

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF KENTUCKY
PADUCAH DIVISION

IN RE: Mid-Continent University, Inc.
Debtor

Case No. 14-50687
Chapter 11

MOTION BY DEBTOR TO AUTHORIZE ABANDONMENT OF PROPERTY

Debtor, Mid-Continent University, Inc. (hereinafter “Mid-Continent”), through counsel, moves this Court to authorize the abandonment of property, specifically all of Mid-Continent’s accounts receivable, effective October 31, 2021. For its reasons, it states as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 29 U.S.C. §157(b). Venue of this case and this Motion is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory and other predicates for the relief requested herein are Bankruptcy Code sections 105 and 554 and Rule 6007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

BACKGROUND

3. The bankruptcy petition in this matter was filed on September 30, 2014.

4. The Amended Chapter 11 Plan was confirmed on May 24, 2016 and anticipates an orderly liquidation of the assets of the Debtor.

5. Substantially all of Debtor’s real property and related physical assets were sold in December 2016.

6. Mid-Continent's primary remaining asset is student loan balances and other accounts receivable. It currently has no source of continuing income except for the collection of these balances.

7. As approved by prior order of this Court, Mid-Continent employed EverChain LLC d/b/a DebtTrader ("DebtTrader") to assist in identifying potential purchasers of Mid-Continent's remaining assets using its online auction platform.

8. On August 12, 2021, the Court entered an order approving auction procedures for the auction of substantially all of the remaining assets of Mid-Continent (the "Auction Order").

9. The assets being offered at auction included 2007 accounts with a face value of \$7,492,543.96 (the "Assets").

10. Pursuant to the Auction Order, from September 3, 2021 to September 13, 2021, Mid-Continent used the DebtTrader platform to offer the Assets at auction and to accept bids for the purchase of the Assets.

11. At the close of the auction, the highest bidder for the Assets was Plaza Services, LLC, which bid \$18,731.35 for all of the Assets.

12. The highest bid at the auction was significantly lower than anticipated by Mid-Continent or DebtTrader.

13. Pursuant to the terms of the auction, the winning bidder would be entitled to receive any collections from the Assets from the date of the beginning of the auction (September 3), through the closing date, which was anticipated to be October 4, 2021.¹

¹ This is to ensure that the winning bidder receives the benefit of the portfolio which formed the basis of their bid. Bidders need to have certainty that they are not negatively impacted by changes to the portfolio that occur during the start of the auction and the closing date.

14. As set forth more clearly in the attached affidavit of Tim Walker, Mid-Continent would typically expect to collect between \$14,158.00 and \$21,032.00 in that timeframe. This amount would be effectively deducted from the amount paid by the buyer if Mid-Continent was to sell the Assets to the highest bidder.

15. Pursuant to the Auction Order, in order to transfer the assets, Mid-Continent would be obligated to notify affected students that their personally identifiable information would be disclosed to the buyer. The cost for printing and postage for such notices is estimated at \$1,300.00.

16. Additionally, the administrative work required to complete the transfer would require at least an additional five (5) days of salary and benefits to be paid to employees, totaling approximately \$3,098.00.

17. As a result, it is estimated that accepting the highest bid from the auction and transferring the assets would very likely result in a net loss to the bankruptcy estate.

18. Mid-Continent has experienced a significant decrease in collections in the last eighteen months, coinciding with the COVID-19 pandemic. At the current rate, Mid-Continent anticipates being unable to pay its on-going operating costs on or before October 31, 2021.

19. Although the auction results revealed that the Assets are essentially worthless to a third-party buyer, Mid-Continent nonetheless relies on the on-going collections from the Assets to complete other essential work of the estate, including the final disposition of student records and some *de minimis* personal property. It is anticipated that these activities will cost \$45,432.00.

20. In addition to the assets offered at auction, Mid-Continent has a limited number of accounts receivable that were not included in the auction, since they are believed to be less attractive to potential buyers than the Assets included in the auction. These include accounts that

are subject to the AVC, those subject to the obligations under “OptionA” of the AVC, accounts for international students and accounts that were in active litigation before the auction.

21. Mid-Continent anticipates final disposition of all assets by October 31, 2021, which would also be the effective date of abandonment of the Assets. Mid-Continent would notify individuals who are actively paying on any balance of the abandonment.

22. Therefore, the Assets to be abandoned are burdensome to the estate and are of inconsequential value and benefit to the estate.

23. As a result, Bankruptcy Code §554, permits the abandonment of the Assets.

NOTICE

24. The Debtor has filed this motion through the CM/ECF system, which will provide electronic notice to all parties requesting electronic notice through CM/ECF. Given the nature of the motion, the insignificant value of the property to be abandoned, the fact that many of MCU’s creditors will receive CM/ECF notice, and the significant cost of additional notice, the Debtor respectfully requests that the Court modify the service requirement of Bankruptcy Rule 6007 to eliminate the requirement to serve all of the Debtors’ creditors.

RELIEF REQUESTED

25. Debtor requests that the Court permit the Debtor to abandon the property described herein. An order granting this relief has been tendered with this Motion.

WHITLOW, ROBERTS, HOUSTON & STRAUB, PLLC
Attorneys for Debtor

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**NOTICE OF ELECTRONIC FILING
AND CERTIFICATE OF SERVICE**

I hereby certify that on September 21, 2021, I electronically filed the foregoing with the Clerk of the Court, which will serve parties requesting service through CM/ECF

BY /s/ Nicholas M. Holland
Nicholas M. Holland
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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF KENTUCKY

IN RE: Mid-Continent University, Inc.,
Debtor

Case No. 14-50687
Chapter 11

**DECLARATION OF TIM WALKER IN SUPPORT
OF MOTION TO ABANDON PROPERTY**

Tim Walker, the undersigned, certifies under penalty of perjury that the following statements are true and correct:

1. I am the Vice-President of Finance and Administration at Mid-Continent University, Inc. ("MCU").

2. I have personal knowledge of the facts set forth herein and am competent to testify to these matters.

3. During the course of this bankruptcy proceeding, I have been personally involved in the efforts to identify the remaining personal property of MCU and to sell or otherwise dispose of that property, including the auction of the majority of MCU's accounts receivable using the platform provided by DebtTrader

4. I have firsthand knowledge of the historic income and expenses of the bankruptcy estate.

5. The assets that were part of the auction performed through DebtTrader's platform included 2,007 accounts with a face value of \$7,492,543.96

6. It was anticipated that the auction would bring bids equal to 1% to 5% of the face value of the assets auctioned.

7. DebtTrader marketed the assets for sale and accepted bids from September 3 through September 13, 2021.

8. At the close of the auction, the highest bid received was from Plaza Services, LLC. The highest bid was 0.25% of the value of the assets (0.0025 multiplier), an amount equal to \$18,871.35.

9. The terms of the auction provide that the winning bidder is entitled to receive any collections on the assets from the start date of the auction to the closing date of the sale. It was anticipated that the closing date in this case would be approximately October 4, 2021.

10. Historically, in a one month time period, MCU has collected between \$14,158.00 and \$21,032.00 from the assets offered at auction.

11. If MCU were to collect a similar amount from September 3, 2021 (the beginning of the auction) to October 4, 2021, it would stand to collect at most \$4,713.35 from the auction after the offset for collections. In a worst case scenario, it might have to effectively pay the winning bidder to take the assets.

12. In my experience, the additional administrative and clerical work required to transfer the assets to a buyer versus abandoning them would take an additional five days of work for the limited remaining staff, at an approximate cost in salary, payroll taxes, and benefits of \$3,098.00.

13. The cost of providing the FERPA notices required by the orders of the Court would be approximately \$1,300.00 in printing and shipping costs. I have based this estimate on the cost of past notices provided to students by MCU.

14. Together with the remaining employees of MCU, I have completed calculations of the future income and expenses of MCU.

15. The COVID-19 pandemic has negatively impacted MCU's collections activity. Pursuant to the Assurance of Voluntary Compliance with the Kentucky Attorney General's office, all collection on "Option A" accounts was suspended in March 2020 pursuant to the moratorium on federal student loan collections. That moratorium is not scheduled to end until January 31, 2022. In addition, MCU has seen a decrease in its collections on other types of debt that it holds.

16. Based on the projections that I have prepared with my staff, I anticipate that MCU's expenses will exceed its income on or before October 31, 2021.

17. For the reasons set forth above, I do not believe it feasible or advisable for MCU to re-auction the Assets or to find a buyer through other means. The time and expense of vetting a buyer outside of DebtTrader's platform would simply take too long and would likely not result in a significantly better outcome in the current climate for the purchase of debt.

18. It is my opinion based knowledge and experience, that the assets that were excluded from the auction are less attractive than those included in the auction. This is because they include assets that are subject to the AVC or involve debtors that are harder to locate.

19. For the reasons set forth above, I believe that the most likely result is that the cost of selling and transferring the assets will exceed the highest bid received at auction and that abandoning the assets is the best course of action at this time.

20. Further, affiant sayeth naught.

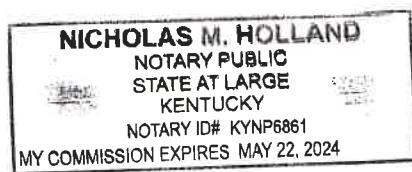
Dated September 20, 2021.


Tim Walker

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF McCRACKEN)

SUBSCRIBED AND SWORN TO before me by Tim Walker, this 20th day of
September, 2021.

My commission expires: MAY 22, 2024



Notary Public
568043

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF KENTUCKY
PADUCAH DIVISION

IN RE: Mid-Continent University, Inc.
Debtor

Case No. 14-50687
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**ORDER GRANTING MOTION BY DEBTOR
TO AUTHORIZE ABANDONMENT OF PROPERTY**

Upon the motion (the “Motion”) of Mid-Continent University, Inc. (“Debtor”) for entry of an order (this “Order”) pursuant to sections 105(a) and 554(a) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”) and Rule 6007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), authorizing the abandonment of property, as more fully described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § § 157 and 1334; and upon consideration of the Motion; and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. § § 1408 and 1409; and it appearing that the relief requested in the Motion will benefit the Debtors’ estates, their creditors, and all other parties in interest; and due and proper notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED that:

1. The Motion is GRANTED as set forth herein.
2. Bankruptcy Rule 6007 is deemed satisfied by service of the Motion on the Parties noticed through CM/ECF.
3. The Debtor is authorized to abandon the property described within its motion pursuant to section 554(a) of the Bankruptcy Code.

Entered _____.

TENDERED BY:

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