

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

In re:	:	Chapter 11
SERVICE PAINTING, INC.,	:	Bankruptcy No. 18-16843(ELF)
Debtor-in-Possession.	:	

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

TO: THE HONORABLE ERIC L. FRANK,
UNITED STATES BANKRUPTCY JUDGE:

SERVICE PAINTING, INC. (the “Debtor”), as debtor-in-possession, by and through its undersigned proposed counsel, hereby moves 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 Authorizing the Debtor 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 Debtor’s Chapter 11 case and this Motion is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are § 363 of the Bankruptcy Code and Rule 4001.

BACKGROUND

2. On October 13, 2018 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. To date, no creditors’ committee has been appointed in this case by the Office of the United States Trustee. The Debtor is continuing in possession of its assets and is operating its business as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

3. A description of the Debtor’s business and the facts precipitating the filing of the Debtor’s Chapter 11 case are set forth in the Declaration of Nikitas C. Garavelas in Support of First Day Motions (the “Garavelas Declaration”). To the extent relevant to this Motion, the Garavela Declaration is incorporated herein by reference.

PRE-PETITION FINANCING FROM CITIZENS BANK OF PENNSYLVANIA

7. As of the Petition Date, the Debtor’s secured obligation due to Citizens Bank of Pennsylvania (“Citizens”) totals approximately \$475,597.05 and consists of the following:

a. Citizens Revolving Loan. On September 19, 2013, Citizens extended to Debtor a revolving loan with a maximum credit limit of \$475,000 (the “Citizens Revolving Loan”). To memorialize and evidence the Revolving Loan, on September 19, 2013, the Debtor executed and delivered to Citizens a revolving demand note (the “Citizens Note”).

b. On September 19, 2013, Citizens and the Debtor executed a loan and security agreement (the “Citizens Loan Agreement” and, together with the Citizens Note, the “Citizens Loan Documents”).

c. In or about March, 2018, the Debtor defaulted on its obligations pursuant to the Citizens Loan Documents and as a result, Citizens and the Debtor entered into

a loan modification agreement executed in or about April 2018 (the “Citizens Loan Modification Agreement”).

8. The Citizens Revolving Loan, Citizens Note, Citizens Loan Agreement, and Citizens Loan Modification Agreement (collectively, the “Citizens Credit Facility”) are secured by all assets of the Debtor, including the cash and non-cash proceeds thereof. See, UCC Financing Statement filed September 24, 2013 and Continuation Statement filed April 5, 2018 attached hereto and made a part hereof as Exhibit “A”.

9. As of the Petition Date, the Debtor is current with its obligations to Citizens pursuant to the Citizens Modification Agreement.

10. As adequate protection of Citizens’ interests, the Debtor proposes to remain current on its obligations to Citizens pursuant to the Citizens Modification Agreement during the pendency of this case by making monthly installment payments to Citizens in the amount of \$5,654.77.

11. The Debtor, in the normal course of its business, incurs obligations to suppliers for a variety of goods and services and to its employees, which are essential to the continued existence of the Debtor as a going concern.

12. The Debtor requires an immediate hearing to authorize the use of cash collateral for immediate expenditures and operating expenses. The Debtor is currently preparing a budget for its projected cash receipts and disbursements which will be submitted prior to the hearing on this Motion (the “Budget”).

13. Also, the Debtor’s next payroll comes due on October 18, 2018. An abrupt cessation of the Debtor’s business will cause extreme hardship to the Debtor’s customers, creditors and employees. Accordingly, it is necessary for the Debtor to obtain immediate authorization to use cash collateral.

14. It is also crucial that the Debtor's post-petition payroll obligations be paid as such obligations come due.

15. The Debtor must maintain its relationship with its employees so that the essential services they provide are uninterrupted. If the Debtor's present employees terminate their employment, the Debtor will be forced to hire and train new employees, thus negatively impacting the Debtor's business, the services provided to its customers.

RELIEF REQUESTED

16. The Debtor requests that the Court authorize the Debtor to use (a) cash, (b) proceeds of the pre-petition collateral, and (c) such other funds that the Debtor obtains post-petition which may be subject to Citizens' pre-petition security interest on an interim basis through January 11, 2019.

17. The Debtor requests authority to use cash collateral in the amount to be set forth in the Budget. The use of cash collateral is necessary in order for the Debtor to continue to operate and pay its post-petition obligations as they come due.

18. Approval of the Debtor's request to use cash collateral is in the best interest of the Debtor, its estate and creditors.

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

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

21. The entry of an order authorizing the use of cash collateral is without prejudice to the rights of the Debtor, its creditors, any trustee appointed herein, or other party in interest to

contest the validity, extent or priority of any rights granted pursuant to the Citizens Credit Facility or any security interest arising out of or related to the Citizens Credit Facility.

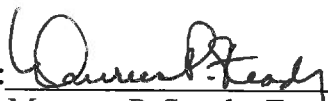
22. Neither the Debtor's use of cash collateral nor any payments that may be authorized by the Court to Citizens constitute a waiver by Citizens or the Debtor or any other party in interest of any right or claim each may now have or in the future have with respect to any issue relating to the validity,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

WHEREFORE, the Debtor respectfully requests that the Court (i) enter an order at the time of the hearing granting the relief requested herein and (ii) grant such other and further relief as this Court may deem just and proper.

Respectfully submitted,

Dated: October 14, 2018

KURTZMAN | STEADY, LLC

By:  _____

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