

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE:)
)
VISUAL HEALTH SOLUTIONS, INC.)
EIN: 84-1525504) Case No. 17-18643-EEB
) Chapter 11
Debtor.)

MOTION FOR AUTHORITY TO USE CASH COLLATERAL

The Debtor and Debtor in Possession, Visual Health Solutions, Inc. (“Debtor” or “VHS”), by and through its attorneys, Buechler & Garber, LLC., moves the Court pursuant to 11 U.S.C. § 363(c)(2) and Bankruptcy Rules 4001(b) and 9014 for entry of an order authorizing the Debtor’s use of cash collateral, setting a final hearing on the use of cash collateral, and providing adequate protection to properly perfected secured creditors, and as grounds therefor states as follows:

BACKGROUND

1. The Debtor filed his Voluntary Petition pursuant to Chapter 11 of the Bankruptcy Code on September 18, 2017. The Debtor continues in possession of its property and is operating and managing its businesses, as debtor-in-possession, pursuant to Bankruptcy Code §§ 1107 and 1108.

2. The Debtor creates medical based multimedia content, including medical animations, medical illustrations, and interactive graphics through a collaborative process with the Debtor and its clients. The Debtor’s experience with a wide range of clients includes creation of medical multimedia owned by customers, modification of our existing library of medical animations and multimedia content, licensing content from the Debtor’s animation library, and integration of unique patient point-of-care and lifestyle modification applications. The Debtor web address is www.visualhealthsolutions.com.

3. The Debtor maintains two secured loans which liens arising therefrom could encumber the Debtor’s “cash collateral” as the term is defined in Bankruptcy Code § 363. The two liens are generally described as follows:

- a. The Debtor entered into a secured loan with Colorado Business Bank. (“CBB”) on or around June 27, 2014, which loan is guaranteed by the Small

Business Administration. CBB filed with the Colorado Secretary of State, a UCC-1 on July 2, 2014, in which CBB asserts a lien on substantially all of VHS' assets.

b. VHS entered into a secured loan with Family Restaurants, Inc. ("FRI," and together with CBB, the "Secured Creditors") on or around December 31, 2014. FRI refiled with the Colorado Secretary of State, a UCC-1 on June 16, 2016, after subordinating its claim to CBB, in which FRI asserts a lien in all intellectual property and proceeds therefrom.

4. The amount owing to CBB, pursuant to CBB's state court complaint, is approximately \$1,107,065. The amount owing to FRI, pursuant to FRI's state court complaint, is approximately \$1,295,029.

5. Based on the foregoing, CBB and/or FRI may have a secured lien position on the Debtor's funds and revenues that constitute cash collateral as the term is defined in the Bankruptcy Code.

6. VHS' total asset value as of the Petition Date is approximately \$300,000. The Debtor's accounts receivable as of the Petition Date is approximately \$87,644. The Debtor's cash on hand and in bank accounts as of the Petition Date is approximately \$0.

7. The Debtor is replacing its accounts receivable and cash in the ordinary course of its operations. The value of the Debtor's assets increase as the Debtor's library of medical media is utilized and grows.

8. Accordingly, the secured interest of the Secured Creditors in the Debtor's assets is adequately protected against the Debtor's ongoing use of cash.

RELIEF REQUESTED

9. The Debtor plans to continue operation of its business throughout the Chapter 11 case and propose a Plan of Reorganization which provides for the continuation of the Debtor's business. It is only through a Plan that unsecured creditors will see a recovery on account of their claims.

10. In order to pay necessary operating expenses, the Debtor must immediately use cash collateral in which Secured Creditors may have an interest. The Debtor proposes to use cash collateral on an interim basis until such time as the Court schedules a final hearing on the use of cash collateral. At the final hearing, the Debtor will seek relief to use cash collateral over six months

pursuant to a budget which is attached hereto. On an interim basis over the next 30 days and on a six month basis, the Debtor has prepared a budget setting forth its expected revenues and cash use. A copy of the budget is attached hereto and incorporated herein as Exhibit A ("Budget"). The Debtor proposes to meet the Budget subject to the ability to deviate from the Budget by up to 15% per line item, per month plus payment of the U.S. Trustee quarterly fee.

11. The Budget reflects a conservative analysis of the Debtor's income and expenses over the projected periods.

12. The majority of the Debtor's revenues and available cash are derived from the development of the medical media products and the sale and licensing thereof. Without the use of cash collateral, the Debtor will have insufficient funding for business operations. Therefore, the Debtor's use of cash collateral during the interim period is necessary to avoid immediate and irreparable harm to the estate. With the use of cash collateral, the Debtor will not be able to pay employees, utilities, and other costs associated with operating the business.

13. The Debtor will be replacing its accounts receivable, cash, and cash equivalents in the course of its daily operations and therefore the collateral base will remain stable and will improve over time. The Debtor's cash position is projected to be positive after meeting expenses over the budgeted period.

14. In order to provide adequate protection for the Debtor's use of cash collateral to Bank, to the extent Bank is properly perfected, the Debtor proposes the following:

- a. The Debtor will provide a replacement lien on all post-petition accounts and accounts receivable to the extent that the use of the cash collateral results in a decrease in the value of the collateral pursuant to 11 U.S.C. § 361(2);
- b. The Debtor will maintain adequate insurance coverage on all personal property assets and adequately insure against any potential loss;
- c. The Debtor shall provide to Bank all periodic reports and information filed with the Bankruptcy Court, including debtor-in-possession reports;
- d. The Debtor will only expend cash collateral pursuant to the Budget subject to reasonable fluctuation by no more than 15% for each expense line item per month;
- e. The Debtor will pay all post-petition taxes; and

f. The Debtor will retain in good repair all collateral in which Bank has an interest.

15. Should the Debtor default in the provision of adequate protection, the Debtor's approved use of cash collateral will cease and the Secured Creditors will have the opportunity to obtain further relief from this Court.

16. Approval of the Debtor's use of cash collateral in accordance with this Motion and pursuant to the Budget, Exhibit A, is, on an interim basis and a final basis, in the best interest of the Debtor, its creditors and the estate as it will allow the Debtor to maintain its ongoing business operations, allow the Debtor to generate revenue, and provide the Debtor with an opportunity to propose a meaningful Plan.

17. The Debtor requests authority to extend the six month budgeted cash collateral use period on notice with opportunity for a hearing solely to Secured Creditors and the U.S. Trustee by providing such parties with new budgets for additional monthly periods.

REQUEST FOR EMERGENCY HEARING ON INTERIM RELIEF

18. Without the immediate use of cash collateral, the Debtor will not be able to fund ongoing business operations. The Debtor therefore respectfully requests that the Court set an emergency hearing for the consideration of the interim use of cash collateral and continue such hearing as may be needed to allow for extensions of interim use.

WHEREFORE, the Debtor respectfully requests that the Court enter an Order, a proposed form is filed herewith, authorizing the Debtor's use of cash collateral in accordance with this Motion, authorize the Debtor to provide adequate protection to any properly perfected secured party in the form of that set forth herein, and for such further and additional relief as to the Court may appear proper.

DATED: September 18, 2017

Respectfully submitted,

By: /s/ Aaron A. Garber

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EXHIBIT A

Visual Health Solutions
Budget Case

Projected Statement of Income	Week 1	Week 2	Week 3	Week 4	Total	Month 2	Month 3	Month 4	Month 5
	Month 1								
Revenue									
Program Development	-	-	50,000	18,000	68,000	75,000	75,000	75,000	75,000
Licenses / Revenue Shares / Product	-	-	350	-	350	69,845	25,850	52,100	78,350
Total Gross Revenue	-	-	50,350	18,000	68,350	144,845	100,850	127,100	153,350
Cost of Sales									
Program Development	-	-	20,699	6,661	27,360	42,458	47,157	45,845	44,532
Licensing / Product	-	-	18	-	18	3,492	1,293	2,605	3,918
Amortization	-	-	-	-	-	-	-	-	-
Total Cost of Sales	-	-	20,717	6,661	27,378	45,950	48,450	48,450	48,450
Gross Profit	-	-	29,634	11,339	40,973	98,894	52,401	78,650	104,901
Sales \ Marketing									
Advertising / Marketing									
Commissions	-	-	-	-	-	-	-	2,625	5,250
Conferences	-	-	-	-	-	-	-	-	-
Travel and Meals	-	-	425	425	850	5,000	5,000	5,000	5,000
Payroll Taxes	-	-	5,000	5,000	10,000	10,000	10,000	10,000	10,000
Salaries	-	-	5,425	5,425	10,850	16,050	16,200	19,088	21,975
Other	-	-	-	-	-	200	200	200	200
Total Sales \ Marketing	-	-	5,425	5,425	10,850	16,050	16,200	19,088	21,975
General & Administrative									
Salaries	-	-	8,375	-	8,375	16,750	16,750	16,750	16,750
Payroll Taxes	-	-	-	-	-	17,961	1,424	16,424	16,424
Ins & Benefits	-	-	7,575	7,575	15,150	7,575	7,575	7,575	7,575
Rent	-	-	6,017	6,017	12,034	6,017	6,017	6,017	6,017
Telephone	-	-	700	700	1,400	700	700	700	700
Depreciation	-	-	-	-	-	-	-	-	-
Other	-	-	800	800	1,600	2,500	2,500	2,500	2,500
Total General & Administrative	-	-	9,175	15,092	24,267	51,503	34,966	49,966	49,966
Total Operating Expenses	-	-	14,600	20,517	35,117	67,553	51,166	69,053	71,941
EBIT	-	-	15,034	(9,178)	5,856	31,342	1,235	9,597	32,960
Interest	-	-	-	-	-	-	-	-	-
Other / Bad Debt	-	-	-	-	-	-	-	-	-
Pretax Net Income	-	-	15,034	(9,178)	5,856	31,342	1,235	9,597	32,960
Less Capital cost	-	-	-	-	-	(15,000)	-	-	-
	-	-	15,034	(9,178)	5,856	16,342	1,235	9,597	32,960