

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION – DETROIT**

IN THE MATTER OF:
ST. JOHN/BATTLE CREEK
OWNER, LLC,
Debtor.

Bankruptcy Case No. 16-53193
Honorable Phillip J. Shefferly
Chapter 11

_____ /

**COVER SHEET FOR FIRST DAY MOTION TO USE CASH
COLLATERAL OR TO OBTAIN CREDIT**

The debtor has filed a motion to use cash collateral or to obtain postpetition financing, which is attached to this Cover Sheet. In accordance with LBR 4001-2(b) (E.D.M.), the debtor has identified below, by page and paragraph number, the location in the proposed order accompanying the motion of each of the following provisions:

Provision	Contained in Proposed	Location in Proposed Order
(1) Provisions that grant liens on the estate's claims and causes of action arising under Chapter 5 of the Code.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶ _____

<p>(2) Provisions that grant cross-collateralization protection to the prepetition secured creditor (i.e., clauses that secure prepetition debt with categories of collateral that were not covered by the secured party's lien prepetition) other than liens granted solely as adequate protection against diminution in value of a prepetition creditor's collateral.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>Page _____, ¶ _____</p>
<p>(3) Provisions that establish a procedure or conditions for relief from the automatic stay.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>Page _____, ¶ _____</p>
<p>(4) Provisions regarding the validity or perfection of a secured creditor's prepetition liens or that release claims against a secured creditor.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p>Page <u>3</u>, ¶ <u>4</u> Page <u>4</u>, ¶ <u>5</u></p>
<p>(5) Provisions that prime any lien without that lienholder's consent.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>Page _____, ¶ _____</p>
<p>(6) Provisions that relate to a sale of substantially all of the debtor's assets.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>Page _____, ¶ _____</p>
<p>(7) Provisions for the payment of professional fees of the debtor or any committees, including any carve-outs for such payments.</p>	<p><input checked="" type="checkbox"/> Yes</p>	<p>Page <u>4</u>, ¶ <u>7</u></p>

(8) Provisions for the payment of prepetition debt.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(9) Provisions that waive the debtor's exclusive right to file or solicit acceptances of a plan during the time periods specified in 11 U.S.C.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(10) Provisions that require the debtor's plan to be on terms acceptable to the secured creditor.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(11) Provisions that require or prohibit specific terms in the debtor's plan.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(12) Provisions establishing that proposing a plan inconsistent with the order constitutes a default	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(13) Provisions that waive surcharge under 11 U.S.C. § 506(c).	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(14) Provisions that address the rights and obligations of guarantors or co-obligors.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(15) Provisions that prohibit the debtor from seeking approval to use cash collateral without the secured creditor's consent.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶
(16) Provisions that purport to bind a subsequent trustee.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Page ____, ¶

(17) Provisions that obligate the debtor to pay any of a secured creditor's professional fees.	<input type="checkbox"/> Yes	Page _____, ¶ _____
	<input checked="" type="checkbox"/> No	

Respectfully submitted,
STEVENSON & BULLOCK, P.L.C.

By: /s/ Ernest M. Hassan, III
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Dated: October 6, 2016

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION – DETROIT**

IN THE MATTER OF:

St. John/Battle Creek Owner, LLC

Debtor.

Bankruptcy Case No. 16-53193
Honorable Phillip J. Shefferly
Chapter 11

**FIRST DAY MOTION FOR ENTRY OF AN INTERIM AND FINAL
ORDER AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL
AND GRANTING ADEQUATE PROTECTION**

NOW COMES St. John/Battle Creek Owner, LLC (the “Debtor”), as debtor and debtor in possession, by and through its counsel, Stevenson & Bullock, P.L.C., and hereby requests that this Court enter an Order, substantially in the form attached hereto as Exhibit 1 Authorizing the Debtor to Use Cash Collateral and Granting Adequate Protection.

Debtor, in support of its Motion for Entry of Interim and Final Order Authorizing the Debtor to Use Cash Collateral and Granting Adequate Protection (the “Motion”) hereby states as follows:

JURISDICTION

1. The court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334.
2. This matter is a core proceeding within the meaning of 28 U.S.C. 157(b)(2).

3. Venue of this proceeding and the Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409(a).

BACKGROUND

4. On September 25, 2016 the Debtor filed a voluntary petition (the “Petition Date”) in this Court for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the “Bankruptcy Code”). The Debtor continues to manage and operate its business as debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. Also on the Petition Date, a voluntary petition under Chapter 11 of the Bankruptcy Code was filed for the following associated entities: PC Acquisitions, LLC, Battle Creek Realty, LLC, Denmark Management Company and Denmark Services, LLC.

5. No trustee or examiner has been appointed in this case and no committee has been appointed or designated.

6. D. Mark Krueger is the responsible person for the Debtor.

7. No official committee of unsecured creditors has been appointed in this case.

8. Debtor files this Motion pursuant to §§ 363 and 361 of the Bankruptcy Code; Fed. R. Bankr. P. 4001(b); and E.D. Mich. LBR 4001-2.

BACKGROUND AND HISTORY

9. The Debtor owns and operates St. Johns Mobile Home Park, which has over one hundred (100) lots. The majority of the Debtor's value arises from its ongoing operations and its ability to continue collecting lot rent. Without authority to use cash collateral the Debtor will suffer irreparable harm because it will be forced to immediately shut down and force low-income families out of their homes. Additionally, without the use of funds, the Debtor will be unable to support, maintenance of the lots, administrative expenses and taxes.

10. During the first (60) days of this case, the Debtor projects that it will need to spend \$40,198.06 to avoid immediate and irreparable harm.

11. The Debtor requests authority to spend these amounts in accordance with the budgets attached to this Motion (the "Budget" attached as Exhibit 2), with a ten percent (10%) variance for each line item and in total.

12. On the Petition Date, the Debtor, without admission, believes that the cash collateral, as defined in 11 U.S.C. §363 (the "Cash Collateral") consists of cash and accounts receivable. At this time, the Debtor is unable to provide the value of the Cash Collateral, because the documentation and information is believed to be in the possession of the state court receiver. The Debtor believes that all parties will be advised of the value of the Cash Collateral when the receiver provides an accounting to the Court pursuant to 11 U.S.C. § 543.

NATURE OF DEBT

13. Before the Petition Date, the Debtor, entered into a loan with Park Capital Investments, LLC, (the "Loan"). The Loan was for the purpose of paying preexisting debt obligations and operating expenses. The Debtor anticipates that Park Capital Investments, LLC ("PCI"), will assert a security interest in the Debtor's Cash Collateral. The Debtor further anticipates that PCI will assert that its security interest and liens have first priority over all other security interest and liens asserted against the Debtor.

14. The Debtor makes no admission and take no position at this time regarding the validity, enforceability, priority or perfection of any the obligations, security interests and liens that may be asserted by PCI.

15. The Debtor believes that no entities have an interest in cash collateral, other than PCI.

16. Since the Petition Date, the Debtor and PCI have had numerous good faith discussions regarding the issues addressed in this Motion. The Debtor has advised PCI that it is filing this Motion with the intention of a collaborative resolution to cash collateral matters.

REQUEST FOR USE OF CASH COLLATERAL

17. The Debtor requires the use of Cash Collateral to make such payments as are necessary for the continuation of its business as shown in the attached

Budget, attached as Exhibit 2. The projected revenue and expenses in the Budget is based upon historical financial data as well as the current work-in-progress and scheduled projects.

18. The Budget projects the Debtor's anticipated revenue and expenses and demonstrates the amount of funds the Debtor must expend on its operation on a monthly basis.

19. Without the ability to make the payments as set forth in the Budget, the Debtor would be unable to continue operating and would be forced to shut down its operations on an emergency basis. A majority of the Debtor's value arises from the on-going operations. Further, an immediate cessation of operation would cause enormous hardship for all of the Debtor's residents. Accordingly, authorizing the Debtor to use Cash Collateral as set forth in the Budget is in the best interest of all creditors and parties in interest.

ADEQUATE PROTECTION

20. As adequate protection under section 363 and 361 of the Bankruptcy code for any security interests that PCI and any other secured creditors may assert, the Debtor offers replacement liens (the "Replacement Liens") in Debtor's personal property, now owned or hereafter acquired and the proceeds and products thereof.

21. The Debtor proposes that each secured creditor with an interest in Cash Collateral be granted the Replacement Liens as adequate protection to the extent of any diminution in value of the pre-petition Cash Collateral. The Replacement Liens shall be liens on the Debtor's assets which are created, acquired, or arise after the Petition Date, but limited to only those types and descriptions of collateral in which the secured creditor holds a pre-petition lien or security interest. The Replacement Liens shall have the same priority and validity as each secured creditor's pre-petition security interests and liens.

22. As additional adequate protection, the Debtor will pay all personal property taxes, real property taxes, maintenance expenses, and wages in connection with preserving the property.

23. On the basis of the adequate protection submitted above, the Debtor submits that it should be granted authority to use the Cash Collateral.

24. As part of its request to use Cash Collateral, the Debtor is requesting that this Court allow it to escrow, on a monthly basis, \$5,000.00 into the client trust account of its proposed counsel to pay the professional fees of legal counsel employed by the Debtor in connection with the bankruptcy proceeding to the extent the fees are allowed by this Court (the "Professional Fees").

NOTICE

25. Notice of this Motion has been provided to the Office of the United States Trustee, the Debtor's twenty largest unsecured creditors, and those parties who Debtor believes have an interest in the Cash Collateral. In light of the nature of the relief requested, the Debtor submits no further notice is necessary.

CONCLUSION

26. The Debtor contends that without authority to use Cash Collateral, the Debtor's locations would need to be immediately closed, which would have a detrimental effect on the estate and all of its creditors.

27. The entry of an order authorizing the Debtor's use of its Cash Collateral will permit the Debtor to continue operating, will increase the possibility of a successful rehabilitation and will prevent the immediate closure of the locations. Authorization of Debtor's use of Cash Collateral is, therefore, in the best interests of the estate and its creditors.

28. At this time, the Debtor is only seeking to allow the Debtor to use the Cash Collateral on an interim basis to pay its necessary operating expenses (as outlined in the Budget) until the court holds a final hearing on the Debtor's use of Cash Collateral. To the extent that no parties object to the order authorizing Debtor's use of Cash Collateral after service of the order, the Debtor proposes that

the interim order will become a final order authorizing the use of Debtor's Cash Collateral going forward.

29. The Debtor further requests that the Court permit the Debtor be authorized to use Cash Collateral in accordance with such modified or supplemental Budgets without a hearing unless an objection is filed within fourteen days after such modified or supplemental Budgets are filed.

30. For the reasons set for herein, it is necessary that the Debtor obtain an interim hearing on the Debtor's use of Cash Collateral and granting of adequate protection as soon as possible.

31. The Debtor has attached a proposed order.

WHEREFORE, the Debtor respectfully requests this Honorable Court to:

a. Enter the order substantially in the form attached hereto as Exhibit 1 authorizing the Debtor to use Cash Collateral and Granting Adequate Protection; and

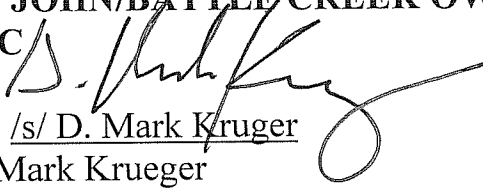
b. Grant such other and further relief as is just and equitable to the Debtor.

Respectfully submitted,
STEVENSON & BULLOCK, P.L.C.

By: /s/ Ernest M. Hassan, III
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Dated: October 6, 2016

**ST. JOHN/BATTLE CREEK OWNER,
LLC**


By: /s/ D. Mark Krueger
D. Mark Krueger
Its: Responsible Person

Dated: October 6, 2016

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION – DETROIT**

IN THE MATTER OF:

St. John/Battle Creek Owner, LLC

Debtor.

Bankruptcy Case No. 16-53193
Honorable Phillip J. Shefferly
Chapter 11

**ORDER GRANTING THE DEBTOR’S FIRST DAY MOTION FOR ENTRY
OF AN INTERIM AND FINAL ORDER AUTHORIZING THE DEBTOR
TO USE CASH COLLATERAL AND GRANTING ADEQUATE
PROTECTION**

This matter having come before the court on the First Day Motion for Entry of an Order Authorizing the Debtor to Use Cash Collateral and Granting Adequate Protection (the “Motion”)¹ filed by the above captioned debtor (the “Debtor”); after notice and hearing, the Court having reviewed the Motion;

THE COURT HEREBY FINDS:

A. On September 25, 2016, (the “Petition Date”), Debtor filed for relief under Chapter 11 of the United States Bankruptcy code (the “Bankruptcy Code”).

B. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.

C. The Court consideration of this Motion constitutes a core proceeding as defined in 28 U.S.C. §§ 157(b)(2)(A),(K) and (M).

¹ Capitalized terms used but not defined herein shall have the meanings as set forth in the Motion.

D. The procedures set forth in this Order, constitute sufficient “notice and hearing” under Section 102 and 363(c) of the Bankruptcy Code, Bankruptcy Rule 2002, 4001, 6004 and 9006. This Order is being entered on an interim basis pursuant to Bankruptcy Rule 4001 and is expressly subject to the rights of parties in interest to object as specifically provided in paragraph 9 below. The Debtor requires funds to pay expenses in connection with maintaining operations, including supporting accounting expenses, maintenance of the mobile homes, administrative expenses and taxes. Failure to pay these and similar critical expenses would cause the Debtor immediate and irreparable harm by disrupting the Debtor’s ability to maintain operations and force low-income families out of their homes.

E. The Debtor does not have sufficient unencumbered funds to meet these expenses. Accordingly, the Debtor requires authorization to use Cash Collateral to avoid immediate and irreparable harm. The amount of cash the Debtor proposes to use before entry of a final order granting the Motion (including adequate protection payments as authorized under this Order) is set forth in the Budget attached to the Motion. Specifically, during the first sixty (60) days of this case, the Debtor requires the use of \$40,198.06.

F. The legal and factual bases set forth in the Motion establish just cause for the relief granted herein.

Therefore, IT IS HEREBY ORDERED that:

1. The Motion is granted.
2. The Debtor is authorized to use Cash Collateral and grant adequate protection in accordance with the terms of the Motion.
3. To avoid immediate and irreparable harm before the date of the final hearing or the date this order becomes a final order in the absence of a timely objection and final hearing, Debtor is permitted to use Cash Collateral in the amount of \$40,198.06 and Debtor's authorized use of Cash Collateral is limited to that amount prior to the entry of a final order authorizing the Debtor to use Cash collateral or the time this Order becomes a final order, as the case may be. Pending a final order, the Debtor may use Cash Collateral in accordance in the amounts set forth above in accordance with the Budget, with a ten percent (10%) variance for each line item.
4. To the extent of any diminution in value of the pre-petition Cash Collateral, PCI, the secured creditor with an interest in Cash Collateral, is hereby granted the following Replacement Liens as adequate protection. The Replacement Liens shall be liens on the Debtor's assets which are created, acquired, or arise after Petition Date, but limited to only those types and descriptions of collateral in which the PCI holds a pre-petition lien or security interest. The Replacement Liens

shall have the same priority and validity as PCI's pre-petition security interest and liens.

5. As additional adequate protection, the Debtor will pay all personal property taxes, real property taxes, maintenance expenses, and wages in connection with preserving the property.

6. Nothing in this Order constitutes an admission by the Debtor or prejudices the rights of the Debtor to challenge the amount, validity, enforceability, priority or perfection of any liens or security interests asserted by PCI.

7. The Debtor is authorized to escrow Professional Fees, as more fully set forth in the Motion.

8. The Debtor shall, within twenty-four (24) hours following the entry of this order, serve copies of this order and the Debtor's motion for entry of this order with all attachments on each of the Debtor's 20 largest unsecured creditors, PCI, any committee formed in this case, the United States Trustee's Office, and all other parties who are required to be served under Fed. R. Bankr. P. 4001(d).

9. All parties seeking to object to this Order must file a written objection within fourteen (14) days after the entry of this Order, except that an official committee may file objections within fourteen (14) days after the official committee is served with the entered Order. If an objection is timely filed, the final hearing on this Order will be held before the Honorable Phillip J. Shefferly, United

States Bankruptcy Judge, in courtroom 1975, located at 211 West Fort Street, Detroit, Michigan, on _____, 2016 at __:__.m. If no timely objection is filed, then this Order will become a final order without a further hearing, and the Debtor will be authorized to spend for those expenses referenced in the Motion, as well as any other expenses necessary for operating the business in the ordinary course going forward.

10. The Debtor's use of Cash Collateral shall conform to the amounts set forth in the Budget with a ten percent (10%) variance. The Debtor may file with the Court modified or supplemental budgets from time to time and shall be authorized to use Cash Collateral in accordance with such modified or supplemental budgets without a hearing unless an objection is filed within fourteen (14) days after the such modified or supplemental budgets are filed. The Debtor's authority to use Cash Collateral shall continue otherwise ordered by this Court.

EXHIBIT 2

St. John's Forecast

	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>TOTAL</u>
Ordinary Income/Expense				
Income				
4000 · Income Rent	35,000.00	35,000.00	35,000.00	105,000.00
4090 · Income from fees	2,000.00	2,000.00	2,000.00	6,000.00
Total Income	<u>37,000.00</u>	<u>37,000.00</u>	<u>37,000.00</u>	<u>111,000.00</u>
Expense				
6010 · Advertising	0.00	0.00	0.00	0.00
6030 · Auto	750.00	750.00	750.00	2,250.00
6115 · Computer Services	200.00	200.00	200.00	600.00
6120 · Contracted Maintenance	250.00	250.00	250.00	750.00
6210 · Equipment	50.00	50.00	50.00	150.00
6220 · Fees	50.00	50.00	50.00	150.00
6300 · Insurance	750.00	750.00	750.00	2,250.00
6340 · Leased Employees	3,500.00	3,500.00	3,500.00	10,500.00
6350 · Management Fee	2,960.00	2,960.00	2,960.00	8,880.00
6390 · Office Supplies				0.00
6465 · Professional Services	5,000.00	5,000.00	5,000.00	15,000.00
6470 · Rubbish	500.00	500.00	500.00	1,500.00
6540 · Supplies - Maintenance	250.00	250.00	250.00	750.00
6570 · Taxes	1,964.03	1,964.03	1,964.03	5,892.09
6574 · Taxes-Specific	275.00	275.00	275.00	825.00
6630 · Telephone	100.00	100.00	100.00	300.00
6661 · Travel				0.00
6670 · Utilities	3,500.00	3,500.00	3,500.00	10,500.00
Total Expense	<u>20,099.03</u>	<u>20,099.03</u>	<u>20,099.03</u>	<u>60,297.09</u>
Net Ordinary Income	16,900.97	16,900.97	16,900.97	50,702.91
Other Income/Expense				
Other Expense				
8500 · Other Expense	0.00	0.00	0.00	0.00
8520 · Depreciation	0.00	0.00	0.00	0.00
8550 · Interest Expense	0.00	0.00	0.00	0.00
8552 · Interest-Park Capital Invest	0.00	0.00	0.00	0.00
9000 · Suspense	0.00	0.00	0.00	0.00
Total Other Expense	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Other Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Income	<u>16,900.97</u>	<u>16,900.97</u>	<u>16,900.97</u>	<u>50,702.91</u>