

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION

IN RE:	Case No. 25-10356-PMB
AFH AIR PROS, LLC <i>et al.</i> ,	Chapter 11
Debtor.	Jointly Administered
AFH AIR PROS, LLC <i>et al.</i> ,	
Objectors,	
<i>v.</i>	Contested Matter
U.S. SMALL BUSINESS ADMINISTRATION,	
Claimant.	

**U.S. SMALL BUSINESS ADMINISTRATION'S RESPONSE
IN OPPOSITION TO DEBTORS' OBJECTION TO PROOF OF CLAIM OF
U.S. SMALL BUSINESS ADMINISTRATION (CLAIM 87 AND 89)**

The United States Small Business Administration, through the undersigned U.S. Attorney and Assistant U.S. Attorney ("SBA"), hereby responds in opposition to the *Debtors' Omnibus Objection to Claims of the U.S. Small Business Administration* ("Objection") of AFH Air Pros, LLC et al. ("Debtors"). For the following reasons, the Objection to SBA's Claim No. 87 and Claim No. 89 should be overruled and the SBA's Proof of Claim should be allowed.



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1. On March 16, 2025 (the “Petition Date”), the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (ECF No. 1).

2. Subsequently, the SBA filed seven proofs of claim. Pertinent to this Response, the SBA’s Claim No. 87 is a fully secured claim against Debtor Air Pros West LLC. The SBA’s Claim No. 89 is a fully secured claim against Debtor Air Pros LLC.

3. On July 3, 2025, Debtors filed their Objection to the SBA’s claims (ECF No. 520). In their Objection, Debtors assert SBA’s Claim No. 87 and Claim No. 89 should be reclassified as unsecured claims because the corresponding UCC-1 Financing Statements (the “UCC-1s”) have lapsed. Objection at ¶¶ 28, 31. However, as the Debtors themselves acknowledge, *see id.* at ¶ 28, the UCC-1s had not lapsed at the time of the Petition Date; rather, they lapsed post-petition in June 2025.

4. The filing of a debtor’s petition operates as a stay of, among other things, “any act to create, perfect, or enforce any lien against property of the estate.” 11 U.S.C. § 362(a)(4).

5. As courts have widely held, the so-called freeze rule “fixes the rights of the creditor . . . on the date the bankruptcy petition is filed.” *SEC v. Complete Business Sols. Grp., Inc.*, 2024 WL 5348580, at *11 (S.D. Fla. Dec. 16, 2024) (quoting

Toranto v. Dzikowski, 380 B.R. 96, 100 (S.D. Fla. 2007)).¹ “The ‘freeze rule’ dictates that security interests are determined as of the petition date.” *In re: Essex Constr., LLC*, 591 B.R. 630, 635 (Bankr. D. Md. 2018) (alteration omitted). “As a corollary of the automatic stay rule, the freeze rule holds that ‘a creditor’s security interest, perfected and valid at the commencement of a bankruptcy proceeding but due to expire during the pendency of the bankruptcy case, does not lapse where the creditor fails to file a post-petition continuation statement.’” *Complete Business Sols. Grp., Inc.*, 2024 WL 5348580, at *12 (quoting *In re: Wilkinson*, 2012 WL 1192780, at *5 (Bankr. N.D.N.Y. Apr. 10, 2012)).

6. Here, it is undisputed that the UCC-1s corresponding to SBA’s Claim No. 87 and Claim No. 89 had not lapsed on the Petition Date. *See* Objection at ¶ 28. Applying the freeze rule, SBA’s rights were fixed as of the Petition Date, and the lapsing of the UCC-1s after the Petition Date does not vitiate this fact. *See Complete Business Sols. Grp., Inc.*, 2024 WL 5348580, at *11–12. Accordingly, SBA’s Claim No. 87 and Claim No. 89 should not be reclassified as unsecured claims. *See In re: Colony Beach & Tennis Club, Inc.*, 508 B.R. 468, 480 (Bankr. M.D. Fla. 2014) (applying

¹ *But see In re: 800 Bourbon St., LLC*, 541 B.R. 616, 625 (Bankr. E.D. La. 2015) (“There is no language to support a finding that under the Bankruptcy Code a creditor’s rights are frozen on the petition date excusing it from maintaining its secured position during the administration of the case.”).

the freeze rule and holding the creditor's secured claim did not become unsecured upon the post-petition lapse of its financing statement).

7. For the foregoing reasons, the Objection should be overruled and SBA's Claim No. 87 and Claim No. 89 should remain secured claims.

Dated: September 18, 2025.

Respectfully submitted,

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UNITED STATES ATTORNEY

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CERTIFICATE OF SERVICE

This is to certify that I have on September 18, 2025 electronically filed the foregoing document using the Bankruptcy Court's Electronic Case Filing program, which sends a notice of this document and an accompanying link to this document to all parties who have appeared in this case under the Bankruptcy Court's Electronic Case Filing program.

Dated: September 18, 2025.

/s/ James E. Mitchell
James E. Mitchell
Assistant United States Attorney