

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
HARTFORD DIVISION**

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In re: : CHAPTER 11
: :
WINDSOR MARKETING GROUP, INC. : CASE NO. 18-20022
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**FIRST INTERIM ORDER AUTHORIZING USE OF CASH COLLATERAL,
GRANTING ADEQUATE PROTECTION AND AUTHORIZING BORROWING**

Upon the Motion for Interim and Final Orders Authorizing the Debtor to Use Cash Collateral, Granting Adequate Protection and Authorizing Borrowing, filed by Windsor Marketing Group, Inc. (“WMG” or “Debtor”) as debtor and debtor-in-possession, seeking, among other things, entry of this Interim Order authorizing the Debtor to use cash collateral in accordance with the budget annexed hereto as Exhibit A (the “Budget”) granting adequate protection and authorizing borrowing; and

The Debtor having requested in the Motion that (a) pending the Final Hearing (as defined herein) on the Motion, a hearing be scheduled on an expedited basis (the “Interim Hearing”) to consider entry of this Interim Order, (b) that a final hearing (the “Final Hearing”) be scheduled on the Motion to consider entry of a final order (the “Final Order”) authorizing and approving, on a final basis, the Debtor’s use of Cash Collateral and the Loan, and (c) notice procedures be established in respect of the Final Hearing; and

Notice of the Interim Hearing having been given to (a) the U.S. Trustee; (b) counsel to People’s United Bank (“Lender”); (c) the Other Lien Holders (as defined below) or their counsel; and (d) the twenty largest unsecured creditors of the Debtor (collectively, the “Notice Parties”); and it appearing from the record and after considering the Debtor’s immediate need for use of Cash

Collateral, no other or further notice need be given; and the Lender having consented to the Debtor's use of Cash Collateral in accordance with this Interim Order;

NOW, THEREFORE, upon the Motion and the record of the Interim Hearing held before the Court on January 11, 2018; and after due deliberation and good and sufficient cause appearing therefor, the Court hereby makes the following findings of fact and conclusions of law:

A. Filing. On January 8, 2018, (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, thereby commencing the above-captioned Chapter 11 case (the "Case"). Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the Debtor has thereafter remained in possession of its assets and operated as Debtor in possession. The Debtor filed the motion with the above-captioned Bankruptcy Court (the "Court") seeking expedited relief to permit Debtor to continue in operation as a going concern.

B. Jurisdiction. The Court's consideration of the Motion and this Interim Order is a core proceeding as defined in 28 U.S.C. § 157(b)(2)(A) and (M). The statutory predicates for the relief sought herein are Sections 361, 362 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 4001(b).

C. The Loans. Debtor and Lender are parties to the following prepetition loan and financing agreements:

a. The Operating Line. Pursuant to that certain "Loan and Security Agreement" dated as of December, 2013 as amended from time to time (the "Revolver"), Lender made available to Debtor a revolving line of credit, subject to all terms and conditions contained in the Revolver in the original principal amount of \$5,000,000 (collectively, the Loan and Security Agreement and all other documents executed in connection with the Revolver (the "Loan Documents").

b. The Prepetition Collateral. In order to secure the payment and performance of the

Revolver, the Debtor granted Lender a security interest in, a lien on and pledge and assignment of substantially all present and future personal property of the Debtor (the “Prepetition Collateral”)

c. Other obligations to Lender. Separate and distinct from the Revolver, Debtor and Lender entered into three other distinct loan agreements. Kevin Armata is the sole owner and president of the Debtor and guaranteed all obligation to Lender.

d. Prepetition Loan Obligations. As of the Petition Date, the Debtor’s books and records reflect that the Debtor was indebted and liable to the Lender approximately as follows: (a) under the Revolver: \$3,412,976.74; (b) under first capex loan: \$190,024.13; (c) under a term loan: \$642,857.28; and (d) under second capex loan \$126,944.62.

D. Necessity for and Limitations on Use of Cash Collateral. The Debtor has an immediate need to obtain authorization to use cash collateral. The availability to the Debtor of sufficient working capital, liquidity and other financial accommodations is vital to its ability to continue its operations so that they may pursue and effectuate a plan of reorganization. The Debtor requires use of its cash (which is generated primarily from operations), including all Cash Collateral, to carry on the operation of its business and to administer and preserve the value of its assets, including the Prepetition Collateral. The Debtor does not have sufficient available sources of working capital and financing to carry on the operation of its business without the use of the Cash Collateral.

E. The preservation and maintenance of the Debtor’s business and its assets is necessary to maximize returns for all creditors and effectuate a plan of reorganization with respect to its remaining assets. Absent the Debtor’s ability to use Cash Collateral in accordance with the terms hereof, the continued operation of its business would not be possible, and serious and irreparable harm to the Debtor, and its estates and creditors would occur.

F. The Lender is entitled, pursuant to sections 361, 362 and 363 of the Bankruptcy Code, to adequate protection of its interests in the Prepetition Collateral, including the Cash Collateral, for and to the extent of any diminution in value of the Prepetition Collateral, resulting from the use of the Cash Collateral, the use, sale or lease of the Prepetition Collateral (other than the Cash Collateral) and the imposition of the automatic stay.

H. Notice. The Motion, the proposed Interim Order and the order scheduling the Interim Hearing was served by the Debtor on the Notice Parties. The notice provided of the Motion and the Interim Hearing is sufficient and adequate notice and no further notice of the relief sought at the Interim Hearing is necessary or required.

I. Record. The record adequately demonstrates the need for the Court to have conducted the Interim Hearing on the notice provided because of the potential for immediate and irreparable harm to the Debtor, its assets, business and estate. Based on the record, pursuant to sections 105 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b), notice of the Interim Hearing was adequate as set forth herein and on the record.

Based upon the foregoing, IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. Pursuant to 11 U.S.C. § 363(c)(2)(B), the Debtor is hereby authorized during the period set forth in paragraph 4, to use Cash Collateral in the ordinary course of its business, to be disbursed for payment of the expenses as set forth on the Budget annexed hereto as Exhibit "A" and incorporated herein. The Debtor shall strictly comply with the Budget, including as to the timing and amount of disbursements, with the Debtor being permitted a variance of ten percent (10%) per line item with the prior written consent of Lender.

2. Pursuant to 11 U.S.C. §§ 361 and 363(e) and for purposes of 11 U.S.C. § 507(b), as adequate protection to Lender for the Debtor's use of Cash Collateral and for any diminution in the Collateral, Lender is hereby granted, nunc pro tunc to the Petition Date, the following ("Replacement Liens"):

a. A continuing post-petition lien and security interest in all pre-petition property of the Debtor as it existed on the Petition Date, of the same type against which Lender held validly perfected liens and security interests as of the Petition Date; and

b. A continuing post-petition lien in all property acquired by the Debtor after the Petition date. The Replacement Liens shall maintain the same priority, validity and enforceability as Lender's liens on the Prepetition Collateral and shall be recognized only to the extent of any diminution in the value of the Prepetition Collateral resulting from the use of Cash Collateral pursuant to this Order. The validity, enforceability, perfection and priority of the Replacement Liens shall not be subject to the equities of the case exception to § 552(b) of the Bankruptcy Code and shall not depend upon filing, recordation, or any other act required under applicable state or federal law, rule or regulation.

3. It is the purpose and intent of this Order to allow the Debtor to use its cash and other proceeds which constitute Cash Collateral of the Lender on a revolving basis and to provide the Lender with a lien upon the pre-petition and post-petition assets so that its interests therein will not be diminished during the pendency of these Chapter 11 proceedings. For the purposes of this Order, the terms "collateral diminution" or "diminution in value" or any similar terms shall mean an amount equal to the aggregate diminution of the value of the Collateral after the Petition Date.

4. The term for the use of Cash Collateral shall be for a period of fourteen (14) days commencing January 11, 2018 and continuing through January 25, 2018 (the “Cash Collateral Usage Period”).

5. The Debtor and its officers and agents are authorized and directed to execute, file, and record any security agreements, financing statements, instruments, or other documents as may be requested by the Lender to evidence and/or perfect the liens and/or security interests granted herein. The Lender is hereby authorized to file and/or record any such documents, and the automatic stay pursuant to § 362 of the Bankruptcy Code is hereby modified to allow it to file and record such documents as are necessary to evidence and perfect the replacement liens granted herein. During the pendency of this case, such additional documents and filings shall be at the option of the Lender, but are not necessary or required for the purposes of or protection granted by this Order.

6. Nothing herein shall prevent the Lender from seeking to terminate the use of Cash Collateral or otherwise to obtain relief from the automatic stay or to assert any other rights, claims, remedies, or defenses available to it.

7. The Debtor shall provide the Lender with the information required to be provided from the Debtor to the Lender under the Loan Documents. Without limiting the generality of the foregoing, During the term of this Interim Order, Debtor shall provide the Lender with: (i) a weekly report by Tuesday of the following week, showing comparison of Debtor’s actual collections and disbursements, as measured against Debtor’s projected collections and disbursements in the Budget, as measured on a weekly basis; (ii) a weekly accounts receivable aging and accounts payable aging; (iii) a weekly report showing all deposits, disbursements and other activity in the Deposit Accounts; and (iv) borrowing base certificates and all other

information required by the Loan Documents. The Debtor also shall cooperate with all reasonable audit and appraisal requests of the Lender and its representatives and agents.

8. The Debtor stipulates that Lender is entitled to all of the rights and benefits of § 552(b) of the Bankruptcy Code and the Debtor waives any right to argue or seek the “equities of the case” exception under § 552(b) of the Bankruptcy Code with respect to proceeds, product, offspring or profits of any of the Collateral provided such waiver is not binding on the Court or any subsequent appointed trustee in this Chapter 11 or any Chapter 7 case.

9. To the extent the Replacement Liens granted to Lender pursuant to this Order are insufficient to compensate Lender for any diminution in value of the Collateral, Lender shall be entitled to a super-priority administrative claim pursuant to 11 U.S.C. § 503(b) of the Bankruptcy Code, and Lender shall be entitled to the protections of and the priority set forth in 11 U.S.C. § 507(b).

10. Notwithstanding the expiration or termination of this Order, the terms and provisions of this Order with respect to the Replacement Liens, security interests, administrative claim and other adequate protection granted to Lender herein shall continue for the duration of this Chapter 11 Case, for the duration of this case under any other Chapter of the Bankruptcy Code to which it may be converted, and shall survive the dismissal of any such case. The replacement liens, security interests administrative claim and other adequate protection granted to Lender shall maintain the priorities established by this Order until satisfied and discharged and shall be binding upon and shall inure to the benefit of the successors and assigns of Lender, the Debtor and the Debtor’s bankruptcy estate, including any Chapter 11 or Chapter 7 Trustee appointed with respect to the Debtor.

11. The liens of the Lender and any replacement thereof pursuant to this Order, and any priority to which the Lender may be entitled or becomes entitled under § 507(b) of the Bankruptcy Code, shall be subject to and subordinate to amounts payable by the Debtor under § 1930(a)(6) of Title 28 of the United States Code.

12. Except to the extent inconsistent with the express terms hereof, nothing contained herein shall be construed as preventing or prejudicing the Lender or the Debtor from pursuing any rights and remedies provided by the Bankruptcy Code and any other applicable law.

13. The Debtor's right to use Cash Collateral shall terminate immediately and without the need for further orders of this Court upon the occurrence of any of the following:

a. An order of this Court shall be entered dismissing the Chapter 11 Case, converting the Chapter 11 Case to one under Chapter 7 of the Bankruptcy Code or appointing a Chapter 11 trustee in the Chapter 11 Case;

b. An order of this Court shall be entered granting relief from the automatic stay under section 362 of the Bankruptcy Code that would permit a party in interest other than the Lender to immediately exercise any rights or remedies or consummate a foreclosure or foreclosures upon any material portion of the Lender's collateral;

c. An order of this Court or any other court having jurisdiction to do so shall be entered amending, supplementing, staying, vacating, reversing, revoking, rescinding or otherwise modifying any material provision of this Interim Order without the express written consent of the Lender;

d. An order of this Court or any other court having jurisdiction to do so shall be entered that approves any claims for recovery of amounts under section 506(c) of the Bankruptcy Code or otherwise arising from the preservation or disposition of any Prepetition

Collateral or Postpetition Collateral, provided that payments and deposits made in accordance with the Budget shall not result in the occurrence of an Event of Default hereunder; and

e. The Debtor uses Cash Collateral for purposes outside the Budget.

14. Adequate Protection for Other Lien Holders. People's Capital Leasing Corp. and State of Connecticut Department of Economic and Community Development (together, the "Other Lien Holders") may assert interests in some portion of the Cash Collateral. To the extent that any of the Other Lien Holders hold an interest in the Cash Collateral, as adequate protection for the Debtor's use of Cash Collateral pursuant to this Interim Order, each such Other Lien Holder is hereby granted (a) a replacement lien on all of its Prepetition Collateral and its Postpetition Collateral and (b) a superpriority claim under Section 503(b); provided, however, that such replacement liens and superpriority claims shall be only for the amount of any diminution in value (if any) of such Other Lien Holder's interest (if any) in the Cash Collateral and that such replacement liens or superpriority claim shall be only to the same validity, priority and extent of any pre-petition interest in the Cash Collateral held by such Other Lien Holder. The Other Lien Holders shall not be required to file any financing statements, mortgages, notices of lien or similar instruments in any jurisdiction or filing office, or to take any other action in order to validate or perfect the replacement liens granted herein.

15. Notice of Second Interim or Final Hearing; Objections. On or before January 16, 2018, the Debtor shall transmit copies of a notice of the entry of the Interim Order, together with a copy of the proposed Second Interim and/or Final Order, to the parties having been given notice of the Interim Hearing, to any party which has filed prior to such date a request for notices with this Court and to counsel for any Committee. Any party in interest objecting to the further use of cash collateral on a final basis and the entry of the Second Interim or Final Order shall file written

objections with the Clerk of the United States Bankruptcy Court for the District of Connecticut no later than 4:00 p.m. (prevailing Eastern Time) on January **23**, 2018 and shall serve such objections so that the same are received on or before such date by: (a) Zeisler & Zeisler, P.C., 10 Middle Street, 15th Floor, Bridgeport, CT 06604 Attn: James Berman, Esq., counsel for the Debtor; (b) Scott Rosen, Esq., Cohn Birnbaum & Shea, PC, 100 Pearl Street, #12, Hartford, CT 06103, counsel for the Lender; and (c) the Office of the US Trustee.

16. A further hearing (“Hearing”), on the Debtor’s use of Cash Collateral shall be held on January 24, 2018, at 11:00 a.m. at the United States Bankruptcy Court, District of Connecticut, Hartford Division, 450 Main Street, Hartford, Connecticut to consider and determine any objections by other parties in interest to the Debtor’s use of Cash Collateral as requested in the Motion.

Dated at Hartford, Connecticut this 12th day of January, 2018.

James J. Tancredi
United States Bankruptcy Judge
District of Connecticut

EXHIBIT "A"
BUDGET

Windsor Marketing Group, Inc.
January 2018 Cash Flow

	12-Jan	19-Jan	26-Jan	2-Feb	Total	
Receipts						
Ahold	60,000	100,000	80,000	100,000	340,000	
Transworld	24,000	51,000	-	-	75,000	
Vitamin Shoppe	1,000	-	-	-	1,000	
Toys R Us DIP	37,000	77,000	4,000	290,000	408,000	
Other	150,000	145,000	110,000	75,000	480,000	
Total Receipts	<u>272,000</u>	<u>373,000</u>	<u>194,000</u>	<u>465,000</u>	<u>1,304,000</u>	
Disbursements						
Payroll	Actual					
Base Payroll	138,844	108,365	108,365	108,365	463,939	Payroll one week in arrears
Bindery Temps		6,000	9,800	9,800	25,600	
Overtime		4,000	11,042	4,000	19,042	
Payroll Taxes	10,622	9,346	10,613	9,346	39,927	
Payroll Related						
Anthem Health		78,000		78,000	156,000	Estimated Dec/Jan - no invoice
Anthem Dental	4,796			4,796	9,592	
Anthem Life	5,649			5,649	11,298	
Expense Reports	2,000	2,000	2,000	2,000	8,000	
Other Recurring Expenses						
Rent				70,000	70,000	
Interest				18,000	18,000	
Utilities	35,295				35,295	Shut off 1/09
Cell Phones			4,593		4,593	
Legal					-	
Consulting					-	
Materials						
Lindenmeyr	44,491	16,577	4,228	27,700	92,996	Sales thru 2/02
R&R Corrugated	8,594	33,583	4,461	9,335	55,973	Sales thru 1/26
NH Plastics		57,866		11,040	68,906	Sales thru 1/26
AGFA	2,961		3,199	12,000	18,160	Estimated
FFR		660			660	
Case		3,848			3,848	
Xeikon		1,859			1,859	
Fuji Ink		15,217		8,000	23,217	Estimated
Huber	801			1,500	2,301	
Inca	3,400				3,400	
INX					-	
Safety Kleen	3,000				3,000	
KBA	1,000				1,000	
K International			1,061	8,757	9,818	Sales thru 1/26
Armin				1,305	1,305	
CT Die			10,537		10,537	
CT Valley Bindery			2,500		2,500	
Cintas				2,000	2,000	
Grainger				150	150	
Shrink Packaging				10,000	10,000	
Wikoff				5,000	5,000	
DTS			1,050		1,050	
Freight	10,000	20,000	20,000	30,000	80,000	
Subtotal	<u>74,247</u>	<u>149,610</u>	<u>47,036</u>	<u>126,787</u>	<u>397,680</u>	
Total Disbursements	<u>271,453</u>	<u>357,321</u>	<u>193,449</u>	<u>436,743</u>	<u>1,258,966</u>	
Surplus/Deficit	<u>547</u>	<u>15,679</u>	<u>551</u>	<u>28,257</u>	<u>45,034</u>	