



SO ORDERED.

SIGNED this 12th day of October, 2016.

Catharine R. Aron

UNITED STATES BANKRUPTCY JUDGE

IN THE UNITED STATES BANKRUPTCY
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION

IN RE:)	
)	
SAM BASS ILLUSTRATION)	Case No. 16-51021
& DESIGN, INC.,)	
)	
Debtor.)	

**INTERIM ORDER AUTHORIZING DEBTOR'S USE OF CASH COLLATERAL
PURSUANT TO 11 U.S.C. § 363**

THIS MATTER came on for hearing on October 5, 2016, upon the Motion of Sam Bass Illustration & Design, Inc. (the "Debtor") for authority to use cash collateral on an interim emergency basis. Appearing at the hearing were proposed counsel for the Debtor, Kristen S. Nardone, Nathan Strup on behalf of the Internal Revenue Service, and Robert E. Price, Jr. for the U.S. Bankruptcy Administrator. Denise W. Bass appeared and testified on behalf of the Debtor. The Court, after considering the arguments from counsel and the Bankruptcy Administrator's office, finds that good and sufficient cause exists to grant the motion on an interim basis. The Court makes the following findings of fact and conclusions of law.

1. The Debtor filed its voluntary Chapter 11 bankruptcy petition on October 3, 2016. The Debtor is continuing as debtor-in-possession.
2. This Court has jurisdiction of this matter pursuant to 28 U.S.C. §§ 157 and 1334, and 11 U.S.C. §§ 1107 and 1008. This is a core proceeding under 28 U.S.C. § 157.
3. The Debtor is a corporation that operates an illustration and design company focusing primarily on the sport of NASCAR.
4. The Internal Revenue Service ("IRS"), North Carolina Department of Revenue ("NCDOR"), De Lage Landen Financial ("De Lage") and all attached creditors ("Creditors") are duly scheduled creditors of Sam Bass Illustration & Design, Inc. and are parties-in-interest in this bankruptcy case.

5. The Debtor contends that the creditors with an interest in cash collateral are the IRS and NCDOR.
6. The Debtor contends that the IRS and NCDOR are entitled to adequate protection relative to their interests, as is to be determined, in the cash collateral.
7. The Debtor is entitled to use the cash collateral for its ordinary and reasonable operating expenses, which shall include payment of reasonable and necessary operating expenses in line with the budget presented at the hearing subject to limitations as issued by the Court.
8. The limitations imposed by the Court include that the Order is effective through Wednesday, October 19, 2016. The Debtor is authorized to make the following payments, and only the following payments, subject to a ten-percent line item variance, based on the budget as filed with the Court:
 - a. Payroll totaling a gross approximation of \$6,500.00;
 - b. Utility bills of approximately \$500.00;
 - c. Business insurance of approximately \$1,000.00;
 - d. Any necessary payments, only to the extent they come due for insurance payments and utilities;
 - e. Vendors that provided services for the Business' grand opening and/or race week of approximately \$1,000.00;
 - f. Reasonable (if applicable) bank charges related to opening the DIP account;
 - g. \$277.37 adequate protection payment to the IRS; and
 - h. Items as set forth on the Budget attached hereto and attached as an Exhibit to the Motion to Use Cash Collateral.
9. The Debtor asserts that the terms, conditions, and limitations of this Order are reasonably tailored to protect the interests of all creditors of the bankruptcy estate.
10. The authorized use of the cash collateral as set forth herein is necessary to avoid immediate and irreparable harm to the estate pending further hearing.
11. The requirements of the Bankruptcy Rules and the Bankruptcy Code, including without limitation Bankruptcy Rule 4001(d), have been satisfied for the Debtor's use of the secured creditor's cash collateral.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED as follows:

1. Authority to Use Cash Collateral. Subject to further Orders of this Court, by entry of the Order, Debtor is authorized through and including October 19, 2016, to use Cash Collateral in the ordinary course of business provided such use is limited to the payment of necessary and reasonable operating expenses, as set forth in the budget attached hereto as "Exhibit A" and further limited by the Court.
2. Prohibition Against Unauthorized Use. Except as specifically authorized hereunder, the Debtor and its principals, shall not expend Cash Collateral pending further hearing and Order of this Court. Unless otherwise authorized by Order of the Court, Debtor shall not use cash collateral for payment of any prepetition indebtedness or obligation of, or prepetition claims against the Debtor.
3. Preservation of Rights. This Order is without prejudice to the rights of any party, including a subsequently appointed Trustee.
4. Service of Order. Counsel for the Debtor shall serve a copy of this Order electronically or by first class mail (which pursuant to the Bankruptcy Rules, will be deemed sufficient) upon (i) the Bankruptcy Administrator; (ii) the creditors included on the list filed pursuant to Bankruptcy Rule 1007(d); (iii) all known secured creditors; and (iv) any person who has filed with this Court on or before the dated of this Order a request to be served with copies of all pleadings, notices, and other papers filed in this bankruptcy case.
5. Adequate Protection. An adequate protection payment in the amount of \$277.37 may be paid to the IRS on or before October 19, 2016, and the IRS shall apply such payment to the secured portion of its claim against the Debtor. The Debtor shall make such payment by certified or cashier's check mailed to the IRS, 4905 Koger Blvd., Mailstop 9, Greensboro, NC 27407. As further adequate protection, the IRS and the NCDOR are granted continuing and replacement post-petition liens in all property and categories of property in which, and of the same priority as said creditor held a similar, unavoidable lien as of the petition date, and the proceeds thereof. The validity and enforceability of the post-petition liens shall not depend on filing or recordation.
6. Replacement Liens. The IRS and any other creditor that is determined by the Court to have an interest in the Debtor's cash collateral shall be granted continuing replacement liens on post-petition assets of the Debtor in all property and rights to property, including but not limited to accounts receivable, contract rights, and inventory, acquired by the Debtor after the petition date to the extent and validity of each of their respective, allowed secured claims, but, with respect to the IRS, its allowed secured claim shall be decreased by any payments made under this Interim Order. Nothing contained in this Interim Order shall be construed as determining the extend, validity, and priority of the liens, claims, and

interests of any creditor, including the IRS, or the value of business revenues. Those matters shall be reserved for future determination by the Court, upon request of the Debtor, the IRS, or any other party in interest.

7. Monthly Reports. By the 20th of each month, the Debtor shall provide to all creditors and the Bankruptcy Administrator a budget to actual report, reflecting the actual income received and the expenses incurred during the previous month compared to the budget attached hereto.
8. Access to Property. Upon reasonable prior notice of at least 24 hours, the Debtor shall provide to representative, agents and/or employees of the IRS and NCDOR physical access to the property for the purpose of appraising or evaluating its collateral.
9. Default. It shall be a default hereunder for one or more of the following to occur.
 - a. The Debtor shall fail to comply with any of the terms or conditions of this Order;
 - b. The Debtor shall use cash collateral other than as agreed by this Order;
 - c. Appointment of a Trustee or examiner in these proceedings, or conversion of this case to a proceeding under Chapter 7 of the Bankruptcy Code.
 - d. Cancellation or lapse of the Debtor's applicable insurance coverage;
 - e. Cessation of business operations by Debtor; or
 - f. Dismissal of this case.

Upon service upon Debtor's counsel by Creditors or the Bankruptcy Administrator of a written notice of any default (which shall be served upon the Debtor and the Debtor's counsel by facsimile or electronic mail and shall be served upon the Bankruptcy Administrator by electronic mail), the Debtor shall have a period of five (5) business days to cure such default. If the Debtor fails to cure the default within such cure period, the Debtor's authority to use cash collateral shall be terminated immediately, pending further Order of this Court.

10. Continuing Validity of Post-Petition Liens. If any or all of the provisions of this Order are hereby modified, vacated, or stayed by subsequent Order of this Court, or by any other Court, or the use of cash collateral pursuant hereto is terminated, such stay, modification, vacation, or termination shall not affect the validity and enforceability of any lien or priority authorized herein with respect to the IRS, NCDOR, and Creditors.
11. Further Hearing. This Order is a preliminary Order on use of cash collateral, and further interim hearing (the "Further Hearing") shall be held on October 19, 2016

at 2:00 p.m. at the U.S. Bankruptcy Court for the Middle District of North Carolina, 226 S. Liberty Street, Winston-Salem, NC 27101.

12. Appearances. A representative of the Debtor with sufficient knowledge of the finances of the Debtor must appear and be prepared to testify at this hearing. If a representative does not appear, the case will be converted to a Chapter 7 without further notice.
13. Insurance. The Debtor must provide proof of insurance to the Bankruptcy Administrator prior to October 19, 2016. If the Debtor does not comply with this provision, the case may be converted to Chapter 7 on October 19, 2016 without further notice.

END OF DOCUMENT