

Press Release

Nursing and health care provider DIE DIAKONIE to restructure itself as a debtor in possession

10 July 2023 · Lübbecke · Business Area: Restructuring

Nursing and health care provider DIE DIAKONIE – Pflege- und Gesundheitsdienst gGmbH based in Lübbecke is engaged in debtor-in-possession restructuring proceedings. The Local Court of Bielefeld approved a corresponding application filed due to imminent illiquidity and ordered provisional debtor-in-possession proceedings.

The company operates two outpatient care services as well as a geriatric and nursing care facility with currently 86 residents located in Kirchplatz in the town of Lübbecke. The facility has four residential areas with a total of 100 beds, six of which are short-term nursing care beds.

Matthäus Seniorenzentrum gGmbH, a wholly owned subsidiary, employs 99 staff and also runs a retirement home (offering day care services as well) in Lübbecke with a total of 65 residential units and 25 day care places. It is not affected by the opening of the restructuring proceedings. The subsidiary will remain operating without any restriction and continue to offer its high-quality services to the residents and clients entrusted to its care.

Business to continue operating

DIE DIAKONIE employs 181 people. Their salaries are

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About PLUTA

PLUTA assists companies facing legal and financial challenges. The firm provides support for reorganisations and transactions and helps companies to restructure and maintain their operations in crisis and insolvency situations. If necessary, PLUTA restructuring experts may also assume leadership roles in other businesses. Since the company was founded in 1982, PLUTA has constantly grown and today has a staff of approximately 500 employees in Germany, Spain and Italy. More than 290 business and management experts, attorneys, business lawyers, tax consultants, public auditors, certified accountants, economists, banking and bookkeeping experts, engineers and insolvency administration specialists, many with multiple qualifications, ensure practicable and economically sound solutions. PLUTA is one of the top restructuring companies, as demonstrated by rankings and awards from INDat, JUVE, The Legal 500, Who's Who Legal, brand eins, Wirtschaftswoche and Focus. Further information is available at www.pluta.net.

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guaranteed for a period of three months thanks to specific substitute benefits provided under German insolvency law. The company also has sufficient funding to continue operating beyond this period and cover all costs, including wages and salaries. The employees were informed about the situation and the detailed restructuring plan during a staff meeting in order to give them the peace of mind needed at this time.

The business will also continue operating without restriction on the basis of valid and detailed long-term planning. This means that all patients of both care services and the residents of the Evangelisches Alten- und Pflegeheim geriatric and nursing care facility in Kirchplatz will still receive the same good and reliable level of care and will be looked after by staff in the usual manner and to the same high standard of quality.

Planned relocation to another property

The financial difficulties being experienced by DIE DIAKONIE are mainly the result of fire prevention regulations pertaining to the Kirchplatz facility in Lübbecke. These require an investment of at least seven to eight million euros over a period of two to three years in the near term. This was found to be the case following careful investigation, analysis and expert calculations in recent months. The relevant parties initially tried everything possible to put in place a third-party cost sharing arrangement, but in the end this could not be implemented. The Church in Lübbecke, as shareholder and owner of the property, considers itself (like DIE DIAKONIE) unable to take on and refinance these fire prevention



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measures required to be undertaken urgently due to an official order. The current steps being taken to ensure the safety of residents in the interim, such as temporary fire escapes (scaffolding) and fire watchers at night, are leading to costs in the high tens of thousands each month. These can no longer be borne financially and would have inevitably led to the company becoming insolvent after some time. In order to secure the beds and jobs and maintain such within the framework of restructuring proceedings, the charitable limited liability company had no option but to take the steps now being pursued to free itself of its obligations under the court-ordered debtor-in-possession proceedings.

The business is therefore aiming to restructure itself under debtor-in-possession proceedings, with the unavoidable objective of leaving the location in Kirchplatz that has proven so costly and in need of such investment and seamlessly continuing to operate a care facility in another suitable, modern property. The outpatient care services will also continue operating without restriction in the future and are not directly affected by the restructuring measures in this respect. Independent subsidiary Matthäus Seniorenzentrum gGmbH is not affected either and will remain at its current, modern location in Lübbecke. No restructuring process has been initiated or is planned for it.

The relevant parties have held numerous discussions in recent weeks to find a suitable property capable of meeting the company's own high standards as a replacement for the location in Kirchplatz. Contractual

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agreement on a new tenancy was reached in this regard in the past few days. DIE DIAKONIE has the option of relocating to the Kastanienhof facility at the health resort of Bad Holzhausen, which could accommodate around 60 residents and is located just eight kilometres or so from the current property.

This move would first require refinancing of the costs, which in turn is dependent on agreements with the payers and approvals from the relevant supervisory authorities. For the tenancy agreement to take effect, all requirements will therefore first have to be met in close consultation with the future landlord. Based on the preliminary examinations, discussions and negotiations to date, management and the restructuring consultants expect it will be possible to fulfil and implement all conditions in the coming weeks and for the move to go ahead to plan from November 2023 onwards.

Best possible solution for everyone concerned

Mr Lutz Schäfer, managing director of DIE DIAKONIE, said, "This has not been an easy decision for us, but unfortunately we were left with no alternative. We know that a move is a very stressful prospect for our residents. However, we cannot remain in Kirchplatz, as the investment required on account of the fire prevention regulations would result in unaffordable costs. We currently have in place an absolutely reliable interim concept for the protection of residents, which has been agreed with all public bodies. However, it would take millions to renovate the building in order to ensure its continued long-term use. We simply cannot finance this.

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The new location is a good option and the best possible solution for all involved."

Superintendent Dr Uwe Gryczan, speaking on behalf of the supervisory board of DIE DIAKONIE, said, "The supervisory bodies, the Church in Lübbecke and the Lübbecke church district have also pulled out all of the stops to find a way to finance the investment in the geriatric and nursing care facility in Kirchplatz required on account of the fire prevention regulations. Unfortunately, this has not been possible given the enormous costs running into the millions. We will support the restructuring process with every means at our disposal. We particularly want the best outcome for the residents and staff."

Assistance from restructuring experts during the proceedings

Mr Stefan Meyer and Mr Torsten Gutmann of PLUTA Rechtsanwalts GmbH, both specialist attorneys in insolvency and restructuring law, have been supporting the company during the debtor-in-possession proceedings. The two attorneys have been appointed general agents for DIE DIAKONIE while it acts as a debtor in possession and, as such, are responsible for all measures in connection with the restructuring process. Managing director Mr Lutz Schäfer, together with his team of highly skilled staff, continues to be responsible for the operational management of the nursing and health care provider in the facilities and outpatient care services.

General agents Mr Gutmann and Mr Meyer emphasised, "We are very confident that we can swiftly and successfully

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conclude the debtor-in-possession proceedings and thereby safeguard the company's business operations and jobs in the long term. The residents and their relatives need have no concerns about the residents in the facilities under the care of DIE DIAKONIE or in respect of outpatient care." Mr Meyer added, "We will put together an attractive offer regarding the relocation to Bad Holzhausen for all residents of the geriatric and nursing care facility in Kirchplatz in the coming weeks. Unfortunately, the new retirement home has less capacity. We will provide our support and every assistance to any residents who cannot be accommodated or do not wish to move there so that they too find a new and suitable home."

Debtor-in-possession proceedings are in-court restructuring proceedings to rescue and rehabilitate financially distressed companies. The company concerned manages the restructuring process itself, supervised by an insolvency monitor and supported by restructuring experts with relevant experience in this field. The parties responsible will work on a restructuring plan over the weeks ahead. In addition to general agents Mr Stefan Meyer and Mr Torsten Gutmann, the PLUTA team also includes attorney Ms Veronique Hoffmann, business management expert Mr Jürgen Schendel and others.

Attorney Mr Axel Geese of law firm StangeWesthoff based in Bielefeld has been appointed provisional insolvency monitor. He said, "These debtor-in-possession proceedings have been excellently prepared by the consultants. I will oversee the proceedings in the interests of the creditors and make every effort to support the

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restructuring.”

High-quality care services

There is a long diaconal tradition of providing nursing and geriatric care in the Lübbecke church district. The Evangelisches Alten- und Pflegeheim geriatric and nursing care facility in Lübbecke was founded in 1935. Thanks to this long experience in inpatient care for the elderly, the charitable company is able to translate sound expertise into innovative new concepts in geriatric care. For the provision of nursing care at home, the Diakonisches Werk (charitable organisation of the Protestant churches) for the Lübbecke church district founded the first diaconal care service in a rural region in Westphalia in 1973. This extensive knowledge in outpatient care has been consistently translated into targeted expansions of the nursing services provided. The broad spectrum of nursing expertise creates trust. Both the inpatient and outpatient services have been brought under the umbrella of the one company, DIE DIAKONIE – Pflege- und Gesundheitsdienst gGmbH, so that they can be run cost-effectively in the present economic climate.

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