

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF PUERTO RICO**

**IN RE:**

**ISLANDWIDE LOGISTICS, INC.**

**Debtor in Possession**

**CASE NO.: 16-07693**

**CHAPTER 11**

**URGENT MOTION FOR USE OF THE CASH COLLATERAL  
AND FOR APPROVAL OF INTERIM ORDER**

**TO THE HONORABLE COURT:**

**COMES NOW**, Islandwide Logistics, Inc., Inc. (hereinafter the “Debtor”) through the undersigned attorney and very respectfully **STATES** and **PRAYS**:

**INTRODUCTION**

On September 27, 2016 (“Petition Date”), the Debtor filed for relief under the provisions of Chapter 11 of the Bankruptcy Code (Docket No. 1). The Debtor is a corporation duly authorized to do business in the Commonwealth of Puerto Rico. The Debtor operates over 300,000 square feet of warehouse space dedicated to providing its clients with inventory management that includes full inventory systems integration, electronic order processing, RF capability and retail time sensitive delivery service. Logistics’ distribution center is designed to ensure the uninterrupted flow of the supply-chain RF Capable Warehouses. There are two related parties to this company, i.e.; P.J. Rosaly Enterprises, Inc.. (“Islandwide Express”)<sup>1</sup> and HME Holdings, Inc. (“HME”)<sup>2</sup>.

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<sup>1</sup>Islandwide Express is specialized in providing next day, same day delivery services to its clients, as well as temperature controlled deliveries. It is also engaged by the main banks in the island and provide internal messenger and clearing house services to these institutions.

<sup>2</sup> HME in turn runs the human resources, business development, information and technology (“IT”), finance and accounting departments for both Islandwide Express and Logistics.

Together they form the Islandwide Group. On this same date the three entities filed a voluntary bankruptcy petition under the provisions of Chapter 11.

Prior to the filing of the bankruptcy petition the Debtor and related parties, entered into a financial obligation with Banco de Desarrollo Económico de Puerto Rico ("BDE") for a revolving line of credit and a term loan. From a preliminary review of the loan documents and the records of the Department of State for the Commonwealth of Puerto Rico, these credit facilities appear to be guaranteed, among other collaterals, with the accounts receivables and cash proceeds of the Debtor as per the UCC Financing Statement No. 2012006266.

As of the petition date the Debtor is in full compliance with the terms and conditions of these credit facilities, including the payments to BDE on the line of credit and the term loan which are up to date.

The filing of the bankruptcy petition was triggered by continuous garnishments to Debtor's accounts by the Compañía de Comercio y Exportación de Puerto Rico ("CCEX") under a judgment for a debt under certain leases for premises surrendered prior to the termination period, for which the Debtor was the lessor and Islandwide Express and HME were co-debtors. These garnishments endangered the operations and affected the availability of cash of the Debtor. The Debtor had no other alternative than to file for relief pursuant to the provisions of Chapter 11 of the Bankruptcy Code, to maintain operations in order and to avoid interruption of services to all clients. The bankruptcy filing provides the Debtor the breathing period and the opportunity to establish an organized payment plan and avoid discriminatory garnishments by just one creditor.

The Debtor needs on urgent basis that this Honorable Court authorize it to use the cash collateral in order to continue operations and pay basic expenses like payroll, rent, utilities, preservation of the collateral, professionals and other related expenses. This is in the benefit of

all parties, including BDE, whose payments under the terms and conditions of the loan will remain as agreed. The allowance of the use of the cash collateral will guarantee the preservation of the assets of the estate, the current operations and sales, which are the source of the cash collateral.

The Debtor hereby moves this Honorable Court, pursuant to Sections 105, 363 and 503(b) of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 4001(b), and 9014, for the entry of the following orders:

- a. An interim order authorizing the use of the cash collateral for the next 15 days as detailed in the budget included herein as **Exhibit 1**.
- b. To schedule a hearing to consider Debtor's request of permanent use of cash collateral.
- c. A permanent order authorizing use of cash collateral in the ordinary course of the Debtor's business until the Confirmation of Debtor's Plan of Reorganization as detailed in the budget included herein as **Exhibit 2**.<sup>3</sup>
- d. An order granting replacement liens on Debtor's assets in favor of BDE, but only to the extent described in this Motion, to provide adequate protection for its cash collateral;

#### **FACTUAL BACKGROUND**

1. Logistics is a corporation duly authorized to do business in the Commonwealth of Puerto Rico.
2. The Debtor and its related entities have the main operational center in Guaynabo and terminals in San Juan, Caguas, Ponce, Mayaguez and Arecibo. These enable Islandwide Express to operate over 150 pick-up and delivery routes on daily basis. The Debtor is specialized in These unique and prime quality services to its clients are the key components

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<sup>3</sup> This preliminary budget is to be considered only for the use of cash collateral request herein made. The same shall not be considered to determine feasibility of the Debtor's Plan of Reorganization.

which make the business model of the Islandwide Group a top of the line alternative for a dynamic and efficient way to market and delivery their client's products in the island.

3. Prior to the filing of the bankruptcy petition the Debtor, Islandwide Express and HME entered into a financial obligation with Banco de Desarrollo Económico de Puerto Rico ("BDE") for a revolving line of credit and a term loan.<sup>3</sup> From a preliminary review of the loan documents and the records of the Department of State for the Commonwealth of Puerto Rico, the same appear to be guaranteed, among other things, with the accounts receivables and cash proceeds of the Debtor as per the UCC Financing Statement No.: 2012006266. As of the filing date, payments to BDE are up to date and Logistics has not defaulted on the loans.
4. Due to aggressive garnishments from an unsecured creditor, the Debtor had no other alternative than to file for relief pursuant to the provisions of Chapter 11 of the Bankruptcy Code. The bankruptcy filing provides the Debtor the ability to reorganize its finances, guarantee its current operations and the payment to all creditors.
5. The Debtor needs on urgent basis that this Honorable Court authorize it to use the cash collateral in order to be able to continue operations, pay their payroll, rent, utilities, preserve the collateral, pay professionals and other related expenses. This is in the benefit of all parties, including BDE. The allowance of the use of the cash collateral will guarantee the preservation of the assets of the estate, the current operations and sales, which are the source of the cash collateral.
6. The Budget submitted herein as **Exhibit 1** in support to the Use of Cash Collateral for the interim period of fifteen (15) days, details the necessary expenses the Debtor needs to cover

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<sup>3</sup> The amount of the credit facilities are : The credit line is for \$400,000 , of which as of this date the balance owed is approx. \$307,582.55 and the Term Loan was originally \$2,386,018 and is currently owed \$2,226,012.45.

the immediate and necessary expenses of the operations, including among others, the payment of its payroll of its employees. Logistics is also submitting as **Exhibit 2** a budget for the permanent use of the cash collateral.

*The BDE Loan Transactions*

1. Prior to the filing of the bankruptcy petition Logistics, along with its two related entities entered into several financial obligations with BDE in order to fund their integrated operations. Logistics holds a revolving line of credit and a term loan with BDE which were restructured in 2014. According to the records of the debtor the total amounts owed to BDE is approximately \$2,533,595.00.<sup>4</sup>
2. Among the collaterals provided in this transaction were security agreements executed by Logistics and UCC Financing Statements No. 2012006266 filed on November 28, 2012. Pursuant to a preliminary research and review of the loan documents and the registered financing statements, BDE appears to hold a lien over the personal property of the Debtor, including but not limited to the account receivables and cash proceeds.<sup>5</sup>
3. The income stream arising from the collection of the account receivables and the cash proceeds, may qualify as “cash collateral” pursuant the provisions of 11 U.S.C. Section 363(a). Even though Logistics is in the process of confirming the validity and extent of the alleged security provided to BDE, out of an abundance of caution and in order to avoid any disruption of the operations, this emergency request for an interim use of the cash collateral is requested.
4. Logistics, for the reasons stated above, herein requests authorization to use the cash collateral

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<sup>4</sup> This amount is subject to verification and reconciliation.

<sup>5</sup> The Debtor does not waive at this time any defense it may have or right to dispute the validity and extent of BDE’s alleged lien over the assets of the estate.

on an interim basis and according to the budget included as **Exhibit 1**, in order to maintain its operations, preserve the estate, pay its payroll, rent, utilities, insurance, taxes and all other necessary operating expenses therein included. The Debtor also requests that, after notice and a hearing, it be allowed the permanent use of the cash collateral submit as provided for in the budget included as **Exhibit 2**.

#### **THE FACTS THAT SUPPORT THE REMEDY REQUESTED**

5. Logistics is in urgent need to keep current the expenses mentioned above during this interim period in order to avoid any disruption to its operations and move forward in its reorganization process. A detailed budget of Logistics' interim operating expenses needed for the next fifteen (15) days while a final order on debtor's request for a permanent use of cash collateral is entered. Enclosed as Exhibit 1, is a budget that details Logistics' interim expenses.
6. The payment of these expenses is in jeopardy if Logistics is not authorized to make the same from the cash collateral. The cash collateral is as of this time Logistics' sole source of income. Therefore, without the ability to use the same it will be unable to provide for these expenses and may be forced to cease operations.
7. In the event the expenses detailed herein are not paid, the bankruptcy estate, the employees of Logistics, the clients and even BDE's collateral will suffer hardship, actual and impending irreparable losses and damages.
8. Without funds for providing for the operating expenses, the collateral to BDE will be jeopardized and Logistics' probability of providing payment to creditors will be in peril. Moreover, due to the fact that the Debtor is one component of the Islandwide Group, if its operations cease, the operations of its related entities will be also affected and thus their respective reorganization processes will be in peril.

9. Logistics further needs that this Honorable Court authorize a certain amount to be set aside on monthly basis to pay the fees of the bankruptcy professionals appointed by the Court, namely its counsels, accountants and auditors, as they may be approved by the Court. Logistics also needs to set aside certain amount on monthly basis for the payment of the Quarterly Fees to the United States Trustee. Without the payment of these services and fees, as they are allowed and approved by this Honorable Court, the debtor will be unable to have adequate representation in this process and maintain compliance with its obligations as a Debtor in Possession.
10. With the permanent use of the cash collateral requested herein as per Exhibit 2 Logistics will be able to maintain the operating expenses, pay employees, comply with the commitments to its clients, secure the collateral to BDE, provide payment of the professionals appointed by this Honorable Court and pay the Quarterly Fees to the United States Trustee, among others.

**REQUEST FOR URGENT USE OF CASH COLLATERAL**

11. Logistics desperately need to use the funds deposited in its accounts in order to continue to operate, pay its employees and other immediate expenses on urgent basis at least for the next fifteen (15) days and thereafter on permanent basis until confirmation. If the debtor is unable to use the cash on hand, the funds from the collection of the account receivables and sales, its operations will be impaired affecting its going concern, employees and other indirect beneficiaries. Further, the threat of cessation of Logistics' operations would terminate any opportunity for payment to creditors under Chapter 11.
12. In order for Logistics to restructure and reorganize a business that has been operating for decades, in the best interests of the estate and creditors, including BDE and in order to maintain employment for their employees and their families, the debtor respectfully requests

this Court to approve on an urgent basis the use of the cash collateral on an interim basis and that the Court schedule a final hearing to consider the permanent use of the cash collateral.

13. If Logistics is not granted permission to use the cash collateral to cover regular business expenses, then debtor, the estate, the creditors, its related parties and the community at large will suffer substantial injury.
14. Without the use of the cash collateral, Logistics will be forced to immediately terminate operations and lay off its employees. If forced to lay off these employees, not only will the employees themselves suffer but their families and the communities where they live will suffer as well.
15. Logistics prays that this Honorable Court enter on urgent basis an order authorizing the interim use of the cash collateral for the next fifteen (15) days. All expenses to be incurred over these periods are a direct result of debtor continuing to operate in the normal course of its business activities.
16. Pursuant to Federal Bankruptcy Rule 4001(b)(2), Logistics requests that this Court authorize the use of the cash collateral on an emergency basis without a hearing, until the Court can schedule a final hearing on the continued and permanent use of the cash collateral.
17. For this period and pursuant to the budget attached, Logistics requires a specific carve out within the budget for payment of attorney's fees, U.S. Trustee's fees and any other fees to professionals that may be duly hired by the debtor, for the conservation of the estate and the Bank's collateral. These amounts need to be segregated in order for Logistics to be able pay these expenses, after a proper application for compensation has been filed and the Court has authorized the payment of the same.



18. Logistics also prays that a scheduling Order be set in compliance with the provisions of 363 and 503(b) of Title 11 U.S.C. (the "Code"), Federal Rules of Bankruptcy Procedure 2002, 4001(b), and 9014 authorizing the use of cash collateral, and/or permanent order authorizing use of cash collateral in the ordinary course of the debtor's business as detailed in **Exhibits 1 and 2**.
19. Logistics requires the relief requested in this Motion in order to continue its operations, to avoid immediate and irreparable harm to its bankruptcy estate and creditors and to preserve the going concern of the business. Pursuant to Local Bankruptcy Rule 4001-2, Logistics supplements this emergency motion with an affidavit attached as **Exhibit 3**.

#### **PROTECTION TO POTENTIAL INTEREST OF PARTIES**

20. The Bankruptcy Code, 11 U.S.C. § 363(e), grants parties with an interest in property that is subject to be used, sold, or leased by the debtor the right to receive adequate protection of such interest prior to debtor being allowed to use, sale or lease the property.
21. Pursuant to 11 U.S.C. § 361(2), a party in interest receives adequate protection enabling debtor to use, sell, or lease property when debtor provides the party in interest "an additional or replacement lien to the extent that such stay, use, sale, lease, or grant results in a decrease in the value of such entity's [the party in interest] in such property." 11 U.S.C. § 361(2).
22. Logistics purports that the specific conditions of this business, the hardship, irreparable losses and damages that the estate will face in the event these expenses are not covered during the Chapter 11 process, outweigh any potential harm this request may have in parties with potential interest on these funds.
23. Absent payment of the immediate preservation and operating expenses the cash inflow arising from the operations will diminish and eventually disappear in detriment of the cash collateral

itself. Logistics will be unable to provide payment of its immediate operating expenses including but not limited to payment of the payroll to its employees, utilities, insurance, taxes, maintenance of its warehouse facilities and rent.

24. BDE's interest in this cash collateral is subordinated to the expenses required to produce the cash collateral. Any potential interest on this cash collateral arises after payment of the operating and preservation expenses but not before.
25. The use of cash collateral proposed by Logistics will allow that the collateral be preserved and its value be maintained. BDE will maintain its interest and lien in the collateral during the period proposed by the debtor for the use of the cash collateral. Thereafter, the confirmation of debtor's plan will provide a permanent treatment to the claim held by BDE.
26. In order to provide BDE with adequate protection for any diminution in the value of the collateral, Logistics proposes to grant BDE replacement liens on the same type of post-petition property of the estate against which BDE held liens as of the Petition Date, specifically the inventory and the account receivables received.
27. As additional adequate protection to BDE will continue to receive the monthly payments on their pre-petition secured debt as per the terms and conditions of the loan agreements. These payments are made in their entirety by Islandwide Express.
28. Logistics submits that by allowing it to continue its regular business operations will be in the best position to protect the interests of the estate and the interests of the creditors.
29. Logistics is herein submitting a Proposed Order in compliance with LBR 4001-2(a).

**WHEREFORE**, on the grounds detailed herein Logistics prays this Honorable Court as follows:

1. For an Interim Order authorizing Logistics to use of cash collateral comprised of funds

received from the operation of its business to cover preservation and operating expenses of the business and the expenses related to the reorganization process, for at least fifteen days. These funds will be used in accordance with the enclosed operating budget enclosed as Exhibit 1.

2. For a scheduling order to consider the permanent use of cash collateral in the ordinary course of the debtors' business as detailed in Exhibit 2.
3. To grant BDE replacement liens on the same type of post-petition property of the estate against which BDE held liens as of the Petition Date, specifically the inventory and account receivables received.
4. For any additional remedy that is deemed just and fair.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico this 28<sup>th</sup> day of September 2016.

**I HEREBY CERTIFY** that on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification to the parties appearing in said system including the U.S. Trustee. I further certify that on this same date copy of this motion has been sent by First Class Mail to the secured creditor, BDE and to other secured creditors, governmental entities and to the twenty (20) largest unsecured creditors.

**C. CONDE & ASSOC.**

/s/Carmen D. Conde Torres

Carmen D. Conde Torres, Esq.

USDC No. 207312

/s/Luisa S. Valle Castro

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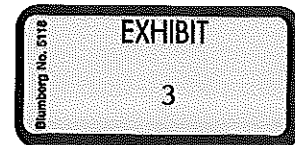
**ISLANDWIDE LOGISTICS, INC**  
 CASH BUDGET 15 days  
 September 28, 2016 to October 12, 2016

		9/28/2016 @ 10/12/2016
	Calendar days	15
	Working days	11
		9/28/2016 @ 10/12/2016
<b>Logistic Services:</b>		
	Collection	138,700.00
	<b>TOTAL Collection</b>	\$ 138,700.00
<b>LABOR</b>		
	Medical Insurance	6,800.00
	Overtime	2,793.04
	Payroll Taxes	4,189.57
	Salaries	34,913.04
	<b>TOTAL LABOR</b>	48,695.65
<b>FACILITIES</b>		
	Reparis and Maintenance	3,000.00
	Utilities	12,601.67
	<b>TOTAL FACILITIES</b>	15,601.67
<b>TRANSPORTATION</b>		
	Vehicle Repair & Maint	300.00
	Vehicle Gas	100.00
	Vehicle Leasing & Rent	2,700.00
	<b>TOTAL TRANSPORTATION</b>	3,100.00
<b>COST AND EXPENSES</b>		
	Management Expense - HME	43,287.46
	Audit & Taxes	6,750.00
	Employee Support	400.00
	Insurances	8,900.00
	Miscellaneous	1,500.00
	Office Materials & IT Supplies	900.00
	Software and Programs	2,500.00
	Tags, Labels & Operating Supplies	4,500.00
	Telephone and Communication	2,500.00
	Travel & Representations	
	<b>TOTAL COST AND EXPENSES</b>	71,237.46
<b>TOTAL DISBURSEMENTS</b>		\$ 138,634.78
<b>TOTAL NET</b>		\$ 65.22



ISLANDWIDE LOGISTICS, INC.  
 CASH BUDGET 120 days  
 from October 13, 2016 to January 31, 2017

	19	30	31	31	From 10/13/2016 to 1/31/2017
Calendar days	19	30	31	31	
Working days	13	20	22	21	
	10/13/2016 @ 10/31/2016	11/30/2016	12/31/2016	1/31/2017	TOTAL
<b>Logistic Services:</b>					
Collection	280,500.00	336,000.00	397,469.00	379,959.00	1,393,928.00
<b>TOTAL Collection</b>	\$ 280,500.00	\$ 336,000.00	\$ 397,469.00	\$ 379,959.00	1,393,928.00
<b>LABOR</b>					
Bonus			40,000.00		40,000.00
Medical Insurance	6,800.00	6,800.00	6,800.00	6,800.00	27,200.00
Overtime	3,300.87	5,029.57	5,532.52	5,281.04	19,144.00
Payroll Taxes	18,551.30	7,544.35	8,298.78	18,000.00	52,394.43
Salaries	41,260.87	62,869.57	69,156.52	66,013.04	239,300.00
<b>TOTAL LABOR</b>	69,913.04	82,243.48	129,787.83	96,094.09	378,038.43
<b>FACILITIES</b>					
Equipment Rent	2,000.00	2,000.00	2,000.00	2,000.00	8,000.00
Reparis and Maintenance	3,500.00	7,000.00	7,000.00	7,000.00	24,500.00
Security Services	6,800.00	6,800.00	6,800.00	6,800.00	27,200.00
Utilities	12,000.00	12,000.00	12,000.00	12,000.00	48,000.00
Warehouse Rent	93,197.00	93,197.00	93,197.00	93,197.00	372,788.00
<b>TOTAL FACILITIES</b>	117,497.00	120,997.00	120,997.00	120,997.00	480,488.00
<b>TRANSPORTATION</b>					
Vehicle Repair & Maint	200.00	500.00	500.00	500.00	1,700.00
Vehicle Gas	100.00	100.00	100.00	100.00	400.00
Vehicle Millage & Tolls	2,500.00	2,500.00	2,500.00	2,500.00	10,000.00
<b>TOTAL TRANSPORTATION</b>	2,800.00	3,100.00	3,100.00	3,100.00	12,100.00
<b>COST AND EXPENSES</b>					
Management Expense - HME	59,322.22	83,532.96	102,296.02	92,964.49	338,115.70
Advertising and Promotions			5,000.00		5,000.00
Audit & Taxes		3,000.00		12,200.00	15,200.00
Special Counsel C11		1,000.00	1,000.00	1,000.00	3,000.00
Legal Fees C11	6,679.25	6,679.25	6,679.25	6,679.25	26,717.00
Accounting Fees C11		6,750.00	1,500.00	1,500.00	9,750.00
US Trustee Fee C11				6,500.00	6,500.00
Employee Support	100.00	500.00	500.00	500.00	1,600.00
Insurances	8,900.00	8,900.00	8,900.00	8,900.00	35,600.00
Miscellaneous	2,000.00	2,000.00	2,000.00	2,000.00	8,000.00
Office Materials & IT Supplies	2,400.00	2,400.00	2,300.00	2,400.00	9,500.00
Software and Programs	2,600.00	2,600.00	2,600.00	2,600.00	10,400.00
Tags, Labels & Operating Supplies	4,500.00	4,600.00	4,700.00	4,900.00	18,700.00
Taxes-Property, Excise, Municipal				12,000.00	12,000.00
Telephone and Communication	3,000.00	3,000.00	5,000.00	5,000.00	16,000.00
<b>TOTAL COST AND EXPENSES</b>	89,501.47	124,962.21	142,475.27	159,143.74	516,082.70
<b>OTHER PAYMENTS:</b>					
Bank Charges	600.00	600.00	600.00	600.00	2,400.00
<b>TOTAL Other Payments</b>	600.00	600.00	600.00	600.00	2,400.00
<b>TOTAL DISBURSEMENTS</b>	\$ 280,311.52	\$ 331,902.69	\$ 396,960.10	\$ 379,934.83	\$ 1,389,109.13
<b>TOTAL NET</b>	\$ 188.48	\$ 4,097.31	\$ 508.90	\$ 24.17	\$ 4,818.87



**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF PUERTO RICO**

**IN RE:**

**ISLANDWIDE LOGISTICS, INC.**

**Debtor in Possession**

**CASE NO.:**

**CHAPTER 11**

**UNSWORN DECLARATION UNDER PENALTY OF PERJURY IN SUPPORT TO THE  
MOTION FOR USE OF CASH COLLATERAL**

I, Iván Marín, of legal age, single, of the vicinity of Caguas, Puerto Rico, and President of Islandwide Logistics, Inc, DECLARE, under penalty of perjury, as follows:

1. That my personal circumstances are those stated above.
2. That I have been designated as the authorized person to file this bankruptcy petition and all documents pertaining to such filing and requests to the Court.
3. That I have read the urgent motion for use of cash collateral.
4. Prior to the filing of the bankruptcy petition the Debtor, entered into a financial obligation with Banco de Desarrollo Económico de Puerto Rico ("BDE") for a revolving line of credit and a term loan. From a preliminary review of the loan documents and the records of the Department of State for the Commonwealth of Puerto Rico, the same appear to be guaranteed, among other things, with the accounts receivables, equipment and inventory of the Debtor under UCC Financing Statement No. 2012006266. As of this date payments to BDE are up to date and the Debtor has not defaulted on the loans.
5. The Debtor, for the reasons stated in the motion for use of cash collateral requests authorization to use the cash collateral on an interim basis and according to the budget included as Exhibit 1, in order to maintain their operations, preserve the estate, pay their payroll, taxes, insurance, utilities and all other necessary expenses therein included. The Debtor also requests that, after

notice and a hearing, it be allowed the permanent use of the cash collateral submit as provided for in the budget included as Exhibit 2.

6. That the Debtor is in urgent need to keep current the expenses mentioned above during this interim period in order to avoid any disruption to the operations and move forward in the bankruptcy process.
7. That the payment of these expenses is in jeopardy if the Debtor is not authorized to make the same from the cash collateral. The cash collateral is as of this time Debtor's sole source of income. Therefore, without the ability to use the same the Debtor will be unable to provide for these expenses and may be forced to cease operations.
8. In the event the expenses detailed herein are not paid, the bankruptcy estate, the employees of the Debtor, the clients and even BDE's collateral will suffer hardship, actual and impending irreparable losses and damages.
9. Without funds for providing for the Debtor's operating expenses, the collateral to BDE will be jeopardized and Debtor's probability of providing payment to creditors will be in peril.
10. That the Debtor further needs that this Honorable Court authorize a certain amount to be set aside on monthly basis to pay the fees to the professionals appointed by the Court, namely their counsels and accountants, as they may be approved by the Court. Furthermore, the Debtor also needs to set aside certain amount on monthly basis for the payment of the Quarterly Fees to the United States Trustee. Without the payment of these fees, as they are allowed and approved by this Honorable Court, the Debtor will be unable to have adequate representation in this process and maintain compliance with the obligations as a Debtor in Possession.
11. That with the permanent use of the cash collateral requested herein as per Exhibit 2 the Debtor will be able to maintain the operating expenses, pay employees, comply with the commitments

to the clients, secure the collateral to BDE, provide payment of the professionals appointed by this Honorable Court and pay the Quarterly Fees to the United States Trustee, among others, until the confirmation of the Chapter 11 plan.

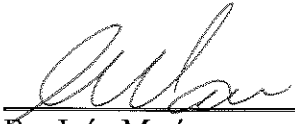
12. The Debtor desperately needs to use the cash collateral in order to continue to operate and pay its employees on urgent basis at least for the next fifteen (15) days and thereafter on permanent basis until confirmation. If the Debtor is unable to use the cash on hand, the funds from the collection of the account receivables, its operations will be impaired, affecting the going concern, employees and other indirect beneficiaries. Further, the threat of cessation of Debtor's operations would terminate any opportunity for payment to creditors under Chapter 11.
13. If Debtor is not granted permission to use the cash collateral to cover regular business expenses, then Debtors the estate, the creditors, and the community at large will suffer substantial injury.
14. Without the use of the cash collateral, Debtor will be forced to immediately terminate operations and lay off the employees. If forced to lay off these employees, not only will the employees themselves suffer but their families and the communities where they live will suffer as well.
15. That all expenses to be incurred during the next fifteen days are a direct result of Debtor continuing to operate in the normal course of its business activities.
16. That the Debtor requires a specific carve out within the budget for payment of attorney's fees, U.S. Trustee's fees and any other fees to professionals that may be duly hired by the Debtor, for the conservation of the estate and the Bank's collateral. These amounts need to be segregated in order for the Debtor to be able pay these expenses, after a proper application for compensation has been filed and the Court has authorized the payment of the same.



17. That the specific conditions of this business, the hardship, irreparable losses and damages that the estate will face in the event these expenses are not covered during the Chapter 11 process, outweigh any potential harm this request may have in parties with potential interest on these funds.
18. That absent payment of the immediate preservation and operating expenses the cash inflow arising from the operations will diminish and eventually disappear in detriment of the cash collateral itself. The Debtor will be unable to provide payment of the immediate operating expenses.
19. The use of cash collateral proposed by the Debtor will allow that the collateral be preserved and its value be maintained. BDE will maintain its interest and lien in the collateral during the period proposed by the Debtor for the use of the cash collateral. Thereafter, the confirmation of Debtor's plan will provide a permanent treatment to the claim held by BDE.
20. That in order to provide BPPR with adequate protection for any diminution in the value of the collateral, Debtor proposes to grant BDE replacement liens on the same type of post-petition property of the estate against which BDE held liens as of the Petition Date, specifically the rents received.
21. That as additional adequate protection to BDE, the Debtor will continue making the monthly payments on their pre-petition secured debt as per the terms and conditions of the loan agreements.
22. Debtor submits that by allowing it to continue its regular business operations will be in the best position to protect the interests of the estate and the interests of the creditors.
23. This declaration and the facts included in the motion for use of cash collateral are to the best of my knowledge, true and correct.

24. That I make this declaration under the penalty of perjury.

Signed in San Juan, Puerto Rico today September 27, 2016.

  
\_\_\_\_\_  
By: Iván Marín  
Authorized Representative

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF PUERTO RICO

IN RE:

ISLANDWIDE LOGISTICS, INC.

Debtor in Possession

CASE NO.: 16-07693

CHAPTER 11

**ORDER APPROVING DEBTORS' EMERGENCY USE OF CASH COLLATERAL  
WITHOUT HEARING, GRANT OF REPLACEMENT LIENS AND ORDER  
SCHEDULING HEARING TO CONSIDER PERMANENT USE OF CASH  
COLLATERAL**

On September 28, 2016, Islandwide Logistics, Inc. as Debtor in Possession for the above-captioned case (hereinafter referred to as "Debtor" or "Logistics"), filed an *Urgent Motion for Use of Cash Collateral and For Approval of Interim Order* ("The Motion") in order to request from the Court pursuant to 11 U.S.C. § 105, 11 U.S.C. § 363 and Bankruptcy Rules of Procedure 2002, 4001(b), 9014 and Local Bankruptcy Rule 4001-2, the following:

- a. For an Interim Order authorizing Logistics to use of cash collateral comprised of funds received from the operation of its business to cover preservation and operating expenses of the business and the expenses related to the reorganization process, for at least fifteen days. These funds will be used in accordance with the enclosed operating budget enclosed as Exhibit 1.
- b. For a scheduling order to consider the permanent use of cash collateral in the ordinary course of the debtors' business as detailed in Exhibit 2.
- c. To grant BDE replacement liens on the same type of post-petition property of the estate against which BDE held liens as of the Petition Date, specifically the inventory and account receivables received.
- d. For any additional remedy that is deemed just and fair.

The Debtor requires the relief requested in the Motion in order to continue the operations, to avoid immediate and irreparable harm to the bankruptcy estate and creditors and to preserve its going concern. Pursuant to Local Bankruptcy Rule 4001-2(c), Debtor supplemented the emergency motion with an affidavit attached as Exhibit 3 and a 15 days budget as Exhibit 1.

The above captioned bankruptcy petition was filed on September 28, 2016. The Debtor is a corporation duly authorized to do business in the Commonwealth of Puerto Rico. The Debtor operates over 300,000 square feet of warehouse space dedicated to providing its clients with inventory management that includes full inventory systems integration, electronic order processing, RF capability and retail time sensitive delivery service. Logistics' distribution center is designed to ensure the uninterrupted flow of the supply-chain RF Capable Warehouses. There are two related parties to this company, i.e.; P.J. Rosaly Enterprises, Inc.. ("Islandwide Express")<sup>1</sup> and HME Holdings, Inc. ("HME")<sup>2</sup>. Together they form the Islandwide Group. On this same date the three entities filed a voluntary bankruptcy petition under the provisions of Chapter 11.

Prior to the filing of the bankruptcy petition the Debtor and related parties, entered into a financial obligation with Banco de Desarrollo Económico de Puerto Rico ("BDE") for a revolving line of credit and a term loan. From a preliminary review of the loan documents and the records of the Department of State for the Commonwealth of Puerto Rico, these credit facilities appear to be guaranteed, among other collaterals, with the accounts receivables and cash proceeds of the Debtor as per the UCC Financing Statement No. 2012006266.

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<sup>1</sup> Islandwide Express is specialized in providing next day, same day delivery services to its clients, as well as temperature controlled deliveries. It is also engaged by the main banks in the island and provide internal messenger and clearing house services to these institutions.

<sup>2</sup> HME in turn runs the human resources, business development, information and technology ("IT"), finance and accounting departments for both Islandwide Express and Logistics.

As of the petition date the Debtor is in full compliance with the terms and conditions of these credit facilities, including the payments to BDE on the line of credit and the term loan which are up to date. Debtor requests authorization to use the cash collateral on an interim basis and according to the budget included as Exhibit 1 to the Motion, in order to maintain their operations, preserve the estate, pay their payroll, taxes, insurance, utilities and all other necessary expenses therein included. The Debtor also requests that, after notice and a hearing, they be allowed the permanent use of the cash collateral submit as provided for in the budget included as Exhibit 2 to the Motion.

Debtor's projection of income and an itemized budget for the next 15 days is attached to its motion as Exhibit 1. For the next 15 days, Debtor anticipates incurring \$138,634.78 in expenses while at the same time receiving at least the same amount in new funds in incoming receipts.

During the course of the next 15 days, Debtor requests that this Court issue an EMERGENCY ORDER allowing the use of cash collateral that is substantially in accord with Debtor's Budget, attached as Exhibit 1 without a hearing as provided by the Bankruptcy Rules. Debtor also requests this Court to note that over the next 15 days Debtor projects that the incoming cash receipts will be in an amount equal to at least their cash outlays resulting in no net diminution in their cash holdings.

Debtor has also submitted as Exhibit 2 a budget for the permanent use of the cash collateral in order for the court to consider the same. All expenses to be incurred over these periods are a direct result of Debtor continuing to operate in the normal course of its business activities. Pursuant to Federal Bankruptcy Rule 4001(b)(2), Debtor request that this Court authorize the use of the cash collateral on an emergency basis without a hearing, until the Court can schedule a final hearing on

the continued and permanent use of the cash collateral.

#### FINDINGS OF THE COURT

Debtor must be able to comply with its current operating expenses including, payment of medical insurance for employees, payment of payroll, payroll taxes, insurance, among others, in order to maintain operations. If Debtor is unable to meet these immediate operating expenses it will have to cease operations. If Debtor is not granted permission to use the cash collateral to cover regular business expenses, then Debtor, Debtor's estate, Debtor's creditors, and the community at large will suffer substantial injury.

Without the use of the cash collateral, Debtor will be forced to terminate operations and lay off its employees. If forced to lay off these employees, not only will the employees themselves suffer but their families and the communities where they live will suffer as well. Moreover, if Debtor does not receive permission from this Court to use the cash collateral to cover its regular business operating expenses, then Debtor shall be forced to close and will be unable to maintain proper maintenance and care for Debtor's assets, including the collateral. If Debtor cannot protect its assets, then the value of Debtor's estates is seriously imperiled. Accordingly, Debtor's ability to maintain its going concern will be compromised. Debtor's creditors will also be negatively affected because the value of Debtor's estate could be substantially reduced and its reorganization in peril.

Upon the above findings the Court orders as follows:

- For an Interim Order authorizing Debtor to use of cash collateral comprised of funds received from the operation of its business to cover preservation and operating expenses of the business and the expenses related to the reorganization process, for at least fifteen days.

These funds will be used in accordance with the enclosed operating budget enclosed as Exhibit 1.

- For a scheduling order to consider the permanent use of cash collateral in the ordinary course of the debtors' business as detailed in Exhibit 2.
- To grant BDE replacement liens on the same type of post-petition property of the estate against which BDE held liens as of the Petition Date, specifically the inventory and account receivables received.
- For any additional remedy that is deemed just and fair.
- A hearing to consider the permanent use of the use of cash collateral is scheduled for \_\_\_\_\_, 2016.

IT IS SO ORDERED.

In San Juan, Puerto Rico, this \_\_\_\_\_ of September 2016.

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Bankruptcy Judge

**Twenty Largest Unsecured Creditors and Secured Creditors:**

**Islandwide Logistics, Inc:**

**Secured Creditors:**

BANCO DE DES. ECON. DE PR  
PO BOX 2134  
SAN JUAN, PR 00922-2134

**Twenty Largest Unsecured Creditors:**

CCEX  
PO BOX 195009  
SAN JUAN, PR 00919

EL HORREO CORP.  
PO BOX 11406  
SAN JUAN, PR 00922-1406

INVERSIONES COMERCIALES  
PO BOX 10908  
CAPARRA HEIGHTS STATION  
SAN JUAN, PR 00922

VIGILANTES, INC.  
STE. 204 BCO. COOPERATIVO PLAZA  
623 PONCE DE LEON AVE.  
SAN JUAN, PR 00917

MCS LIFE INSURANCE COMPANY  
BANK TRUST PLAZA SUITE 1600  
255 PONCE DE LEON AVE.  
SAN JUAN, PR 00917

POWERCOOLING &  
CONTROLS, INC.  
PO BOX 192817  
SAN JUAN, PR 00919-2817

TRIPLE S  
PO BOX 71548  
SAN JUAN, PR 00936-8648

AAA FORKLIFTS, INC.  
PMB 809 NO. 138  
AVENIDA WISTON CHURCHILL  
SAN JUAN, PR 00926

EAS SYSTEMS  
PO BOX 482  
MERCEDITA, PR 00715-0482

THREE STARS SECURITY  
URB. LAS VEGAS  
CARR. 869 C-7  
GUAYANBO, PR 00970

RODRIGUEZ DIAZ, VICTOR  
PO BOX 173  
NARANJITO, PR 00719

LIFT TRUCK & PARTS  
PO BOX 6779  
CAGUAS, PR 00726-6779

QUALITY WATER  
PO BOX 9020096  
SAN JUAN, PR 00902-0096

CEL FIRE EXTINGUISHER DIST.  
PO BOX 3092  
BAYAMON, PR 00960



**Governmental Entities:**

CRIM  
PO BOX 195387  
SAN JUAN, PR 00919-5387

DEPARTAMENTO DE HACIENDA  
PO BOX 9024140  
SAN JUAN, PR 00902-4140

DEPT. DEL TRABAJO Y RECURSOS HUMANOS  
PO BOX 191020  
SAN JUAN, PR 00919-1020

IRS  
CITIVIEW PLAZA NO II  
48 CARR 165 SUITE 2000  
GUAYNABO, PR 00968-8000

IRS  
PO BOX 7346  
PHILADELPHIA, PA 19101-7346  
PR DEPARTMENT OF JUSTICE  
PO BOX 9020192  
SAN JUAN, PR 00902-0192

US DEPARTAMENT OF JUSTICE  
PO BOX 227  
BEN FRANKLIN STATION  
WASHINGTON, DC 20044-0227

PRASA  
PO BOX 7066  
SAN JUAN, PR 00916-7066

PREPA  
PO BOX 3670151  
SAN JUAN, PR 00936-0151

STATE INSURANCE FUND  
PO BOX 365028  
SAN JUAN, PR 00936-5028

MUNICIPIO AUTONOMO DE PONCE  
APARTADO 331709  
PONCE, PR 00733-1709

MUNICIPIO DE CATANO  
PO BOX 428  
CATANO, PR 00963-0428

MUNICIPIO DE GUAYNABO  
APARTADO 7890  
GUAYNABO, PR 00970-7890