

IN THE COURT OF CLAIMS
OF THE STATE OF OHIO

STATE EX REL., OHIO ATTORNEY
GENERAL DAVE YOST

Petitioner,

v.

CITY OF EAST CLEVELAND

Respondent.

Case No. 2025-00925RC

Judge Lisa L. Sadler

CONSENT ORDER FOR RECEIVERSHIP

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COURT OF CLAIMS
OF OHIO

**CONSENT ORDER APPOINTING RECEIVER FOR THE CITY OF EAST
CLEVELAND**

This matter is before the Court on the Petition of the Ohio Attorney General, filed pursuant to R.C. §118.29, seeking the creation of a receivership over the City of East Cleveland, Ohio (the “Petition”). The Court, having reviewed the Petition, the Affidavit of Tisha Turner, supporting exhibits, and applicable law, finds that the statutory requirements for the appointment of a receiver have been satisfied.

The Court finds that it has jurisdiction over this matter pursuant to R.C. §118.29(B), which provides that upon referral by the Financial Supervisor, the Attorney General shall file a petition for receivership in the Court of Claims. Venue is proper in this Court under the same provision.

FACTUAL FINDINGS

The Court finds that the City of East Cleveland (the “City”) is a municipal corporation organized under the laws of the State of Ohio and that the City maintains a Charter adopted pursuant to Ohio law, which the City last amended in 2023.

The Court further finds that on October 9, 2012, the Auditor of State issued a declaration of fiscal emergency pursuant to R.C. §118.023(C). That declaration has remained in continuous effect for thirteen years.

The Court further finds that the Auditor of State, in its capacity as Financial Supervisor,¹ referred the matter to the Attorney General pursuant to R.C. § 118.29(A) and (B). The Attorney General, upon receipt of that referral, filed the present Petition in accordance with R.C. §118.29(B), which requires such petitions to be filed in the Court of Claims.

The Court further finds that R.C. § 118.29(A) sets forth the statutory criteria for determining whether the appointment of a receiver is warranted. Under this provision, a receivership may be established if a municipal corporation has been in a state of fiscal emergency for a continuous period of ten years and has demonstrated one or more specified forms of noncompliance with Ohio's fiscal emergency laws as described in R.C. § 118.29(A)(2). These include, among other things, failure to comply with budgetary and spending processes under Chapter 5705 of the Revised Code (R.C. § 118.29(A)(2)(a)) and undertaking administrative or legislative actions that are inconsistent with the financial plan or undertaken without approval by the Financial Planning and Supervision Commission (the "Commission") (R.C. § 118.29(A)(2)(d)). The Court, having reviewed the Petition, the Affidavit of Tisha Turner, supporting exhibits, and applicable law, finds that the City has been in a state of fiscal emergency for a continuous period of ten years and has committed multiple violations under R.C. § 118.29(A)(2)(a) and (A)(2)(d).

The Court further finds that, pursuant to R.C. § 118.29(F), the statutory conditions set forth in R.C. § 118.29(A)(2) may be applied retroactively in a remedial nature. The Court finds that the

¹ Capitalized terms not otherwise defined herein shall have the meanings as set forth in the Petition.

violations committed by the City of East Cleveland, including those occurring prior to the effective date of R.C. § 118.29, are properly considered in determining whether the appointment of a receiver is warranted. The remedial application of the statute is consistent with its purpose and legislative intent to provide a mechanism for resolving persistent fiscal emergency conditions.

RECEIVERSHIP APPOINTMENT

Based on the findings above, and pursuant to R.C. §118.29(B), the Court hereby ORDERS the establishment of a receivership (the “Receivership”) over the City. The Court appoints George E. Shoup III as receiver (the “Receiver”). The amount of bond required pursuant to R.C. § 2735.03 is hereby set at \$0.00. The Petitioner and the City agree to the bond amount. Therefore, the requirement to post a bond is excused. The Receiver shall not enter into the performance of duties until the oath has been filed with the Clerk of this Court.

The Court finds that the Receiver satisfies the requirements of R.C. § 2735.02. The Receiver is not a party to this action, nor an attorney for a party, nor a person otherwise interested in the action. The Receiver is a resident of the State of Ohio. The Court further finds that the Receiver is qualified to manage an engagement of this magnitude. The Receiver possesses substantial experience in serving as a receiver and has demonstrated the capacity to administer complex receivership cases. The Court further finds that the Receiver’s background, professional resources, and familiarity with Ohio law render them well-suited to fulfill the duties imposed by this Order and to assist the City in resolving the conditions of fiscal emergency.

The Court hereby ORDERS that, subject to the powers and authority granted to the Receiver herein, Chapter 118 of the Revised Code, and further orders of this Court, the Mayor and legislative authority of the City shall continue to exercise all powers and comply with all duties granted to them under Ohio law and the City’s Charter.

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The Court hereby finds that the Financial Supervisor and the Commission were previously appointed on October 9, 2012, and that those appointments remain in effect notwithstanding the Court's appointment of a Receiver.

The Court hereby ORDERS that the Receiver and the City take steps to work collaboratively to accomplish the goals of the Receivership with a view towards avoiding duplicative efforts, including but not limited to, in their interactions with the Financial Supervisor and the Commission.

The Court hereby ORDERS that the Receiver shall have all powers and duties set forth in R.C. §118.29(C). These include the duty to consult with the legislative authority of the City and the City's Mayor to make recommendations or, if necessary, to assume responsibility for implementing cost reductions and revenue increases to achieve a balanced budget and carry out the financial plan, and to make reductions in force or spending to resolve the fiscal emergency conditions. The Receiver may ensure that the City complies with all aspects of a financial plan approved by the Commission in accordance with R.C. §118.06, or as amended in accordance with Chapter 118. If no financial plan has been approved by the Commission, the Receiver, after consulting with the legislative authority of the City and the City's Mayor, may make recommendations or assume, if necessary, the responsibility for crafting and submitting a financial plan to the Commission. The Receiver shall ensure that the City complies with all other relevant aspects of Chapter 118.

The Court further ORDERS that the Receiver shall provide monthly written reports about the progress toward resolving the conditions of fiscal emergency to the Commission, the legislative authority of the City, the Mayor, and the Financial Supervisor. The Receiver shall appear at least quarterly to present information about such progress at an open meeting, and if allowable under

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R.C. §121.22, in executive session, of both the legislative authority of the City and the Commission. The Receiver shall otherwise comply with all reporting requirements contained in Rule 23 of Local Rules of this Court. The Receiver may, at the Receiver's initiative or upon invitation, attend executive sessions of the legislative authority of the City. The Receiver may also exercise any other powers granted by this Court that are necessary to perform the duties stated in R.C. §118.29.

The Court further finds that the Receiver shall be authorized to request reasonable fees for work performed, including but not limited to costs associated with retaining legal counsel, accountants, or other similar advisors that the Receiver considers necessary in the performance of the Receiver's duties. Such fees shall be paid solely from funds appropriated to the Office of Budget and Management during the period of fiscal emergency, as provided in R.C. §118.29(B). For the avoidance of doubt, the City shall have no liability for the fees of the receiver or its professionals.

In no event shall the Receiver be personally liable for the debts or obligations of the City or be liable to anyone for good faith compliance with its duties and responsibilities, nor shall the Receiver, its employees, agents or advisors be liable to anyone for any actions taken or omitted by the Receiver, except upon a finding by this Court that the Receiver or its designee acted or failed to act as a result of malfeasance, bad faith, gross negligence or reckless disregard of its duties.

The Receiver shall not be bound or personally liable for any or all contracts, agreements, understandings, or other commitments the City had, or may have with third parties, whether oral or written.

The Court further finds that, in addition to the powers expressly conferred by statute, the Receiver shall be authorized to exercise the following powers, following consultation with the

City's legislative authority and the Mayor, which are necessary to fulfill the Receiver's statutory duties and to resolve the conditions of fiscal emergency:

- (a) The Receiver is authorized to suspend, renegotiate, or terminate contracts that conflict with the financial plan or contribute to the fiscal emergency conditions, except for any collective bargaining agreements involving City employees. The Receiver is further authorized to restructure debt obligations, subject to approval of this Court, in order to facilitate fiscal recovery.
- (b) The Receiver is authorized to freeze non-essential hiring, promotions, and compensation adjustments, unless such actions are approved as part of the financial plan. The Receiver shall have full access to and authority to audit all financial records, systems, and personnel necessary to perform the Receiver's duties.
- (c) The Receiver is authorized to implement internal controls and financial policies to ensure compliance with Chapters 118 and 5705 of the Revised Code. The Receiver may recommend legislative actions to the City Council that are necessary to implement the financial plan or to ensure compliance with applicable law.
- (d) The Receiver is authorized, subject to the approval of the Tax Commissioner and further order of this Court, to petition for relief under Chapter 9 of Title 11 of the United States Code pursuant to R.C. § 133.36, if such filing is necessary to eliminate the conditions of fiscal emergency within a reasonable time.

The Court further ORDERS that the Receiver may inspect, review, and copy any and all books and records of the City of whatever nature and wherever located, whether in electronic form or otherwise, in the possession of the City or any other person or entity. The Receiver may request originals when reasonably necessary for administration and require cooperation from custodians

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of such records. This includes all information regarding the assets, liabilities, revenues, expenditures, and operations of the City, including without limitation: financial statements, general ledgers, trial balances, budget reports, statements of cash flows, income statements, and other accounting records; documentation of amounts owed to the City and records of collections and disbursements; inventories and appraisals of City property, equipment, vehicles, infrastructure, and other fixed assets; all bank and financial accounts held or managed by the City; accounts payable and receivable documentation, vendor contracts, procurement records, and correspondence related to City services or obligations; payroll records, employee benefit information, wage and salary data, tax withholding documentation, and any records related to City personnel; licenses, permits, and regulatory filings relevant to the City; federal, state, and local tax filings and related documentation, including any outstanding liabilities or audits; contracts, intergovernmental agreements, leases, insurance policies, and other binding documents affecting the City; any other financial or operational records necessary for the administration of the City; and any document maintained in the ordinary course of City governance or operations. All such books and records are hereby placed in *custodia legis* and are subject to the jurisdiction of this Court and the administration of the Receiver. The Receiver shall adhere to all public record laws, as may be applicable, and other laws that may regulate the confidentiality of City records.

The Court further finds that all persons and entities shall be enjoined from interfering with the Receiver's exercise of its duties and powers under the terms of this Order and from initiating any judicial, administrative, or other proceedings against the City or the Receiver without prior leave of this Court.

Notwithstanding the foregoing, the City shall retain all rights set forth in Ohio Court of Claims Local Rule 23, including the right to file an objection with the Court to any action proposed

to be taken by the Receiver. Any such objection will only be filed after the parties have met and conferred and attempted to resolve any such objection or disagreement. Any such objection filed with the Court shall include a statement as to the nature of the objection and a certification to the Court that the City has brought its objection to the attention of the Receiver, the Receiver's stated position on the objection and the parties' attempts at resolving the objection prior to the objection being filed with the Court.

The Court further finds that, at least annually, the Court will convene a status conference to determine progress towards the elimination of the fiscal emergency condition. The Court shall terminate the receivership when the City has corrected and eliminated all the fiscal emergency conditions determined pursuant to R.C. §118.04, and no new fiscal emergency conditions have occurred.

IT IS SO ORDERED.

JUDGE: *Sade*

DATE: 2/4/26

[Signature]
By Special Counsel for the Petitioner

[Signature]
By Counsel on behalf of The City of East Cleveland

[Signature]
By Mayor Sandra Morgan, The City of East Cleveland

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ENTRY

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