UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
Caption in Compliance with D.N.J. LBR 9004-1(b)

David N. Crapo, Esq.
GIBBONS P.C.
One Gateway Center
Newark, New Jersey 07102
Telephone: (973) 596-4500
Facsimile: (973) 596-4545
E-mail: dcrapo@gibbonslaw.com
Local Counsel for the Debtor

In re: **AMG INTERNATIONAL, INC.,** **Debtor.**	Chapter 11 Case No. 17-25816 (JKS)

DEBTOR'S MOTION FOR ENTRY OF ORDER AUTHORIZING AND/OR CONFIRMING DEBTOR'S ENTRY INTO INSURANCE PREMIUM FINANCE AGREEMENT WITH PREMIUM ASSIGNMENT CORPORATION

AMG INTERNATIONAL, INC. ("**Debtor**"), by and through its undersigned counsel, files this *Motion for Entry of Order Authorizing and/or Confirming Debtor's Entry Into Insurance Premium Finance Agreement With Premium Assignment Corporation* ("**Motion**"), and in support of this Motion, states as follows:

BRIEF STATEMENT OF RELIEF REQUESTED

The Debtor commenced this Chapter 11 proceeding on August 3, 2017. The Debtor's management liability package, inclusive of Directors & Officers Liability, Employment Practices Liability, Fiduciary Liability and Commercial Crimes coverages (the "**Management Liability Package**") was renewed on November 10, 2017. The Debtor has arranged for premium financing with Premium Assignment Corporation and seeks authorization to enter into the premium finance agreement, a form of which is attached hereto as **Exhibit "A".**

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion under 28 U.S.C. §§157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding as defined in 28 U.S.C. §157(b).

2. The statutory predicates in support of the relief requested are 11 U.S.C. §§ 105, 363 and 364(c)(2).

BACKGROUND

3. On August 3, 2017, the Debtor filed a voluntary petition under Chapter 11 of Title 11 of the United States Code. The Debtor remains in possession of its assets and is operating its business as a debtor-in-possession pursuant to the authority of 11 U.S.C. §§ 1107 and 1108.

A. Organization

4. The Debtor is a Delaware corporation.

5. The Debtor is wholly-owned by Award Investment and Development, Inc., a Delaware corporation.

B. Operations

6. The Debtor is engaged in the business of distributing trophies and related products. The Debtor acquires inventory from both domestic and international manufacturers. The Debtor sells product in the United States and overseas.

7. The Debtor employs approximately twenty-eight (28) individuals, including six (6) union employees in New Jersey.

8. The Debtor currently leases non-residential real property in New Jersey, California, and Texas. The Debtor's central warehouse is located in Parsippany, New Jersey.

Most of the Debtor's inventory is shipped to, and located in, the New Jersey warehouse location. The Debtor's second largest warehouse is located in California.

C. Financing

9. In order to finance operations, France Sport, S.A., a company incorporated under the laws of the Republic of France, loaned the amount of $2,860,000.00 to the Debtor. The loan was evidenced by a term note, a loan and security agreement, and a recorded UCC-1 financing statement (collectively, the "**Loan Documents**").

10. In accordance with the Loan Documents, France Sport, S.A. holds a first-priority lien against substantially all of the Debtor's assets, including, without limitation, inventory, goods, accounts, and cash and non-cash proceeds in order to secure a claim in the amount of at least $2,860,000.00.

EVENTS LEADING TO BANKRUPTCY

11. The Debtor was operating at a loss.

12. In 2017, the Debtor experienced a thirty percent (30%) reduction in sales. Approximately eighty percent (80%) of the total reduction represents the loss of a single customer.

13. Since acquiring an indirect majority interest in the Debtor, France Sport, S.A. hasd loaned monies to the Debtor in order to provide much needed working capital; however, France Sport, S.A. was no longer willing to provided funding to cover losses.

14. Additionally, one of the Debtor's landlords served the Debtor with a notice of default and potential termination of lease.

15. Consequently, the Debtor sought protection under Chapter 11, so as to afford the Debtor an opportunity to either restructure operations or pursue an orderly liquidation of the

Debtor's assets.

BACKGROUND

16. The Debtor, in the ordinary course of its business, carries various types of insurance coverages, including, without limitation, the Management Liability Package, which, again, includes Directors & Officers Liability, Employment Practices Liability, Fiduciary Liability and Commercial Crimes coverages.

17. The Management Liability Package was renewed on November 10, 2017.

18. The Debtor has arranged for premium financing with Premium Assignment Corporation and seeks authorization to enter into the premium finance agreement, a form of which is attached hereto as **Exhibit "A".**

19. A summary of the terms and conditions of the proposed premium finance agreement is as follows:

Total Annual Premiums:	$28,082.36
Down Payment:	$4,212.35
Amount Financed:	$23,870.01
Interest Rate:	8.01%
Monthly Payments:	$2,475.51
Number of Payments:	10
Finance Charge:	$885.09
Security Interest:	PAC is granted a security interest in any unearned premiums or other sums which may become due and payable under policies of insurance.
Power of Attorney:	Power of attorney is granted to PAC to cancel the financed policies for any payment default.

Default/Cancellation:	A default occurs for failure to pay any amount due. Remedies include a right to cancel the scheduled policies of insurance.

20. While the Debtor believes that entering into a premium finance agreement is most likely a transaction within the ordinary course of the Debtor's business, the Debtor files this Motion in an abundance of caution.

RELIEF REQUESTED

21. By this Motion, the Debtor seeks entry of an order authorizing and/or confirming the Debtor's authority to enter into a premium financing, in the form attached as Exhibit "A" (the "**PFA**")[1], with Premium Assignment Corporation ("**PAC**"). In this regard, the Debtor respectfully requests that the Court authorize and/or confirm the Debtor's authority to incur premium financing and to secure such financing by granting PAC a security interest in any unearned premiums and amounts which may become payable under the scheduled policies of insurance, i.e., the Management Liability Package.

22. The Debtor requests entry of an order granting this Motion in the form attached as **Exhibit "B"**, which includes a provision modifying the automatic stay to permit PAC to exercise remedies, including, without limitation, in the event of a default by the Debtor, a right to cancel the polices, subject, however, to providing not less than ten (10) days' prior written notice to counsel for the Debtor, France Sport, S.A., the Official Committee of Unsecured Creditors and the Office of the United States Trustee.

[1] The PFA includes a representation and warranty that the Debtor is not subject to any bankruptcy or insolvency proceeding, etc. The Debtor has confirmed that this representation and warranty shall be deemed waived upon entry of an order granting the relief requested herein.

APPLICABLE LEGAL STANDARDS

23. Section 364 of the Bankruptcy Code authorizes a debtor to obtain secured financing under certain circumstances. Provided that an agreement to obtain secured credit does not run afoul of the provisions of, and policies underlying, the Bankruptcy Code, courts grant a debtor considerable deference in acting in accordance with its reasonable business judgment in obtaining such credit. *See In re YL W. 87th Holdings I LLC,* 423 B.R. 421, 441 (Bankr. S.D.N.Y. 2010) ("Courts have generally deferred to a debtor's business judgment in granting section 364 financing").

24. Under section 364(c) of the Bankruptcy Code, if the Debtor is unable to obtain unsecured credit allowable under section 503(b)(1), the Court, after notice and hearing, may authorize the obtaining of credit secured by a lien on property of the estate that is not otherwise subject to a lien. *See* 11 U.S.C. § 364(c)(1).

FACTS AND ARGUMENTS IN SUPPORT OF RELIEF REQUESTED

25. Again, the Debtor maintains the types of coverages provided for under the Management Liability Package in the ordinary course of the Debtor's business.

26. The types of insurance at issue are assets of the bankruptcy estate. These coverages protect the estate and creditors against liability for any claims or damages that may arise. Therefore, the coverages are beneficial to the estate and creditors.

27. Entry into the PFA with PAC provides additional benefit to the estate as a result of spreading out the premiums over time as a opposed to a lump-sum payment.

28. PAC is willing to enter into the PFA predicated, in part, upon being granted a security interest provided thereunder. Thus, it is unlikely that the Debtor could obtain similar financing on an unsecured basis.

29. Finally, the Debtor submits that the terms and conditions of the PFA are customary under premium finance agreements.

30. Accordingly, the Debtor submits that the decision to enter into the PFA with PAC is a reasonable exercise of the Debtor's business judgment.

31. Finally, France Sport, S.A., the secured lender in this case, consents to the relief requested herein.

WHEREFORE, the Debtor respectfully requests that this Court enter an order, in the form attached as **Exhibit "B",** granting the instant Motion and authorizing and/or confirming the Debtor's authority to enter into the PFA with PAC, as well as approving the terms and conditions of the PFA and granting any other and further relief that the Court may deem just and proper.

Dated: December 7, 2017
Newark, New Jersey

GIBBONS P.C.

By: */s/ David N. Crapo*

David N. Crapo
One Gateway Center
Newark, NJ 07102-5310
Tel. 973-596-4500
Fax. 973-596-0545
E-mail: dcrapo@gibbonslaw.com

Local Counsel for the Debtor