicable law.

NOW, THEREFORE, in consideration of the foregoing recitals and the promises set forth herein, the Parties stipulate and agree, subject only to Bankruptcy Court approval, as follows:

1. As of the date that this Stipulation and Agreed Order is approved by the Bankruptcy Court, to the extent necessary, the injunction provisions of the Plan are modified to allow the Setoff of City Obligations relating to periods prior to the Petition Date and Debtor Obligations relating to periods prior to the Petition Date.

2. Upon exercise of the Setoff, the Debtors’ Obligations shall be deemed satisfied in full. The City waives and releases any and all claims or other rights regarding the Debtors’ Obligations, including any unsecured remainder of the CUA 10 Claim, CUA 5 Claim or Wordsworth Claim, which waivers and releases shall be effective upon exercise of the Setoff and payment by the City to the Debtors of the remaining City Obligations. The City waives its rights to distributions as a Class 5 Claimant under the Plan, and the Debtors may make distributions to Class 5 Claimants without any such distribution to the City.

3. Upon exercise of the Setoff and payment of the remaining City Obligations by the City to the Debtors, the unsecured remainder of the CUA 10 Claim, CUA 5 Claim and Wordsworth Claim shall be deemed expunged from the claims registers without further action by the Parties.

4. Upon exercise of the Setoff and payment of the remaining City Obligations, by the City to the Debtors, the Debtors, on behalf of themselves, their predecessors, successors, affiliates, assigns, trustees, fiduciaries, estates, attorneys, insurers, representatives and other agents, waive and release any and all claims or other rights regarding the City Obligations.

5. Nothing herein shall be construed as an admission of liability on behalf of the City with respect to any amounts allegedly owed to the Debtors.

6. Notwithstanding any other provisions of the Stipulation, nothing herein shall authorize the setoff of Debtors' Obligations or City Obligations (both of which relate to the period before the Petition Date) against amounts relating to the period on or after the Petition Date. The provisions of this Stipulation shall not affect the setoff of amounts relating to the period after the Petition Date against other post-petition obligations, which shall be permitted to the extent permitted under applicable law.

7. The Parties have, by separate stipulation, extended the deadline for the Debtors to object to claims through and including June 1, 2018. Prior to the Debtors filing any claims objections with respect to the claims of the City in the Bankruptcy Court, the Parties shall act in good faith to determine the correct amounts of the City Obligations and the Debtors' Obligations. In the event the Parties cannot so agree, the deadline for the Debtors to file objections to the claims of the City shall be further extended by this Stipulation to October 31, 2018, and the Bankruptcy Court shall retain exclusive jurisdiction to determine the amount of the City Obligations and the Debtors' Obligations.

8. This Stipulation and Agreed Order shall be effective immediately upon entry notwithstanding anything set forth in the Federal Rules of Bankruptcy Procedure or the Local Bankruptcy Rules of the Eastern District of Pennsylvania to the contrary.

9. Nothing contained in this Stipulation and Agreed Order shall prejudice, or be deemed to prejudice, any other rights, claims, defenses, or obligations of the Parties.

10. This Stipulation and Agreed Order shall be binding upon all successors and assigns of the Parties.

11. This Stipulation and Agreed Order may not be modified, altered, amended or vacated in any way except by a writing signed by all Parties hereto.

12. This Stipulation and Agreed Order shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, except to the extent the Bankruptcy Code applies. The Bankruptcy Court shall retain jurisdiction to resolve any disputes or controversies arising from or relating to the interpretation or implementations of this Stipulation and Agreed Order.

13. In the event this Stipulation has not been approved by the Bankruptcy Court by a final order which is not subject to reconsideration or appeal by July 31, 2018, then absent a further written agreement between the Parties, this Stipulation shall be null and void and of no force or effect, and the Parties shall be restored to the factual and legal positions which existed immediately prior to the signing of this Stipulation, except that the Debtors shall be permitted to file objections to the claims of the City on or before October 31, 2018 and any such objections filed on or before October 31, 2018 shall be considered timely filed.

Dated: May 30, 2018

**DILWORTH PAXSON LLP**



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Peter C. Hughes

Anne M. Aaronson

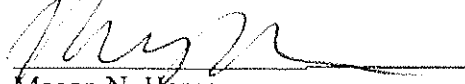
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Dated: May 30, 2018

**THE CITY OF PHILADELPHIA**



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through its Department of Human Services



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FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

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 : Chapter 11  
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**ORDER APPROVING STIPULATION GRANTING  
(I) RELIEF TO ALLOW THE CITY OF PHILADELPHIA,  
BY AND THROUGH ITS DEPARTMENT OF HUMAN SERVICES,  
TO EXERCISE SETOFF RIGHTS, AND (II) GRANTING RELATED RELIEF**

Upon consideration of the Stipulation Granting (I) Relief to Allow the City of Philadelphia, By and Through its Department of Human Services, to Exercise Setoff Rights, and (II) Granting Related Relief (the "Stipulation"), filed on the docket in these cases as Docket Number \_\_\_\_\_; and the Court having determined that good and adequate cause exists for approval of the Stipulation; and the Court having determined that no further notice of the Stipulation must be given;

IT IS HEREBY ORDERED that the Stipulation is approved in its entirety and entered as an order of this Court.

Dated: \_\_\_\_\_, 2018

\_\_\_\_\_  
Honorable Ashely M. Chan  
United States Bankruptcy Judge