

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF FLORIDA
GAINESVILLE DIVISION

IN RE: 23 FARMS, LLC,

Case No.: 17-10015-KKS

Debtor.

Chapter 11

MOTION FOR AUTHORITY TO USE CASH COLLATERAL

COMES NOW 23 Farms, LLC (the “Debtor”) by and through its undersigned counsel, pursuant to 11 U.S.C. §363 and F.R.B.P. 4001(b) and moves this Court to enter an interim order authorizing the Debtor’s use of cash collateral, *nunc pro tunc* to the date of the filing of this motion, and would show the Court as follows:

1. On January 20, 2017, the Debtor filed a voluntary petition for relief pursuant to Chapter 11, Title 11, U.S.C. and thereafter an order for relief was entered.
2. On January 23, 2017, this Court entered an Order Continuing Debtor in Possession, Authorizing Continuation of Business Combined with Automatic Stay and Specific Injunction and on Other Related Matters (Doc. 7).
3. The debtor has a farming operation. The debtor grows several crops, including watermelons, tobacco and peanuts. The debtor will be planting approximately 175 acres of watermelons within the next few weeks. It is imperative that the debtor obtain chemicals and fertilizer for the watermelon crop now in order to grow this crop.

4. At the time of the filing of the petition, the Debtor owed Regions Bank approximately \$5,605,247.42. This balance consists of approximately eight different loans which were made to the Debtor and another four loans made to another entity, Greenrees, LLC over a several year period of time. The Debtor's sole member, Joey Dennis Langford, II ("Langford") guaranteed all of the loans. Langford is currently in a pending Chapter 11 case, case no. 17-10016-KKS.

5. The eight loans made by Regions Bank to the Debtor are secured by equipment, crops, contract rights and approximately 743 acres of real property in Gilchrist County, Florida. The balance owed on these eight loans as of the date of the petition was approximately \$3,031,699.42. All of the loans are cross-collateralized. Attached hereto as "Exhibit 1" are copies of all of the UCC-1 financing statements filed in connection with the loans. These statements contain the descriptions of all of the subject collateral. Attached hereto as "Exhibit 2" is a copy of the Agricultural Loan Agreement and the accompanying mortgage which perfected Regions claim to the 743 acres.

6. As of the date of the petition, the Debtor estimates that the value of the secured claim of Regions Bank was \$2,476,285.28. The following is a list of the collateral grouped by general categories and the Debtor's estimate of value:

1. Cash in bank accounts (source – crop insurance)	\$332,583.28
2. Cattle (approximately 100 head plus 4 bulls)	\$48,000.00
3. Farm equipment (list attached, "Ex. 3")	\$470,750.00
4. Office equipment	\$3,660.00

5. 743 acres of land \$1,621,292.00¹

7. There are four other secured creditors which provided purchase money financing for several pieces of equipment. These creditors are: Diversified Financial Services owed \$92,446.67; John Deere Financial owed \$40,881.22; LCA Bank Corporation owed \$15,000.00; and Western Equipment Finance owed \$78,083.10.

8. The Debtor estimates the total unsecured debt, including the portion of the claim owed to Regions that is undersecured (\$555,414.14), is \$3,868,693.14.

9. The Debtor currently has \$332,583.28 in bank accounts. The source of these funds was crop insurance. The Debtor believes that all of this money is cash collateral in which Regions Bank holds a perfected security interest.

10. As mentioned above, the Debtor requires use of the cash collateral for its farming operation. Attached hereto as "Exhibit 4" is a projection of the Debtor's income and expenses through November, 2017. As the Debtor filed this case at a time when no crops are planted, the Debtor will not begin to receive significant income until May, 2017. However, the Debtor estimates that it will have a total net profit of \$816,00.00 by the end of November, 2017.

11. In addition to the watermelons, the Debtor estimates planting approximately 140 acres of tobacco, 200 – 250 acres of peanuts and some grass. The Debtor will be

¹ The value of the land was obtained from the Gilchrist County Property Appraiser's website. The Debtor the property may be worth more than the value provided by the County Property Appraiser.

using a watermelon broker which will advance a portion of the anticipated crop proceeds in March and April. The Debtor has also obtained a source for chemicals and fertilizer, payment to be made COD.

12. The Debtor will obtain crop insurance for the watermelons, although the amount insured is limited to \$125,000.00. The Debtor will obtain crop insurance for the tobacco and peanut crops, which unlike the watermelon insurance will cover the entire crop.

13. Prior to the filing of the petition, Langford had discussed obtaining a loan in the approximate amount of \$4,000,000.00 with a loan officer at Lafayette County Bank. The bank was in the process of inspecting the Debtor's land and other property in connection with a possible loan when the Debtor had to file its Chapter 11 petition. The Debtor remains in contact with the loan officer and is continuing to attempt to borrow funds (subject to Court approval) for the purpose of making payment to Regions Bank.

14. The Debtor seeks an interim order from this Court allowing it to use that portion of cash collateral necessary to cover its anticipated operating costs through February 28, 2017, as shown on the attached budget.

15. The Debtor proposes the following adequate protection for Regions Bank. The Debtor will make a payment to Regions Bank in the amount of \$50,000.00 within three days of the entry of an order authorizing it to use cash collateral. Regions will have a postpetition replacement lien to the extent of its prepetition lien on all of its collateral,

including, but not limited to equipment, receivables, proceeds from insurance policies, contracts and crops. The Debtor also proposes to pay its entire net profit from its peanut crop for 2017, estimated to be \$300,000.00, to Regions Bank. The Debtor will maintain insurance on all of the collateral held by Regions Bank, with Regions Bank named as a loss payee.

16. The Debtor believes that it can successfully reorganize if allowed to proceed with its farming operations. If the debtor cannot use the subject cash collateral, unsecured creditors will receive no distribution and the Debtor will not be able to operate.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing motion has been furnished by electronic mail, via CM/ECF to: Jason H. Egan, Office of the U.S. Trustee at Jason.h.egan@usdoj.gov; United States Trustee at USTPRegion21.TL.ECF@usdoj.gov; Noel R. Boeke at noel.boeke@hklaw.com; regions Bank, c/o its attorney, Christopher R. Thompson at crthompson@burr.com on January 30, 2017; and by U.S. Mail to 23 Farms, LLC, 8380 SE 100th St., Newberry, FL 32669 and to the Rule 1007(d) List of Creditors, pursuant to the list attached to the original filed with the Court on January 31, 2017.

/s/ Lisa C. Cohen
Lisa C. Cohen