

**IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:**FABRIC FANATICS, INC.**27-1832718
624 Haggard Street, Suite 706
Plano, TX 75074**Debtor.****Case No.: 18-42287-BTR-11****Chapter: 11**

THIRD AGREED ORDER AUTHORIZING INTERIM USE OF CASH COLLATERAL

On this day came on for further consideration the *Debtor's Expedited Motion for Order Authorizing the Interim and Final Use of Cash Collateral* (the "**Motion**"). The Motion is made pursuant to 11 U.S.C. §§ 105, 361 and 363 and Federal Rules of Bankruptcy Procedure 4001 and 9014: (a) authorizing the Debtor to use the Cash Collateral (defined *infra*), if any, of **LiftFund** ("**Secured Lender**" or "**Lift**") and granting adequate protection thereto; and (b) prescribing the form and manner of notice and setting the time for the final hearing on this Motion (the "**Final Hearing**"). Upon review of the Motion, the Declaration of Lisa Anderson, the evidence and representations presented to this Court on November 27, 2018, at the third interim hearing on the Motion (the "**Third Interim Hearing**"), and the agreement of the parties as evidenced herein, the Court hereby makes the following findings of fact and conclusions of law:

1. Adequate and sufficient notice of the Motion and the Third Interim Hearing has been provided to all persons entitled thereto pursuant to Rules 2002 and 4001 of the Federal Rules of Bankruptcy Procedure.

2. This matter constitutes a "core proceeding" within the meaning of 28 U.S.C. § 157.

3. This Court has jurisdiction over the parties and the subject matter of this proceeding pursuant to 28 U.S.C. §§ 1334 and 157.

4. **Fabric Fanatics, Inc.**, Debtor and Debtor in possession in the above-styled and numbered case ("Debtor") commenced the case on **October 10, 2018** (the "Petition Date") by the filing of a petition for relief under chapter 11 of the Bankruptcy Code.

5. **Lift** asserts it is secured by liens on and security interests in substantially all Debtor's property (collectively, the "Prepetition Collateral") and the proceeds thereof (the "Cash Collateral").

6. On October 18, 2018, the Court entered an Agreed Order Authorizing Interim Use of Cash Collateral. In order for the Debtor to continue to operate, pursuant to the Budget (as defined immediately below), **Lift** is willing to permit continued use of Cash Collateral on a limited basis as described herein and subject to this Third Interim Order.

ACCORDINGLY, IT IS ORDERED THAT:

1. Debtor is permitted to use Cash Collateral, in accord with this Third Interim Order and the Budget attached hereto as Exhibit "A" (the "Budget"), provided, that Debtor may exceed any line item in the Budget by up to ten percent (10%). The Budget may be updated and modified through the date of the Final Hearing by: (a) consensual agreement of Debtor and the Secured Lender; or (b) by further order of this Court.

2. Debtor's right to use Cash Collateral under the Interim Order shall commence on the date of entry of this Third Interim Order and expire on the earlier of: (a) the entry of a subsequent interim cash collateral order; or (b) the entry of a Final Order.

3. As adequate protection of the **Lift's** interest, if any, in the Cash Collateral pursuant to sections 361 and 363(e) of the Bankruptcy Code the Court hereby grants **Lift** replacement liens on the Debtor's property to the same extent as existed prepetition (the "**Replacement Liens**"), whether such property was acquired before or after the Petition Date.

4. As additional adequate protection, the Debtor shall pay **Lift** a monthly payment of **\$870.00**, beginning on November 9, 2018, and continuing on the ninth day of each month thereafter until further order of this Court.

5. Such Replacement Liens are exclusive of any avoidance actions available to the Debtor's bankruptcy estate pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) and 724(a) of the Bankruptcy Code and the proceeds thereof.

6. Further, such Replacement Liens shall be equal to the aggregate diminution in value of the Prepetition Collateral, if any, that occurs from and after the Petition Date. The Replacement Liens shall be of the same priority, validity and enforceability as the liens of the Secured Lender on the Prepetition Collateral.

7. The Secured Lender shall not be required to file or serve financing statements, notices of liens or similar interests which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such Replacement Liens.

8. The Replacements Liens shall be subject and subordinate to: (a) professional fees and expenses of estate professionals in the amounts currently set forth in the Budget and any supplemental budget either consensually agreed to by the Secured Lender or further approved

by this Court; and (b) any and all fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and the Clerk of the Bankruptcy Court (collectively, the "**Carve Out**").

9. The Debtor shall maintain, insure and otherwise preserve and protect the Prepetition Collateral and the collateral upon which the Secured Lender is granted Replacement Liens (collectively, the "**Collateral**"), including, but not limited to, maintaining appropriate insurance on the Collateral, with the Secured Lender listed as loss payee under all such insurance policies.

10. This Third Interim Order is without prejudice to the rights of the Secured Lender or the Debtor as to any further order regarding the use of Cash Collateral as to the request for payment of any other expenses incurred during the period covered by this Third Interim Order.

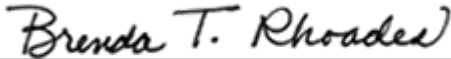
11. This Interim Order is without prejudice to the rights of any party-in-interest, including the Debtor, to contest the priority, validity and enforceability of the Secured Lender's liens and security interests in and to the Prepetition Collateral.

12. During the term of this Interim Order Debtor shall comply with the reporting requirements of **Lift** as set forth in the loan documents executed by the Debtor and **Lift** except to the extent modified herein.

13. The Final Hearing to consider the entry of a Final Order authorizing and approving the use of Cash Collateral is hereby scheduled for **December 18, 2018, at 9:30 a.m.**

14. This Third Interim Order is and shall be fully effective upon its entry.

Signed on 11/29/2018

 SR

HONORABLE BRENDA T. RHOADES,
UNITED STATES BANKRUPTCY JUDGE

ORDER SUBMITTED BY:

/s/ Robert T. DeMarco

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***Proposed Counsel for Debtor and Debtor
in Possession***

APPROVED AS TO FORM AND CONTENT

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Counsel for LiftFund

EXHIBIT "A"

Fabric Fanatics INC

Next 30 days

Ordinary Income/Expense

Income

Sales	20,000.00
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Total Income	<u>20,000.00</u>
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Cost of Goods Sold

COGS	5,000.00
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Freight and Shipping	0.00
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Merchant Account Fees	250.00
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Total COGS	<u>5,250.00</u>
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Gross Profit	<u>14,750.00</u>
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Expense

Amortization Expense	0.00
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Automobile Expense

Fuel	0.00
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Service	0.00
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Tolls	0.00
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Total Automobile Expense	<u>0.00</u>
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Bank Service Charges	0.00
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Contract Labor	0.00
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Depreciation Expense	0.00
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Dues and Subscriptions	0.00
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Equipment Rental	0.00
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Insurance Expense

General Liability	300.00
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Health Insurance	0.00
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Workman's Compensation	0.00
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Total Insurance Expense	<u>300.00</u>
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Interest Expense	0.00
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Licenses and Permits	0.00
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Meals and Entertainment	0.00
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Office Supplies	100.00
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Payroll Expenses	120.00
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Postage and Delivery	300.00
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Professional Fees

Accounting Fees	0.00
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Consulting	0.00
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Legal Fees	0.00
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Total Professional Fees	<u>0.00</u>
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Rent Expense	4,700.00
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Repairs and Maintenance	0.00
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Salaries/Wages	5,400.00
Taxes	1,000.00
Futa Tax	150.00
Medicare	0.00
Property Taxes	0.00
Sales Tax Paid	750.00
Social Security	0.00
Suta	125.00
Total Taxes	<u>2,025.00</u>
Telephone Expense	225.00
Travel	0.00
Utilities	300.00
LIFTFUND (Adequate Protection)	870.00
Total Expense	<u>14,340.00</u>
Net Ordinary Income	<u>410.00</u>
Net Income	<u><u>410.00</u></u>