

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA  
(PENSACOLA)**

In Re:

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DAVID HARLEY PALFI AND  
BRITTANY AMBER PALFI,

\*

Case No. 24-30978 -JCO  
Ch. 11, Sub V

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Debtors.

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**ORDER CONDITIONALLY DENYING MOTION FOR RELIEF FROM AUTOMATIC STAY**

This matter came before the Court on the Motion for Relief From Automatic Stay filed by Eglin Federal Credit Union (“Motion”) and the Debtors’ Objection thereto.<sup>1</sup> (Docs. 59, 82). Upon consideration of the pleadings, exhibits, record, and arguments of counsel, this Court finds that the Motion is due to be CONDITIONALLY DENIED for the reasons below.

**JURISDICTION**

This Court has jurisdiction to hear these matters pursuant to 28 U.S.C. §§1334 and 157, the Order of Reference by the District Court dated June 5, 2012, and General Order 2024-O entered by the Eleventh Circuit Judicial Council on August 8, 2024. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(G).

**FINDINGS OF FACT**

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<sup>1</sup> The Court denied the Debtors’ Motion to Strike based on the Creditor’s non-compliance with Local Rule 9013-1, as it opted to consider this matter on the merits in the interest of judicial economy although it cautioned Movant’s counsel to comply with the applicable Local Rules.

The relevant facts are largely undisputed. The Debtors, David Harley Palfi and Brittany Amber Palfi, filed this Chapter 11, Subchapter V on November 21, 2024.(Doc.1). Their bankruptcy schedules and Case Management Summary reflect that: (1) Mr. Palfi is employed by the USDA; (2) Mrs. Palfi is employed as a registered nurse; (3) they receive additional income from the operation of a real estate investment/rental business; and (4) they own three automobiles.<sup>2</sup> (Docs. 31, 40). The Debtors' Chapter 11 Plan<sup>3</sup> ("Plan") proposes to make payments to creditors from the Debtors' disposable income, including their salaries, wages, and business operations. (Doc.75).

Eglin Federal Credit Union ("Eglin") filed its Motion for Relief based on its perfected security interests in two of the Debtors' Vehicles, a 2021 Ford Bronco and a 2017 Toyota Rav4.(Doc. 59). The Motion alleges that: (1) the Debtors defaulted on their payment obligations and attempted to conceal the Vehicles; (2) Eglin is not adequately protected; (3) the Debtors do not have equity in the Vehicles; and (4) the use of the Bronco by the Debtors' 16- year-old daughter is not necessary for an effective reorganization. *Id.* at 7.

The Debtors dispute Eglin's valuation of the collateral, contest the allegation that they concealed the Vehicles, and propose adequate protection payments. The Debtors also contend that retention of the Bronco for their daughter's use is necessary for an effective reorganization. (Doc. 82). The Debtors' Declarations, given under penalty of perjury, state that: (1) their daughter's school bus route does not come near their residence; (2) Mr. Palfi is unable to take their daughter to school and activities due to his work schedule; (3) Mrs. Palfi is not able to take their daughter to school and activities because she works out of town three weeks a month as a travel nurse; and

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<sup>2</sup> A 2017 Rav 4, a 2019 Dodge Ram, and a 2021 Ford Bronco. (Doc. 31 at 5).

<sup>3</sup> The proposed Plan has not yet been confirmed. This Order is a limited ruling on Eglin's Motion for Relief and should not be considered dispositive with regard to any other matters or pending objections to confirmation.

(4) if they are unable to retain a vehicle for their daughter, there is a substantial likelihood that Mrs. Palfi will need to resign her travel nursing position to take care of her daughter, which would result in a significant loss of income. (*Id.* 11-21). Mrs. Palfi stated at the hearing that the Debtors have insurance on the Vehicles.

### ANALYSIS

Section 362 of the Bankruptcy Code provides a mechanism for a party with an interest in property of a bankruptcy estate to obtain relief from the automatic stay. *In re Powell*, 223 B.R. 225, 232 (Bankr. N.D. Ala. 1998). It provides in part,

On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as by terminating, annulling, modifying, or conditioning such stay--

(1) for cause, including the lack of adequate protection of an interest in property of such party in interest;

(2) with respect to a stay of an act against property under subsection (a) of this section, if--

(A) the debtor does not have an equity in such property; and

(B) such property is not necessary to an effective reorganization

11 U.S.C. § 362 (d).

The movant bears the burden of proof to show the debtor's lack of equity in the property and once it sustains that burden, the burden shifts to the debtor to prove that the property is necessary for an effective reorganization. *In re George*, 315 B.R. 624, 627 (Bankr. S.D. Ga. 2004)(citing 11 U.S.C. § 362(g); *United Sav. Ass'n v. Timbers of Inwood Forest Associates, Ltd.*, 484 U.S. 365, 375–376, 108 S.Ct. 626, 632–33, 98 L.Ed.2d 740 (1988)). Both elements must exist for relief to be granted.

Here, it is undisputed that the Palfis do not have equity in the Vehicles. However, they have met their burden of establishing that the Vehicles are necessary for an effective

reorganization. The Palfis' Declarations demonstrate that they need to retain three vehicles because: (1) they each need a vehicle for work; (2) their residence is not near a school bus route; and (3) their employment renders them unable to transport their sixteen-year-old daughter to and from her school and activities. (Doc. 82, 11-21). Thus, granting relief from stay as to the Bronco, would require the Debtors to make other arrangements for getting their minor child to and from school and activities daily which could cause Mrs. Palfi to resign her travel nurse position. As the Debtors' employment income is a component of their proposed Plan payments, any diminution thereof or increase in expenses, would have a negative effect on their ability to successfully reorganize. Therefore, given these specific facts and considering the totality of the circumstances, this Court finds that retention of a vehicle for transportation for the Debtors' dependent child is necessary for an effective reorganization.<sup>4</sup>

This Court further finds that cause does not exist to grant relief from the automatic stay at this juncture. In response to the Motion, the Debtors offered adequate protection payments and Mrs. Palfi stated that the Vehicles are insured. Any other disputes related to valuation, or proposed payment terms can be addressed at the upcoming confirmation hearing. Considering the pleadings, exhibits, and arguments of counsel, this Court finds that adequate protection payments of \$250.00 per month for the Bronco and \$250.00 per month for the Rav 4, together with the Debtors' maintenance of full coverage insurance on the Vehicles covering all drivers, is sufficient to protect Eglin's interests in the Collateral until confirmation.

Based on the above, it is hereby ORDERED, ADJUDGED, and DECREED that Eglin's Motion for Relief is CONDITIONALLY DENIED with the following proviso:

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<sup>4</sup> The Court notes that the facts of this case are distinguishable from the *In re Lewis* case cited by Eglin, as here the daughter is a minor dependent who lives with the Debtors.

1. The Debtors must make pre-confirmation Adequate Protection Payments directly to Eglin Federal Credit Union in the amount of \$250.00 per month on the 2021 Ford Bronco. The Adequate Protection Payment shall be made by the contractual due date commencing with the April 2025 payment.
2. The Debtors must make pre-confirmation Adequate Protection Payments directly to Eglin Federal Credit Union in the amount of \$250.00 per month on the 2017 Toyota Rav 4. The Adequate Protection Payment shall be made by the contractual due date commencing with the April 2025 payment.
3. The Debtors must maintain full coverage insurance on both Vehicles, covering all drivers and listing Eglin Federal Credit Union as lienholder. Proof of insurance shall be provided immediately upon request.
4. Should the Debtors fail to comply with the requirements in paragraphs 1-3 above, the Creditor may send a 20-day Notice of Default to the Debtors with a copy to Debtors' counsel specifying the default. If the Debtors fail to cure the default within 20 days of the Notice, the automatic stay will terminate without further hearing or order. In the event that the automatic stay is terminated, Creditor's counsel shall file a Notice of Termination in ECF.

Dated: March 25, 2025



JERRY C. OLDSHUE, JR.  
U.S. BANKRUPTCY JUDGE

SERVICE BY THE COURT PURSUANT TO APPLICABLE RULES