



IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

ENTERED
11/03/2016

IN RE:

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JEJP, LLC d/b/a
PRECISION MACHINED PRODUCTS

CASE NO. 16-33646-H2-11
(Chapter 11)
JUDGE JONES

AGREED SECOND ORDER APPROVING POST-PETITION FINANCING

[Relates to Docket No.] 54

CAME ON FOR CONSIDERATION the Debtor’s Second Motion under 11 U.S.C. §§105 and 364 and Fed.R.Bankr.P. 4001 for Entry of Order Authorizing the Debtor to Incur Postpetition Financing [Docket No.] (the “Second Motion”),¹ filed by JEJP, LLC d/b/a Precision Machined Products (the “Debtor”), seeking leave to obtain post-petition financing from Jesus Finol and Elias Abdallah, Members of the Debtor (the “DIP Lender”), for operations necessary to prevent immediate and irreparable harm.

In accordance with Bankruptcy Rule 4001(c) due, proper and adequate notice of the Motion appropriate to the circumstances presented, having been given; ~~and a hearing to consider approval of the Motion having been held on November XXXX, 2016 (the “Hearing”)~~ and the Court having considered the ^{motion} ~~arguments of counsel, the testimony proffered and other evidence presented at the Hearing~~ and after due deliberation and consideration, and good and sufficient cause appearing therefor,

THE COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:

A. On July 22, 2016 (the “Petition Date”), the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code as Case No. 16-33646 pending before this Court.

¹ Unless separately defined herein, all capitalized terms shall have the meanings ascribed to such terms in the Motion.

The Debtor is operating its business and managing its property as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. An official committee of unsecured creditors has not been appointed in this case.

B. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief granted herein are sections 105, 361, 363 and 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c). Venue of this Chapter 11 proceeding and the Motion is proper in this district pursuant to 28 U.S.C. § 1408 and 1409.

C. The Debtor's business requires additional working capital on an immediate basis inasmuch as the Debtor has determined, in its business judgment, that it is unable to operate generally without obtaining post-petition financing. Without obtaining financing on a post-petition basis, the Debtor will not be able to pay to bring the remaining equipment online, and pay its operating expenses and other obligations so that it may continue operating to preserve and maintain the value of its assets.

D. Subject to the terms of this Second Order, DIP Lender agrees to provide additional post-petition debtor-in-possession financing ("Second DIP Financing") to the Debtor. The Debtor's primary secured creditor, Texas Citizens Bank, N.A. ("Texas Citizens") and its former landlord EastGroup Properties, L.P. ("EastGroup") which is also a secured creditor of the Debtor have both consented to the Second DIP Financing under the terms and conditions as set forth in this Second Order.

E. The terms of the Second DIP Financing (collectively, the "Second DIP Financing Terms") are set forth as follows:

- (i) Borrowing Mechanics. DIP Lender shall provide post-petition financing to the Debtor in an aggregate amount not to exceed \$900,000.00 (the "Maximum DIP Loan").

- (ii) Borrowing Authority. The amount of the Maximum DIP Loan may be borrowed or incurred upon entry of this Second Order, but subject to the other terms of this Second Order.
- (iii) Non-Default Interest Rate: None.
- (iv) Use of Proceeds. The proceeds of the DIP Financing shall be used to bring its remaining equipment online, to pay for ongoing obligations; to pay the Debtor's legal fees and expenses as approved by the Court, and to pay U.S. Trustee fees and court costs.
- (v) Payment Terms: The entire principal plus accrued interest, shall convert to an equity position in the reorganized debtor on the effective date of the plan. Each DIP Lender shall receive one membership interest in the reorganized debtor for each dollar in DIP financing received by the Debtor.
- (vi) Right of First Refusal. Prior to the Effective Date of the Plan, Debtor shall not seek investment or funding from any other source without first notifying DIP Lender and giving DIP Lender the opportunity to participate.
- (vii) Sale of Assets Subject to DIP Lender Liens. In the event that, prior to the Effective Date of the Plan, the Debtor proposes to sell any of the DIP Collateral outside of the ordinary course of business, the DIP Lender shall have the right to credit bid on such property under Section 363(k) of the Bankruptcy Code.
- (viii) Assignment and Participation. DIP Lender shall have the right to assign all or a portion of its rights (but not its obligations) under the DIP Facility, *provided, however*, that the assignee of any such assignment shall be deemed bound to the terms of this Final Order and be deemed to have consented to the terms of the Plan.
- (ix) Marshalling; Contribution and Subrogation as Between Obligors. Effective upon entry of this Final Order, in no event shall the DIP Lender be subject to the equitable doctrine of "marshaling" or any similar doctrine with respect to its DIP Lender Liens. Effective upon entry of this Final Order, in no event shall the "equities of the case" exception of section 552(b) of the Bankruptcy Code apply to the secured claims of the DIP Lender.

F. The proposed DIP Financing and the terms of this Second Order have been approved by the management of the Debtor. In the good faith business judgment of the Debtor's management it is in the best interest of the Debtor, as well as its creditors, and other parties-in-interest to enter into the Second DIP Financing as set forth herein.

G. The Debtor is unable to obtain unsecured or secured credit on terms superior to the proposed Second DIP Financing with DIP Lender, and is unable to obtain secured financing without providing adequate protection to Texas Citizens and EastGroup. Texas Citizens and EastGroup have consented to the terms of the Second DIP Financing under the above Second DIP Financing Terms and the other terms of this Second Order. To the extent that the DIP Lender Liens are senior or equal in priority to the liens of any other party, the Court finds that the interests of such other party are adequately protected.

H. The DIP Lender has agreed to provide the Second DIP Financing under above the Second DIP Financing Terms and the other terms of this Second Order. The Second DIP Financing has been proposed in good faith and at arms' length, and is necessary in order to preserve the assets of the Debtor's bankruptcy estate and facilitate confirmation and consummation of the Plan. The Court finds that the terms of the proposed Second DIP Financing are fair, reasonable, and adequate under all of the circumstances of this case, and should be approved as set forth herein. The Court further finds that the Debtor's agreement to the terms of this Second Order is a sound exercise of its business judgment and should be approved.

ACCORDINGLY, IT IS HEREBY ORDERED AND ADJUDGED THAT:

1. **Second Motion Granted on a Final Basis.** The Second Motion is granted, and the Second DIP Financing is approved, on a final basis, under the above Second DIP Financing Terms and as set forth herein.

2. **Authority to Enter into the Second DIP Financing.** The Debtor is immediately authorized to enter into the Second DIP Financing on the Second DIP Financing Terms, and,

thereupon, to borrow the total sum of up to the Maximum Second DIP Loan from DIP Lender in accordance with the terms and conditions of this Second Order.

3. **Advances.** Upon entry of this Second Order, the DIP Lender shall immediately make an additional line of credit in the amount of \$900,000.00 available to the Debtor. The DIP Lender shall make advances to the Debtor if, as, and when requested by the Debtor, provided that (a) such advances are to be used by the Debtor to bring its equipment online and/or to continue its operations as a going concern, (b) the Debtor is not in default of any of its obligations to the DIP Lender under the terms of the prior Final Order, and (c) the aggregate amount of all advances made by the DIP Lender to the Debtor under the Second DIP Financing shall not exceed the Maximum Second DIP Loan.

4. **Section 364(e).** DIP Lender has acted in good faith in extending credit to the Debtor. DIP Lender shall be entitled to all protections pursuant to Section 364(e) of the Bankruptcy Code to the fullest extent available.

5. **Provision of Adequate Protection to Texas Citizens and to EastGroup.** As and for adequate protection of Texas Citizens' interests and EastGroup's interests in property of the Debtor and the estate, and in consideration of its consent to the DIP Financing under the terms and conditions of this Second Order, pursuant to Sections 361, 363(e) and 507(a)(2) and (b) of the Bankruptcy Code:

(a) The Texas Citizens DIP Financing Replacement Liens shall be valid and perfected, effective immediately, without the need for the execution or filing of any future document or instrument otherwise required to be executed or filed under applicable non-bankruptcy law, and

(b) EastGroup shall retain and be granted valid and perfected liens and security interests in all property, including fixtures, equipment, merchandise and chattels, once located at 4225

World Houston Parkway, Suite 190, Houston, Texas 77032, subsequently moved to Debtor's new location, as well as the proceeds of such property, including but not limited to the segregated account into which such proceeds were required to be deposited per this Court's previous orders, effective immediately, without the need for the execution or filing of any future document or instrument otherwise required to be executed or filed under applicable non-bankruptcy law; and

6. **No Marshalling, Subrogation, etc.** The Second DIP Obligations shall not be subject to marshalling of collateral or any similar legal doctrine.

7. **Modification of Automatic Stay.** The automatic stay of Section 362(a) of the Bankruptcy Code shall be and hereby is modified and vacated without further order, notice or application to the Court to the extent necessary to allow the Debtor, the DIP Lender, Texas Citizens and EastGroup to perform any act authorized by this Second Order.

8. **Findings of Fact, etc.** This Second Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon entry hereof.

9. **Section 506(c) Waiver.** DIP Lender shall not be subject to any surcharge or other charge of any kind or nature which may otherwise be imposed upon it under Sections 105, 506(c) or any other section of the Bankruptcy Code, or in any subsequent chapter 7 case into which this chapter 11 case is converted.

10. **Filing.** This Second Order may be filed in any state or local jurisdiction in order to evidence and perfect the Texas Citizens DIP Financing Replacement Liens and EastGroup's adequate protection liens as granted herein. At the request of the DIP Lender's counsel or Texas Citizens' counsel, the clerk of court shall issue a certified copy of this Second Order. All

applicable jurisdictions and authorities are hereby authorized and directed to accept for filing a certified copy of this Second Order.

11. **Notice.** Any notice, objection, report, or other document permitted or required to be given under the terms of this Second Order shall be deemed given (a) immediately upon its electronic transmission, in the absence of receipt of electronic notice of failed transmission, if sent by electronic transmission to the email address specified below (if applicable), (b) upon confirmation of its facsimile transmission, if sent by facsimile transmission to the facsimile number specified below (if applicable), (c) upon confirmation of delivery by the third-party courier, if sent by third-party courier to the physical address specified below, or (d) upon the third calendar day following deposit with the U.S. Postal Service, if sent by United States mail, postage prepaid, to the physical address specified below:

12.

If to the Debtor, to:

JEJP, LLC, d/b/a Precision Machined Products
Attn: Paul Williams
4225 World Houston Pkwy., Suite 190
Houston, Texas 77032
Email: pwilliams@precisionmp.net

If to counsel for the Debtor, to:

Cooper & Scully, P.C.
Attn: Julie M. Koenig
815 Walker, Suite 1040
Houston, TX 77002-5776
Email: julie.koenig@cooperscully.com

If to the DIP Lender, to:

Jesus Finol
16414 Emilia ct.
Spring, Texas 77379
jfinol@primarinternational.com

If to counsel for Texas Citizens, to:

James W. Freyer
14200 Gulf Freeway, Suite 101
Houston, Texas 77034
jim@jwfreyer.com

And

Elias Abdallah
21611 Barrow Glen Ct.
Spring, Texas 77388
Elias.abdallah@insumeca.net

If to the U.S. Trustee, to:

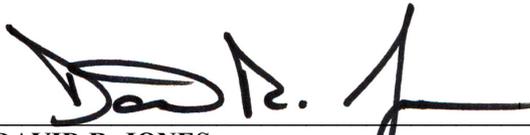
Office of the United States Trustee
Attn: Hector Duran
515 Rusk Avenue, Suite 3516
Houston, TX 77002
Email: hector.duran.jr@usdoj.gov

If to counsel for EastGroup Properties, to

Jackson Walker, LLP
Attn: Michael S. Held
2323 Ross Avenue, Suite 600
Dallas, Texas 75201
Email: mheld@jw.com

13. **No Stay**. There shall be no stay of this Second Order, including no stay pursuant to Fed. R. Bankr. P. 6004(h) (to the extent applicable), and this Second Order shall be immediately effective upon entry.

Signed: November 03, 2016.



DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

APPROVED AS TO FORM AND CONTENT:

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