

**United States Bankruptcy Court  
Central District of California  
Santa Ana  
Ronald A Clifford III, Presiding  
Courtroom 5D Calendar**

**Friday, July 11, 2025**

**Hearing Room**

**5D**

9:00 AM

9: -

**Chapter 0**

**#0.00 Judge Clifford will take the bench in Courtroom 5D in the Santa Ana Division (at Ronald Reagan Federal Building and U.S. Courthouse, 411 West Fourth Street, Santa Ana, California 92701) for the hearings on calendar for today.**

Unless ordered otherwise, appearances for the matters on calendar today may be made in-person in Courtroom 5D in the Santa Ana Division or in-person in Courtroom 201 in Santa Barbara (Northern Division). Appearances made in-person in Santa Barbara will be videoconferenced via ZoomGov into the Santa Ana Courtroom and Judge Clifford will appear via ZoomGov in the Santa Barbara Courtroom. Appearances may also be made by video through ZoomGov, or by telephone through ZoomGov. If appearing through ZoomGov, parties in interest may connect to the video and audio feeds, free of charge, using the connection information provided below. Individuals may participate by ZoomGov video and audio using a personal computer (equipped with camera, microphone and speaker), or a handheld mobile device. Individuals may opt to participate by audio only using a telephone (standard telephone charges may apply).

All parties making an appearance via ZoomGov video and audio connection **must** have their video on. Proper court attire is required of all parties appearing via ZoomGov video. Any virtual backgrounds are to be of a solid color, without pictures, videos, or scenes. No party may appear by ZoomGov from any place other than a quiet room in an office or home. Parties may not appear via ZoomGov from a vehicle of any kind, moving or not.

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You may obtain the ZoomGov connection details by clicking the hyperlink below or copying and pasting the web address into your browser.

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required. The audio portion of each hearing will be recorded electronically by the Court and that recording will constitute its official record. Recording, retransmitting, photographing, or imaging Court proceedings by any means is strictly prohibited.

Docket 0

**Tentative Ruling:**

- NONE LISTED -

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**9:25-10762    Applied Powdercoat, LLC**

**Chapter 11**

**#1.00    Hearing re: [15] Motion to approve stipulation for entry of  
order authorizing use of cash collateral**

Docket      15

**Tentative Ruling:**

**July 11, 2025**

**Appearances required.**

**Background**

On June 6, 2025, Applied Powdercoat, LLC (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code. *See* Docket No. 1, *Voluntary Petition for Non-Individuals Filing for Bankruptcy*. The Debtor elected to proceed under Subchapter V. *See id.* at p. 2. John-Patrick M. Fritz (the "Trustee") was appointed as the Subchapter V trustee. *See* Docket No. 6, *Notice of Appointment of Subchapter V Trustee*. The Debtor has scheduled First Bank of the Lake (the "Creditor") as having an oversecured claim against the Debtor's bankruptcy estate. *See* Docket No. 12, *Schedule D: Creditors Who Have Claims Secured by Property*, p. 14.

On July 8, 2025, the Debtor filed that *Motion to Approve Stipulation for Entry of Order Authorizing Use of Cash Collateral* (the "Motion"). *See* Docket No. 15. Through the Motion, the Debtor pursues approval of that *Stipulation for Entry of Order Authorizing Use of Cash Collateral* (the "Stipulation"), entered into as between the Debtor and the Creditor, concerning the Debtor's use of the Creditor's purported cash collateral pursuant to 11 U.S.C. § 363(c)(2)(B). *See id.* at p. 2, lines 1-7. The Motion provides that the Stipulation authorizes the Debtor "to use \$100,000 of cash collateral for payroll and acquisition of inventory and may use any remaining authorized cash collateral, up to a total of \$100,000, for any other items set forth in the Budget." *See id.* at lines 12-14. The Creditor is to be granted a replacement lien for the cash collateral of the Creditor used by the Debtor, as well as a superpriority administrative expense claim. *See id.* at p. 3, lines 4-28.

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The Debtor "acknowledges" that it "has used \$90,000 in Cash Collateral without approval of [the Creditor] or the Court," which is a "material violation of the requirements of 11 U.S.C. section 363." *See id.* at p. 14, lines 24-27. If approved, the Debtor's use of cash collateral under the Stipulation, absent an event of default, terminates on July 24, 2025. *See id.* at p. 16, line 21.

Analysis

Pursuant to 11 U.S.C. § 1108, "[u]nless the court, on request of a party in interest and after notice and a hearing, orders otherwise, the trustee may operate the debtor's business." As set forth in 11 U.S.C. § 363(c)(1), "[i]f the business of the debtor is authorized to be operated under [11 U.S.C. § 1108] and unless the court orders otherwise, the trustee may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing." Bankruptcy Code Section 363(c)(2) provides that the "trustee may not use, sell, or lease cash collateral under paragraph (1) of this subsection unless (A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section." Pursuant to 11 U.S.C. § 363(e), "at any time, on request of an entity that has an interest in property used, sold, or leased, or proposed to be used, sold, or leased, by the trustee, the court, with or without a hearing, shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest."

"While the term 'adequate protection' is not defined in the Code, 11 U.S.C. § 361 sets forth three non-exclusive examples of what may constitute adequate protection: 1) periodic cash payments equivalent to decrease in value, 2) an additional or replacement lien on other property, or 3) other relief that provides the indubitable equivalent." *In re Mellor*, 734 F.2d 1396, 1400 (9th Cir. 1984).

In the instant matter, the Motion and Stipulation presents the Court with plus quaestionum quam solutionum. The terms delineated in the Motion and the Stipulation exhibit material incongruencies.

The Motion provides that "the Debtor is authorized to use \$100,000 of cash collateral..." *See* Docket No. 15, p. 2, lines 12-14. The Stipulation, though, offers

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that "[t]his Stipulation resolves solely the issue of the use of \$40,000 in Cash Collateral on an exigent basis..." *See id.* at p. 19, lines 4-7. If it is the footings of the Stipulation that the Court is to approve through the Motion, the Debtor may utilize \$40,000, and not up to \$100,000 of the Creditor's use of cash collateral.

The Court's confusion continued in studying the budget affixed as *Exhibit 1* to the Stipulation. The budget is dubbed a "MONTHLY OPERATING BUDGET." *See id.* at p. 22. The budget lends the Court the impression that the Debtor's total expenses, on a monthly basis, are \$152,055.13. If so, does the Debtor have an abrupt cash constraint? That is, the Debtor will nearly have, or currently has a need for \$152,055.13 in cash, but is to be allowed use of either \$40,000 or up to \$100,000, neither of which amounts suits the Debtor's operational cash requirements. Additionally, the Debtor has no less than two (2) forklifts and two (2) large trucks. *See* Docket No. 12, pp. 6-7. Do these vehicles require registration, fuel, maintenance, repairs, and/or other insurance? If so, are these costs built into the budget? The budget is an operating budget, which suggests it does not include reorganization items. How does the Debtor budget for payments on any allowed claims of professionals, including the Trustee?

To whom is payroll to be paid to, and is, or has the Debtor paid pre-petition payroll, post-petition?

The Stipulation sets forth as an event of default, "[t]he appointment of a trustee under the Bankruptcy Code." *See id.* at p. 15, lines 6-7. The Trustee, however, has been appointed.

Despite what the Debtor provides in its schedules, through the Motion the Debtor asserts that "[t]he value of all of the Debtor's assets [] is less than the claim of [the Creditor]." *See id.* at p. 4, lines 26-27. The Schedules were filed eighteen (18) days prior to the Motion. Such dissimilar, yet definitive statements about the Creditor's collateral base as of the petition date by the Debtor are concerning.

As an aside, the Debtor is a corporation. The Debtor's bankruptcy case is now more than thirty (30) days old. The Court finds no application to employ counsel. The Court notes that an insider, statutory or otherwise, provided some, or all of the retainer of Weintraub Zolkin Talerico & Selth LLP.

<b>Party Information</b>
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**CONT... Applied Powdercoat, LLC**

**Chapter 11**

**Debtor(s):**

Applied Powdercoat, LLC

Represented By  
Derrick Talerico

**Movant(s):**

Applied Powdercoat, LLC

Represented By  
Derrick Talerico  
Derrick Talerico

**Trustee(s):**

John-Patrick McGinnis Fritz (TR)

Pro Se