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11
12 **UNITED STATES BANKRUPTCY COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **LOS ANGELES DIVISION**

15 In re) Case No. 2:18-bk-10524-RK
16)
17 FOX PROPERTY HOLDINGS, LLC,) Chapter 11
18 a Nevada limited liability company,)
19) **NOTICE OF MOTION AND**
20 Debtor and Debtor-in-Possession.) **MOTION FOR ENTRY OF ORDER**
21) **AUTHORIZING DEBTOR TO (A)**
22) **USE CASH COLLATERAL**
23) **THROUGH AND INCLUDING**
24) **APRIL 30, 2019; AND (B) BORROW**
25) **MONEY FROM AFFILIATE, US**
26) **LONGTON, INC., ON AN**
27) **ADMINISTRATIVE EXPENSE**
28) **PRIORITY BASIS; MEMORANDUM**
) **OF POINTS AND AUTHORITIES IN**
) **SUPPORT THEREOF;**
) **DECLARATION OF JI LI IN**
) **SUPPORT THEREOF**
)
) Hearing:
) Date: October 24, 2018
) Time: 11:00 a.m.
) Place: Courtroom 1675
) 255 E. Temple Street
) Los Angeles, California 90012
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1 **TO THE HONORABLE ROBERT N. KWAN, UNITED STATES BANKRUPTCY**
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, SECURED CREDITORS,**
3 **THE TWENTY LARGEST UNSECURED CREDITORS OF THE DEBTOR, AND**
4 **PARTIES REQUESTING SPECIAL NOTICE:**

5 **PLEASE TAKE NOTICE** that Fox Property Holdings, LLC, a Nevada limited liability
6 company and the debtor and debtor-in-possession in the above-captioned Chapter 11 bankruptcy
7 case (the “Debtor”), hereby files this motion (the “Motion”) for the entry of an order authorizing
8 the Debtor to: (A) use cash collateral in accordance with the Debtor’s operating budget for the
9 period of November 1, 2018 through and including April 30, 2019 (the “Budget”), a copy of
10 which is attached as **Exhibit “1”** to the annexed Declaration of Ji Li (“Li Declaration”), and (B)
11 borrow money on an administrative expense priority basis from the Debtor’s affiliate, US
12 Longton, Inc. (“US Longton”), to cover the payment of any operating shortfalls reflected in the
13 Budget.

14 The Debtor filed a voluntary petition under Chapter 11 of Chapter 11 of 11 U.S.C. § 101
15 *et seq.* (the “Bankruptcy Code”) on January 17, 2018 (the “Petition Date”). The Debtor
16 continues to manage its financial affairs and operate its bankruptcy estate as a debtor-in-
17 possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

18 The Debtor is the owner of that certain commercial real property located at 340, 392 and
19 398 West Fourth Street, and 399 North D Street (360-370 West Court Street), in San Bernardino,
20 California, which property bears the following five (5) parcel numbers: 0135-111-09-0-000,
21 0135-111-10-0-000, 0135-111-11-0-000, 0135-111-16-0-000, and 0135-151-28-0-000 (the
22 “Property”). The Property consists of various buildings utilized as a school and dormitory
23 campus and is located on approximately 4.66 acres of land. The Property contains a gross
24 building area (and net rentable area) of approximately 219,000 square feet.

25 The Debtor’s only known secured creditors are Dayco Funding Corporation (“Dayco”)
26 and Luxor Properties, Inc. (“Luxor,” and together with Dayco, the “Lender”), who together are
27 owed the principal sum of \$7,700,000 under a loan secured by a Deed of Trust recorded on May
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1 21, 2016, pursuant to which the Lender asserts liens against the Property, the fixtures and
2 personal property located at or on the Property, as well as the Debtor's cash, which is derived
3 primarily, if not entirely, from rent received by the Debtor from its tenants.

4 The Debtor estimates that it will generate rent revenue of at least \$62,000 per month during
5 the months covered by the Budget (*i.e.*, November, 2018 – April, 2019). The Debtor must be able
6 to use the rent revenue generated by the Property to pay the expenses of maintaining and operating
7 the Property, including, among other things, utilities, property taxes, insurance, janitorial services
8 and other costs associated with the Property. Without the ability to use cash collateral to pay the
9 Debtor's ongoing operating expenses, the Debtor will not be able to continue maintaining and
10 preserving the value of the Property, to the detriment of all creditors and parties in interest in this
11 case.

12 Pursuant to this Motion, the Debtor seeks Court authority to use its cash collateral, through
13 and including April 30, 2019, to pay the expenses of maintaining and operating the Property set
14 forth in the Budget and to continue to make interest payments (at the non-default rate of interest) to
15 the Debtor's Lender. In addition, the Debtor seeks authority to use cash collateral to pay all
16 quarterly fees owing to the Office of the United States Trustee and all expenses owing to the Clerk
17 of the Bankruptcy Court. The Debtor also seeks authority to deviate from the line items contained
18 in the Budget by not more than 20%, on both a line item and aggregate basis, with any unused
19 portions to be carried over into the following week(s).

20 As the Budget reflects, the rent revenue anticipated to be generated by the Property is
21 insufficient to cover all of the operating expenses and the interest payments to the Lender set
22 forth in the Budget during the months of November 2018 – April, 2019. Specifically, the Debtor
23 estimates that it will require post-petition financing in the aggregate sum of approximately
24 \$1,000 during the months covered by the Budget to cover operating shortfalls during such
25 months. One of the Debtor's affiliates, US Longton, has agreed to advance the sums necessary,
26 on an unsecured, administrative expense priority basis, to cover any operating shortfalls reflected
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1 in the Budget (the “Financing”). Accordingly, by the Motion, the Debtor is also seeking Court
2 approval of the proposed Financing from US Longton.

3 The Debtor respectfully submits that the payment of the expenses set forth in the Budget
4 (including the interest payments to the Lender) and the Debtor’s continued operation and
5 maintenance of the Property will adequately protect the Lender as the Debtor will continue to
6 generate rent revenue and preserve the value of the Property. If the Debtor is not permitted to
7 use its cash collateral to maintain and operate the Property, it is all but certain that the Debtor’s
8 existing tenants will leave, taking with them all of the revenue that the Debtor is currently
9 generating. In short, the Debtor needs to spend its cash collateral to operate and maintain the
10 Property so that the Debtor can continue generating rent revenue. Furthermore, as reflected in
11 the appraisal report previously submitted by the Debtor in connection with its first cash collateral
12 motion¹, the estimated market value of the Property is at least \$16,000,000. Therefore, the
13 Lender is adequately protected by a significant equity cushion in the Property. Notwithstanding
14 the foregoing, as further adequate protection, the Debtor proposes that the Lender (and any other
15 secured creditor with a valid lien against the Debtor’s cash) be granted valid, enforceable, non-
16 avoidable and fully perfected replacement liens on, and security interests in, the Debtor’s cash
17 and rent revenue generated by the Property (the “Replacement Liens”), to the extent of any
18 diminution in value of such creditors’ interests in the Debtor’s pre-petition collateral, and to the
19 same extent, validity, scope and priority of their respective pre-petition liens.

20 The Motion is based upon Local Bankruptcy Rules 4001-2 and 9013-1, 11 U.S.C. §§ 363,
21 364, and 503(b)(1), and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure, this
22 Notice of Motion and Motion, the Memorandum of Points and Authorities, the Li Declaration
23 annexed hereto, the entire record in the Debtor’s case, the statements, arguments and
24

25 ¹ In accordance with Rule 201 of the Federal Rules of Evidence, the Debtor requests that the Court take
26 judicial notice of the *Notice Of Motion And Motion For Entry Of Order Authorizing Debtor To (A) Use Cash*
27 *Collateral Through And Including April 30, 2018; And (B) Borrow Money From Affiliate, US Longton, Inc., On*
28 *An Administrative Expense Priority Basis; Memorandum Of Points And Authorities In Support Thereof;*
Declaration Of Ji Li In Support Thereof filed by the Debtor on February 28, 2018 [Doc. No. 29], specifically
Exhibit “2” thereto, which includes the appraisal report for the Property described herein.

1 representations of counsel to be made at the hearing on the Motion, and any other evidence
2 properly presented to the Court at or prior to the hearing on the Motion.

3 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Bankruptcy Rule 9013-
4 1(f), any opposition to the Motion must be in writing, filed with the Court and served upon the
5 United States Trustee as well as counsel for the Debtor at the address set forth in the upper left-
6 hand corner of the first page of this Notice and Motion by no later than fourteen (14) days before
7 the date of the hearing on the Motion.

8 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Bankruptcy Rule 9013-
9 1(h), the failure to file and serve a timely opposition to the Motion may be deemed by the Court
10 to constitute consent to the granting of the relief requested in the Motion.

11 **WHEREFORE**, the Debtor respectfully requests that this Court enter an order in
12 substantially the form attached as **Exhibit "2"** to the Li Declaration annexed hereto:

- 13 (1) granting the Motion in its entirety;
- 14 (2) authorizing the Debtor to borrow money on an administrative expense priority
15 basis from US Longton in sums necessary to cover any operating shortfalls reflected in the
16 Budget (which are estimated to total approximately \$1,000);
- 17 (3) authorizing the Debtor to use cash collateral, but only up to the amounts reflected
18 in the Budget, and the proceeds of the Financing to (i) pay all of the expenses set forth in the
19 Budget, with authority to deviate from the line items contained in the Budget by up to 20%, on
20 both a line item and aggregate basis, with any unused portions to be carried over into the
21 following week(s); and (ii) pay all quarterly fees owing to the Office of the United States Trustee
22 and all expenses owing to the Clerk of the Bankruptcy Court;
- 23 (4) as adequate protection to the Lender (and any other secured creditor with a valid
24 lien against the Debtor's cash) on account of the Debtor's use of cash collateral, such creditors
25 shall be granted Replacement Liens on the Debtor's cash and rent revenue generated by the
26 Property, to the extent of any diminution in value of such creditors' interests in the Debtor's pre-
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1 petition collateral, and to the same extent, validity, scope and priority of their respective pre-
2 petition liens; and

3 (5) granting such other and further relief as the Court deems just and proper under the
4 circumstances.

5 Dated: October 3, 2018

FOX PROPERTY HOLDINGS, LLC



6
7
8 By: _____

TIMOTHY J. YOO
JULIET Y. OH
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& BRILL L.L.P.
Attorneys for Chapter 11 Debtor and
Debtor in Possession

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. STATEMENT OF FACTS**

3 **A. Background**

4 1. On January 17, 2018 (the "Petition Date"), Property Holdings, LLC, a Nevada
5 limited liability company and the debtor and debtor-in-possession in the above-captioned
6 Chapter 11 bankruptcy case (the "Debtor"), filed a voluntary petition for relief under Chapter 11
7 of 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"). The Debtor is continuing to manage its
8 financial affairs and operate its bankruptcy estate as a debtor-in-possession pursuant to Sections
9 1107 and 1108 of the Bankruptcy Code.

10 2. The Debtor is the owner of that certain commercial real property located at 340,
11 392 and 398 West Fourth Street, and 399 North D Street (360-370 West Court Street), in San
12 Bernardino, California, which property bears the following five (5) parcel numbers: 0135-111-
13 09-0-000, 0135-111-10-0-000, 0135-111-11-0-000, 0135-111-16-0-000, and 0135-151-28-0-000
14 (the "Property"). The Property consists of various buildings utilized as a school and dormitory
15 campus and is located on approximately 4.66 acres of land. The Property contains a gross
16 building area (and net rentable area) of approximately 219,000 square feet and consists of the
17 following components:

- 18 • a 2-story school building (60,000 SF),
- 19 • a gymnasium (50,000 SF),
- 20 • a food court (7,000 SF) along the first floor, and an office above the food
21 court (8,000 SF),
- 22 • a historical theatre (15,000 SF),
- 23 • a 3-story office building (24,000 SF),
- 24 • a 2-story dormitory, consisting of 150 rooms (55,000 SF), and
- 25 • three parking lots with a total of 150 marked parking spaces.

26 3. Based upon a recent appraisal of the Property, the Debtor believes that the current
27 fair market value of the Property is \$16,000,000.

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1 4. The Debtor purchased the Property from Dayco Funding Corporation (“Dayco”)
2 and Luxor Properties, Inc. (“Luxor,” and together with Dayco, the “Lender”) on or about May
3 25, 2016 for an aggregate purchase price of \$9,700,000. In connection with the Debtor’s
4 purchase of the Property, the Lender provided seller financing of \$7,700,000 of the aggregate
5 purchase price on a secured basis (the “Loan”). As a result, the Debtor is currently indebted to
6 the Lender in the principal sum of \$7,700,000.

7 5. Pursuant to the proof of claim filed by the Lender in the Debtor’s bankruptcy
8 case, which claim is denominated as Claim No. 6 in the claims register for the Debtor’s case, the
9 Lender contends that the balance of the Loan due as of the Petition Date was \$8,349,115.20.

10 6. Dr. Ji Li is the Managing Member and 100% equity holder of the Debtor. The
11 Debtor’s headquarters is located at 12803 Schabarum Avenue, Irwindale, California 91706.

12 7. The Property is currently managed by an outside property management company,
13 G.W. Group LLC (“GW Group”). Pursuant to an Exclusive Agent Agreement dated as of April
14 18, 2017 entered into by the Debtor and GW Group, GW Group is the Debtor’s exclusive
15 property manager and event producer at the Property.

16 **B. Events Leading To The Debtor’s Bankruptcy Filing**

17 8. At the time that the Debtor acquired the Property, the Debtor believed that the
18 Property was largely unoccupied and readily available for leasing to a new tenant(s). However,
19 following the Debtor’s acquisition of the Property, the Debtor learned that Dr. Harry Hwang and
20 Mrs. Jung H. Hwang (together, the “Hwangs”), a married couple who had previously owned and
21 operated a business known as American Sports University (“ASU”) at the Property, were
22 continuing to occupy and retain possession of the Property (purportedly with the consent of the
23 Lender), without the benefit of any written lease agreement and without paying any rent, and
24 were permitting other individuals, including an alleged registered sex offender, Donald Nickels,
25 to illegally reside in the Property.

26 9. Beginning in June, 2017, the Debtor initiated a number of unlawful detainer
27 actions against the Hwangs in the Superior Court of the State of California for the County of San
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1 Bernardino County, Fontana District (“Superior Court”) to recover possession of the Property
2 from the Hwangs. In December, 2017, after learning that the Hwangs had abandoned the
3 Property, the Debtor believed that possession of the Property had been voluntarily returned to the
4 Debtor, and the Debtor discontinued its legal actions against the Hwangs in Superior Court.

5 10. Shortly thereafter, on or about December 14, 2017, the Hwangs filed a complaint
6 for forcible entry and detainer against the Debtor and certain other named defendants in Superior
7 Court, thereby commencing the case bearing the number UDFS 1708839 (the “Hwang Action”).
8 The Debtor strongly disputes all of the claims and causes of action asserted by the Hwangs in the
9 Hwang Action and contends, among other things, that the Hwangs have no right to possession of
10 the Property, particularly since there is no written lease agreement entitling the Hwangs to
11 occupy or use any portion of the Property and the Hwangs refuse to pay any rent for their
12 continued occupancy and use of the Property.

13 11. Accordingly, on January 16, 2018 (one day before the Petition Date), the Debtor
14 commenced another unlawful detainer action against the Hwangs in Superior Court (the “UD
15 Action”) to recover possession of the Property from the Hwangs.

16 12. Since the Debtor has been unable to obtain possession of the Property from the
17 Hwangs and has therefore been unable to lease the Property to a paying tenant(s) and collect rent
18 revenue, the Debtor became delinquent in its obligations under the Loan to the Lender.

19 13. On December 19, 2017, the Lender caused a “Notice of Trustee’s Sale” to be
20 recorded with the County of San Bernardino Recorder in connection with the Property, pursuant
21 to which a sale date was scheduled for the Property on January 18, 2018.

22 14. As a result of all of the foregoing, the Debtor sought protection under Chapter 11
23 of the Bankruptcy Code in order to avoid the impending foreclosure of the Property, to continue
24 its legal efforts to obtain possession of the Property from the Hwangs so that the Debtor may
25 lease and operate the Property in a profitable manner, and to preserve and maximize the value of
26 the Property, all of which the Debtor believes will enable it to formulate and pursue confirmation
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1 of a plan of reorganization which allows the Debtor to restructure and/or repay the Loan and its
2 other debts in a cohesive and efficient manner.

3 **C. Description Of The Debtor's Assets And Debts**

4 15. The Property. The primary assets of the Debtor's bankruptcy estate consist of the
5 Property and the fixtures and personal property located at or on the Property. Based upon a
6 recent appraisal of the Property obtained by the Debtor from AmKor Appraisals ("AmKor"),
7 which was previously submitted by the Debtor in connection with its first cash collateral motion,
8 the Debtor believes that the current "as is" fair market value of the Property (as of December 29,
9 2017) was approximately \$16,000,000.²

10 16. Lender Debt. The Debtor's primary secured creditors are the Lender. The Debtor
11 is currently indebted to the Lender in the principal sum of \$7,700,000 pursuant to the Loan.
12 According to the proof of claim filed by the Lender in the Debtor's case, the Lender contends
13 that the balance of the Loan due as of the Petition Date was \$8,349,115.20.³ The obligations of
14 the Debtor in connection with the Loan are secured by a Deed of Trust recorded against the
15 Property on May 21, 2016, pursuant to which the Lender asserts liens against the Property, the
16 fixtures and personal property located at or on the Property, as well as the Debtor's cash, which
17 is derived primarily, if not entirely, from rent received by the Debtor from its tenants.

18 17. Property Tax Debt. The Debtor also owes secured property taxes for the Property
19 to the County of San Bernardino. According to a proof of claim filed by the County of San
20 Bernardino in the Debtor's bankruptcy case, the amount necessary to cure the Debtor's defaults
21 to the County of San Bernardino is currently approximately \$355,164.71.

24 ² In accordance with Rule 201 of the Federal Rules of Evidence, the Debtor requests that the Court take
25 judicial notice of the *Notice Of Motion And Motion For Entry Of Order Authorizing Debtor To (A) Use Cash*
26 *Collateral Through And Including April 30, 2018; And (B) Borrow Money From Affiliate, US Longton, Inc., On*
27 *An Administrative Expense Priority Basis; Memorandum Of Points And Authorities In Support Thereof;*
28 *Declaration Of Ji Li In Support Thereof* filed by the Debtor on February 28, 2018 [Doc. No. 29], specifically
Exhibit "2" thereto, which includes the appraisal report for the Property described herein.

³ The Debtor does not concede that the Loan amount asserted by the Lender is accurate, and expressly
reserves all of the Debtor's rights, claims and defenses with respect to the calculation of the Lender's claim.

1 18. The Debtor is not aware of any other liens that have been asserted against the
2 Property or against the Debtor's cash and rent revenue.

3 19. Unsecured Debt. In addition to the debts described above, the Debtor has a total
4 of approximately \$2,661,000 of unsecured debt.

5 **D. Current Posture Of The Debtor's Case**

6 20. Subsequent to the Petition Date, on February 28, 2018, the Debtor filed a motion
7 seeking an order of the Court authorizing the Debtor to use cash collateral for the period from the
8 Petition Date through and including April 30, 2018, in accordance with an operating budget
9 submitted therewith (the "Original Budget"), and authorizing the Debtor to obtain post-petition
10 financing on an administrative expense priority basis from the Debtor's affiliate, US Longton, to
11 cover any operating shortfalls (the "First CC/DIP Motion").

12 21. On March 7, 2018, the Lender filed a limited opposition to the Debtor's First
13 CC/DIP Motion, pursuant to which the Lender confirmed that it had no objection to the Debtor's
14 use of cash collateral in the projected sum of \$4,200 per month, on the conditions that (i) the
15 Debtor did not use any cash collateral in excess of \$4,200 per month through April 30, 2018, and
16 (ii) the Lender was granted a post-petition replacement lien on cash collateral.

17 22. On March 12, 2018, the Debtor filed a reply to the Lender's limited opposition to
18 the First CC/DIP Motion confirming that the Debtor had no objection to the Lender's conditions
19 for the use of cash collateral.

20 23. The Original Budget that was initially submitted with the First CC/DIP Motion
21 provided for, among other things, the payment of the premium for the Debtor's property
22 insurance policy in installments of \$12,000-13,000 per month (for a total of \$37,000) during the
23 period covered by the Original Budget, as the Debtor anticipated obtaining post-petition
24 insurance premium financing from a lender called Bulldog Premium Finance ("Bulldog").
25 Accordingly, on March 7, 2018, the Debtor filed a motion for the entry of an order authorizing
26 the Debtor to obtain post-petition insurance premium financing from Bulldog (the "First
27 Insurance Financing Motion").

28

1 24. Subsequent to the filing of the First Insurance Financing Motion, the Debtor was
2 informed that Bulldog was no longer willing and/or able to provide the insurance premium
3 financing described in the First Insurance Financing Motion. As a result, the Debtor voluntarily
4 dismissed/withdrew the First Insurance Financing Motion.

5 25. Given Bulldog’s inability and/or unwillingness to provide insurance premium
6 financing to the Debtor, the Debtor revised the Original Budget to provide for the full up-front
7 payment of the insurance premium balance (of approximately \$37,000) in the month of March,
8 2018 (the “Revised Budget”). The foregoing modification did not modify the total projected
9 amount of expenses set forth in the Original Budget nor the total amount of post-petition
10 financing proposed to be obtained from US Longton during the period covered by the Original
11 Budget – the only change was to provide for the payment of the Debtor’s property insurance
12 premium in one month (*i.e.*, March 2018) rather than over a period of time. The Debtor
13 submitted the Revised Budget in a supplement to the First CC/DIP Motion (the “Supplement”)
14 filed with the Court shortly before the hearing on such motion.

15 26. At the hearing on the First CC/DIP Motion conducted on March 21, 2018, the
16 Court granted the First CC/DIP Motion, subject to the changes described in the Supplement
17 thereto, and authorized the Debtor to use cash collateral through April 30, 2018 in accordance
18 with the Revised Budget. The Court entered a written order accordingly on March 22, 2018 (the
19 “First CC/DIP Order”).

20 27. Following the entry of the First CC/DIP Order, the Debtor was successful in
21 negotiating insurance premium financing from General Agents Acceptance Corp. (“GAAC”) to
22 enable the Debtor to finance the payment of its insurance premium for its current property
23 insurance policy. Accordingly, on April 2, 2018, the Debtor filed a motion for the entry of an
24 order authorizing the Debtor to obtain post-petition insurance premium financing from GAAC
25 (the “Second Insurance Financing Motion”). At the hearing on the Second Insurance Financing
26 Motion conducted on April 24, 2018, the Court granted the Second Insurance Financing Motion
27 in its entirety. The Court entered a written order accordingly on April 24, 2018.

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1 28. On May 9, 2018, the Debtor filed a second motion seeking Court authority to use
2 cash collateral for the period from May 1, 2018 through and including October 31, 2018, in
3 accordance with an operating budget submitted therewith (the “Second Budget”), and
4 authorizing the Debtor to obtain post-petition financing on an administrative expense priority
5 basis from the Debtor’s affiliate, US Longton, to cover any operating shortfalls (the “Second
6 CC/DIP Motion”).

7 29. On May 30, 2018, the Court entered an order granting the Second CC/DIP Motion
8 in its entirety.

9 30. On September 11, 2018, the Debtor filed an application for authority to employ
10 CBD Investment Inc., through its agent Jack Chen (the “Broker”), as the Debtor’s real estate
11 broker to market and sell the Debtor’s Property. The Debtor anticipates that an order approving
12 the Debtor’s application to employ the Broker (which has not been objected to) will be entered
13 by the Court shortly.

14 31. While the Debtor is optimistic about the sale prospects for the Property, the
15 Debtor also recognizes that it might not be possible to quickly consummate a sale of the
16 Property, and is therefore pursuing a parallel path to a sale by also seeking to refinance the
17 Property to pay off the Debtor’s Loan from the Lender prior to its June 1, 2019 maturity date. In
18 an effort to enhance the Debtor’s ability to refinance the Property, the Debtor has been working
19 diligently to finalize new lease agreements with prospective tenants.

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1 32. The Debtor's efforts to enter into new leases with tenants have been fruitful and
2 have resulted in the negotiation of two (2) new lease agreements (collectively, the "New
3 Leases"), as follows:

Proposed Tenant	Leased Premises	Initial Rent
Fox University, Inc.	399 North D Street San Bernardino, CA 92401 [School Building, Offices, Parking Lot]	\$36,000/month (triple net)
CHINA TV Media Group (USA), Inc.	370-398 W. Court Street San Bernardino, CA 92401 [Theatre, Food Court, Parking Lot]	\$25,000/month (triple net)
	Total:	\$61,000/month (triple net)

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10 33. The Debtor filed a motion on September 11, 2018 seeking Court authority to enter
11 into the New Leases and the Debtor anticipates that an order approving such motion (which has
12 not been objected to) will be entered by the Court shortly.

13 34. The Debtor anticipates that the tenants under the New Leases will begin paying
14 rent to the Debtor in the month of November, 2018.

15 **E. The Need For Use Of Cash Collateral**

16 35. At the present time, the Debtor's cash is derived entirely from rent received by the
17 Debtor from its tenants in the Property. The Debtor seeks to continue using the rent revenue
18 generated from the lease of space in the Property to maintain the Property and to pay operating
19 expenses relating to the Property, including, among other things, utilities, property taxes,
20 insurance, janitorial services and other operational costs associated with the Property. Attached
21 as **Exhibit "1"** to the Li Declaration annexed hereto is an operating budget (the "Budget") which
22 reflects the rent revenue that the Debtor expects to collect, as well as the operating expenses that
23 the Debtor believes must be paid during the months of November, 2018 – April, 2019. Included
24 in the Budget are monthly Loan interest payments (at the non-default contractual rate of interest),
25 in the sum of \$44,916.67, which have been paid by the Debtor to the Lender since the month of
26 April, 2018 and which are proposed to continue to be paid during the months covered by the
27 Budget.

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1 36. As noted in the Budget, the Debtor estimates that it will generate rent revenue of
2 at least \$62,000 per month in the months covered by the Budget (*i.e.*, November, 2018 – April,
3 2019). The Debtor must be able to use the rent revenue generated by the Property to pay the
4 expenses of maintaining and operating the Property, including, among other things, utilities,
5 property taxes, insurance, janitorial services and other costs associated with the Property.
6 Without the ability to use cash collateral to pay the Debtor’s ongoing operating expenses, the
7 Debtor will not be able to continue retaining the tenants currently occupying the Property and the
8 rent revenue generated therefrom or maintaining and preserving the value of the Property, all to
9 the detriment of all creditors and parties in interest in this case.

10 37. Pursuant to this Motion, the Debtor seeks Court authority to use its cash
11 collateral, through and including April 30, 2019, to pay the expenses of maintaining and
12 operating the Property set forth in the Budget and to continue to make interest payments (at the
13 non-default rate of interest) to the Debtor’s Lender. In addition, the Debtor seeks authority to
14 use cash collateral to pay all quarterly fees owing to the Office of the United States Trustee and
15 all expenses owing to the Clerk of the Bankruptcy Court. The Debtor also seeks authority to
16 deviate from the line items contained in the Budget by not more than 20%, on both a line item
17 and aggregate basis, with any unused portions to be carried over into the following week(s).

18 **F. The Proposed Financing From The Debtor’s Affiliate, US Longton, Inc.**

19 38. As reflected in the Budget, the total rent revenue anticipated to be generated by
20 the Property is slightly less than the amount needed to cover all of the estimated operating
21 expenses set forth in the Budget during the months of November, 2018 – April, 2019.
22 Specifically, the Debtor estimates that it will require post-petition financing in the sum of
23 approximately \$1,000 during the month of February, 2019 to cover operating shortfalls during
24 that month.

25 39. One of the Debtor’s affiliates, US Longton, Inc. (“US Longton”), which is also
26 owned by Dr. Ji Li (who is the sole equityholder of the Debtor), has agreed to advance the sums
27 necessary, on an unsecured, administrative expense priority basis, to cover any operating
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1 shortfalls reflected in the Budget (the “Financing”). Accordingly, by the Motion, the Debtor is
2 also seeking Court approval of the proposed Financing from US Longton.

3 **II. DISCUSSION**

4 **A. The Debtor Should Be Authorized To Use Cash Collateral To Operate, Maintain**
5 **And Preserve The Property In Accordance With The Budget.**

6 The Debtor’s use of property of its bankruptcy estate is governed by Section 363 of the
7 Bankruptcy Code. Section 363(c)(1) provides in pertinent part:

8
9 If the business of the debtor is authorized to be operated under
10 section. . .1108. . . of this title and unless the court orders otherwise,
11 the trustee may enter into transactions, including the sale or lease of
12 property of the estate, in the ordinary course of business, without
13 notice or a hearing, and may use property of the estate in the ordinary
14 course of business without notice or a hearing.

15 11 U.S.C. § 363(c)(1).

16 A debtor in possession has all of the rights and powers of a trustee with respect to
17 property of the estate, including the right to use property of the estate in compliance with Section
18 363. *See* 11 U.S.C. §1107(a).

19 “Cash collateral” is defined as “cash, negotiable instruments, documents of title,
20 securities, deposit accounts or other cash equivalents in which the estate and an entity other than
21 the estate have an interest. . . .” 11 U.S.C. §363(a). Section 363(c)(2) establishes a special
22 requirement with respect to “cash collateral,” providing that the trustee or debtor in possession
23 may use “cash collateral” under subsection (c)(1) if:

- 24 (A) each entity that has an interest in such cash collateral consents; or
25 (B) the court, after notice and a hearing, authorizes such use, sale
26 or lease in accordance with the provisions of this section.

27 *See* 11 U. S.C. §363(c)(2)(A) and (B).

28 It is well settled that it is appropriate for a Chapter 11 debtor to use cash collateral for the
purpose of maintaining and operating its property. 11 U.S.C. § 363(c)(2)(B); *In re Oak Glen R-
Vee*, 8 B.R. 213, 216 (Bankr. C.D. Cal. 1981); *In re Tucson Industrial Partners*, 129 B.R. 614

1 (9th Cir. BAP 1991). In addition, where the debtor is operating a business, it is extremely
2 important that the access to cash collateral be allowed in order to facilitate the goal of
3 reorganization: “the purpose of Chapter 11 is to rehabilitate debtors and generally access to cash
4 collateral is necessary to operate a business.” *In re Dynaco Corporation*, 162 B.R. 389 (Bankr.
5 D.N.H. 1993), quoting *In re Stein*, 19 B.R. 458, 459. (Bankr. E.D. Pa. 1982).

6 The sole source of revenue currently available to the Debtor to use to maintain and
7 operate the Property is the rent revenue being generated by the Property. If the Debtor is not
8 permitted to use its cash collateral to maintain and operate the Property, it is all but certain that
9 the Debtor’s existing tenants will leave, taking with them all of the revenue that the Property is
10 currently generating, and the Debtor’s ability to preserve the value of the Property will be
11 jeopardized.

12 The operating expenses that the Debtor must be able to pay during the months of
13 November, 2018 – April, 2019 are set forth in the Budget attached as Exhibit “1” to the Li
14 Declaration annexed hereto. For the reasons noted above, the Debtor’s inability to pay these
15 operating expenses would cause immediate and irreparable harm to the Debtor and its
16 bankruptcy estate. Included in the Budget are monthly Loan interest payments in the sum of
17 \$44,916.67, which are proposed to be paid to the Lender during the months covered by the
18 Budget. In addition to the foregoing expenses, the Debtor seeks authority to use cash collateral
19 to pay all quarterly fees owing to the Office of the United States Trustee and all expenses owing
20 to the Clerk of the Bankruptcy Court. The Debtor also seeks authority to deviate from the line
21 items contained in the Budget by not more than 20%, on both a line item and aggregate basis,
22 with any unused portions to be carried over into the following week(s).

23 **B. Secured Creditors Are Adequately Protected.**

24 Pursuant to Section 363(c)(2), the Court may authorize a debtor in possession to use a
25 secured creditor’s cash collateral if the secured creditor consents to the use of cash collateral or is
26 adequately protected. *In re Mellor*, 734 F.2d 1396, 1400 (9th Cir. 1984). *See also In re*
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1 *O'Connor*, 808 F.2d 1393, 1398 (10th Cir. 1987); *In re McCombs Properties VI, Ltd.*, 88 B.R.
2 261, 265 (Bankr. C.D. Cal. 1988) (“*McCombs*”).

3 The Debtor believes that the Lender and any other creditors who assert that they have
4 perfected security interests in the Debtor’s cash (collectively, the “Secured Creditors”) will
5 ultimately consent to the Debtor’s use of cash collateral to pay the expenses set forth in the
6 Budget in accordance with the terms and conditions set forth in this Motion. Accordingly, the
7 Debtor submits that it should be authorized to use cash collateral pursuant to section
8 363(c)(2)(A) of the Bankruptcy Code.

9 Even if the Secured Creditors do not consent to the Debtor’s use of cash collateral, the
10 Debtor submits that the value of such Secured Creditors’ interests in the Debtor’s cash collateral
11 will be adequately protected by a substantial equity cushion. As discussed above, the Debtor
12 believes that the Lender is the only party that may have a perfected security interest in the
13 Debtor’s cash.

14 Pursuant to the Supreme Court case of *United Savings Association v. Timbers of Inwood*
15 *Forest Associates*, 108 S.Ct. 626, 629 (1988) (“*Timbers*”) and subsequent case law, the property
16 interest that a debtor must adequately protect pursuant to Sections 361(1) and (2) of the
17 Bankruptcy Code is only the value of the lien that secures the creditor’s claim. *Timbers*, 108
18 S.Ct. at 630. *See also McCombs, supra*, at 266. Section 506(a) “limit[s] the secured status of a
19 creditor (*i.e.*, the secured creditor’s claim) to the lesser of the [allowed amount of the] claim or
20 the value of the collateral.” *McCombs* at 266.

21 The Ninth Circuit made clear in *Mellor, Id.* at 1401, that an equity cushion of 20% is
22 considered clear adequate protection of a secured creditor’s interest in cash collateral. *See also*
23 *In re McGowan*, 6 B.R. 241, 243 (Bankr. E.D. Pa. 1980) (holding a 10% cushion is sufficient to
24 be adequate protection); *In re Rogers Development Corp.*, 2 B.R. 679, 685 (Bankr. E.D. Vir.
25 1980) (court decided that an equity cushion of approximately 15% to 20% was sufficient
26 adequate protection to the creditor, even though the debtors had no equity in the property.)

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1 As noted above, the Debtor believes the fair market value of the Property is
2 approximately \$16,000,000. In addition, as of the Petition Date, the Debtor was holding cash on
3 hand of \$10,817.47, and security deposits totaling approximately \$12,000.00. Based on the
4 foregoing, the aggregate value of the Debtor's assets as of the Petition Date was estimated to
5 total approximately \$16,022,800.00.

6 As of November 1, 2018, the Debtor is anticipated to have cash on hand of approximately
7 \$707.87 and security deposits totaling approximately \$12,000.00.

8 The Lender asserts that the balance due under the Loan, as of the Petition Date, was
9 \$8,349,115.20. In addition, according to the proof of claim filed by the County of San
10 Bernardino in the Debtor's bankruptcy case, the County of San Bernardino asserts that the
11 Debtor owes secured property taxes in the approximate sum of \$355,164.71. Based on the
12 foregoing, the total amount of the secured debt asserted by the Lender and the County of San
13 Bernardino is \$8,704,279.91.

14 Given the estimated aggregate value of the Debtor's assets as of November 1, 2018
15 (including cash on hand and security deposits), in the sum of \$16,012,000), and the total
16 estimated amount alleged to be owed to the Debtor's Secured Creditors (*i.e.*, approximately
17 \$8,704,280), the Secured Creditors are adequately protected by an equity cushion of more than
18 83%, which is far in excess of the 20% equity cushion that the Ninth Circuit has indicated
19 constitutes clear adequate protection of a secured creditor's interest in cash collateral.

20 Furthermore, the Debtor submits that the value of the Secured Creditors' interests in the
21 Debtor's cash collateral will be adequately protected by, among other things, the Debtor's
22 continued maintenance and operation of the Property.

23 The law is clear that the preservation of the value of a secured creditor's lien is sufficient
24 to provide adequate protection to a secured creditor when a debtor seeks to use cash collateral.
25 *In re Triplett*, 87 B.R. 25 (Bankr. W.D.Tex. 1988). *See also In re Stein*, 19 B.R. 458 (Bankr.
26 E.D.Pa. 1982). The *Stein* Court determined that the use of cash collateral was necessary to the
27 continued operations of the debtor, and that the creditor's secured position could only be

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1 enhanced by the continued operation of the debtor's business. *See also, In re McCombs, supra,*
2 where the court determined that the debtor's use of cash collateral for needed repairs,
3 renovations and operating expenses eliminated the risk of diminution in the creditor's interest in
4 the cash collateral and such use would more likely increase cash collateral.

5 As reflected in the Budget, the payment of the expenses necessary for the Debtor to
6 continue operating and maintaining the Property will adequately protect the Lender as the Debtor
7 will continue to generate revenue and preserve the value of the Property. Other courts have
8 determined that the Debtor's continued business operations can constitute the adequate
9 protection of a secured creditor. *See Matter of Pursuit Athletic Footwear, Inc.*, 193 B.R. 713
10 (Bankr. D. Del. 1996); *In re Newark Airport/Hotel Ltd. Partnership*, 156 B.R. 444, 450 (Bankr.
11 D.N.J. 1993); *In re Dynaco*, 162 B.R. 389, 394-5 (Bankr. D.N.H. 1993); *In re Immenhausen*
12 *Corp.*, 164 B.R. 347, 352 (Bankr. M.D. Fla. 1994).

13 Additionally, in determining adequate protection, courts have stressed the importance of
14 promoting a debtor's reorganization. In *In re O'Connor, supra*, the Tenth Circuit stated:

15 "In this case, Debtors, in the midst of a Chapter 11 proceeding, have proposed
16 to deal with cash collateral for the purpose of enhancing the prospects of
17 reorganization. This quest is the ultimate goal of Chapter 11. Hence, the
18 Debtor's efforts are not only to be encouraged, but also their efforts during the
19 administration of the proceeding are to be measured in light of that quest.
20 Because the ultimate benefit to be achieved by a successful reorganization
21 inures to all the creditors of the estate, a fair opportunity must be given to the
22 Debtors to achieve that end. Thus, while interests of the secured creditor whose
23 property rights are of concern to the court, the interests of all other creditors
24 also have bearing upon the question of whether use of cash collateral shall be
25 permitted during the early stages of administration."

26 808 F.2d at 1937.

27 The use of cash collateral is critical to the Debtor's ability to implement an effective
28 reorganization strategy for the benefit of all creditors. As discussed above, the use of the
Debtor's cash collateral, in accordance with the Budget, will preserve and maximize the Debtor's
primary assets (essentially, the Property and the fixtures and personal property located on or at
the Property) for the benefit of the Debtor's estate and creditors. If the Debtor is not permitted to
use cash collateral to maintain and operate the Property, the Debtor will very likely lose its

1 existing tenants and will have no ability to obtain new replacement tenants. The very source of
2 the Debtor's cash collateral – namely, the rent generated by the lease of space in the Property –
3 will evaporate, and the Debtor will be left with a vacant Property that it cannot adequately
4 maintain. On the other hand, if the Debtor is authorized to use its cash collateral, the Debtor will
5 be able to continue maintaining the Property and generating cash flow so that the Debtor can
6 simultaneously pursue longer term strategies for the restructuring of its financial affairs,
7 including, without limitation, the further leasing of space in the Property, the refinancing of the
8 Property, or the sale of the Property. Clearly, the use of cash collateral will only enhance the
9 prospect of the Debtor's reorganization.

10 While the Debtor believes that the Secured Creditors are adequately protected by a
11 substantial equity cushion as well as by the Debtor's continued maintenance and operation of the
12 Property, as further adequate protection, the Debtor proposes that the Secured Creditors be
13 granted valid, enforceable, non-avoidable and fully perfected replacement liens on, and security
14 interests in, the Debtor's cash and rent revenue generated by the Property (the "Replacement
15 Liens"), to the extent of any diminution in value of such Secured Creditors' interests in the
16 Debtor's pre-petition collateral, and to the same extent, validity, scope and priority of their pre-
17 petition liens.

18 **C. The Debtor Should Be Authorized To Obtain The Financing From US Longton To**
19 **Cover Any Operating Shortages.**

20 Pursuant to Sections 364(b) and 503(b)(1) of the Bankruptcy Code, the Debtor requests
21 authority to obtain the proposed Financing from its affiliate, US Longton, on an administrative
22 expense priority basis, in sums necessary to cover any operating shortages in the Budget.

23 Section 364 of the Bankruptcy Code is structured with an escalating series of
24 inducements which a debtor in possession may offer to attract credit during the post-petition
25 period. *In re Photo Promotion Associates, Inc.*, 87 B.R. 835, 839 (Bankr. S.D.N.Y. 1988), *aff'd*,
26 881 F.2d 6 (2d. Cir. 1989). Therefore, where a trustee or debtor in possession cannot otherwise
27 obtain unsecured post-petition credit, such credit may be obtained under certain carefully
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1 proscribed conditions. *In re T.M. Sweeney & Sons LTL Services, Inc.*, 131 B.R. 984, 989
2 (Bankr.N.D.Ill.1991). For example, if creditors are unwilling to extend unsecured credit to a
3 debtor in possession, further inducements are offered, with court approval after notice and a
4 hearing, including, without limitation, liens equal to or senior to existing liens on encumbered
5 property in accordance with 11 U.S.C. § 364(d). *In re Photo Promotion Associates, Inc.*, 87 B.R.
6 at 839.

7 Section 364(c) of the Bankruptcy Code also enumerates certain incentives that a court
8 may grant to post-petition lenders. The Section 364(c) list, however, is not exhaustive. Courts
9 frequently have authorized the use of inducements not specified in the statute. *See, e.g., In re*
10 *Ellingsen MacLean Oil Co.*, 834 F.2d 599 (6th Cir. 1987) (affirming financing order which
11 prohibited any challenges to the validity of already existing liens); *In re Defender Drug Stores*,
12 126 B.R. 76 (Bankr. D. Ariz. 1991) (authorizing enhancement fee to post-petition lender), aff'd
13 145 B.R. 312, 316 (Bankr. 9th Cir. 1992) (“[b]ankruptcy courts . . . have regularly authorized
14 postpetition financial arrangements containing lender incentives beyond the explicit priorities
15 and liens specified in section 364”); *In re Antico Mfg. Co.*, 31 B.R. 103 (Bankr. E.D.N.Y. 1983)
16 (authorizing lien on pre-petition collateral to secure post-petition indebtedness).

17 Two factors courts consider in determining whether to authorize post-petition financing
18 which contemplates the granting of a security interest in favor of the lender are (1) whether the
19 debtor is unable to obtain unsecured credit per 11 U.S.C. § 364(b), *i.e.*, by allowing a lender only
20 an administrative claim per 11 U.S.C. § 364(b)(1)(A); and (2) whether the terms of the
21 transaction are fair, reasonable and adequate, given the circumstances of the debtor-borrower and
22 the proposed lender. *In re Crouse Group, Inc.*, 71 B.R. 544, 549 (Bankr. E.D.Pa. 1987); *see also*
23 *In re Aqua Assoc.*, 123 B.R. 192, 195 (Bankr. E.D.Pa. 1991).

24 The Debtor’s affiliate, US Longton, has agreed to provide the Financing to the Debtor on
25 an administrative expense priority (unsecured) basis, so the Debtor does not need to grant any
26 liens to secure such Financing.

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1 While in determining whether to approve such a transaction, a Court is authorized to act
2 in its informed discretion, *In re Ames Department Stores, Inc.*, 115 B.R. 34, 37 (Bankr. S.D.N.Y.
3 1990), the Court should give broad deference to the business decision of a Chapter 11 debtor,
4 particularly with respect to a debtor’s business judgment regarding the need for and proposed use
5 of funds. *Richmond Leasing Co. v. Capital Bank N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985). As
6 the Court noted in *In re Ames Dept. Stores Inc.*, *supra*, “the court’s discretion under section 364
7 is to be utilized on the grounds that permit the reasonable business judgment [of the Debtor] to
8 be exercised . . .” *In re Ames Department Stores, Inc.*, 115 B.R. at 40.

9 The Debtor, in the exercise of its business judgment, has concluded that obtaining the
10 proposed Financing from US Longton is in the clear best interests of the Debtor’s estate because,
11 without such funds, the Debtor will be unable to cover its operating shortages and continue to
12 maintain and operate the Property. The Debtor believes that it is fortunate that its affiliate has
13 agreed to provide the Financing to the Debtor on an administrative expense priority basis under
14 the circumstances.

15 **D. Procedural Requirements Regarding Approval Of The Motion Have Been Satisfied.**

16 Rules 4001(b) and 4001(c) of the Federal Rules of Bankruptcy Procedure (“Bankruptcy
17 Rules”) set forth procedural requirements for obtaining use of cash collateral and post-petition
18 financing. There are three general procedural requirements. The Debtor submits that it has
19 complied with these procedural requirements. First, the Motion must contain a copy of the
20 proposed form of order granting the Motion, which has been done by attaching the proposed
21 order as **Exhibit “2”** to the Li Declaration annexed hereto. Second, the Motion must provide a
22 concise statement of the relief requested, which was done above. Third, the Motion is required
23 to be served on any entity with an interest in the Debtor’s cash collateral, any committee
24 appointed or the twenty largest unsecured creditors if there is no committee, and on such other
25 parties as the Court directs. Here, the Debtor has served a copy of the Motion and all supportive
26 papers upon the Office of the United States Trustee, all known secured creditors and their
27 counsel (if known), the twenty largest unsecured creditors of the Debtor, and parties requesting
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1 special notice. Accordingly, the Motion complies with the requirements of Bankruptcy Rules
2 4001(b) and 4001(c).

3 In addition, in compliance with Bankruptcy Rules 4001(b)(1)(B) and 4001(c)(1)(B) and
4 Local Bankruptcy Rule 4001-2, the Debtor has filed concurrently herewith the mandatory Court-
5 approved Form F4001-2 (Statement Regarding Cash Collateral Or Debtor In Possession
6 Financing), which discloses whether the proposed order granting the motion and authorizing the
7 Debtor's use of cash collateral and proposed debtor-in-possession financing from US Longton
8 contains certain provisions of findings of fact. Accordingly, the Motion complies with the
9 procedural requirements of Local Bankruptcy Rule 4001-2.

10 **III. CONCLUSION**

11 **WHEREFORE**, the Debtor respectfully requests that the Court enter an order:

- 12 (1) granting the Motion in its entirety;
- 13 (2) authorizing the Debtor to borrow money on an administrative expense priority
14 basis from US Longton in sums necessary to cover any operating shortfalls reflected in the
15 Budget (which are estimated to total approximately \$1,000);
- 16 (3) authorizing the Debtor to use cash collateral, but only up to the amounts reflected
17 in the Budget, and the proceeds of the Financing to (i) pay all of the expenses set forth in the
18 Budget, with authority to deviate from the line items contained in the Budget by up to 20%, on
19 both a line item and aggregate basis, with any unused portions to be carried over into the
20 following week(s); and (ii) pay all quarterly fees owing to the Office of the United States Trustee
21 and all expenses owing to the Clerk of the Bankruptcy Court;
- 22 (4) as adequate protection to the Secured Creditors on account of the Debtor's use of
23 cash collateral, the Secured Creditors shall be granted Replacement Liens on the Debtor's cash
24 and rent revenue generated by the Property, to the extent of any diminution in value of such
25 Secured Creditors' interests in the Debtor's pre-petition collateral, and to the same extent,
26 validity, scope and priority of their respective pre-petition liens; and

1 (5) granting such other and further relief as the Court deems just and proper under the
2 circumstances.

3 Dated: October 3, 2018

FOX PROPERTY HOLDINGS, LLC

4 

6 By: _____

7 TIMOTHY J. YOO
8 JULIET Y. OH
9 LEVENE, NEALE, BENDER, YOO
10 & BRILL L.L.P.
11 Attorneys for Chapter 11 Debtor and
12 Debtor in Possession
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DECLARATION OF JI LI

I, Ji Li, hereby declare as follows:

1. I am the Managing Member and 100% equity holder of Fox Property Holdings, LLC, a Nevada limited liability company and the debtor and debtor-in-possession herein (the “Debtor”), and therefore am familiar with the business operations and financial records of the Debtor. I have personal knowledge of the facts set forth below and, if called to testify, I would and could competently testify thereto.

2. I make this declaration in support of the Debtor’s motion (the “Motion”) for the entry of an order authorizing the Debtor to: (A) use cash collateral in accordance with the Debtor’s operating budget for the period of November 1, 2018 through and including April 30, 2019 (the “Budget”), a copy of which is attached as **Exhibit “1”** hereto, and (B) borrow money on an administrative expense priority basis from an affiliate of the Debtor, US Longton, Inc. (“US Longton”), to cover the payment of any operating shortfalls reflected in the Budget. All capitalized terms not specifically defined herein shall have the same meanings ascribed to them in the Motion.

3. The Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on January 17, 2018 (the “Petition Date”). The Debtor is continuing to manage its financial affairs and operate its bankruptcy estate as a debtor-in-possession.

4. The Debtor is the owner of that certain commercial real property located at 340, 392 and 398 West Fourth Street, and 399 North D Street (360-370 West Court Street), in San Bernardino, California, which property bears the following five (5) parcel numbers: 0135-111-09-0-000, 0135-111-10-0-000, 0135-111-11-0-000, 0135-111-16-0-000, and 0135-151-28-0-000 (the “Property”). The Property consists of various buildings utilized as a school and dormitory campus and is located on approximately 4.66 acres of land. The Property contains a gross building area (and net rentable area) of approximately 219,000 square feet and consists of the following components:

- a 2-story school building (60,000 SF),

- 1 • a gymnasium (50,000 SF),
- 2 • a food court (7,000 SF) along the first floor, and an office above the food
- 3 court (8,000 SF),
- 4 • a historical theatre (15,000 SF),
- 5 • a 3-story office building (24,000 SF),
- 6 • a 2-story dormitory, consisting of 150 rooms (55,000 SF), and
- 7 • three parking lots with a total of 150 marked parking spaces.

8 5. Based upon a recent appraisal of the Property obtained by the Debtor, I believe
9 that the current fair market value of the Property is \$16,000,000.

10 6. The Debtor purchased the Property from Dayco Funding Corporation ("Dayco")
11 and Luxor Properties, Inc. ("Luxor," and together with Dayco, the "Lender") on or about May
12 25, 2016 for an aggregate purchase price of \$9,700,000. In connection with the Debtor's
13 purchase of the Property, the Lender provided seller financing of \$7,700,000 of the aggregate
14 purchase price on a secured basis (the "Loan"). As a result, the Debtor is currently indebted to
15 the Lender in the principal sum of \$7,700,000.

16 7. I am the Managing Member and 100% equity holder of the Debtor. The Debtor's
17 headquarters is located at 12803 Schabarum Avenue, Irwindale, California 91706.

18 8. The Property is currently managed by an outside property management company,
19 G.W. Group LLC ("GW Group"). Pursuant to an Exclusive Agent Agreement dated as of April
20 18, 2017 entered into by the Debtor and GW Group, GW Group is the Debtor's exclusive
21 property manager and event producer at the Property.

22 9. At the time that the Debtor acquired the Property, I believed that the Property was
23 largely unoccupied and readily available for leasing to a new tenant(s). However, following the
24 Debtor's acquisition of the Property, I learned that Dr. Harry Hwang and Mrs. Jung H. Hwang
25 (together, the "Hwangs"), a married couple who had previously owned and operated a business
26 known as American Sports University ("ASU") at the Property, were continuing to occupy and
27 retain possession of the Property (purportedly with the consent of the Lender), without the
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1 benefit of any written lease agreement and without paying any rent, and were permitting other
2 individuals, including an alleged registered sex offender, Donald Nickels, to illegally reside in
3 the Property.

4 10. Beginning in June, 2017, the Debtor initiated a number of unlawful detainer
5 actions against the Hwangs in the Superior Court of the State of California for the County of San
6 Bernardino County, Fontana District (“Superior Court”) to recover possession of the Property
7 from the Hwangs. In December, 2017, after learning that the Hwangs had abandoned the
8 Property, the Debtor believed that possession of the Property had been voluntarily returned to the
9 Debtor, and the Debtor discontinued its legal actions against the Hwangs in Superior Court.

10 11. Shortly thereafter, on or about December 14, 2017, the Hwangs filed a complaint
11 for forcible entry and detainer against the Debtor and certain other named defendants in Superior
12 Court, thereby commencing the case bearing the number UDFS 1708839 (the “Hwang Action”).
13 The Debtor strongly disputes all of the claims and causes of action asserted by the Hwangs in the
14 Hwang Action and contends, among other things, that the Hwangs have no right to possession of
15 the Property, particularly since there is no written lease agreement entitling the Hwangs to
16 occupy or use any portion of the Property and the Hwangs refuse to pay any rent for their
17 continued occupancy and use of the Property.

18 12. Accordingly, on January 16, 2018 (one day before the Petition Date), the Debtor
19 commenced another unlawful detainer action against the Hwangs in Superior Court (the “UD
20 Action”) to recover possession of the Property from the Hwangs.

21 13. Since the Debtor has been unable to obtain possession of the Property from the
22 Hwangs and has therefore been unable to lease the Property to a paying tenant(s) and collect rent
23 revenue, the Debtor became delinquent in its obligations under the Loan to the Lender.

24 14. On December 19, 2017, the Lender caused a “Notice of Trustee’s Sale” to be
25 recorded with the County of San Bernardino Recorder in connection with the Property, pursuant
26 to which a sale date was scheduled for the Property on January 18, 2018.

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1 15. As a result of all of the foregoing, the Debtor sought protection under Chapter 11
2 of the Bankruptcy Code in order to avoid the impending foreclosure of the Property, to continue
3 its legal efforts to obtain possession of the Property from the Hwangs so that the Debtor may
4 lease and operate the Property in a profitable manner, and to preserve and maximize the value of
5 the Property, all of which the Debtor believes will enable it to formulate and pursue confirmation
6 of a plan of reorganization which allows the Debtor to restructure and/or repay the Loan and its
7 other debts in a cohesive and efficient manner.

8 16. The Property. The primary assets of the Debtor's bankruptcy estate consist of the
9 Property and the fixtures and personal property located at or on the Property. Based upon a
10 recent appraisal of the Property obtained by the Debtor from AmKor Appraisals ("AmKor"),
11 which was previously submitted by the Debtor in connection with its first cash collateral motion,
12 I believe that the current "as is" fair market value of the Property (as of December 29, 2017) was
13 approximately \$16,000,000.

14 17. Lender Debt. The Debtor's primary secured creditors are the Lender. The Debtor
15 is currently indebted to the Lender in the principal sum of \$7,700,000 pursuant to the Loan. I am
16 advised and believe that the Lender has filed a proof of claim in the Debtor's case, pursuant to
17 which the Lender contends that the balance of the Loan due as of the Petition Date was
18 \$8,349,115.20. The obligations of the Debtor in connection with the Loan are secured by a Deed
19 of Trust recorded against the Property on May 21, 2016, pursuant to which the Lender asserts
20 liens against the Property, the fixtures and personal property located at or on the Property, as
21 well as the Debtor's cash, which is derived primarily, if not entirely, from rent received by the
22 Debtor from its tenants.

23 18. Property Tax Debt. The Debtor also owes secured property taxes for the Property
24 to the County of San Bernardino. I am advised and believe that the County of San Bernardino
25 has filed a proof of claim in the Debtor's bankruptcy case, pursuant to which the County of San
26 Bernardino asserts that the amount necessary to cure the Debtor's property tax defaults is
27 currently approximately \$355,164.71.

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1 19. I am not aware of any other liens that have been asserted against the Property or
2 against the Debtor's cash and rent revenue.

3 20. Unsecured Debt. In addition to the debts described above, I believe the Debtor
4 has a total of approximately \$2,661,000 of unsecured debt.

5 21. On February 28, 2018, the Debtor filed a motion seeking an order of the Court
6 authorizing the Debtor to use cash collateral for the period from the Petition Date through and
7 including April 30, 2018, in accordance with an operating budget submitted therewith (the
8 "Original Budget"), and authorizing the Debtor to obtain post-petition financing on an
9 administrative expense priority basis from the Debtor's affiliate, US Longton, to cover any
10 operating shortfalls (the "First CC/DIP Motion").

11 22. On March 7, 2018, the Lender filed a limited opposition to the Debtor's First
12 CC/DIP Motion, pursuant to which the Lender confirmed that it had no objection to the Debtor's
13 use of cash collateral in the projected sum of \$4,200 per month, on the conditions that (i) the
14 Debtor did not use any cash collateral in excess of \$4,200 per month through April 30, 2018, and
15 (ii) the Lender was granted a post-petition replacement lien on cash collateral.

16 23. On March 12, 2018, the Debtor filed a reply to the Lender's limited opposition to
17 the First CC/DIP Motion confirming that the Debtor had no objection to the Lender's conditions
18 for the use of cash collateral.

19 24. The Original Budget that was initially submitted with the First CC/DIP Motion
20 provided for, among other things, the payment of the premium for the Debtor's property
21 insurance policy in installments of \$12,000-13,000 per month (for a total of \$37,000) during the
22 period covered by the Original Budget, as the Debtor anticipated obtaining post-petition
23 insurance premium financing from a lender called Bulldog Premium Finance ("Bulldog").
24 Accordingly, on March 7, 2018, the Debtor filed a motion for the entry of an order authorizing
25 the Debtor to obtain post-petition insurance premium financing from Bulldog (the "First
26 Insurance Financing Motion").
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1 25. Subsequent to the filing of the First Insurance Financing Motion, the Debtor was
2 informed that Bulldog was no longer willing and/or able to provide the insurance premium
3 financing described in the First Insurance Financing Motion. As a result, the Debtor voluntarily
4 dismissed/withdrew the First Insurance Financing Motion.

5 26. Given Bulldog’s inability and/or unwillingness to provide insurance premium
6 financing to the Debtor, the Debtor revised the Original Budget to provide for the full up-front
7 payment of the insurance premium balance (of approximately \$37,000) in the month of March,
8 2018 (the “Revised Budget”). The foregoing modification did not modify the total projected
9 amount of expenses set forth in the Original Budget nor the total amount of post-petition
10 financing proposed to be obtained from US Longton during the period covered by the Original
11 Budget – the only change was to provide for the payment of the Debtor’s property insurance
12 premium in one month (*i.e.*, March 2018) rather than over a period of time. The Debtor
13 submitted the Revised Budget in a supplement to the First CC/DIP Motion (the “Supplement”)
14 filed with the Court shortly before the hearing on such motion.

15 27. I am advised and believe that, at the hearing on the First CC/DIP Motion
16 conducted on March 21, 2018, the Court granted the First CC/DIP Motion, subject to the changes
17 described in the Supplement thereto, and authorized the Debtor to use cash collateral through
18 April 30, 2018 in accordance with the Revised Budget. I am further advised and believe that the
19 Court entered a written order accordingly on March 22, 2018 (the “First CC/DIP Order”).

20 28. Following the entry of the First CC/DIP Order, the Debtor was successful in
21 negotiating insurance premium financing from General Agents Acceptance Corp. (“GAAC”) to
22 enable the Debtor to finance the payment of its insurance premium for its current property
23 insurance policy. Accordingly, on April 2, 2018, the Debtor filed a motion for the entry of an
24 order authorizing the Debtor to obtain post-petition insurance premium financing from GAAC
25 (the “Second Insurance Financing Motion”). I am advised and believe that, at the hearing on the
26 Second Insurance Financing Motion conducted on April 24, 2018, the Court granted the Second
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1 Insurance Financing Motion in its entirety. I am also advised and believe that the Court entered
2 a written order accordingly on April 24, 2018.

3 29. On May 9, 2018, the Debtor filed a second motion seeking Court authority to use
4 cash collateral for the period from May 1, 2018 through and including October 31, 2018, in
5 accordance with an operating budget submitted therewith (the "Second Budget"), and
6 authorizing the Debtor to obtain post-petition financing on an administrative expense priority
7 basis from the Debtor's affiliate, US Longton, to cover any operating shortfalls (the "Second
8 CC/DIP Motion").

9 30. I am advised and believe that, on May 30, 2018, the Court entered an order
10 granting the Second CC/DIP Motion in its entirety.

11 31. On September 11, 2018, the Debtor filed an application for authority to employ
12 CBD Investment Inc., through its agent Jack Chen (the "Broker"), as the Debtor's real estate
13 broker to market and sell the Debtor's Property. The Debtor anticipates that an order approving
14 the Debtor's application to employ the Broker (which has not been objected to) will be entered
15 by the Court shortly.

16 32. While the Debtor is optimistic about the sale prospects for the Property, the
17 Debtor also recognizes that it might not be possible to quickly consummate a sale of the
18 Property, and is therefore pursuing a parallel path to a sale by also seeking to refinance the
19 Property to pay off the Debtor's Loan from the Lender prior to its June 1, 2019 maturity date. In
20 an effort to enhance the Debtor's ability to refinance the Property, the Debtor has been working
21 diligently to finalize new lease agreements with prospective tenants.

22 33. The Debtor's efforts to enter into new leases with tenants have been fruitful and
23 have resulted in the negotiation of two (2) new lease agreements (collectively, the "New
24 Leases"), as follows:

25

Proposed Tenant	Leased Premises	Initial Rent
Fox University, Inc.	399 North D Street San Bernardino, CA 92401 [School Building, Offices, Parking Lot]	\$36,000/month (triple net)

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1	CHINA TV Media Group (USA), Inc.	370-398 W. Court Street San Bernardino, CA 92401 [Theatre, Food Court, Parking Lot]	\$25,000/month (triple net)
2			
3		Total:	\$61,000/month (triple net)
4			

5 34. The Debtor filed a motion on September 11, 2018 seeking Court authority to enter
6 into the New Leases and the Debtor anticipates that an order approving such motion (which has
7 not been objected to) will be entered by the Court shortly.

8 35. I anticipates that the tenants under the New Leases will begin paying rent to the
9 Debtor in the month of November, 2018.

10 36. At the present time, the Debtor's cash is derived entirely from rent received by the
11 Debtor from its tenants in the Property. The Debtor seeks to continue using the rent revenue
12 generated from the lease of space in the Property to maintain the Property and to pay operating
13 expenses relating to the Property, including, among other things, utilities, property taxes,
14 insurance, janitorial services and other operational costs associated with the Property. Attached
15 as **Exhibit "1"** hereto is the Debtor's proposed Budget, which reflects the rent revenue that the
16 Debtor expects to collect, as well as the operating expenses that the Debtor believes must be paid
17 during the months of November, 2018 – April, 2019. Included in the Budget are monthly Loan
18 interest payments (at the non-default contractual rate of interest), in the sum of \$44,916.67,
19 which have been paid by the Debtor to the Lender since the month of April, 2018 and which are
20 proposed to continue to be paid during the months covered by the Budget.

21 37. As noted in the Budget, the Debtor estimates that it will generate rent revenue of
22 at least \$62,000 per month in the months covered by the Budget (*i.e.*, November, 2018 – April,
23 2019). I believe the Debtor must be able to use the rent revenue generated by the Property to pay
24 the expenses of maintaining and operating the Property, including, among other things, utilities,
25 property taxes, insurance, janitorial services and other costs associated with the Property.
26 Without the ability to use cash collateral to pay the Debtor's ongoing operating expenses, the
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1 Debtor will not be able to continue retaining the tenants currently occupying the Property and the
2 rent revenue generated therefrom or maintaining and preserving the value of the Property.

3 38. Pursuant to the Motion, the Debtor seeks Court authority to use its cash collateral,
4 through and including April 30, 2019, to pay the expenses of maintaining and operating the
5 Property set forth in the Budget and to continue to make interest payments (at the non-default
6 rate of interest) to the Debtor's Lender. In addition, the Debtor seeks authority to use cash
7 collateral to pay all quarterly fees owing to the Office of the United States Trustee and all
8 expenses owing to the Clerk of the Bankruptcy Court. The Debtor also seeks authority to deviate
9 from the line items contained in the Budget by not more than 20%, on both a line item and
10 aggregate basis, with any unused portions to be carried over into the following week(s).

11 39. As reflected in the Budget, the total rent revenue anticipated to be generated by
12 the Property is slightly less than the amount needed to cover all of the estimated operating
13 expenses set forth in the Budget during the months of November, 2018 – April, 2019.
14 Specifically, I estimate that the Debtor will require post-petition financing in the sum of
15 approximately \$1,000 during the month of February, 2019 to cover operating shortfalls during
16 that month.

17 40. One of the Debtor's affiliates, US Longton, Inc. ("US Longton"), which I also
18 own, has agreed to advance the sums necessary, on an unsecured, administrative expense priority
19 basis, to cover any operating shortfalls reflected in the Budget (the "Financing"). Accordingly,
20 by the Motion, the Debtor is also seeking Court approval of the proposed Financing from US
21 Longton.

22 41. Attached as Exhibit "2" hereto is a proposed form of order granting the Motion.

23 I declare under penalty of perjury under the laws of the United States of America that that
24 the foregoing is true and correct.

25 Executed this 3rd day of October, 2018, at Irwindale, California.

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Ji Li, Declarant

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EXHIBIT “1”

[Budget]

FOX PROPERTY HOLDINGS, LLC

	<u>Nov. 2018</u>	<u>Dec. 2018</u>	<u>Jan. 2019</u>	<u>Feb. 2019</u>	<u>Mar. 2019</u>	<u>Apr. 2019</u>
BEGINNING CASH BALANCE	707.87	1,580.10	1,230.53	880.86	1,015.43	665.86
<u>INCOME</u>						
RENTAL INCOME						
BASE RENTAL	63,800.00	63,800.00	63,800.00	63,800.00	63,800.00	63,800.00
COLLECTION LOSS	(86.10)	(1,307.90)	(1,307.90)	(1,307.90)	(1,307.90)	(1,307.90)
TOTAL RENTAL INCOME	<u>63,713.90</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>
MISC. INCOME		0.00	0.00	0.00	0.00	0.00
TOTAL INCOME	<u>63,713.90</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>	<u>62,492.10</u>
<u>EXPENSES</u>						
LOAN INTEREST PAYMENT	44,916.67	44,916.67	44,916.67	44,916.67	44,916.67	44,916.67
INSURANCE	4,116.00	4,116.00	4,116.00	4,116.00	4,116.00	4,116.00
PROPERTY TAXES	0.00	0.00	0.00	0.00	0.00	0.00
LICENSES & PERMITS	0.00	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00	0.00
JANITORIAL	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
DAYMAN	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
RUBBISH REMOVAL	260.00	260.00	260.00	260.00	260.00	260.00
BUILDING ENGINEER	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
AIR CONDITIONING	0.00	0.00	0.00	0.00	0.00	0.00
ELECTRICAL	0.00	0.00	0.00	0.00	0.00	0.00
ELEVATORS	0.00	0.00	0.00	0.00	0.00	0.00
LIFE AND FIRE SAFETY	0.00	0.00	0.00	0.00	0.00	0.00
PAINTING & DECO.	0.00	0.00	0.00	0.00	0.00	0.00
EXTERMINATION	0.00	0.00	0.00	0.00	0.00	0.00
PLUMBING	0.00	0.00	0.00	0.00	0.00	0.00
MISC. REPAIRS	0.00	0.00	0.00	0.00	0.00	0.00
ELECTRICITY	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
WATER	800.00	800.00	800.00	800.00	800.00	800.00
ADMINISTRATIVE ASST.	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00	0.00
MISC. EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
MANAGEMENT FEES	6,249.00	6,249.00	6,249.00	6,249.00	6,249.00	6,249.00
CONSTRUCTION TI	0.00	0.00	0.00	0.00	0.00	0.00
APPRAISAL REPORT	0.00	0.00	0.00	0.00	0.00	0.00
BK UTILITY DEPOSITS (est.)	0.00	0.00	0.00	0.00	0.00	0.00
UST QUARTERLY FEE	0.00	0.00	0.00	975.00	0.00	0.00
TOTAL EXPENSES	<u>62,841.67</u>	<u>62,841.67</u>	<u>62,841.67</u>	<u>63,816.67</u>	<u>62,841.67</u>	<u>62,841.67</u>
AVAILABLE CASH	64,421.77	64,072.20	63,722.53	63,372.96	63,507.53	63,157.96
LOAN FROM US LONGTON				<u>1,000.00</u>		
ENDING CASH BALANCE	1,580.10	1,230.53	880.86	556.29	665.86	316.29

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EXHIBIT “2”

[Proposed Order]

1 TIMOTHY J. YOO (SBN 155531)
JULIET Y. OH (SBN 211414)
2 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
3 10250 Constellation Boulevard, Suite 1700
Los Angeles, California 90067
4 Telephone: (310) 229-1234; Facsimile: (310) 229-1244
Email: tjy@lnbyb.com, jyo@lnbyb.com

5
6 Attorneys for Chapter 11 Debtor and
Debtor-in-Possession

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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **LOS ANGELES DIVISION**
11

12 In re) Case No. 2:18-bk-10524-RK
13)
14 FOX PROPERTY HOLDINGS, LLC,) Chapter 11
a Nevada limited liability company,)
15 Debtor and Debtor-in-Possession.) **ORDER GRANTING MOTION FOR**
16) **ENTRY OF ORDER AUTHORIZING**
17) **DEBTOR TO (A) USE CASH**
18) **COLLATERAL THROUGH AND**
19) **INCLUDING APRIL 30, 2019; AND**
20) **(B) BORROW MONEY FROM**
21) **AFFILIATE, US LONGTON, INC.,**
22) **ON AN ADMINISTRATIVE**
23) **EXPENSE PRIORITY BASIS**
24)
25) Hearing:
26) Date: October 24, 2018
27) Time: 11:00 a.m.
28) Place: Courtroom 1675
255 E. Temple Street
Los Angeles, California 90012

1 A hearing was held on October 24, 2018 at 11:00 a.m., before the Honorable Robert N.
2 Kwan, United States Bankruptcy Judge for the Central District of California, Los Angeles
3 Division, in Courtroom “1675” located at 255 E. Temple Street, Los Angeles, California 90012,
4 to consider the motion (the “Motion”) filed by Fox Property Holdings, LLC, a Nevada limited
5 liability company and the debtor and debtor-in-possession in the above-captioned Chapter 11
6 bankruptcy case (the “Debtor”), for the entry of an order authorizing the Debtor to: (A) use cash
7 collateral in accordance with the Debtor’s operating budget for the period of November 1, 2018
8 through and including April 30, 2019 (the “Budget”), a copy of which is attached as Exhibit “1”
9 to the Motion, and (B) obtain post-petition financing on an administrative expense priority basis
10 (the “Financing”) from the Debtor’s affiliate, US Longton, Inc. (“US Longton”), to cover the
11 payment of any operating shortfalls reflected in the Budget. Appearances at the hearing on the
12 Motion were made as noted on the record of the Court.

13 The Court, having considered the Motion and all papers filed by the Debtor in support of
14 the Motion, having considered the oral arguments, statements and representations of counsel
15 made at the hearing on the Motion and all matters of record in the Debtor’s Chapter 11 case,
16 proper notice of the Motion and the hearing on the Motion having been provided, having
17 received no opposition to the Motion, and other good cause appearing therefor,

18 IT IS HEREBY ORDERED AS FOLLOWS:

19 A. The Motion is granted.

20 B. The Debtor is authorized to obtain the Financing on an administrative expense
21 priority basis from US Longton in sums necessary to cover any operating shortfalls reflected in
22 the Budget.

23 C. The Debtor is authorized to use cash collateral, but only up to the amounts
24 reflected in the Budget, and the proceeds of the Financing to (i) pay all of the expenses set forth
25 in the Budget, with authority to deviate from the line items contained in the Budget by not more
26 than 20%, on both a line item and aggregate basis, with any unused portions to be carried over
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1 into the following week(s) and (ii) pay all quarterly fees owing to the Office of the United States
2 Trustee and all expenses owing to the Clerk of the Bankruptcy Court.

3 D. As adequate protection to the Secured Creditors (as that term is defined in the
4 Motion) on account of the Debtor's use of cash collateral, the Secured Creditors shall be granted
5 valid, enforceable, non-avoidable and fully perfected replacement liens on, and security interests
6 in, the Debtor's cash and rent revenue generated by the Property, to the extent of any diminution
7 in value of such Secured Creditors' interests in the Debtor's pre-petition collateral, and to the
8 same extent, validity, scope and priority of their pre-petition liens.

9 IT IS SO ORDERED.

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PROOF OF SERVICE OF DOCUMENT

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I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled: **NOTICE OF MOTION AND MOTION FOR ENTRY OF ORDER AUTHORIZING DEBTOR TO (A) USE CASH COLLATERAL THROUGH AND INCLUDING APRIL 30, 2019; AND (B) BORROW MONEY FROM AFFILIATE, US LONGTON, INC., ON AN ADMINISTRATIVE EXPENSE PRIORITY BASIS; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF JI LI IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **October 3, 2018**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Andrew K Alper aalper@frandzel.com, rsantamaria@frandzel.com
- Juliet Y Oh jyo@lnbrb.com, jyo@lnbrb.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov
- Hatty K Yip hatty.yip@usdoj.gov
- Timothy J Yoo tjy@lnbyb.com

2. SERVED BY UNITED STATES MAIL: On **October 3, 2018**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **October 3, 2018**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served via Attorney Service

Hon. Robert N. Kwan
United States Bankruptcy Court
Edward R. Roybal Federal Building
255 E. Temple Street, Suite 1682
Los Angeles, CA 90012

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

October 3, 2018	Stephanie Reichert	/s/ Stephanie Reichert
<i>Date</i>	<i>Type Name</i>	<i>Signature</i>

Label Matrix for local noticing

0973-2

Case 2:18-bk-10524-RK

Central District of California

Los Angeles

Dayco Funding Corporation

Frantzel Robins Bloom & Csato, L.C.

1000 Wilshire Boulevard, 19th Floor

Los Angeles, CA 90017-2457

Burrtec Waste Industries, Inc.
5455 Industrial Parkway
San Bernardino, CA 92407-1803

City of San Bernardino
Municipal Water Department
1350 South E Street
San Bernardino, CA 92408-2725

County of San Bernardino
Tax Collector
268 West Hospitality Lane, First Fl
San Bernardino, CA 92415-0360

Dayco Funding Corporation and
Luxor Properties, Inc.
4751 Wilshire Blvd., Suite 203
Los Angeles, CA 90010-3860

Flaming Grill
370 W. Court Street, Unit B
San Bernadino CA 92401-1602

Franchise Tax Board
Bankruptcy Section, MS: A-340
P.O. Box 2952
Sacramento, CA 95812-2952

Fung, Christina
1200 W. 3rd Street
Los Angeles, CA 90017-1408

G.W. Group LLC
1200 W. 3rd Street
Los Angeles, CA 90017-1408

Hedrick Fire Protection
13309 Central Avenue
Chino, CA 91710-5102

Hwang, Harry and Hwang, Jung H.
c/o Tomlinson & Prince, L.L.P.
255 North D Street, Suite 401
San Bernardino, CA 92401-1715

Imperial Mortgage Corporation
4751 Wilshire Blvd., #203
Attn: John Shaikin, President
Los Angeles, CA 90010-3860

Internal Revenue Service
P.O. Box 7346
Philadelphia, PA 19101-7346

Jesse Hernandez Wrestling
370 W. Court Street, Unit B
San Bernadino CA 92401-1602

King Kabob
370 W. Court Street, Unit B
San Bernadino CA 92401-1602

Li, Ji
12803 Schabarum Avenue
Irwindale, CA 91706-6808

Red Dragon Investment Group, Inc.
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