

**UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
(Alexandria Division)**

In Re: )  
 )  
MLRG, Inc. )  
 )  
Debtor. )  
 )  
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 )  
 )  
 )

Chapter 11  
Case No.: 16-13634

**MOTION FOR THE ENTRY OF AN INTERIM ORDER AUTHORIZING THE USE OF  
CASH COLLATERAL**

COMES NOW the debtor-in-possession, MLRG, Inc., by counsel, and hereby moves this court for the entry of an interim order approving the use of cash collateral, and in support thereof it states as follows:

1. This case was filed as a Chapter 11 case with the debtor in possession on October 25, 2016.
2. On the date of filing, the debtor was indebted to Washington First Bank (“Washington First”) in the aggregate amount of \$394,350.16 as the result of a loan agreement dated July 26, 2013.
3. The loan agreement provide that the money lent would be secured by a lien on substantially all of the debtor’s assets, including its accounts, and thereafter, Washington First filed certain UCC-1 Financing Statements in order to perfect its lien.
4. The debtor desires to use its accounts, including its receivables in the normal course of its business and it represents that the use of its accounts and receivables is essential to its continued operation and its effective reorganization.

5. The debtor and Washington First have entered into an interim agreement extending the loan terms to March 31, 2017 for the use of the accounts and receivables, and a copy of the Interim Order is attached to this motion.
6. The entry of the proposed interim order will permit the debtor's temporary uninterrupted use of the accounts and receivables, while providing the parties with an opportunity to work toward an order of longer duration, if they find it appropriate to do so.

WHEREFORE MLRG, Inc., prays that the court enter the proposed order filed with this motion, and for such other relief as may be needed.

Respectfully submitted,  
MLRG, Inc.  
By Counsel,

/s./ Todd Lewis

Todd Lewis, Esq. (VSB No. 73732)  
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*Counsel to Debtor*  
*MLRG, Inc.*

**CERTIFICATE OF SERVICE**

I HEREBY certify that on this 3<sup>rd</sup> day of February, 2017, a true and correct copy of the foregoing MOTION FOR THE ENTRY OF AN INTERIM ORDER AUTHORIZING THE USE OF CASH COLLATERAL will be served by ECF e-mail pursuant to the applicable Standing Order of the Court and by first class mail, postage prepaid, without this certificate of service, on the following:

USPS First Class Mail

Office of the U.S. Trustee  
115 South Union Street, Suite 210  
Alexandria, Virginia 22314

USPS First Class Mail

Attached Creditor Matrix

/s/ Todd Lewis

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Todd Lewis

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**INTERIM CONSENT ORDER FOR USE OF CASH COLLATERAL AND ADEQUATE PROTECTION**

This matter having come before the Court on the Motion for Order Authorizing Interim Use of Cash Collateral and Adequate Protection filed by MLRG, Inc. (the “Debtor”), and after notice and opportunity for a hearing, and it appearing that the parties have agreed to resolve all issues in dispute therein,

**THE COURT HEREBY FINDS:**

1. The Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on October 25, 2016 (the “Petition Date”) and is presently operating as a debtor-in-possession in accordance with sections 1107 and 1108 of the Bankruptcy Code.
2. The Debtor is indebted to Washington First Bank pursuant to various loan agreements in the aggregate amount of \$394,350.16 plus interest thereafter and attorneys’ fees, and the Debtor has no defenses, claims or offsets against the obligations owed to Washington First Bank.
3. The Debtor and Washington First Bank are parties to a Promissory Note dated July 26, 2013 in the original maximum amount of \$400,000.00, (the “Note”) and to secure all indebtedness owed by the Debtor to Washington First Bank under the Note, the Debtor

executed and delivered to the Lender a certain Security Agreement dated July 26, 2013 granting Washington First Bank a first priority security interest in substantially all of the Debtor's assets, including without limitation, equipment, and accounts receivables (the "Collateral", and Washington First Bank filed a UCC-1 Financing Statement perfecting its interest in the Collateral (all of the loan documents referenced above are referred to as the "Loan Documents") .

4. The Debtor requires authority to use Cash Collateral pending a final hearing or entry of a final order to continue to operate its business without interruption, without such authority, the Debtor may be forced to shut down and liquidate. The Debtor has provided Washington First Bank with Cash Flow and Expense projections from which it can form a budget, all as attached hereto as Exhibit A, setting forth an itemization of the Debtor's cash needs for a period of at least 90 days, including *nun pro tunc* relief from the Petition date to March 31, 2017 (the "Interim Budget").

**IT IS HEREBY ADJUGED AND ORDERED THAT:**

- A. Relief Granted. The Debtor's motion for authority to continue to use Washington First Bank's Cash Collateral on an interim basis is hereby **GRANTED**, subject to the terms and conditions of this Stipulation and Order.
- B. Use of Cash Collateral. Washington First Bank consents, and the Debtor is authorized, from the Petition Date to March 31, 2017, to use Cash Collateral in the ordinary course of its business, and to meet the Debtor's ordinary cash needs, in accordance with the Interim Budget, for the period from the Petition Date to March 31, 2017, for the following purposes: (a) the maintenance and preservation of the Debtor's assets; and (b) the continued operation of the

Debtor's business, including, but not limited to, payroll, payroll taxes, employee expenses and insurance costs, and such other expenditures as noted on Schedule A. The Debtor shall not use any Cash Collateral other than (i) in accordance with this Order; or (ii) with the written consent of Washington First Bank. The Debtor shall not exceed payments set forth in the Interim Budget, either for each individual line item or in the aggregate without Washington First Bank's prior written permission, except that, with respect to each of, the line items or the overall budget, without Washington First Bank's prior written consent, the Debtor may vary from the budget in an amount not to exceed 10%.

C. Adequate Protection. As adequate protection for the Debtor's use of Cash Collateral, from and after the Petition Date, and any diminution of the value of Washington First Bank's collateral (including Cash Collateral) arising on account of the Debtor's use thereof or the automatic stay, Washington First Bank is **GRANTED**:

D. Replacement Lien and Payment of Interest. The Debtor consents to a continuing, valid, binding, enforceable perfected post-petition security interest to the extent of Washington First Bank's Cash Collateral on the day of filing under Bankruptcy Code Section 361(s), *nunc pro tunc* to the Petition Date, in and to all assets of the Debtor, of any kind or nature whatsoever, real or personal, whether now existing or hereafter acquired, and the proceeds of the foregoing, other than a lien on any pre-petition avoidance actions; however, to the extent the Debtor, a trustee or any committee appointed by this Court recovers any proceeds from avoidance actions, which proceeds were subject to

Washington First Bank's lien, such proceeds shall be recovered solely for the benefit of Washington First Bank. The validity, perfection and priority of such replacement lien shall not be affected by the automatic stay of Bankruptcy Code Section 362(a) or subject to the "equities of the case" exception of Bankruptcy Code Section 552(b)(1) and (2). The replacement lien granted to Washington First Bank to protect Washington First Bank's interest in the Cash Collateral used or consumed by the Debtor after the commencement of this case shall at all times be senior to the rights of the Debtor, and any subsequently appointed Chapter 7 trustee in this case or any subsequent proceedings under the Bankruptcy Code, and commencing on from the Petition Date the debtor shall continue to make interest payments to Washington First Bank.

E. Deemed Perfected. The replacement lien and security interests granted herein are automatically deemed perfected upon entry of this Order without the necessity of Washington First Bank's taking possession or filing financing statements or any other documents. Although not required, upon request by Washington First Bank, the Debtor shall execute and deliver to Washington First Bank any and all UCC Financing Statements, UCC Continuation Statements, Certificates of Title or other instruments or documents considered by Washington First Bank to be necessary in order to perfect the security interests and liens in the Debtor's post-petition collateral and proceeds granted by this Order, and Washington First Bank is authorized to receive, file and record the foregoing, which actions shall not be deemed a violation of the automatic stay.

- F. Superpriority Administrative Claim. As additional adequate protection, Washington First Bank is hereby granted an allowed superpriority administrative expense claim for any diminution in the value of collateral, including Cash Collateral, since the Petition Date.
- G. Statutory Rights under Section 507(b). To the extent the adequate protection provided for hereby proves insufficient to protect Washington First Bank's interest in and to the Debtor's Collateral, Washington First Bank shall have a superpriority administrative expense claim, pursuant to Bankruptcy Code Section 507(b), senior to any and all claims against the Debtor under Bankruptcy Code Section 507(a), whether in this proceeding or in any superseding proceeding.
- H. Periodic Accountings. Commencing with the date this Order is entered, the Debtor shall provide Washington First Bank a monthly accounting (including the line-item comparison of actual and budgeted disbursements) each month, beginning with the period ending November 2016. In addition, the Debtor shall provide to Washington First Bank copies of the Debtor's monthly United States Trustee operating reports. Upon Washington First Bank's reasonable request, the Debtor will provide detailed information pertaining to items contained in the above reports.
- I. Creditor's Rights of Inspection and Audit. Upon reasonable notice by Washington First Bank, and at the Debtor's reasonable expense, Debtor shall permit Washington First Bank, and any of its respective agents, reasonable and free access to the Debtor's records and place of business during normal



business hours to: (a) verify the existence, condition and location of collateral in which said creditor holds a security interest; (b) conduct an appraisal(s) of any such collateral; and (c) to inspect, audit and make copies of the Debtor's books and records. In conjunction therewith, the Debtor shall not be entitled to seek reimbursement from Washington First Bank for incidental expenses such as time expended by Debtor's employees, rent or similar other expenses.

- J. Insurance. The Debtor shall at all times maintain insurance in the form and to the extent required under the Loan Documents.
- K. Default. The Debtor's failure to comply with any provision of this Order or the appointment of a Chapter 11 trustee or examiner with expanded powers or conversion of the case to a case under Chapter 7 shall constitute a default.
- L. Default Hearing/Expiration of Authority to Use Cash Collateral. In the event the Debtor defaults under or violates this Order and receives written notice of default from Washington First Bank, and in the absence of the Debtor's sworn affidavit of non-default filed with this Court within seven business days after Washington First Bank sends such written notice of default, Washington First Bank is granted relief from the automatic stay and may exercise its rights and remedies without further Order of this Court and, in addition, the Debtor's authority to use Cash Collateral shall immediately terminate. Irrespective of whether the Debtor defaults under or violates this Order, this Order will automatically expire on March 31, 2017, unless it is extended with the written consent of Washington First Bank (which consent may be withheld in Washington First Bank's sole and absolute discretion) or approval of the

Bankruptcy Court.

M. Interlocutory Order and No Modification of Creditor's Adequate Protection.

This is an interlocutory order. Nothing contained herein shall be deemed or construed to: (a) limit Washington First Bank to the relief granted herein; (b) bar Washington First Bank from seeking other and further relief (including, without limitation, relief from the terms of this Order) for cause shown on appropriate notice to the Debtor and other parties-in-interest entitled to notice of same; (c) require Washington First Bank to make any further loans or advances to the Debtor; or (d) constitute a waiver of any default under the Loan Documents. The Order may be modified for cause shown by the Debtor, Washington First Bank, or any other party-in-interest on due notice. No such modification, however, shall deprive Washington First Bank of its interest in Debtor's property (pre-petition and post-petition), or any of the liens and superpriority claims granted hereunder. The right of Washington First Bank to seek additional adequate protection at any time is expressly reserved.

Signed: \_\_\_\_\_, 2017

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Hon. Klinette H. Kindred  
Judge, United States Bankruptcy Court

WE ASK FOR THIS:

MLRG, Inc.  
By Counsel,

/s./ Todd Lewis

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*MLRG, Inc.*