

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

IN RE:	§	
	§	CASE NO. 18-10002-tmd
KRK CP, LLC	§	
d/b/a KIDS R KIDS CEDAR PARK	§	CHAPTER 11
	§	
DEBTOR	§	

DEBTOR'S MOTION TO USE CASH COLLATERAL

TO THE HONORABLE TONY M. DAVIS, U.S. BANKRUPTCY JUDGE:

Comes now KRK CP, LLC, the Debtor in Possession in the above entitled and numbered Chapter 11 proceeding (the "Debtor"), and files this motion seeking authority to use cash collateral to pay expenses of its business operations and this Chapter 11 case, and in support thereof would respectfully show the Court as follows.

SUMMARY OF RELIEF SOUGHT

1. By this Motion, the Debtor seeks to use the cash collateral of TransPecos Banks ("TransPecos"), which holds a deed of trust first lien and an assignment of leases and rents in certain commercial real estate, a preschool situated on approximately 5 acres located at 1301 N. Lakeline Blvd., Cedar Park, TX 78613 (the "Property") which is owned by Trimur Partners, Inc. ("Trimur"), the Debtor in Case No. 18-10001 pending before this court. The Debtor's interest in the Property is a leasehold interest. TransPecos holds an Assignment of Leases on the Property. Trimur has valued the Property at \$3,803,552.00 based upon the Williamson County, Texas Central Appraisal District's 2017 valuation of the school and the Debtor's real estate broker's opinion of value of the adjacent three acres. The Property secures Trans Pecos's first lien debt of approximately \$3.3 million. TransPecos also holds a security interest in certain personal property of the Debtor, including furniture, fixtures, equipment and accounts. The Debtor

specifically requests authority to use cash collateral in the amounts and for the purposes set forth in the budget attached as Exhibit A.

BACKGROUND

2. These Chapter 11 proceedings were commenced by a voluntary petition filed on January 1, 2018. At this time, the Debtor continues to operate its business and manage its affairs as a debtor in possession pursuant to §§ 1107 and 1108 of Bankruptcy Code. The Debtor has all of the rights, duties and powers of a trustee under § 1106 of Bankruptcy Code, except as limited by 11 U.S.C. § 1107(a).

3. The Debtor is a Texas limited liability company that leases the Property from its related entity, Trimur Partners, Inc. The Debtor operates a preschool on the Property known as “Kids R Kids Cedar Park” whose name the Debtor intends to change to “Compass Kids Academy” if the Court allows the Debtor to terminate its franchise agreement with Kids ‘R’ Kids International, Inc.

4. In the course of its business as the lessee of the Property and the operator of the school, the Debtor incurs expenses for goods and services on a periodic basis, pays for services such as salaries for teachers and other employees, food for students, electricity, gas, water, repairs and maintenance of the buildings, grounds and parking lot, insurance, vehicle operating expenses, and accrues property and other taxes. As the lessee of the Property, it also pays for hazard and commercial liability insurance on the Property and its personal property.

5. In addition, the Debtor has expenses of this case that it must pay—specifically, United States Trustee fees and its professionals’ fees. In particular, the Debtor has employed Frank B. Lyon as its attorney (a request for approval of that employment has been filed). The Debtor must also employ an accountant in the case.

6. It is critical to the operation of the Debtor's business, and to its reorganization efforts, that it be permitted to pay these expenses when due. The Debtor's primary source of income from which it might pay such expenses is the revenue from tuition of its students. The Debtor is depositing and will continue to deposit this income into its DIP operating account pending entry of an order (or TransPecos's consent) allowing use of Cash Collateral.

7. TransPecos claims an interest in the revenues derived from the operations on the Property on which it claims a lien.

8. Attached hereto as Exhibit A is a four-month combines budget of the Property, the school and the administrative expenses of the case. The amounts listed are reasonable and good faith estimations of what the Debtor needs to spend and/or accrue each month for the items identified.

9. Also attached hereto are the following exhibits:

Exhibit	Description
B	\$3.405 million SBA – TransPecos Promissory Note dated November 25, 2014
C	Deed of Trust dated November 25, 2014 covering the Property
D	Assignment of Leases and Rents
E	UCC-1 #14-0037987726

9. The Debtor requests authority to use Cash Collateral to pay the reasonable expenses of its business operations and as the lessee of the Property and the reasonable expenses of the administration of this case. Specifically, the Debtor requests authority to use the Cash Collateral of TransPecos to pay up to 110% of each of the expenses set forth on Exhibit A, so long as the total of Cash Collateral spent during the month does not exceed by more than 5% the

amount set forth on Exhibit A as that month's total.

WHEREFORE, PREMISES CONSIDERED, Debtor requests the Court to enter an order granting the Motion on an interim basis, and to set a final hearing within fourteen days thereafter and, after such notice and hearing, to enter a final order authorizing the Debtor to use the Cash Collateral of TransPecos Banks, according to the attached budget and the terms requested in this Motion, and granting such other and further relief to which it might show itself to be entitled.

Dated: January 5, 2018.

Respectfully submitted,

/s/ Frank B. Lyon

Frank B. Lyon, Texas SBN 12739800
TWO FAR WEST PLAZA, Suite 170
3508 Far West Boulevard
Austin, Texas 78731
512-345-8964 / Fax 512-647-0047
frank@franklyon.com
COUNSEL FOR THE DEBTOR IN POSSESSION

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing motion was served on January 5, 2018, on the persons named below, at the addresses indicated and by the means indicated and the attached matrix by US Mail.

/s/ Frank B. Lyon

United States Trustee

Debbie Bynum
By ECF and by email to:
Deborah.A.Bynum@usdoj.gov

Counsel for TransPecos

Kennedy Sutherland, LLP
William Sutherland
112 E. Pecan St., Suite #2810
San Antonio, TX 78205
email: dsutherland@kslawllp.com

James C. Joedecke, Jr.
Anderson, Tate & Carr, PC
1960 Satellite Blvd., Suite 4000

Duluth, GA 30097

jjoecke@atclawfirm.com and
fax 770-822-9680
Attorney for Kids R Kids
International

Counsel for TransPecos

Travis Colbrunn
Kohm & Associates
112 E. Pecan St., Suite 2810
San Antonio, TX 78205
Email: tcollbrunn@kalawpc.com

Counsel for TransPecos Banks

Waller Landen Dortch & Davis,
LLP
Attention: Morris D. Weiss
100 Congress Ave., Suite 1800
Austin, TX 78701
ECF Notification &
morris.weiss@wallerlaw.com