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Hypnotic Taxi seeks DIP financing

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Hypnotic Taxi LLC and its affiliates look to drive toward a bankruptcy exit with the aid of \$350,000 in debtor-in-possession financing.

Judge Carla E. Craig of the U.S. Bankruptcy Court for the Eastern District of New York in Brooklyn is set on Aug. 26 to consider authorizing use of the funds from Philadelphia Taxi Management LLC. The lender, like the debtors, is tied to Evgeny Freidman, New York's largest owner of taxi medallions.

According to the July 31 DIP motion, the loan would be free of interest and fees and would mature on July 22, 2016. Hypnotic Taxi and its 21 debtor affiliates would use the financing for business expenses and to pay allowed administrative claims and trustee fees.

Hypnotic Taxi noted prepetition lender Citibank NA has not consented to use of its cash collateral, leaving it with a need for alternative financing.

The debtors, which hold 46 taxi medallions--the licenses for operating official cabs in New York--filed for Chapter 11 on July 22. In an affidavit filed the same day, Freidman, who manages at least 850 taxis, blamed the filings on the companies' deteriorating relationship with Citibank and its relationship with Uber, a popular ride-hailing application.

According to court documents, the debtors owe Citibank \$32.09 million on 22 separate loans. An additional claim of \$1.64 million is disputed by the debtor. Citibank began working with Freidman's companies in 2011.

Citibank allegedly worked with his companies to create a unique cash management system to remedy problems his companies were having with fraudulent checks from third parties and to streamline operations.

Citibank, however, terminated the company's cash management accounts on May 23, 2014, after the debtors had trouble paying back outstanding loans, which Freidman attributed to bounced checks to other lenders.

The relationship was completely terminated by Citibank on Dec. 15. Later, Uber obtained a \$2 billion line of credit from Citibank, leading Freidman to allege the lender had dropped his companies in part to curry favor with the ride-hailing application. Citibank has denied the allegation.

A May 19 state court order allowed Citibank to seize the debtors' 46 medallions on June 9, but the Freidman parties appealed the ruling and won a stay on July 14.

The debtors want to restructure the Citibank loans so they eventually can pay the bank's allowed claims while in bankruptcy, according to court papers. Since filing, the debtors have signed nondisclosure agreements with two potential lenders and have meetings set with potential lenders, Freidman said in the first-day affidavit. The DIP motion did not update the status of the negotiations.

Hypnotic listed \$1.94 million in assets and \$2.83 million in liabilities in its schedules of assets and liabilities, filed Wednesday.

The debtors' five largest unsecured creditors are Citibank NA (owed \$1.5 million), the New York State Department of Taxation and Finance (\$41,530), Juan Abreu (\$6,586), Stanley Gavriel (\$5,067) and Vivian Simon (\$3,929).

Debtor counsel Maeghan McLoughlin and Fred Stevens of Klestadt Winters Jureller Southard Stevens LLP could not be reached for comment Wednesday.

Joshua Rizack of Rising Group Consulting Inc. is chief restructuring officer.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=13246864>

---- **Index References** ----

Company: CITIBANK NA; SHANGHAI RISING INVESTMENT MANAGEMENT LTD; UBER TECHNOLOGIES INC

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