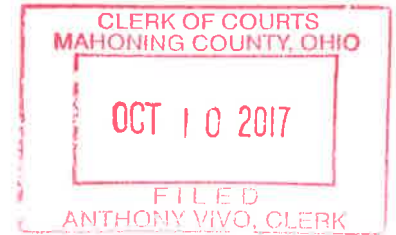




IN THE COURT OF COMMON PLEAS
MAHONING COUNTY, OHIO



State of Ohio *ex rel.* Public Utilities
Commission of Ohio,

Relator,

v.

Youngstown Thermal Cooling, LLC, *et al.*

Respondents.

Case No. 17 CV 1743

Judge R. Scott Krichbaum

RECEIVER'S FIRST REPORT

Now comes Reg Martin (the "Receiver"), through the undersigned counsel, and herein submits the Receiver's First Report to the Court.

I. Introduction

The Receiver was appointed for all of the businesses and assets of Youngstown Thermal Cooling, LLC and Youngstown Thermal, LLC ("the Companies") on August 1, 2017, by Order of this Court. Within the first two months of the receivership, the Receiver has taken numerous positive steps towards gaining control of the business and assets and evaluating all options to maintain the operation of the public utility, including efforts to maximize the recovery for creditors of the receivership. The actions below were completed by the Receiver during the first two months after appointment.

- a) The Receiver has toured and worked at the facility and met with the Companies' management and employees. The Receiver has been present at the facility for multiple days each week and the Receiver's project manager has been on site on almost a daily basis. Although the receivership consists of two separate limited

liability companies, one for heating service and the other for cooling service, the Companies have not been treated separately and the Receiver will operate the Companies as one entity, with one set of books, tax returns, etc.

- b) The Receiver held a community meeting which was attended by current and prospective customers and other interested parties at the Covelli Center on August 10, 2017 to discuss the status of Youngstown Thermal Cooling, LLC and Youngstown Thermal, LLC and the receivership, consider potential solutions going forward, receive customer input and enable the Receiver to respond to questions and concerns. The community meeting was well attended.
- c) The Receiver reports that outside technical assistance has been provided and the equipment necessary to service all supply requirements is in good operating condition. Ongoing maintenance to the systems where required is being completed.
- d) The Receiver recognizes the sensitivity of customers to the surcharge which was recently billed to all customers. Due to the seasonal slowdown experienced during the summer and early fall period, the Receiver is working on programs and alternatives to shorten the time period and/or minimize the dollars required entering the peak operational period. The Receiver and his staff are available to discuss any hardships customers are experiencing upon request. The Receiver has already met with several customers to discuss this issue.
- e) The Receiver is in regular communication with potential buyers/operators for the Companies. However, while continuing to explore the sale of the Companies, the Receiver, also is targeting new customers who, if acquired, will assist the

Companies in returning to profitability and going forward with a standard competitive rate structure as has been provided in the past.

- f) The Receiver believes it is important for all interested parties to understand that those customers who respond with a knee jerk reaction to the current status of the Companies and consider leaving the system, will only place an increased burden and financial difficulty on the customers who remain, which will be the majority of the customers being serviced. The Receiver welcomes a discussion with any customers considering the possibility of leaving the system.
- g) The Receiver is in contact with community leaders to engage their involvement in an advisory board which will provide input regarding the direction of the Companies, customer concerns and who will be kept advised of the continuing progress of the Companies.
- h) Overall, the Receiver is pleased with the progress made to this point and continues to welcome new business opportunities and dialogue with qualified potential buyers/operators who have an interest in acquisition and can provide stability and service the community at a competitive rate for years into the future.
- i) The Receiver has been able to meet bi-weekly payrolls on an ongoing basis from funds received post receivership, including monies received from the recent surcharge.

II. Claims

Notice of receivership and proofs of claim were sent to known creditors, which included approximately 75 entities and individuals. Any other creditors, who have come forward, have been provided a proof of claim. Based on information gathered to date, the Receiver is aware of some secured creditors with regard to the plant equipment. At this point, the Receiver is unsure whether monies collected from the sale of the receivership estate will yield a return to secured or unsecured creditors. It is expected there are tax claims and delinquencies, the extent to which is unknown at this time.

III. Work In Progress/Insurance

The Receiver has maintained operations at the facility and services to all customers, while reducing expenses wherever possible. Prior to the commencement of the receivership all insurance associated with the Companies had either expired or been canceled due to non-payment. The Receiver has been working to reinstate all appropriate insurance. Presently, employee health insurance and vehicle insurance have been reinstated. In addition, the Receiver is continuing to work to reinstate appropriate property and liability insurance for the facility.

IV. Real Estate

There are four parcels of real estate at the Youngstown, Ohio facility that are owned by Youngstown Thermal, LLC and therefore included in the receivership estate. The real estate consists of three buildings. There is one large plant building, a small modular office building and a storage and meter repair shop building. Youngstown Thermal Cooling, LLC operates its cooling plant (two chillers) from an adjacent building pursuant to a lease agreement with Youngstown Downtown Properties, LLC.

The Receiver has not obtained a formal appraisal of the real estate owned by the Companies due to the significant cost associated with a commercial appraisal and the lack of available funds. The Receiver has determined that the recent tax valuations completed by the Mahoning County Auditor are much too high and therefore the Receiver intends to appeal the tax valuation in early 2018. At that time a real estate appraisal may be necessary to support the appeal. It is the Receiver's opinion that the value of the real estate is very limited due to the existing structures and the one dimensional use of the property as a utility. Based on the Mahoning County Auditor website, taxes for the receivership real estate are significantly delinquent.

V. Personal Property/Assets

The Receiver has obtained a list of the major equipment items owned by the Companies and located at the facility. The amounts listed for this equipment is the original cost, not the current value. There is also a miscellaneous list of equipment that have unknown value. See Exhibit "A". Much of these assets are necessary for the operation but could not be sold independently. The plant building houses four large boilers that produce steam for heating. None of the four boilers have value if not operated on the site. The cost to disassembly and move any of the boilers would be prohibitive. One of the boilers operates using oil and gas concurrently and two other boilers, maintained for back up and redundancy, utilize coal for their operation. The fourth boiler is not used and will likely be decommissioned and sold for scrap. There are also two chillers at the cooling facility.

The primary asset of the Companies consists of the underground pipeline used to distribute heating and cooling throughout the city and the customer base.

VI. Cash Holdings/Receivables

The Receiver reports that upon taking over control of the Companies on August 1, 2017, there was little or no cash on hand. The existing Company bank accounts were closed and the Receiver opened three receivership bank accounts for deposits, operations and payroll. The current total balances of those receivership bank accounts are approximately \$89,000.

There is approximately \$256,948 owed to the Companies in accounts receivable. The Receiver believes that all accounts receivable are reasonably collectible with two exceptions that will require significant collection efforts or litigation. These two exceptions have balances due of approximately \$68,004 and \$57,570, respectively. There are three other large accounts receivable not included in the current accounts receivable list because the Receiver lacks documentation supporting those three receivables. The Receiver is meeting with representatives from each of the three accounts to determine collectability and gathering support documentation in an effort to verify these receivables. Once the Receiver has reconciled these receivables, a payment plan will likely be implemented.

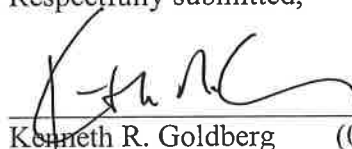
VII. Litigation/Claims

The Receiver is aware of three pending collection lawsuits involving the Companies, other than the receivership case. The Receiver, through counsel, has made an appearance in each of the lawsuits and requested a stay in each due to the pending receivership.

VIII. Conclusion/Outlook

The Receiver believes that the receivership administration will not be completed for at least 12 months as it is expected to take that long for the Receiver to locate a potential buyer/operator for the Companies. Meanwhile, operations will continue and the Receiver will maintain heating and cooling service to all current and future customers.

Respectfully submitted,



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CERTIFICATE OF SERVICE

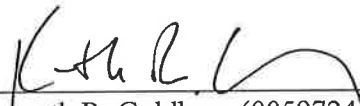
The undersigned hereby certifies that a true copy of the foregoing Receiver's First Report was served via email or regular U.S. mail on this 5th day of October, 2017, upon:

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YOUNGSTOWN THERMAL LLC ASSETS LIST

DESCRIPTION	DATE ACQUIRED	COST
STRUCTURES & IMPROVEMENTS		
INITIAL PURCHASE	9/9/2002	<u>1,111.69</u>
BOILER PLANT EQUIP		
INITIAL PURCHASE	9/9/2002	2,377.07
TURBINE GENERATOR	9/9/2002	114,954.94
DAQ STATION	1/1/2005	4,824.00
BLOW DOWN VALVES FOR #2 BOILER	11/17/2005	2,500.00
TURBINE R2580-1	6/3/2009	<u>44,601.00</u>
		<u>169,257.01</u>
UNDERGROUND PIPES		
INITIAL PURCHASE	9/9/2002	1,150,600.05
PIPELINE - PRISON	9/9/2002	<u>122,656.36</u>
		<u>1,273,256.41</u>
LAND		
INITIAL PURCHASE	9/9/2002	<u>68.00</u>
STRUCTURES & IMPROVEMENTS		
INITIAL PURCHASE	9/9/2002	<u>169.17</u>
COMPUTER EQUIPMENT		
DELL COMPUTER - RICH BURNS	3/20/2007	<u>2,740.31</u>
#4 BAGHOUSE		
INITIAL PURCHASE	8/1/2005	<u>29,654.33</u>
CIP - BUTLER ART (EXPANSION)		
INITIAL PURCHASE	11/1/2007	<u>38,561.35</u>
TOTAL book value		<u>1,514,818.27</u>

YOUNGSTOWN THERMAL COOLING LLC ASSETS LIST

A/C #	DESCRIPTION	DATE ACQUIRED	COST
1603-100	CHILLER PLANT EQUIP		
	CHILLER PLANT	6/30/1995	297,130.79
	1996 ADDITIONS	2/28/1996	430.04
	1996 ADDITIONS	3/31/1996	31,765.57
	1996 ADDITIONS	4/30/1996	11,079.46
	1996 ADDITIONS	5/31/1996	25,860.07
	1996 ADDITIONS	6/30/1996	10,714.79
	1996 ADDITIONS	7/31/1996	5,445.26
	1996 ADDITIONS	8/31/1996	3,004.24
	50 Ton Screw Water Chiller	1/20/2006	17,466.00
	Meter for Powers Auditorium	5/1/2006	5,333.77
	Meter for Home Savings	2/2/2007	5,312.56
	Electra Electric Valve - actuator butterfly valve (bypass)	2/12/2007	1,123.00
			414,665.55
	FREQUENCY DRIVE & FUSED DISCONNECT	7/7/2003	3,114.82
			417,780.37
1613-100	UNDERGROUND PIPES		
	PIPELINE	9/9/2002	332,500.00
	TOTALS		750,280.37

Miscellaneous Equipment

#1 Boiler

- Henry Vogt Boiler
- 90,000 lbs/hour
- Date 4-10-46
- Boiler has 40 hp ID and FD fan with steam turbin

#2 & 3 Boiler

- Henry Vogt Boiler
- 90,000 lbs/hour
- Date 4-10-46
- Boiler has 40 hp ID and FD fans with steam turbin
- Overfire air 50 hp motor/fan
- HES fan 75 hp motor for fan

#4 Boiler

- Riley Boiler
- Date ?
- Has 40 hp ID and FD fan with turbin
- Overfire air 50 hp motor/fan
- HES fan 75 hp motor fan
- Boiler # 2, 3 and 4 have baghose. They are a side bag hose with a 50 hp fan.

Softnen

- Made in the 50's and parts discontinued in 1966. They pass 250 to 300,000 gallons into gelt hand.
- 3 tanks for softnen and 1 tank for polisher.
- 1-elect driven feed water pump
- 2-steam driven feed water pumps
- 1 steam pump that doesn't work

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Case No(s). 17-1534-HC-UNC, 89-6017-CC-TRF, 89-6012-HT-TRF

Summary: Report First Report of Receiver Reg Martin electronically filed by Kenneth Goldberg on behalf of Youngstown Thermal Cooling, LLC and Youngstown Thermal, LLC