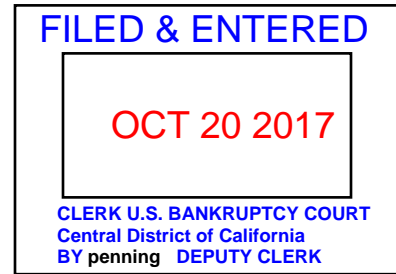


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7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA: LOS ANGELES DIVISION** **CHANGES MADE BY COURT**

9 In Re:

10 SHEPHERD UNIVERSITY

11 Debtor,

Case No.: 2:17-bk-19964 BB
Chapter 11

**INTERIM ORDER GRANTING MOTION
TO APPROVE INTERIM DIP FINANCING
AND SCHEDULING A FINAL HEARING**

Hearing Date: October 17, 2017
Hearing Time: 11:00 A.M.
Ctrm: 1539
Place: 255 E. Temple Street,
Los Angeles, CA 90012

12 This matter came before the Court after due notice and hearing on October 17, 2017 to
13 consider the Motion for Authority to Obtain Post-Petition Financing from Queens College PTY
14 LTD (the "Motion"), filed by Shepherd University, Debtor and Debtor in Possession (the
15 "Debtor" or the "Borrower"), pursuant to §364 of the Bankruptcy Code and Rule 4001 of the
16 Federal Rules of Bankruptcy Procedure.

17 Jaenam Coe of the Law Offices of Jaenam Coe PC appeared on behalf of the Debtor.
18 Ron Maroko appeared on behalf of the United States Trustee. Steven R. Fox of the Fox Law
19 Corporation appeared on behalf of Reliable Fast Cash ("Reliable"). Sandford L. Frey of Leech
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1 Tishman Fuscaldo & Lampl, Inc. appeared on behalf of Daniel Walker, Abraham Laboriel,
2 Carlos Campos, Chris Spilsbury, Molly Hahm, Erika Rycina, Young Park, Mike Gonzalez, Carol
3 Massey, Soo Kim, Allen Hinds, Daniel Indart, Mauricio Guerrero, Bruce Victor, Kyoung Sohn,
4 Otmaro Ruiz, Mehdi Hassine, Young Soo Kim, Witness Oh, Youngjoon Kim and Sung Hui Woo
5 (collectively “Faculty Members”). Joon W. Song of The Song Law Group, APLC, appeared on
6 behalf of Bank of Hope (“BOH”). No other appearances were made at the hearing.
7

8 After considering the matters set forth in the Motion, the evidence presented, and the
9 arguments of counsel, and good cause appearing therefore,

10 **NOW, THEREFORE, it is hereby ORDERED as follows:**

11 1. The Debtor’s Motion is **GRANTED SOLELY TO THE EXTENT SET**
12 **FORTH HEREIN AND IS DENIED IN ALL OTHER RESPECTS.**

13
14 2. The Debtor is authorized to obtain post-petition financing in an amount not to
15 exceed \$300,000, between the date of entry of this Order and December 6, 2017, from any lender
16 who is not an insider as that term is defined in title 11 and in caselaw upon the terms set forth in
17 this Order and the Post-Petition Credit Agreement filed concurrently herewith and identified on
18 the docket as docket number 95.

19 3. The financing shall be used to pay:

20
21 a. First, the Debtor’s post-petition faculty and employee salaries and benefits
22 including payroll taxes, which the Debtor is ordered to pay promptly upon receipt of such
23 funds;

24 b. Second, a carve-out of \$30,000 for the benefit of a Chapter 11 Examiner’s to
25 be appointed by a separate order to be placed in the Trust Account of the Debtor’s
26 Counsel, Law Offices of Jaenam Coe PC. No further disbursement of these monies from
27 the trust account may be made, except upon further order of this Court; and
28

1 c. Third, to the extent any funds remain after payment of, and/or reserve for, the
2 foregoing, the Debtor's ordinary course, post-petition operating expenses, costs of
3 administration, and other ordinary course, post-petition expenses (but may not be used to
4 pay (i) any compensation or expenses to any members of the Debtor's board of directors,
5 or (ii) the fees or costs of any professionals employed by the estate).

6 The financing shall not be used for any other purposes.

7
8 4. The Debtor is authorized to enter into the Post-Petition Credit Agreement, substantially
9 in the form of the proposed Agreement to be separately filed with Court, and the terms of the
10 Post-Petition Credit Agreement are fully incorporated herein by reference; provided however, to
11 the extent that any provision in the Post-Petition Credit Agreement conflicts with any provision
12 in this Order, the terms of this Order shall control.

13
14 5. **Except as set forth in paragraph 6 below**, pursuant to 11 U.S.C. § 364(c), the lender
15 shall be granted a security interest as follows:

16 a. a lien junior to all pre-existing liens in all encumbered properties of the
17 Borrower and its estate; and

18 b. a lien on all unencumbered properties of the Debtor whether now existing or
19 acquired later.

20
21 6. **Notwithstanding anything contained herein or in the Post-Petition Credit**
22 **Agreement to the contrary**, the lender shall not have any interest in or any lien against any of
23 the following:

24 a. any rights of action, claims, demands, rights, actions, causes of action and/or
25 suits held by, or which could be asserted on behalf of, the Estate, of any kind, nature or
26 character whatsoever, known or unknown, suspected or unsuspected, whether arising
27 prior to, on or after the Petition Date, in contract or in tort, at law or in equity or under
28

1 any other theory of law, including, but not limited to (i) rights of setoff, counterclaim or
2 recoupment, and claims on contracts or for breaches of duties imposed by law, (ii) the
3 right to object to claims or interests, (iii) claims pursuant to Bankruptcy Code § 362, (iv)
4 such claims and defenses as fraud, mistake, duress, or usury;

5 b. avoidance actions of any kind or nature, including, but not limited to, under
6 Bankruptcy Code §§ 502(d), 506, 510, 542, 544, 545, 547, 548, 549, 550, 551, 552, or
7 553, or any fraudulent conveyance, fraudulent transfer, or preference laws under
8 applicable state or other law; and/or

9 c. insurance policies, proceeds of insurance policies, or recoveries from or related
10 to, any insurance policies, including, but not limited to, proceeds of officer and director
11 liability policies.

12
13
14 **7. Any amounts loaned pursuant to this Order shall be a chapter 11 expense of**
15 **administration.** The lender is not being granted a superpriority **claim** or a priming lien under
16 Section 364, and the lender is not being granted any right surcharge any other secured creditor's
17 interests in property of the Debtor or the estate. The lender's **request for a waiver of anyone's**
18 **right to surcharge its collateral under section 506(c) is denied, and relief from stay to**
19 **enforce rights and remedies in the event of default is not being granted at this time. In the**
20 **event of a default, lender shall have no obligation to make additional advances, but must**
21 **move for relief from the automatic stay before exercising any other rights or remedies that**
22 **would otherwise accrue under the Post-Petition Credit Agreement or applicable law as a**
23 **result of the default.**

24
25 8. The lender's note may be demand note.

26 9. The validity, enforceability, and perfection of the aforesaid post-petition lien on
27 the Collateral shall not depend upon filing, recordation, or any other act required under
28

1 applicable state or federal law, rule, or regulation. At the request of the lender, and subject to the
2 provisions of this Order, the Debtor is authorized and directed to execute and deliver such loan
3 documents, financing statements or other instruments or documents reasonably necessary to
4 further evidence the indebtedness and perfection of its liens and security interests herein granted,
5 without further notice, hearing, or order.
6

7 10. A Final Hearing on the Motion will be held on **December 6, 2017 at 11:00 A.M.**, in
8 the Courtroom 1539 of the United States Bankruptcy Court, at 215 E. Temple Street, Los
9 Angeles, California, or such other or continued date as may be set by the Court.

10 11. The Debtor's counsel shall file and serve a supplement to the Motion, **explaining**
11 **what further relief is being sought at the Final Hearing and** providing a detailed report of
12 how the proceeds of the interim loan were spent by **November 22, 2107. Any opposition**
13 **thereto shall be filed and served by November 29, 2017.**
14

15 12. The Debtor shall, as part of its supplement, state whether it is in compliance with the
16 requirements of the U.S. Trustee, and, if not, what such deficiencies are.
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24 Date: October 20, 2017



Sheri Bluebond
United States Bankruptcy Judge