

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

IN RE: §
§
CDR STRAINERS & FILTERS, INC. § **CASE NO. 16-31997-H5**
§
DEBTOR. § **(SMALL BUSINESS CHAPTER 11)**

**DEBTOR'S MOTION FOR (I) CONTINUED USE OF CASH COLLATERAL
PURSUANT TO 11 U.S.C. § 363(c) AND (II) GRANTING ADEQUATE PROTECTION
FOR THE USE OF CASH COLLATERAL**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THIS MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN TWENTY-ONE (21) DAYS FROM THE DATE THAT THIS MOTION WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED; IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

To the Honorable Karen K. Brown:

COMES NOW CDR Strainers & Filters, Inc. (hereinafter "CDR"), Debtor and Debtor-in-Possession, by and through its undersigned proposed counsel, hereby files this motion (the "Motion"), for (i) continued use of cash collateral pursuant to 11 U.S.C. § 363(c) and (ii) granting adequate protection for the use of cash collateral. In support thereof, the Debtor would show as follows:

SECTION I
JURISDICTION & VENUE

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. Section 157 and Section 1334. This Motion is a core proceeding pursuant to 28 U.S.C. Section 157(b). Venue is proper pursuant to 28 U.S.C. Section 1408 and 1409.

SECTION II
STATEMENT OF THE CASE

2. Debtor filed a voluntary petition for relief on April 18, 2016 ("Filing Date") under Chapter 11 of Title 11, United States Code 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code"). The Debtor's case is pending before the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

3. Pursuant to Bankruptcy Code 1107(a) and 1108, the Debtor is operating and managing its property as debtor in possession and is a manufacturer and distributor of pipeline products. No trustees or examiners have been appointed in this case.

4. As of the Filing Date, Debtor required the use of cash collateral from creditors Allegiance Bank (Enterprise Bank), Can Capital (APZB Industries), Austin County Appraisal District, and the Internal Revenue Service (collectively the "Secured Creditors").

5. Debtor filed an Emergency Motion for Interim and Final Orders (I) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363(c); (II) Granting Adequate Protection for the Use of Cash Collateral; and (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 as to Use of Cash Collateral on April 19, 2016, which was granted on May 5, 2016 through August 6, 2016. In exchange for the use of the Secured Creditors' Cash Collateral, Debtor provided the Secured Creditors post-petition replacement liens and a superpriority claim under

11 U.S.C. § 507(b). Debtor extended the use of Cash Collateral through the end of December 2016 (See Docket No. 90).

6. Debtor requires the continued use of cash collateral from the Secured Creditors in order to maintain day to day operations and will be unable to reorganize unless it is permitted to use cash collateral.

SECTION III **RELIEF REQUESTED**

7. Pursuant to Bankruptcy Rule 4001(b), Debtor seeks authority to continue use Cash Collateral (as defined below) of the Secured Creditors per the Cash Collateral Budget attached hereto as **Exhibit 1**. The Debtor seeks to use cash collateral as working capital in the operation of its business for the purposes specified in, and at least for the period defined in, the attached budget. As adequate protection for the diminution in value of cash collateral, the Debtor will (i) provide an existing equity cushion, (ii) maintain the value of its business as a going-concern, (iii) provide replacement liens upon now owned and after-acquired cash to the extent any diminution in value of cash collateral, and (iv) provide superpriority administrative claims to the extent any diminution of value of cash collateral.

As a result of the postpetition replacement liens described above, certain cash in the Debtor's possession or in which the Debtor has an interest in on and after December 31, 2016¹ constitutes asserted cash collateral ("Cash Collateral") in which Debtor's Secured Creditors may assert an interest within the meaning of § 363(a) of the United States Bankruptcy Code. By this Motion, pursuant to § 105, 361, and 363 and Bankruptcy Rules 2002, 4001, and 9014, Debtor requests that the Court enter an order (i) approving Debtor's continued use of Cash Collateral and

¹ End of Cash Collateral Period pursuant to Order (I) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363(c) of the Bankruptcy Code and (II) Granting Adequate Protection for the Use of Cash Collateral (Docket No. 90).

(ii) providing adequate protection for, and to the extent of, any diminution in value of the Cash Collateral.

SECTION IV
BASIS FOR RELIEF

8. Pursuant to 11 U.S.C. § 363(c)(2), a debtor may use cash collateral if each entity that has an interest in the cash collateral consents or if the Court, after notice and hearing, authorizes the use of cash collateral. Pursuant to 11 U.S.C. § 363(c)(3), the Court must condition a debtor's use of cash collateral as is necessary to provide adequate protection of the interest in the cash collateral claimed by a party. Debtor has contacted a majority of the Secured Creditors but has not obtained consent through the date of this Motion.

9. Bankruptcy Rule 4001(b) and (d) provide the procedure for consideration of motions to use cash collateral and expedited consideration of such motions for cases where immediate interim relief may be crucial to a successful reorganization.

10. Debtor bears the burden of proof on the issue of adequate protection, and the party claiming an interest in the cash collateral bears the burden of proof on the issue of validity, priority, or extent of the lien.

11. Debtor's business requires immediate access to capital as Debtor requires capital for the purchase of materials in order to manufacture its oil pipeline strainers and filters and pay its employees; Debtor's failure to timely fulfill orders will result in devastating loss of income and business. Debtor faces immediate and irreparable harm to the estate and the immediate use of Cash Collateral is necessary and will stabilize the Debtor's operations and revenue by paying ordinary, postpetition operating expenses, as well as any court approved prepetition expenses that may be at issue.

12. Without authority to use Cash Collateral, Debtor will be unable to function as a going concern and will not be able to proceed to consideration of a plan of reorganization. Accordingly, authority to use Cash Collateral is necessary to avoid the demise of the Debtor's business, and will be in the best interests of the Debtor, its estate, and its creditors.

13. Through this Motion, Debtor intends to provide adequate protection, to the extent of the aggregate diminution in value of Cash Collateral from and after December 31, 2016, to its Secured Creditors for the use of Cash Collateral by:

- a. providing an equity cushion in the assets which secure the Debtor's indebtedness to its Secured Creditors;
- b. maintaining the going concern value of its Secured Creditors' collateral by using the Cash Collateral to continue to operate the business and administer the case;
- c. provide to the Secured Creditors a post-petition replacement lien pursuant to 11 U.S.C. § 361(2) in the account receivables of the Debtor, including cash generated or received by the Debtor subsequent to the Filing Date, but only to the extent that the Secured Creditors had valid, perfected prepetition liens and security interests in such collateral as of December 31, 2016. The priority of any postpetition replacement granted to the Secured Creditors shall be the same as existed of the Filing Date; and
- d. providing to the Secured Creditors a superpriority claim pursuant to 11 U.S.C. § 507(b) over all administrative expense claims and unsecured claims, of any kind or nature whatsoever, whether in existence on or arising after December 31, 2016.

14. Debtor believes that the Secured Creditors are adequately protected for the use of Cash Collateral in that the orderly liquidation of the value of the Secured Creditors' collateral exceeds the amount due to the Secured Creditors. It has been found that an equity cushion standing alone can provide evidence of adequate protection for a secured claim. *In re Mellor*, 734 F.2d 1396, 1400 (9th Cir. 1984).

15. Additionally, through this Motion, the Debtor intends to provide further adequate protection, to the extent of any diminution in value, to the Secured Creditors for the use of Cash Collateral by providing to the Secured Creditors postpetition replacement liens pursuant to 11 U.S.C. § 361(2) in account receivables, including cash generated or received by the Debtor subsequent to December 31, 2016, but only to the extent the Secured Creditors had value, perfected prepetition liens and security interests in such collateral as of August 6, 2016. The priority of any postpetition replacement liens granted to the Secured Creditors shall be the same as existed as of the replacement liens granted from the Order authorizing use of Cash Collateral (Docket no. 90).

SECTION V
NOTICE

16. Notice of this Motion has or will be provided by electronic mail or First Class Mail on (i) the Office of the United States Trustee for the Southern District of Texas, (ii) all known or alleged secured creditors, (iii) the largest 20 unsecured creditors of the Debtor, (iii) all known shareholders holding over 5% of a class of equity interests in the Debtor, and (iv) any persons who have filed a request for notice pursuant to Bankruptcy rule 2002.

WHEREFORE, the Debtor requests that this Court enter an order granting the relief requested in this Motion, and such other and further relief as it may be just and proper.

Dated: December 23, 2016

Respectfully submitted,

CORRAL TRAN SINGH, LLP

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**ATTORNEYS FOR THE DEBTOR AND
DEBTOR IN POSSESSION**

CERTIFICATE OF SERVICE

I hereby certify that on December 23, 2016 the following parties below and attached largest 20 unsecured creditors were served a true and correct copy of the foregoing Motion via First Class Mail, facsimile, or electronic notice and parties requesting notice were served via CM/ECF.

Ally Bank c/o Paul Lawrence 2180 N. Loop W, Ste 510 Houston, TX 77018	Allegiance Bank c/o Ross, Banks, May, Cron & Cavin, P.C. 7700 San Felipe, Suite 550 Houston, TX 77063	TLC Tonerland LP 3900 N. Fwy Houston, TX 77022	Internal Revenue Service P.O. Box 7317 Philadelphia, PA 19101
Can Capital c/o Terri Hallman 2015 Vaughn Rd, Building 500 Kennesaw, GA 30144	Ford Motor Credit Company LLC c/o Devlin, Naylor, & Turbyfill PLLC 5120 Woodway Ste 9000 Houston, TX 77056	Austin Appraisal District c/o Owen Sonik Perdue, Brandon, Fielder, Collins & Mott, LLP 1235 N. Loop West Ste 600 Houston, TX 77008	United States Trustee 515 Rusk Ste 3516 Houston, TX 77002
Blanca Croson P.O. Box 441261 Houston, TX 77244	Dore Law Group, P.C. c/o Zachary McKay 17171 Park Row, Ste 160 Houston, TX 77084		

/s/Susan Tran
Susan Tran

VERIFICATION OF TRANSMITTAL TO U.S. TRUSTEE

The undersigned, an attorney, under penalties of perjury, verifies that a copy of the Motion was delivered to the United States Trustee on December 23, 2016, by electronic delivery by the clerk of the Bankruptcy Court.

/s/Susan Tran

Susan Tran