

UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
NEW HAVEN DIVISION

IN RE:) CHAPTER 11
ELECTRONIC SERVICE PRODUCTS)
CORPORATION)
DEBTOR) CASE NO. 17-30704 AMN
)
)
) JUNE 6, 2017

**MOTION FOR ORDER AUTHORIZING USE OF CASH COLLATERAL FOR
PAYMENT OF PREPETITION WAGES**

Comes Now, ELECTRONIC SERVICE PRODUCTS CORPORATION, Debtor and Debtor In Possession (the Debtor), by and through its undersigned attorney, and hereby moves, pursuant to 11 U.S.C. §§ 105(a) and 363(c) and Federal Rules of Bankruptcy Procedure Rule 4001, for an order authorizing use of cash collateral to pay prepetition wages, and as grounds therefore, represents as follows:

JURISDICTION

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§157 and 1334.
2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory grounds for the relief requested in this Motion are 11 U.S.C. §§ 105 and 363, and Rule 4001(d)(1) of the Federal Rules of Bankruptcy Procedure.

BACKGROUND

1. The Debtor filed its voluntary petition for relief pursuant to Chapter 11 of Title 11 of the United States Bankruptcy Code on May 12, 2017. The Debtor has continued in possession of its assets pursuant to Section 1108 of the Bankruptcy Code.
2. The Debtor is a Connecticut corporation that has been in operation since February, 1992.
3. The Debtor provides services to manufacturers' and manufactures parts for a variety of industries, primarily in the northeastern United States.
4. The Debtor's business has declined significantly over the past tens years due to a general decline in the manufacturing business sector.
5. Shortly before the onset of these difficulties the Debtor took on significant debt to develop a business area that is no longer viable.
6. Further exacerbating the Debtor's financial position was the cancelation of a contract with the United States Government worth 2.2 million dollars annually over three years. The government canceled the contract after one year as it declined to continue procuring the armaments covered under the contract. The debtor had borrowed significant funds to ramp up production for this contract and was then saddled with the debt from its investment while no longer receiving expected revenue.
7. The general decline in manufacturing businesses in the United States and in the northeast in particular has severely hampered the Debtor's business growth and revenue over the past several years.
8. The Debtor has downsized its operation, reducing overhead significantly, and has developed a stream of reliable income in its machine servicing and laser parts cutting business areas.

9. The Debtor will suffer immediate and irreparable harm if it is not authorized to use cash collateral to fund the expenses set forth below. Absent such authorization the Debtor will not be able to continue operating, causing harm to customers, employees, and creditors.

CASH COLLATERAL AND THE RELIEF SOUGHT BY THE DEBTOR

1. The Debtor's use of property of the estate is governed by section 363 of the bankruptcy code which provides, in part, under § 363(c)(1):

If the business of the debtor is authorized to be operated under section ... 1108 ... of this title and unless the court orders otherwise, the trustee [debtor in possession] 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.

2. Under section 1107(a) of the Code a debtor in possession has all the rights and powers of a trustee with respect to property of the estate, including the right to use property of the estate in compliance with Section 363 of the Bankruptcy Code, subject to any limitations set forth by the Court.
3. At the time of filing the case at bar the Debtor employed four individuals to operate the business, fulfill customer work/purchase orders, and generate revenue. Thees employees have been compensated on a weekly basis with wages being paid one week in arrears.
4. As such, the Debtor issued payroll checks to employees on the date of filing the chapter 11 case, May 12, 2017 and May 19, 2017.

5. The timing of the bankruptcy filing and filing of the Debtor's initial Motion for Order allowing the use of cash collateral caused the Debtor to issue payment of wages without proper Court authorization for the May 12, 2017 and May 19, 2017 pay periods.
6. The May 12 payroll period compensated employees for hours worked through May 6, 2017 and the May 19 pay period compensated employees for hours worked from May 7, 2017 through May 13, 2017.
7. The total or gross payroll for the two pay periods combined is approximately \$10,500.00.
8. This represents a typical weekly payroll of approximately \$5,250.00 based on the Debtor's current circumstances.¹
9. In order to maintain morale and to retain its current workforce, an outcome that the Debtor sees as essential in being able to continue to operate while in chapter 11, the Debtor seeks Court approval for payment of the above stated wages.
10. The Debtor seeks authority to honor these prepetition wage obligations as the employee base is essential to the future business needs of the Debtor.
11. Failure to honor the prepetition wage obligations of the Debtor will most likely lead an unstable and unreliable workforce as it would have an adverse impact on employee morale and cause employees to suffer personal hardship.
12. The Debtor will be unable to sustain business operations and effectuate a successful reorganization under chapter 11 without the support of its current workforce.

WHEREFORE, the Debtor respectfully requests that this Court enter an Order:

¹ The payroll amount represents compensation for four employees, while the debtor has been employing four or five employees over the past several months depending on work load. As the Debtor moves forward under chapter 11 it anticipates having the fifth employee return to work as work load dictates.

1. Granting this Motion;
2. Authorizing the Debtor's use of cash collateral for the pre-petition payroll obligations listed above, and;
3. Granting such other relief as the Court deems appropriate under the current circumstances.

Date: June 6, 2017 at Meriden, CT

Respectfully submitted

ELECTRONIC SERVICE PRODUCTS CORP
DEBTOR IN POSSESSION

By: /s/ William E. Carter

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
NEW HAVEN DIVISION

IN RE:) CHAPTER 11
ELECTRONIC SERVICE PRODUCTS)
CORPORATION)
DEBTOR) CASE NO. 17-30704 AMN
)
)
) JUNE 7, 2017

**PROPOSED ORDER AUTHORIZING USE OF CASH COLLATERAL FOR
PAYMENT OF PREPETITION WAGES**

THIS MATTER, having come before the Court, after consideration and a hearing on June 28, 2017, upon the Debtor’s MOTION FOR ORDER AUTHORIZING USE OF CASH COLLATERAL FOR PAYMENT OF PREPETITION WAGES (ECF No.) it is hereby

Ordered that:

1. The MOTION is granted;
2. The Debtor shall be entitled to use Cash Collateral in the amount of \$10,500.00 to meet prepetition payroll debt for the weeks off May 12, 2017 and May 19, 2017.

Dated: June , 2017

BY THE COURT

Ann M. Nevins

United States Bankruptcy Judge

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion For Order Authorizing Use Of Cash Collateral For Payment of Prepetition Wages and Proposed Order was furnished by electronic means via the court's electronic filing system or by first class mail on June 7, 2017 to the following parties listed below:

Office of the United States Trustee
Giaino Federal Building, Rm 302
150 Court Street
New Haven, CT 06510

Al Smith Rigging Company
26 Track Drive
Binghamton, NY 13904

Bank of America
100 North Tryon Street
Charlotte, NC 28255

Charles Molinari
43 Palmer Drive
Meriden, CT 06450

Control Solutions of N.E.
9C Old Windsor Road
Bloomfield, CT 06002-1390

Community Investment Corp (CTCIC)
2315 Whitney Avenue #2B
Hamden, CT 06518

JLO Real Estate
1180 North Colony Road
Wallingford, CT 06492

Laser Technology Associates
28 Charles Street
Tolland, CT 06084

Michele Fliss
289 Deerfield Drive
Berlin, CT 06037

PNL Asset Management LP
2100 Ross Avenue Ste 2900
Dallas, TX 75201

Rogin Nassau LLC
City Place I 22nd Fl
185 Asylum Street
Hartford, CT 06103

Shaun Kogut
144 Yale Ave
Meriden, CT 06451

Thomas Woronick
61 Lonsdale Ave
Meriden, CT 06450

TRUMPF Inc
111 Hyde Road
Farmington, CT 06032

Ueli Jucker
57 Maple Street
Ellington, CT 06029

US Attorney's Office
157 Church Street
New Haven, CT 06510

US Small Business Administration
280 Trumbull Street
Hartford, CT 06103

US Small Business Admin
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