

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION**

City of Chicago,

Plaintiff,

v.

City of Harvey, Village of Homewood, Village  
of Hazel Crest, Village of Posen, Village of  
Dixmoor, Village of East Hazel Crest,

Defendants.

No. 12 CH 44855

Hon. Kathleen M. Pantle

**ORDER APPOINTING RECEIVER**

This action is before the Court on the Motion of the Plaintiff, City of Chicago ("Chicago"), to Declare Transactions Relating to City of Harvey's Water Account "Unauthorized Transactions" under the Consent Decree and for Appointment of a Receiver as an Independent Monitor (the "Motion"). By a previous Order dated July 19, 2017, this Court has granted the Motion (the "General Relief Order"). By this Order the Court is appointing the receiver proposed by Chicago in the Motion, and setting forth (i) such receiver's powers, duties, rights and responsibilities, and (ii) the additional obligations and duties of the City of Harvey ("Harvey") and other third parties as are necessary to enable such receiver to perform his duties hereunder. All of the findings, conclusions, analysis and orders in the General Relief Order are hereby incorporated herein by reference in their entirety as if expressly stated herein.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED as follows:

**1. Appointment of Receiver and General Powers; Third Party Cooperation.**

1.1 Robert P. Handler, Esq. of Commercial Recovery Associates, LLC ("Receiver"), whose address is 205 West Wacker, Suite 1818, Chicago, IL 60606, is hereby appointed

Receiver of the following property, wherever located, whether now existing or hereafter coming into existence: (i) all monies generated by Harvey's waterworks system at any time, wherever such monies are located and however they are held ("Water Revenue"), including all Water Revenue located in or required to be deposited in a segregated bank account under applicable law or any order of this Court at any time (the "Water Fund" and the funds therein the "Water Funds") and all Water Funds and Water Revenue located in any Harvey accounts which have been commingled with other funds, (ii) all bank accounts or other accounts containing any Water Revenue or Water Funds at any time, (iii) except as modified below, all books, records and other recorded information (including all electronic information) of the Harvey Water Department (the "Water Department") or of Harvey that evidences or relates to the origination or disposition of Water Revenue or the Water Funds, (iv) all financial assets of the Water Department, (v) all claims and causes of action to recover any illegal, unauthorized or fraudulent transfers of all or any portion of the Water Revenue or the Water Fund, regardless of when such transfers have occurred and including any such transfers as may occur after the Effective Date (as defined below), including without limitation any and all unauthorized transfers referenced in the Motion or the General Relief Order, (vi) any and all other property ordered by the Court to be under the exclusive authority and control of the Receiver at any time after the Effective Date, and (vii) all documents and records related to any of the foregoing, and any and all proceeds of any of the foregoing (collectively, the "Receivership Property"). The appointment of the Receiver, and all of his rights, duties and powers set forth herein, shall be effective as of the later of the date (a) this Order is entered and (b) this Court approves any bond the Court may require of the Receiver in this case (the "Effective Date"); provided however that, if the Court waives any such bond, then the Effective Date shall be the date set forth in Section 8.1 hereof.

1.2 The Receivership Property shall be under the exclusive authority and control of the Receiver as of the Effective Date until the Receiver is discharged.

1.3 As of the Effective Date, the Receiver (i) is authorized to direct and take immediate possession and full control of all Receivership Property with the powers set forth herein, and (ii) shall have access to all of Harvey's bank accounts, records (including electronic and hard copies), financial assets and financial information for purposes of enabling the Receiver to identify and protect any and all Receivership Property, including without limitation all bank accounts of Harvey in which any Water Funds have been commingled with any other monies or funds. If Receivership Property is commingled with any other property of Harvey at any time, the portion of such other property constituting or attributable to Receivership Property shall be and remain Receivership Property under the exclusive authority and control of the Receiver notwithstanding such commingling, and Harvey shall separate such Receivership Property from all such other property and remit it to the Receiver immediately upon learning or being notified of any such commingling.

1.4 Except as (i) otherwise ordered by this Court or authorized herein, (ii) expressly permitted by the Receiver in writing or (iii) as may be necessary to enable the Water Department to operate the Harvey water system in the ordinary course in compliance with Illinois law or contracts by which Harvey is bound, all persons and entities (other than the Receiver) are hereby enjoined and restrained from (a) directly or indirectly transferring or liquidating or receiving any Receivership Property, including any Water Revenue or any of the Water Funds, (b) seeking to obtain control of any Receivership Property, or (c) interfering, directly or indirectly, with any action taken by the Receiver in performance or furtherance of his duties or otherwise harassing the Receiver, directly or indirectly, in any manner.

1.5 The Receiver is hereby authorized and empowered to take all actions and exercise all such powers, and to direct the Water Department and Harvey to take all such actions, as the Receiver deems necessary to require, cause or enable the Water Department or Harvey to perform and fulfill Harvey's and the Water Department's obligations under (i) that certain Consent Decree between Chicago and Harvey dated (and approved by this Court on) January 20, 2015 (the "Consent Decree"), (ii) the General Relief Order or this Order, (iii) Illinois law as it relates to the collection or use of water revenue by municipalities, or (iv) any other order of this Court entered at any time (collectively, items 1.3(i) through 1.3(iv) being hereinafter referred to as the "Legal Requirements"). In addition, the Receiver shall have all powers, rights, privileges and authority available to receivers in equity, at common law or under Illinois law.

1.6 Without limiting the generality of the foregoing general powers of the Receiver, the Receiver is authorized, and empowered, without further Court order, immediately:

- (a) to have access to and take control of the Water Revenue and the Water Fund and all other financial assets under the possession, custody or control of the Water Department, and all choses in action, claims, books, records, papers, information, documents (whether written or electronic or in any other form) related thereto, with full power to (i) monitor and approve each transaction, disbursement or receipt of funds, or any other disposition relating to the Water Funds or the Water Revenue, and (ii) take such steps as he deems necessary to ensure the Water Department's and Harvey's compliance with the Legal Requirements;
- (b) to have access to all of Harvey's bank accounts, records (including electronic, cloud-based and hard copies), financial assets, financial information and accounting systems, wherever located and however held, for purposes of enabling the Receiver to identify, recover, separate and protect any and all Receivership Property, including without limitation all bank accounts of Harvey in which any Water Funds have been commingled with any other monies or funds at any time;
- (c) to have access to all of Harvey's and the Water Department's historical records, including without limitation all of their financial and bank records (including without limitation all bank records of Harvey or the Water Department under the possession, custody or control of 5<sup>th</sup>/3<sup>rd</sup> Bank or any other financial institution having such records), within date ranges determined by the Receiver and to the extent the Receiver

determines is necessary in order to (i) identify, rectify and/or recover any unlawful, fraudulent or unauthorized transactions or transfers that have occurred at any time or are ongoing, or (ii) enable the Receiver to perform any of his obligations or duties hereunder;

- (d) to have access to all of Harvey's property of whatever type or nature, whether real or personal, wherever located, (i) to the extent the Receiver determines such access is necessary to enable the Receiver to perform his duties and responsibilities hereunder, or (ii) for purposes of enabling the Receiver to take an inventory or prepare an accounting of, or verify any other inventory or accounting of, any or all of such property;
- (e) to direct that any or all of Harvey's records (in whatever form, including print or electronic) for any department, wherever located, be preserved, to the extent the Receiver determines that such preservation is necessary to enable the Receiver to fulfill his duties and responsibilities hereunder;
- (f) to, in the Receiver's discretion, establish and implement separate and independent procedures for (i) billing water customers, including to the extent necessary to eliminate or reduce the risk of commingling of Water Revenue or Water Funds with other funds, (ii) permitting persons or entities serviced by the Water Department to pay cash for their water bills and (iii) collecting Water Revenue and other payments from customers that may include payments due to the Water Fund, and to apply such payments to such customers' obligations to the Water Fund in the Receiver's judgment;
- (g) to, in the Receiver's discretion, (i) direct the Water Department to (a) terminate water service to customers of the Water Department that have not cured payment defaults or delinquencies, and (b) restore service to customers that have cured such defaults or delinquencies in the judgment of the Receiver, or who are otherwise entitled to water service in the judgment of the Receiver, and (ii) seek an order of the Court compelling the Water Department to terminate or restore service to such particular customers (as applicable), as determined by the Receiver;
- (h) to have control of, and be the sole authorized signatory for, all accounts related to or containing any Receivership Property, including any and all accounts (wherever located) containing the Water Fund or any Water Revenue at any time, and all assets or cash or funds held in the name or for the benefit of the Water Department at any bank or other financial institution which has possession, custody or control of any funds, cash or other assets of the Water Department, wherever located and however held;
- (i) to take all necessary measures to ensure that collections of Water Revenue and all other Water Department funds are deposited into segregated accounts under the Receiver's sole control, which measures may include without limitation, within the Receiver's discretion: (i) directing Payment Service Network Inc. ("PSN"), or any other collection

service approved by the Receiver, to pay the funds it collects from Harvey's residential and commercial customers to accounts under the Receiver's control; (ii) directing all other residential and commercial customers to pay their bills to lockboxes and sweep accounts under the Receiver's control; (iii) requesting PSN and all commercial customers to provide the Receiver with historical and year-to-date reporting on all Water Department-related activity, including deposits of prior collections and payments, billing and credit history and other allowed Water Fund-related activities; (iv) monitoring the invoicing, payment and disposition of funds remitted or owed by downstream municipalities to Harvey for any water usage; and (v) entering into and negotiating new, or renegotiating existing, contracts or agreements to which Harvey is or may become a party in order to facilitate or improve the financial stability and integrity of the Water Department's finances or otherwise protect the Receivership Property;

- (j) to oversee and monitor the financial affairs of the Water Department and the Water Fund to the extent necessary to ensure compliance by Harvey and the Water Department with the Legal Requirements, except that the Receiver shall not at any time be responsible or liable for the day to day operations of the Water Department's non-financial activities such as water intake, water treatment, water storage, the safety of the water supply and delivery of water to the Water Department's or Harvey's residents and customers;
- (k) to generally install, implement and enforce (i) financial controls throughout the Water Department's cash management system in order to prevent the dissipation of any Receivership Property and ensure compliance with the Legal Requirements at all times and (ii) procedures and technology to (a) protect electronic and other information related to or evidencing any of the Receivership Property, and (b) prevent the destruction, corruption or impairment of any computer or software used or owned by any Harvey Personnel in connection with their duties, including technology and software to prevent the hacking of any computer;
- (l) to engage and employ persons or entities in his discretion at any time to assist him in carrying out his duties and responsibilities hereunder, including but not limited to attorneys, accountants, security personnel and computer consultants;
- (m) to conduct any and all investigations, including undertaking discovery and issuing subpoenas to compel deposition testimony and the production of documents, as the Receiver or his counsel deem necessary to protect or recover any Receivership Property or enforce any of the Legal Requirements against Harvey and the Water Department or otherwise perform his duties, including without limitation any and all action to recover (i) any illegal or fraudulent transfers of Water Revenue or the Water Fund by or to any person or entity at any time, and (ii) the

- proceeds of any or all of the unauthorized transfers or transactions identified in the Motion or the General Relief Order;
- (iii) to issue and send to any person or entity, including any and all past or present Harvey Personnel (as defined below), any and all notices, instructions, litigation hold letters and other documentation as necessary to require such persons or entities to preserve any and all documents and information in whatever form related to or evidencing the Receivership Property or any transfers or proceeds thereof, as determined by the Receiver in his sole discretion;
  - (o) to prepare, initiate, pursue and/or settle any litigation against any persons or entity to the extent necessary to recover or protect any Receivership Property or ensure compliance by Harvey or the Water Department with any or all of the Legal Requirements;
  - (p) to take such other action as is necessary and appropriate to marshal, recover, preserve, protect and take control of, and to prevent the dissipation, concealment, or disposition of, any financial assets of the Water Department;
  - (q) to take administrative control over the Water Department's accounting systems (and the parts of any accounting systems of Harvey to the extent they relate specifically to its water system), including any cloud-based financial systems, and provide to Chicago real time access thereto;
  - (r) to defend the Water Fund from any and all claims made against the Water Fund at any time;
  - (s) to take all actions and execute all such documents as the Receiver deems necessary to implement his proposed plan of action dated July 26, 2017 and submitted or disclosed to the Court in connection with this Order;
  - (t) to seek (i) any additional Court orders to facilitate or enable the performance of his duties hereunder or to otherwise fulfill his responsibilities hereunder, and (ii) any and all other orders or relief, including civil and criminal contempt orders, as the Receiver deems necessary to enforce any person's or entity's duties or obligations however arising, including any obligations of any Harvey Personnel under this Order or any other order of this Court;
  - (u) to take actions that should have been taken by Harvey or the Water Department to comply with the Legal Requirements;
  - (v) to develop, pursue and/or file any claim or complaint, or pursue any legal action or litigation in any state or federal forum, in law or in equity, or otherwise take any action to resolve any claim or dispute in any non-judicial manner (including through arbitration or mediation), as the Receiver deems necessary to perform and discharge his duties and effectuate the terms and purposes of this Order;

- (w) to defend any action, suit or claim, whether in any court proceeding or in any other forum or context, related in any way to the Receivership Property or which could in any way diminish the value of any Receivership Property;
- (x) to make or authorize such payments and disbursements from the funds and assets of the Water Department, whether now existing or hereafter acquired, and to incur, or authorize the incurrence of, such expenses and make, or authorize the making of, such agreements as may be reasonable, necessary and advisable in discharging the Receiver's duties hereunder;
- (y) to, in the Receiver's discretion, direct that the Water Department or Harvey change, modify or update the Harvey website in order to conform the collection procedures for water bills stated therein to the procedures established and approved by the Receiver;
- (z) to, in the discretion of the Receiver, establish a waste, fraud and abuse hotline or other phone or communications resource for persons to report any alleged, observed or potential misconduct of any Harvey Personnel in relation to the disposition of Water Revenue, the Water Fund or any other Receivership Property;
- (aa) to publish any notices in any media providing any instructions or information as the Receiver deems necessary to perform his duties hereunder;
- (bb) to take all such other actions and execute all such other documents as the Receiver deems necessary to perform his duties hereunder or cause, enable or require Harvey or the Water Department to comply with or perform any or all of the Legal Requirements; and
- (cc) to take any other action as approved by this Court or in furtherance of the terms, provisions and purposes of this Order.

1.7 Nothing herein shall be construed to impute to or impose on the Receiver any liability for the failure of Harvey or the Water Department to comply with any of the Legal Requirements. The Legal Requirements shall remain separate and independent legal obligations of Harvey and the Water Department and shall not become obligations of the Receiver.

1.8 Harvey and the Water Department, and all of their past, present and future respective personnel, employees, officials (including elected officials), directors, officers, managers, attorneys, agents, advisors, accountants and consultants and representatives (collectively, the "Harvey Personnel"), are hereby ordered to cooperate with the Receiver and all



of his Representatives (as defined below) in all respects the Receiver deems necessary to enable the Receiver to perform his duties hereunder or enable such Representatives to provide services to the Receiver. Harvey shall deliver a copy of this Order to each Water Department employee and to all contractors and other companies providing services to the Water Department within two business days of the Effective Date. All persons or entities with any custody, control or possession of any Receivership Property (including the Water Fund and all Water Revenue), including without limitation all Harvey Personnel, shall forthwith (i) provide access to and control of such Receivership Property to the Receiver, (ii) preserve all Receivership Property, and (iii) take all such actions and execute all such documents as the Receiver deems necessary to effect a transfer of all possession, custody and control of all Receivership Property, including without limitation all accounts containing any Water Revenue or the Water Fund, to the Receiver.

1.9 On and after the Effective Date, no Harvey Personnel may destroy any records in whatever form (including electronic or cloud-based or hard copies) constituting or related to the Receivership Property, including any financial records, except upon the prior written consent of the Receiver.

1.10 No Harvey Personnel may send any bills or notices to Water Department customers or otherwise seek to collect monies from them for water usage, except as otherwise authorized in writing by the Receiver, so as not to interfere with the Receiver's collection efforts. From and after the Effective Date, the Receiver shall have exclusive authority and control over the manner and procedures for all billing for water usage by customers or residents serviced by Harvey's Water Department or water system. To the extent Harvey's current billing systems and procedures for water usage overlap with or incorporate other billing procedures for usage of

other public services (such as sewer or garbage), the Receiver shall have the authority to restructure such joint billing procedures to protect Receivership Property, including (within his discretion) to require that any and all proceeds of any joint billing procedures be deposited into an account controlled solely by the Receiver and later allocated and remitted solely by the Receiver to the respective non-water usage accounts under the control of authorized Harvey Personnel.

1.11 All persons or entities, including all Harvey Personnel, shall provide ongoing, unfettered and unrestricted access for the Receiver to all Receivership Property, including without limitation all records and information related to (a) Water Revenue, (b) the Water Fund, (c) any transfers of Receivership Property occurring at any time, (d) the Water Department or (e) any other Receivership Property. For purposes hereof, the "Receiver Representatives" or "Representatives" shall mean all persons and entities retained or engaged by the Receiver at any time to perform his duties hereunder and fulfill his responsibilities herein, including without limitation all employees, agents, representatives, attorneys, accountants, consultants, advisors and professionals engaged by or servicing the Receiver in connection with such duties and all shareholders, owners, employees, agents, partners and representatives of any of the foregoing.

1.12 Without limiting the generality of the foregoing, all Harvey Personnel are further ordered to turn over to the Receiver on the Effective Date (or such later date as may be agreed by the Receiver in writing or as otherwise set forth hereinbelow), or at the Receiver's election provide access to, all of the following pertaining to the Receivership Property in both physical and electronic form to the extent that such items are in their possession, custody, or control:

- (a) All information on all bank accounts, wherever located, which hold any Water Revenue or Water Funds or any other cash assets of the Water Department, or which have held such property at any time prior to the

Effective Date, including bank statements, and the name and location of all financial institutions holding any Water Revenue or any Water Funds.

- (b) Access to all of Harvey's bank accounts, records (including electronic, cloud-based and hard copies), financial assets, financial information and accounting systems, wherever located and however held, to the full extent that the Receiver deems necessary to enable the Receiver to identify, recover, separate and protect or liquidate any and all Receivership Property, including without limitation all bank accounts of Harvey in which any Water Funds have been commingled with any other monies or funds at any time.
- (c) All financial records of the Water Department.
- (d) All payroll and employee records of the Water Department, including time records and employee utilization reports, if any.
- (e) All outside reports of consultants and advisors related to the financial affairs or operations of the Water Department.
- (f) A list of all employees and personnel employed by or performing services for the Water Department, including name, title, function, telephone, email and address information and, as to outside vendors, the nature of and consideration paid for services rendered.
- (g) A list of the names and contact information (including phone, street address, and email address) for (i) all past employees, managers, retired employees, and non-employee personnel of the Water Department, and (ii) all persons or entities who have performed services for or been paid by the Water Department at any time, for any activity related to (a) the Water Department or (b) the generation, use or misuse of Water Revenue or Water Funds at any time.
- (h) All contracts and agreements to which the Water Department is a party or by which it is bound or pursuant to which it has any rights or obligations, including any (i) employment agreements between the Water Department or Harvey, on the one hand, and any Harvey Personnel, on the other hand and (ii) contracts or agreements with Payment Service Network.
- (i) The petty cash fund, if any.
- (j) A current aged account receivable/delinquency report for any amounts owed to the Water Department by any person or entity.
- (k) An aged listing of all trade payables and other payables.
- (l) Year-end operating statements of Harvey and the Water Department for (i) each of 2009 through 2016, and year-to date 2017 operating statements for Harvey and Water Department and (ii) such other years as the Receiver may request.
- (m) All on-site employee payroll records and employee files and applications.

- (ü) An inventory of all equipment, furniture, vehicles and supplies of the Water Department.
- (ö) All existing contracts with any vendors servicing the Water Department.
- (p) All pending bids for contractor work related to any property managed or owned by the Water Department.
- (q) A list of, and any and all documents pertaining to, any unpaid vendor or service provider invoices or record of work performed by any such vendors.
- (r) Information regarding all insurance claims submitted in the past three (3) years.
- (s) Surveys, site plans, stacking plans, specifications, floor plans, drawings, and measurements related to any real property owned or managed by the Water Department.
- (t) Any reports and other documents or information regarding the condition of any of the facilities and infrastructure constituting Harvey's water system and pertaining to any period in 2015, 2016, or 2017, including but not limited to any environmental assessments, physical condition reports, and information pertaining to deferred maintenance or capital improvements.
- (u) All documents identifying and summarizing all pending litigation involving or naming the Water Department (excluding this action).
- (v) All documents and information pertaining to any existing or claimed violations of any Legal Requirement.
- (w) An inventory of all computers, including laptops, held by any persons or entities with any access (including remote access) to the records (including electronic records), servers, computers and any stored information of the Water Department.
- (x) All documents, books, records and computer files, computer equipment, software, management files, and all passwords needed to access all software and computer files, and e-mail accounts maintained at the Water Department related to the Receivership Property.
- (y) All documents, records, files, data, contact information and all other materials relevant to any attempt or failure of Harvey or the Water Department to comply with the Legal Requirements.
- (z) Such other records pertaining to the Receivership Property as may be requested by the Receiver.

1.13 All banks, brokerage firms, financial institutions and other business entities which have any possession, custody or control of any assets, funds or accounts (i) in the name of or for the benefit of the Water Department or Harvey and (ii) related to or containing any portion of the

Water Revenue or the Water Funds or any other Receivership Property (collectively, the "Financial Institutions" and such accounts the "Water Accounts"), shall take all such action as necessary to make the Receiver the sole authorized signatory on such accounts and otherwise grant the Receiver exclusive access and control to all such assets, funds or accounts. All Financial Institutions shall recognize, acknowledge and for all purposes treat the Receiver as the sole signatory for the Water Accounts. To the extent any or all of the Water Revenue or the Water Funds are commingled with other funds or accounts (the "Other Funds"), the Financial Institutions shall (a) separate the Water Revenue and Water Funds from such Other Funds and (b) deliver the Water Funds and Water Revenue to the Receiver in accordance with his instructions.

1.14 No Harvey Personnel may take any action, directly or indirectly, or permit any inaction, that would hinder, obstruct, delay or otherwise interfere with the Receiver's custody or control of the Receivership Property or the performance of his duties hereunder or the assistance provided by any Receiver Representative to the Receiver.

1.15 The Harvey Personnel shall prepare and submit to the Receiver, by no later than fourteen (14) days after the Effective Date, and file with this Court, an accounting for all (i) Receivership Property existing as of the Effective Date, and (ii) Receivership Property transferred, concealed, or diverted at any time since January 1, 2013, other than transfers in the lawful ordinary course of business of the Water Department. Such accounting shall be provided under oath and the penalty of perjury and signed by an authorized officer of Harvey. Nothing herein shall be construed to limit, deny, or prejudice the Receiver's right to seek and obtain any information regarding any other transfer or disposition of any Receivership Property at any other time, including before January 1, 2013.

1.16 The Harvey Personnel are hereby prohibited from (i) destroying or disabling any Receivership Property or (ii) removing any Receivership Property from the Water Department, or diverting any Water Revenue or Water Funds at any time, other than as may be necessary to operate the Water Department in the lawful ordinary course of business.

1.17 All Harvey Personnel shall provide the Receiver with all information in whatever form (including written, oral and electronic) as and when requested by the Receiver or his Representatives at any time, (i) related to the Receivership Property or the Legal Requirements or otherwise necessary in the Receiver's judgment to enable the Receiver to perform his duties and fulfill his responsibilities hereunder, or (ii) from any department or function of Harvey as of any date, to the extent the Receiver determines that such information may be related to any Receivership Property or otherwise necessary to enable the Receiver to preserve, protect or recover any Receivership Property or perform any of his duties hereunder (collectively, the "Information"). The Receiver and his Representatives are authorized to issue any subpoena to any person or entity, including subpoenas for documents or deposition testimony, for purposes of obtaining any Information at any time, without further order of the Court. All Harvey Personnel, including any former Harvey employees or officers, shall appear for any deposition testimony, and provide all documents containing any Information, in response to a subpoena or other request from or on behalf of the Receiver.

1.18 All Harvey Personnel shall not destroy any records that may be commingled with or related to records pertaining to any Receivership Property, at any time, except upon the prior written consent of the Receiver.

1.19 The Harvey Personnel shall add the Receiver as an additional insured and loss payee on all insurance relating to the Receivership Property, including, but not limited to, fire,

extended coverage, property damage, liability (including both general liability and excess liability), fidelity, errors and omissions, and workers compensation, and modifying the policies if deemed appropriate by the Receiver, but subject to approval for any modifications to insurance. The Harvey Personnel are prohibited from canceling, reducing, or modifying any and all insurance coverage in existence with respect to any of the Receivership Property.

## **2. Allocation of Income Collections**

2.1 The term "Income" means, collectively, all cash, cash on hand, checks, cash equivalents, credit card receipts, demand deposit accounts, bank accounts, cash management or other financial accounts, bank or other deposits, and all other cash (all whether now existing or later arising); current and past-due earnings, rents, prepaid rents, revenues, issues and profits, accounts, and accounts receivable (all whether unpaid, accrued, due, or to become due); and all other gross income derived from the operations of the Water Department regardless of whether earned before or after entry of this Order.

2.2 Income from the Receivership Property shall be applied by (or paid under the supervision of) the Receiver as follows:

- (a) First to the approved fees and expenses (including any applicable bond costs and fees) of the Receiver and of the attorneys, accountants and other professionals retained by the Receiver to assist and advise the Receiver in the performance of his duties hereunder;
- (b) Then to any unpaid Indemnified Liabilities (as defined below in Section 5.4 of this Order) that may be owed by Harvey to the Receiver or any Receiver Representative at any time;
- (c) Then to "Water Related Expenses" as defined in Paragraph 6 of the Consent Decree, as well as the reinstated Judgment as amended by the Court;
- (d) To any reserves established by the Receiver at any time for purposes of enabling him to perform his duties, including for any contingent or anticipated expenses or liabilities of the Water Department; and
- (e) Any surplus to be held pending further order of the Court.

**3. Receiver Professionals; Compensation and Reports.**

3.1 The Receiver's proposed retention of Michael Pakter and his firm Gould & Pakter Associates, LLC (collectively, "Pakter") as his forensic accountant to perform the Accounting Services (as defined below) for this case is hereby approved (subject to the filing of any applicable retention application pursuant to the Local Rules of this Court (the "Local Rules"), unless such filing requirement is waived by the Court), retroactive to the date Pakter first incurred time in connection with providing services to the Receiver for this case. "Accounting Services" shall consist of all forensic accounting services requested by the Receiver or otherwise necessary in order to enable the Receiver to perform his duties hereunder, including without limitation review and analysis of financial records of Harvey, investigation of financial transfers and preparation of financial reports to assist the Receiver in managing the Receivership Property.

3.2 The Receiver's proposed retention of N. Neville Reid and his firm Fox Swibel Levin & Carroll LLP as his general legal counsel to perform the Legal Services (defined below) is hereby approved, subject to the filing of any applicable retention application required under the Local Rules unless such filing requirement is waived by the Court (collectively, "Reid" and together with Pakter and any other professionals retained by the Receiver, the "Professionals"), retroactive to the date Reid first incurred time in connection with providing services to the Receiver for this case. The "Legal Services" shall consist of all legal services requested by the Receiver in connection with this case or otherwise necessary to enable him to perform his duties hereunder, including without limitation general case administration, investigation of potential claims against third parties, recovery of any illegally transferred Receivership Property or the



proceeds thereof, general discovery, litigation, and negotiation and settlement of claims against the Water Department.

3.3 The Receiver may retain such additional advisors and professionals, without further Court order, as the Receiver deems necessary in order to enable him to perform his duties and fulfill his responsibilities hereunder.

3.4 The Receiver's and his Professionals' compensation for performance of their duties or services shall be billed on an hourly basis and charged at a rate of no more than \$295 per hour.

3.5 The Receiver's Professionals shall prepare and send to the Receiver monthly invoices for their services rendered. The Receiver shall pay his own invoices and that of his Professionals from the Receivership Property upon entry of an order of the Court approving an application for allowance of such compensation. The Receiver and his professionals may file an application for approval of compensation at any time, upon ten (10) days' notice to Chicago, Harvey and any other parties requesting notice in this case.

3.6 Nothing herein shall be construed to require the Receiver to pay any obligation of Harvey or the Water Department from his own funds.

3.7 The Receiver shall provide quarterly reports to the Court, Chicago and Harvey of the Income, and the status, condition and amount of the Receivership Property, including balances in the Water Accounts, and such other information as the Receiver deems appropriate for review by the Court (collectively, the "Reports" and individually a "Report"). Each Report shall include a copy of the relevant bank statement(s) related to the Water Accounts.

3.8 The Receiver shall furnish to Chicago and Harvey any additional information regarding the Receivership Property as may be reasonably requested by them, but the Receiver is

authorized to request instructions from this Court should any party request information or documents that would be unduly burdensome or expensive to produce, or if the Receiver reasonably believes such request is intended to annoy or harass the Receiver or achieve any other improper purpose. The Receiver is hereby authorized to comply with the terms and conditions of any lawful subpoena request for production of documents comprising Receivership Property.

3.9 Notice to Chicago for any purpose of this Order shall be deemed sufficient if provided by email or regular U.S. Mail, to: Diane M. Pezanoski, Deputy Corporation Counsel, City of Chicago Law Department, 30 North LaSalle Street, Suite 1400, Chicago, IL 60602, [Diane.Pezanoski@cityofchicago.org](mailto:Diane.Pezanoski@cityofchicago.org).

3.10 Notice to Harvey or any Harvey Personnel shall be deemed sufficient if provided by email or regular U.S. Mail, to: Ken Hurst, Esq. and Mark Roth, Esq., Roth Fioretti LLC, 311 S. Wacker, Suite 2470, Chicago, Illinois 60606, [Ken@rothfioretti.com](mailto:Ken@rothfioretti.com) and [Mark@rothfioretti.com](mailto:Mark@rothfioretti.com).

**4. Term; Bond; Final Accounting.**

4.1 This Receivership shall continue until further order of the Court.

4.2 The Receiver shall provide a bond solely to the extent, and in amounts and terms, required by the Court.

4.3 The Receiver shall submit a final Report (with copies to Chicago and Harvey) for approval by the Court within the deadline designated by the Court.

4.4 Only after the Court approves the Receiver's final accounting may the Receiver be discharged and any Receiver's bond be cancelled.

**5. General Provisions; Indemnity.**

5.1 No person or entity shall file suit against the Receiver or any of his Representatives, or take other action against the Receiver or any of his Representatives, in any forum without an order of this Court permitting the suit or action; provided, however, that no prior Court order is required to file a motion in this action to enforce the provisions of this Order or any other order of this Court in this action.

5.2 The Receiver and his Representatives shall have no personal liability in connection with any liabilities, obligations, liens, or amounts owed to any of Harvey's creditors because of his duties as Receiver or their services to the Receiver. Nothing in this Order shall grant any rights to any creditors beyond what such creditors already have under Illinois law.

5.3 The Receiver and his Representatives shall have (i) no personal liability to anyone for any claim or injury arising from the operation of the Harvey water system or the failure or malfunction of such water system, and (ii) no personal liability for actions taken pursuant to this Order or in furtherance or support of the Receiver's duties hereunder or for services provided pursuant to the Receiver's instructions or in furtherance of his duties, except for claims against the Receiver for the Receiver's intentional and willful failure to comply with this Court's orders.

5.4 Harvey shall indemnify and hold harmless the Receiver and each of his Representatives against any and all claims, expenses or liabilities suffered by or pursued against any of them at any time, including defense costs, arising from or related to (i) any actions or inaction of Harvey occurring at any time, including any actions or inaction of Harvey related to the delivery or non-delivery of water to any persons or entities and any safety or contamination of such water, including residents, businesses or water customers of Harvey and any municipalities under contract to receive water from Harvey, or (ii) any performance by the

Receiver or any Receiver Representative of their respective duties hereunder or services provided in relation hereto, or any action taken by the Receiver or any Receiver Representative in furtherance of their respective duties and responsibilities hereunder or services provided in relation hereto (collectively, the "Indemnified Liabilities").

5.5 Harvey shall pay the Indemnified Liabilities to the Receiver or Receiver Representatives (as applicable) within ten (10) days of receipt of a written notice from the Receiver or such Receiver Representative of such Indemnified Liability. The Receiver is hereby authorized to use Receivership Property to pay any Indemnified Liability not timely paid by Harvey.

5.6 The Receiver's duty to act as Receiver is subject to the Receiver's written acceptance and approval of the terms of this Order.

**6. Amendment of Order; Retention of Jurisdiction.**

6.1 This Order may be amended for cause after a motion or hearing. This Order may also be amended by Order of Court after agreed to by the Receiver, Chicago and Harvey.

6.2 This Court shall retain jurisdiction to enforce the provisions of this Order, as it may be amended from time to time.

**7. Receiver's First Report.**

7.1 The Receiver's first Report to the Court will cover the period August 4, 2017 to October 4, 2017 and shall be filed on October 18, 2017. Any objections to the Receiver's first Report must be filed on or before October 27, 2017.

7.2 The hearing on the Receiver's first Report and status in this case will be held on November 14, 2017 at 10:30 AM.

8. Effective Date.

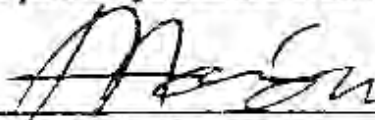
8.1 The Effective Date of this Order shall be August 4, 2017. The Receiver is not required to post a bond in this case.

**ENTERED**  
JUDGE KATHLEEN M. PANTLE - 1775  
AUG 04 2017  
DOROTHY BROWN  
CLERK OF THE CIRCUIT COURT  
DEPUTY CLERK  
Circuit Court Cook County, IL

Date: \_\_\_\_\_

Acceptance of Receivership

Robert Handler of Commercial Recovery Associates accepts the duties of the Receiver as set forth in this Order and agrees to submit to the personal jurisdiction of the Court.



Robert Handler, Esq  
Commercial Recovery Associates

Dated: 8/4/17, 2017