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Proposed Attorneys for Sunpro Solar, Inc.
Debtor and Debtor-In-Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
RIVERSIDE DIVISION

In re:	)	Case No.: 6:18-bk-13196-MW
)	
SUNPRO SOLAR, INC.	)	Chapter 11
)	
Debtor and Debtor-In-Possession.	)	EMERGENCY MOTION FOR
	)	AUTHORIZATION TO USE CASH
TIN #27-3452800	)	COLLATERAL AND PROVIDE
	)	ADEQUATE PROTECTION;
	)	MEMORANDUM OF POINTS AND
	)	AUTHORITIES; DECLARATION OF
	)	ADAM JOSHUA EVANS
)	
)	
	)	Date:
	)	Time:
	)	Courtroom 225
	)	3420 Twelfth Street
	)	Riverside, CA 92501
)	
)	
)	

**TO THE HONORABLE MARK S. WALLACE, UNITED STATES
BANKRUPTCY JUDGE, PARTIES IN INTEREST, AND THE OFFICE OF THE
UNITED STATES TRUSTEE:**

SUNPRO SOLAR, INC. ("Debtor" or "Sunpro"), as Debtor and Debtor-In-Possession, hereby moves the Court, on an emergency basis, for interim approval of its proposed use of cash collateral. The Debtor's primary secured creditors are (1) JP Morgan Chase Bank, NA ("Chase"), (2) On Deck Capital, Inc. ("On Deck"); and, (3) other secured creditors hold relatively small auto financing loans on the Debtor's vehicles. The Debtor intends to negotiate

1 stipulations with Chase and On Deck to permit the use of cash collateral, subject to review by the
2 Court, but needs to use cash now and so is moving unilaterally to seek court authority. The
3 Debtor's current assets are sufficient to fully satisfy the claims of both Chase and On Deck.

4 In return for the proposed use of cash collateral, the Debtor will provide adequate
5 protection to Chase and On Deck through the continued payment to Chase of all sums when due
6 under its promissory note with the Debtor, the use of cash under a proposed budget to preserve
7 and enhance the Debtor's business operations (and its ability to fully pay these creditors in full
8 over time), and the granting of replacement liens to those parties, equal in priority to their
9 prepetition status, for the actual amount of cash collateral used by the Debtor subsequent to the
10 Debtor's Petition Date, April 17, 2018.

11 The secured creditors regarding auto finance do not have a lien on any other assets,
12 except for the vehicles they specifically financed.

13 The Debtor also requests that the Court set a hearing for the final approval of the use of
14 cash collateral through October 26, 2018, with provision that such approval can be further
15 extended upon the submission to the Court of written stipulations (and accompanying budgets)
16 with both Chase and On Deck

17 This motion is made pursuant to 11 U.S.C. §§ 363-364, Fed. R. Bankr. P. 4001, and
18 Local Bankruptcy Rules 2081-1, 4001-2 and 9075-1. The Debtor has also separately filed related
19 Form 4001-2.STMT.FINANCE with regard to the provisions of this motion.
20

21 Date: 4/19/18

ROSENSTEIN & ASSOCIATES

22 By: 

23 Robert B. Rosenstein, for
24 Rosenstein & Associates
25 Proposed Attorneys for Debtor-in-Possession
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MEMORANDUM OF POINTS AND AUTHORITIES¹

Sunpro Solar, Inc., the Chapter 11 Debtor and Debtor-in-Possession (“Sunpro”), is a California corporation in the business of designing, creating and installing solar energy systems for both residential and commercial customers. It has an office and separate warehouse space in Wildomar, California. It is under the management of Adam Joshua Evans, its president and majority shareholder.

During the year prior to the commencement of this case, Sunpro began to encounter financial problems. This was due to excess competition in the market, a drop in prices, and delayed payments from customers. Its gross revenues dropped from over \$4.7 million in 2016 to less than \$3 million in 2017. It stayed current on its senior secured debt owed to Chase, but took out an expensive junior financing arrangement with On Deck in an attempt to keep its business operating. Ultimately, despite its best efforts, the Debtor was not able to stay current on all of these obligations, and had to file a chapter 11 bankruptcy petition on April 17, 2018, thus starting case 6:18-bk-13196-MW. It is a “small business debtor” as per 11 U.S.C. § 101(51D).

The Debtor’s current assets, listed in the total value of \$1,044,267.65, are sufficient to adequately protect the claims of all of Sunpro’s secured creditors (including the auto lenders); the claims of Chase and On Deck combined are believed to be approximately \$400,000. Sunpro needs to use cash collateral to operate its business, generate profits, and move quickly towards confirmation of a plan of reorganization under which the allowed claims of its creditors will be paid off over time. It is current on its obligations to Chase, its senior creditor, and will stay that way going forward. As additional adequate protection for their interests, the secured creditors will receive replacement liens, equal in priority to their prepetition status, for the actual amount of cash collateral used by the Debtor subsequent to the filing of its April 17, 2018 bankruptcy petition. They will also directly receive copies of the Debtor’s Monthly Operating Reports and bank account statements.

Attached hereto as Exhibit “1” to the Declaration of Adam Joshua Evans is a projected 7-month cash flow budget for the Debtor, including all details for expected income and

¹ All facts presented are supported by the attached Declaration of Adam Joshua Evans. All terms are as defined in the Motion.

1 expenditures. The budget reflects the Debtor's best information as to the future of its business
2 operations, based on its history and its knowledge of the market. Under this budget, while
3 Debtor's cash reserves will be limited over the first two months, after that, with work at a much
4 higher level through the summer months, the Debtor will experience a steady growth in its cash
5 and profitability status, which will let it then propose a plan of reorganization for the payment of
6 its creditors over time.

7 In light of these facts, the Debtor now moves the Court to grant it permission for interim
8 use of cash collateral, and to set a final hearing to authorize that use for a longer period of time,
9 through October 26, 2018 (as set forth in the attached table of planned expenditures), with
10 extensions thereafter to be allowed based on the submissions of budgets for the Debtor as
11 approved by Chase and On Deck. Absent such approval, the Debtor reserves the right to seek
12 continued use of cash collateral through a new motion.

13
14 **THE COURT SHOULD GRANT THE MOTION**

15 As established in the motion and supporting declaration, the Debtor needs the use of cash
16 collateral from the secured creditors to operate. It is now operating in a stable fashion, and will
17 be able to service the payments called for in its lending agreement with Chase, its senior creditor,
18 and the same time pursuing its business and preparing its plan of reorganization.

19 Exhibit "1", the Debtor's current and planned budget, is prepared by the Debtor and
20 based on its business history and best current projections. It illustrates that the Debtor will be
21 able to stay current on its senior debt and to steadily improve its position over time as it works to
22 reorganize its estate and ultimately emerge from the Chapter 11 process. This is predicated upon
23 the Debtor being able to use cash collateral and its related assets going forward, to operate its
24 business, pay its expenses, and service the needs of its customers. Absent objection, this
25 provides a preponderance of evidence that the senior secured creditors will be adequately
26 protected through the planned use of cash collateral, and the estate and its creditor body as a
27 whole will be benefitted. *See, e.g., In re McCombs Properties VI, Ltd.*, 88 B.R. 261, 266-8
28 (Bankr. C.D. Cal. 1988). As specified in the motion, the Debtor will also be preparing budgets

1 for extended periods of time, similar to Exhibit "1", to be distributed to the creditors and filed
2 with the Court. As required, future motions may also be made to extend the use of cash
3 collateral beyond the termination dates, if any, specified in the various stipulations (if and when
4 reached), based upon the Debtor's progress towards reorganization.

5 This matter should also be heard on an emergency basis, as while the Debtor is current on
6 its operating business obligations, it will need to spend money on various items throughout the
7 month of April, including rent, payroll, utilities and the like, as such obligations come due in the
8 ordinary course of the Debtor's business. No payments will be made to insiders absent
9 appropriate notice and review by the Court. To continue in business, and avoid post-petition
10 defaults, the Court should hear this motion now on a preliminary basis and authorize the Debtor
11 to use cash collateral for a limited period of time, in accord with Exhibit "1" until a final hearing
12 can be held, with notice to all creditors, to authorize such use for a more extended period.

13 Granting this Motion will not cause a secured creditor to become undersecured.

14 For the reasons stated above, and for other good cause, the Court should approve the
15 motion and allow the Debtor to enact and operate under the terms of the various stipulations for
16 the use of cash collateral.

17 Date: 4/19/18

ROSENSTEIN & ASSOCIATES

19 By: 

20 Robert B. Rosenstein, for
21 Rosenstein & Associates
22 Proposed Attorneys for Debtor-in-Possession
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DECLARATION OF ADAM JOSHUA EVANS

I, Adam Joshua Evans, declare as follows:

1. I am the President and majority shareholder of Sunpro Solar, Inc., a California corporation and the chapter 11 debtor in this case ("Debtor" or "Sunpro"). I make this declaration based upon my personal knowledge, and if called upon to testify, could and would competently testify truthfully thereto.
2. I have been one of the senior managers of the Debtor since its inception, and am very familiar with its history, operations and future performance.
3. The Debtor is a California corporation in the business of designing, creating and installing solar energy systems for both residential and commercial customers. It has an office and separate warehouse space in Wildomar, California. I am its primary manager.
4. During the year prior to the commencement of this case, Sunpro began to encounter financial problems. This was due to excess competition in the market, a drop in prices, and delayed payments from customers. Its gross revenues dropped from over \$4.7 million in 2016 to less than \$3 million in 2017. It stayed current on its senior secured debt owed to JP Morgan Chase Bank, NA ("Chase"), but took out an expensive junior financing arrangement with On Deck Capital ("On Deck") in an attempt to keep its business operating.
5. Ultimately, despite its best efforts, the Debtor was not able to stay current on all of these obligations, and had to file a chapter 11 bankruptcy petition on April 17, 2018.
6. The Debtor's current assets, listed in the total value of \$1,044,267.65, are sufficient to adequately protect the claims of all of Sunpro's secured creditors (including the auto lenders). My understanding, based on Sunpro's records, is that the claims of Chase and On Deck total approximately \$400,000.
7. Sunpro needs to use cash collateral to operate its business, generate profits, and move quickly towards confirmation of a plan of reorganization under which the allowed claims of its creditors will be paid off over time. It is current on its obligations to Chase, its senior creditor, and intends to stay that way going forward.

- 1 8. Attached hereto as Exhibit "1" is a projected 7-month cash flow budget for the Debtor,
2 including all details for expected income and expenditures. The budget reflects the
3 Debtor's best information as to the future of its business operations, based on its history
4 and its knowledge of the market. Under this budget, while Debtor's cash reserves will be
5 limited over the first two months, after that, with work at a much higher level through the
6 summer months, the Debtor will experience a steady growth in its cash and profitability
7 status, which will let it then propose a plan of reorganization for the payment of its
8 creditors over time.
- 9 9. While the Debtor is current on its operating business obligations, it will need to spend
10 money on various items throughout the month of April, including rent, payroll, utilities
11 and the like, as such obligations come due in the ordinary course of the Debtor's business.
- 12 10. I declare under penalty of perjury under the laws of the State of California and the United
13 States of America that the foregoing is true and correct.
- 14 11. Executed on April 18, 2018, at Temecula, California.

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Adam Joshua Evans

EXHIBIT “1”

EXHIBIT “1”

Sunpro Solar
Cash Flow Budget

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Beginning Cash	30,000	59,900	81,788	84,853	98,064	121,556	159,575
Loan	25,000	25,000					
	20,000						
Income Generation	59,820	326,300	337,421	389,804	463,677	555,328	666,109
Note Payment Rock Fitness	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net Income	64,820	331,300	342,421	394,804	468,677	560,328	671,109
Income Generation Expenses							
Installers	13,760	37,457	44,145	52,470	62,778	75,274	90,312
Materials Purchased	17,946	126,176	103,906	112,811	132,405	158,143	189,586
BOS	3,589	24,972	29,430	34,980	41,852	50,183	60,208
Permits	4,624	19,482	22,405	25,912	30,125	35,615	41,615
Total Income Generation Exp.	39,919	208,086	199,886	226,174	267,159	319,216	381,722
Gross Profit	24,901	123,214	142,535	168,630	201,518	241,112	289,387
	41.63%	37.76%	42.24%	43.26%	43.46%	43.42%	43.44%
Expense							
Advertising	5,000	25,000	30,000	36,000	43,200	51,840	62,208
Automobile Fuel& Repair	1,200	2,800	4,200	4,800	4,800	4,800	4,800
Bank Fees							
Credit Card Fees	750	1,500	1,500	1,500	1,500	1,500	1,500
Payroll Service	500	500	500	500	500	500	500
Dues and Subscriptions							
Employee Benefits							
Medical Insurance							
Entertainment							
Meals							
Liability Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Auto Insurance	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Building Insurance							
Life Insurance							
Other Insurance	10,000						
Workers Compensation	4,128	11,237	13,244	15,741	18,833	22,582	27,094
Bank Payments							
Loan Payment - Chase	\$1,788.38	\$1,788.38	\$1,788.38	\$1,788.38	\$1,788.38	\$1,788.38	\$1,788.38

4/18/2018

Sunpro Solar
Cash Flow Budget

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Lease Expenses							
Automobile Loans	1,153	5,117	5,117	5,117	5,117	5,117	5,117
Cell and Office phones	0	2,400	2,400	2,400	2,400	2,400	2,400
Postage Meter							
Licenses and Permits	0	200	200	200	200	200	200
Miscellaneous							
Office Expenses	100	500	500	500	500	500	500
Document Shred							
Office Maintenance							
Repairs	100	500	500	500	500	500	500
Office Maintenance Other							
Office Supplies							
Supplies Desk	100	200	200	200	200	200	200
Supplies Drinks-snacks	100	200	200	200	200	200	200
Payroll General Office/Admin	3,500	18,480	18,480	18,480	22,176	24,394	26,833
Payroll Marketin/Salespeople + Comm	3,000	23,980	28,432	33,944	40,670	48,785	58,537
Publications							
Officer Salary	0	13,770	13,770	13,770	13,770	13,770	13,770
Refunds							
Rent		2,500	2,500	2,500	2,500	2,500	2,500
Payroll Taxes	1,531	8,353	8,638	9,979	11,870	14,216	17,052
Warehouse/Storage	1,000	1,200	1,200	1,200	1,200	1,200	1,200
Telephone Warehouse							
Cell phone							
Office Phone & Internet							
Travel							
Utilities							
Electric	50	100	100	100	100	100	100
Total Expenses	40,001	126,326	139,470	155,419	178,026	203,094	233,000
Cash Flow from Operations	-15,100	-3,112	3,065	13,211	23,492	38,018	56,388
Total Available Cash	59,900	81,788	84,853	98,064	121,556	159,575	215,962

**FORM 4001-2 FINANCING
STATEMENT**

Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address Robert B. Rosenstein (SBN: 90036) Rosenstein & Associates 28600 Mercedes Street, Suite 100 Temecula, CA 92590 Office: (951) 296-3888 Fax: (951) 296-3889 Email: robert@thetemeculalawfirm.com <input type="checkbox"/> Individual appearing without attorney <input checked="" type="checkbox"/> Attorney for: Debtor	FOR COURT USE ONLY
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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - RIVERSIDE DIVISION**

In re: SUNPRO SOLAR, INC. TIN #27-3452800 <div style="text-align: right;">Debtor(s).</div>	CASE NO.: 6:18-bk-13196-MW CHAPTER: 11
	STATEMENT REGARDING CASH COLLATERAL OR DEBTOR IN POSSESSION FINANCING [FRBP 4001; LBR 4001-2]
	DATE: TIME: COURTROOM: 225 ADDRESS: 3420 12th Street Riverside, CA 92501

Secured party(ies): JP Morgan Chase Bank, NA; On Deck Capital, Inc.

The Debtor has requested the approval of either (1) a motion for use of cash collateral, or postpetition financing, or both, or (2) through a separately-filed motion, a stipulation providing for the use of cash collateral, or postpetition financing, or both. The proposed form of order on the motion or the stipulation contains the following provisions or findings of fact:

Disclosures Tracking FRBP 4001(c)(1)(B)(i) through (xi) and (d)(1)(B)	Page No.:	Line No. (if applicable)
<input type="checkbox"/> (i): "[A] grant of priority or a lien on property of the estate under § 364(c) or (d)"		
<input checked="" type="checkbox"/> (ii): "[T]he providing of adequate protection or priority for a claim that arose before the commencement of the case, including the granting of a lien on property of the estate to secure the claim, or the use of property of the estate or credit obtained under § 364 to make cash payments on account of the claim" <div style="margin-left: 20px;"> <input type="checkbox"/> Cross-collateralization, <i>i.e.</i>, clauses that secure prepetition debt by postpetition assets in which the secured party would not otherwise have a security interest by virtue of its prepetition security agreement or applicable law <input type="checkbox"/> Roll-up, <i>i.e.</i>, provisions deeming prepetition debt to be postpetition debt or using postpetition loans from a prepetition secured party to pay part or all of that secured party's prepetition debt, other than as provided in § 552(b) </div>	2	

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Continued from page 1			
<input type="checkbox"/>	Grant a replacement lien in an amount in excess of the dollar amount of the lien on cash collateral as of the petition date		
<input type="checkbox"/>	(iii): "[A] determination of the validity, enforceability, priority, or amount of a claim that arose before the commencement of the case, or of any lien securing the claim"		
<input type="checkbox"/>	(iv): "[A] waiver or modification of Code provisions or applicable rules relating to the automatic stay"		
<input type="checkbox"/>	Automatic relief from the automatic stay upon occurrence of certain events.		
<input type="checkbox"/>	(v): "[A] waiver or modification of any entity's authority or right to file a plan, seek an extension of time in which the debtor has the exclusive right to file a plan, request the use of cash collateral under § 363(c), or request authority to obtain credit under § 364"		
<input type="checkbox"/>	(vi): "[T]he establishment of deadlines for filing a plan of reorganization, for approval of a disclosure statement, for a hearing on confirmation, or for entry of a confirmation order"		
<input type="checkbox"/>	(vii): "[A] waiver or modification of the applicability of nonbankruptcy law relating to the perfection of a lien on property of the estate, or on the foreclosure or other enforcement of the lien"		
<input type="checkbox"/>	(viii): "[A] release, waiver, or limitation on any claim or other cause of action belonging to the estate or the trustee, including any modification of the statute of limitations or other deadline to commence an action"		
<input type="checkbox"/>	(ix): "[T]he indemnification of any entity"		
<input type="checkbox"/>	(x): "[A] release, waiver, or limitation of any right under § 506(c)"		
<input type="checkbox"/>	The granting of any lien on any claim or cause of action arising under § 506(c)		
<input type="checkbox"/>	(xi): "The granting of any lien on any claim or cause of action arising under §§ 544, 545, 547, 548, 549, 553(b), 723(a), or 724(a)"		
Additional Disclosures Required by LBR 4001-2		Page No.:	Line No. (if applicable)
<input type="checkbox"/>	With respect to a professional fee carve out, disparate treatment for professionals retained by a creditors' committee from that provided for the professionals retained by the debtor		
<input type="checkbox"/>	Pay down prepetition principal owed to a creditor		
<input type="checkbox"/>	Findings of fact on matters extraneous to the approval process		

04/18/2018
Date

Robert B. Rosenstein
Printed Name

Signature