

## NewsRoom

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Dowling College books Chapter 11 after shuttering in August

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Non-profit New York liberal arts school Dowling College filed for Chapter 11 protection, intending to sell its assets after losing its accreditation and shutting down operations in August.

On Tuesday, the debtor petitioned in the U.S. Bankruptcy Court for the Eastern District of New York in Central Islip with \$100 million to \$500 million in assets and \$50 million to \$100 million in liabilities. Judge Robert E. Grossman was assigned to the case.

Dowling is seeking approval to sell its two properties, the 25-acre waterfront campus in Oakdale, N.Y., housing six buildings including a former mansion of the Vanderbilt family, and its 101-acre Brookhaven location in Shirley, N.Y., housing an athletic complex, a 65,000 square-foot building and a 10,000 square-foot airplane hangar. Both are on Long Island.

Chief Restructuring Officer Robert Rosenfeld of RSR Consulting said in filings that Dowling's petition can be attributed to "extreme" liquidity issues due to declining income from tuitions, the primary source of the college's revenues. He also noted the school's loss of accreditation in 2015, "costly litigation" and progressing collection activity by its creditors.

In the spring of 2015, Dowling said in court papers that its student enrollment was down to 2,300 from 4,000 in 2012.

Additionally, "costly labor agreements, including unionized full-time and adjuncts were the largest budget expenditure on an annual basis," the debtor said in filings. This resulted in more than \$53 million in long-term debt outstanding.

Dowling's debt includes a \$3 million U.S. Department of Education College Facilities Loan Program which accrues interest at 5.5% and comes due in 2022.

The 48-year-old college offered undergraduate and graduate programs with concentrations in liberal arts, business, education and aviation before shuttering operations this summer.

"This unfortunately is the final chapter of a college that has enriched the college experience of thousands of students on Long Island for more than 50 years," Rosenfeld said in a statement on Wednesday.

Dowling received roughly \$5 million in debtor-in-possession financing, which consists of four term loans, from lenders ACA Financial Guaranty Corp. and UMB Bank NA. The debtor is requesting to tap \$1.32 million on a first-interim basis, according to court papers.

Interest on the DIP accrues at 9% and shall be paid in kind. If Dowling defaults, interest will be priced at an additional 3%, court filings said.

The DIP financing package includes a \$2.2 million term loan, a \$311,913 term loan, a \$239,055 term loan and a \$2.38 million term loan.

Grossman is scheduled to consider the DIP for approval on Dec. 15.

Joseph Charles Corneau, Lauren Catherine Kiss and Sean C. Southard of Klestadt Winters Jureller Southard & Stevens LLP are debtor counsel.

Dowling tapped A&G Realty Partners and Madison Hawk to manage the sale of its two real estate properties.

A list of the debtor's largest unsecured creditors was not filed in court as of Wednesday.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=13909663>

---- **Index References** ----

Company: ACA FINANCIAL GUARANTY CORP; UMB BANK N A

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