

UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
NEW HAVEN DIVISION

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In re:	: CHAPTER 11
	: :
NEOPS HOLDINGS, LLC,	: CASE NO. 17-31017
NEW ENGLAND ORTHOTIC &	: CASE NO. 17-31018
PROSTHETIC SYSTEMS, LLC,	: :
NEW ENGLAND O&P NEW YORK, INC.,	: CASE NO. 17-31019
BERGMAN ORTHOTICS	: CASE NO. 17-31020
& PROSTHETIC, LLC,	: :
SPINAL ORTHOTIC SYSTEMS, LLC,	: CASE NO. 17-31021
AND CARLOW ORTHOPEDIC	: CASE NO. 17-31022
& PROSTHETIC, INC.	: :
	: Jointly Administered under
Debtors	: CASE NO. 17-31017
-----X	: Re: ECF No. 2

PRELIMINARY ORDER AUTHORIZING USE OF CASH COLLATERAL

THIS MATTER came before the Court pursuant to the Debtors’ Motion to Approve Orders Authorizing Use of Cash Collateral and Borrowing Pursuant to 11 U.S.C. §§ 105, 363(b)(1), 363(c), 364(c), and 364 (d) with Priority Over Administrative Expenses and Secured by Liens on Property of the Estate (the “Motion”), the Court having considered the Motion; and upon the records of the hearing on the Motion and having considered arguments of counsel present before the Court, and there being due and sufficient notice of the Hearing, it is found:

1. On July 11, 2017 (the “Petition Date”), New England Orthotic and Prosthetic Systems, LLC (“NEOPS”), New England O&P New York, Inc., Bergman Orthotics & Prosthetics, LLC, Spinal Orthotic Systems, LLC, and Carlow Orthopedic & Prosthetic, Inc. LLC, debtors-in-possession (collectively, the “Debtors”) filed a voluntary petition for the relief accorded by Chapter 11, Title 11, U.S.C. §§101, *et seq.* (the “Code”). In accordance with §§ 1107 and 1108 of the Code, the Debtors are authorized to continue in possession of their properties and to operate

and manage their business as debtors-in-possession. No trustee or examiner has been appointed in this case.

2. As of the Petition Date, the secured creditors allege Prepetition Senior Liens and Prepetition Junior Liens, as defined in the Motion, against all the Debtors' assets (the "Secured Creditors"), including the Debtors' Cash Collateral as such term is defined in § 363(a) of the Code ("Cash Collateral").

3. It is essential to the Debtors' businesses and operations that they obtain a Preliminary Order authorizing them to use Cash Collateral to pay business expenses necessary to avoid irreparable harm to the Estate, including wages, rent, utilities, taxes, and payments to vendors. Without the use of their Cash Collateral, the Debtors will suffer irreparable harm and be forced to terminate operations and abort any chance for successful reorganization.

4. The Court finds that it is in the best interest of the Estates, the Secured Creditors, and all other creditors and parties-in-interest; and it is necessary to avoid irreparable harm to the Debtors and their Estates, that the preliminary use by the Debtors of Cash Collateral on the terms and conditions set forth herein be approved, and the Court hereby

ORDERS THAT:

a. Pursuant to § 363(c)(2)(B) of the Code, the Debtors are hereby authorized to use Cash Collateral, including proceeds from the Debtors' accounts receivable, which Cash Collateral may be subject to the liens of the Secured Creditors. The Debtors may use Cash Collateral in accordance with the budget annexed hereto as Exhibit "A" (the "Budget") for the week of July 15, 2017, and up to and including Wednesday, July 19, 2017. The use of the Cash Collateral for the expenses identified in the Budget is necessary to prevent irreparable harm to the Estates.

b. In exchange for the preliminary use of Cash Collateral by the Debtors, and as adequate protection for Secured Creditors' interests therein, the Secured Creditors are hereby granted replacement and/or substitute liens as provided in § 361(2) of the Code in all post-petition assets and proceeds thereof, excluding any bankruptcy avoidance causes of action, and such replacement liens shall have the same validity, extent, and priority that the Secured Creditors possessed as to said liens on the Petition Date.

c. It is the purpose and intent of this Order to allow the Debtors to use Cash Collateral, which may constitute Cash Collateral of the Secured Creditors, and to provide the Secured Creditors with liens upon post-petition assets to the extent that any such Secured Creditors held valid liens as of the Petition Date, so that their interests therein will not be diminished during the pendency of these Chapter 11 cases. The secured position of the Secured Creditors that existed on the Petition Date may not improve by virtue of the granting of the replacement liens as set forth herein.

d. The period for use of Cash Collateral shall be from the Petition Date through and including Wednesday, July 19, 2017.

e. Notwithstanding any provision of this Order, nothing herein shall be deemed to be an adjudication or a declaration by the Court of any party's rights with respect to the existence, validity, enforceability, subordination, or priority of, or any causes of action relating to, the liens or security interests granted by the Debtors or possessed by the Secured Creditors prior to the Petition Date. This Order does not provide for cross collateralization. This Order is without prejudice to any party-in-interest challenging the extent, validity, or priority of liens of the Secured Creditors.

f. A hearing on the continued Motion shall be scheduled for July 17, 2017, at 10:00 a.m.

Dated on this 13th day of July, 2017, at New Haven, Connecticut.


Ann M. Nevins
United States Bankruptcy Judge
District of Connecticut

EXHIBIT A

NEOPS

THIRD AMENDED DIP BUDGET

Weekly Projected Cash Flow

Ch 11 CASH FLOW STATEMENT

11-Jul thru 5-Aug

The accompanying assumptions are an integral part of the cash flow projections.

WEEK ----->	1	2	3	4	Total	
WEEK ENDED----->	15-Jul	22-Jul	29-Jul	5-Aug		
Sales						Assumptions:
Sales before Adjustments	250,000	350,000	500,000	250,000	1,350,000	Forecast company sales
Net Adjustments - 5%	(15,359)	(21,399)	(42,637)	(15,273)	(94,668)	Estimated contractual adjustments
Bad debt reserve - 5%	(15,359)	(21,399)	(42,637)	(15,273)	(94,668)	Estimated Bad Debt
Healthfirst Sales	(3,000)	(3,000)	(3,000)	(3,000)	(12,000)	Estimated healthfirst sales
Total Sales	216,282	304,202	411,726	216,455	1,148,664	
Beginning Cash	292,088	7,088	298	298	292,088	Bank balance at 7/10/17 with credit for "early ACH credits" less outgoing wires prior to filing
Cash Receipts	165,000	250,000	250,000	275,000	940,000	Forecast collections (includes pre-petition sales); assumes 15% slow down over previous four weeks
Operating Disbursements						
Payroll & Taxes	265,000	10,000	265,000	10,000	550,000	includes wages, taxes and employees' 401K contributions
Health Insurance, Co Insurance	-	26,790	-	88,000	114,790	Corporate insurance payment plan, August employee benefits (group health insurance and employee purchased benefits for LTD and Life)
Inventory / Materials	175,000	175,000	135,000	135,000	620,000	33% of assumed monthly sales evenly spread over weeks, plus 1 week prepayment
Rent / Utilities	-	45,000	-	150,000	195,000	August rent & utilities plus 1.5 months utility deposit
T&E	25,000	10,000	5,000	15,000	55,000	NEOPS monthly T&E runs approximately \$40k
Refunds	-	-	-	10,000	10,000	Customer refunds cleared in July would be paid in early August, approximately \$10k/month
Other Disbursements	25,000	30,000	35,000	35,000	125,000	Other disbursements includes: temporary employees increasing over 4 weeks, cleaning, postage/shipping, marketing, accounting, billing.
Total Operating Disbursement	490,000	296,790	440,000	443,000	1,669,790	
Operating Cash Flow	(325,000)	(46,790)	(190,000)	(168,000)	(729,790)	
Other (Sources)/Uses						
Key Loan Interest	-	-	-	-	-	
Term Loan - KEY	-	-	-	-	-	
FNB Interest	-	-	-	-	-	
TERM Loan - FNB	-	-	-	-	-	
Epstein Interest	-	-	-	-	-	
Restructuring	-	-	-	-	-	Restructuring legal/professional expenses to be approved by court
Total Other (Sources)/Uses	-	-	-	-	-	
Net Cash Flow	(325,000)	(46,790)	(190,000)	(168,000)	(729,790)	
Draw Down	40,000	40,000	190,000	170,000	440,000	Forecast required drawdown of DIP loan - draws are in \$10,000 increments to prevent ending cash from being less than zero.
Ending Cash	7,088	298	298	2,298	2,298	
DIP Balance	1,200,000	40,000	80,000	270,000	440,000	Resulting DIP loan balance