

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:	:	CHAPTER 11
	:	
EARTH PRIDE ORGANICS, LLC	:	BANKRUPTCY NO. 17-13816(ELF)
	:	
Debtor	:	
	:	
In re:	:	CHAPTER 11
	:	
LANCASTER FINE FOODS, INC.	:	BANKRUPTCY NO. 17-13819(ELF)
	:	
Debtor	:	
	:	

**MOTION OF DEBTORS FOR AN ORDER PURSUANT TO 11 U.S.C. § 363(c)
AND FED.R.BANKR.P. 4001 AUTHORIZING DEBTORS TO USE CASH
COLLATERAL AND PROVIDE ADEQUATE PROTECTION**

Earth Pride Organics, LLC (the “E.P.O. Debtor”) and Lancaster Fine Foods, Inc. (the “L.F.F. Debtor”, and together with the E.P.O. Debtor, the “Debtors”), by and through their proposed counsel, Maschmeyer Karalis P.C., hereby move this Court, pursuant to § 363 of Title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) and Rule 4001(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for an Order Pursuant to 11 U.S.C. §363(c) and Fed.R.Bankr.P. 4001 Authorizing Debtors to Use Cash Collateral and Provide Adequate Protection, (the “Motion”) and in support thereof, avers as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of the Debtors’ Chapter 11 cases and this Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief requested herein are § 363 of the Bankruptcy Code and Rule 4001 of the Bankruptcy Rules.

BACKGROUND

2. On May 31, 2017 (the "Petition Date"), the Debtors filed voluntary petitions for relief pursuant to Chapter 11 of Title 11, United States Code (the "Bankruptcy Code"). Since the Petition Date, the Debtors have remained in possession of their assets and continued management of their businesses as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

3. The L.F.F. Debtor operates a facility located at 2320 Norman Road in Lancaster, Pennsylvania where it provides food co-packing, private label, and fulfillment services. The E.P.O. Debtor is the majority shareholder of the L.F.F. Debtor and consists of the L.F.F. Debtor's management team.

4. The instant bankruptcy filings are a result of a significant judgment rendered against the Debtors in favor of Dalmatia Import Group, Inc. for alleged breach of contract, trademark infringement, and other causes of action.

PRE-PETITION FINANCING

5. As of the Petition Date, the Debtors' secured debt consists of certain obligations owed to Change Capital Partners Fund I, LLC (the "Lender").

6. On or about October 24, 2016, the Debtors entered into a Merchant Receivables Purchase and Security Agreement with the Lender (the "Change Capital Merchant Agreement") in the original principal amount of \$1,000,000.

7. On or about December 2, 2016, the Debtors entered into a Merchant Receivables Purchase and Security Agreement with Midtown Capital Partners LLC (the "Midtown Merchant Agreement"), and together with the Change Capital Merchant Agreement, the "Merchant

Agreements”) in the original principal amount of \$400,000.00 which agreement was subsequently assigned by Midtown Capital Partners LLC to the Lender.

8. Pursuant to the terms of the Merchant Agreements, in order to secure the Debtors' obligations, the Debtors granted to the Lender, among other things, a security interest in any and all of the personal property of the Debtors of any nature whatsoever.

9. As of the Petition Date, the principal balance due under the Merchant Agreements is approximately \$1,200,000.

OTHER ALLEGED INTERESTS IN CASH COLLATERAL

10. Fox Rothschild LLP (“Fox”) has an interest in the Debtors' Cash Collateral.

11. On April 10, 2017, Fox recorded its UCC-1 Financial Statements in all of the assets of the Debtors to secure outstanding legal fees owed pursuant to its representation of the Debtors in the Dalmatia Import Group, Inc. matter.

12. As such, Fox has an interest in the Cash Collateral of the Debtors pursuant to Section 363 of the Bankruptcy Code.

13. Loeb Term Solutions, LLC, an equipment financier of the debtor, has an alleged interest in cash collateral that is disputed by the Debtor.

USE OF CASH COLLATERAL

14. The Debtors would like to reach a consensual agreement on the Debtors' use of cash collateral and adequate protection to be afforded to the Lender after the Petition Date. In the event no agreement has been reached by the hearing date, the Debtors are requesting that the Court authorize the use of cash collateral.

15. The Debtors, in the normal course of their businesses, incur obligations to suppliers for a variety of goods and services and its employees which are essential to the

continued existence of the Debtors as a going concern. Absent the immediate authority to use their cash, the Debtors do not have the funds with which to conduct business.

16. The Debtors require an immediate hearing to at minimum authorize the use of cash collateral for immediate expenditures and operating expenses. The Debtors are in the process of preparing a projection (the "Budget") of their expected revenue from operations and operating costs. The Budget will be submitted prior to the hearing on this Motion.

17. Moreover, the Debtors' next payroll comes due on June 9, 2017. An abrupt cessation of the Debtors' businesses would cause extreme hardship to the Debtors' customers, their creditors, and employees. Simply stated, in order to continue the operation of the Debtors' businesses, it is necessary for the Debtors to immediately be authorized to use their cash collateral.

18. It is also crucial that the Debtors' post-petition payroll obligations be paid as these obligations come due.

19. The Debtors must maintain their relationship with their employees so that the essential services they provide are uninterrupted. If the Debtors' present employees terminate their employment, the Debtors will be forced to hire new, untrained employees. As a result, clients will receive less than satisfactory service. The Debtors will suffer negative publicity and their relationship with their creditors could also be jeopardized.

RELIEF REQUESTED

20. The Debtors request that the Court authorize the Debtors to use (a) cash, (b) proceeds of the pre-petition collateral, and (c) such other funds that the Debtors obtain post-petition which may be subject to the Lender's pre-petition security interest.

21. The Debtors request authority to use cash collateral in the amount to be set forth in the Budget.

22. The use of cash collateral is necessary in order for the Debtors to be able to operate and pay their post-petition obligations as they come due.

23. Approval of the Debtors' request to use cash collateral is in the best interest of the Debtors, their estates and creditors.

24. In accordance with Bankruptcy Rule 4001, the Debtors request that the use of cash collateral first be preliminarily approved and then subsequently be finally approved at a subsequent hearing upon further notice to parties in interest.

25. In accordance with Bankruptcy Rule 4001, the Debtors request that the final hearing be scheduled so that at least fourteen (14) days-notice has been provided to parties in interest.

26. The entry of any Order authorizing the use cash collateral is without prejudice to the rights of the Debtors, their creditors, any trustee appointed herein, or other party in interest, to contest the validity, extent or priority of any rights granted pursuant to the Merchant Agreements or any security interest arising out of or related to the Merchant Agreements.

27. Neither the Debtors' use of cash collateral nor any payments that may be authorized by the Court to the Lender constitute a waiver by the Lender or the Debtors or any other party in interest of any right or claim each may now have or in the future have with respect to any issue relating to the validity, extent or priority of the Lender's security interests.

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WHEREFORE, the Debtors respectfully request that the Court (i) enter the Interim Order and (ii) grant such other and further relief as this Court may deem just and proper.

Respectfully submitted,

MASCHMEYER KARALIS P.C.

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Dated: June 2, 2017