

1 GARY E. KLAUSNER (STATE BAR NO. 69077) and  
2 DANIELLE A. PHAM (STATE BAR NO. 269915), Members of  
3 **STUTMAN, TREISTER & GLATT**  
4 **PROFESSIONAL CORPORATION**  
5 1901 Avenue of the Stars, 12th Floor  
6 Los Angeles, CA 90067  
7 Telephone: (310) 228-5600  
8 Telecopy: (310) 228-5788  
9 Email: gklausner@stutman.com  
10 dpham@stutman.com

11 Reorganization Counsel  
12 for Debtors and Debtors in Possession

13 **UNITED STATES BANKRUPTCY COURT**  
14 **CENTRAL DISTRICT OF CALIFORNIA**  
15 **LOS ANGELES DIVISION**

16 In re ) Case No. 13-bk-27689-WB  
17 )  
18 COLOREP, INC., ) Chapter 11  
19 a California corporation, *et al.*, ) (Jointly Administered)  
20 )  
21 Debtors. ) **NOTICE OF MOTION AND MOTION FOR**  
22 ) **ORDER DISMISSING THE DEBTORS'**  
23 ) **CHAPTER 11 CASES PURSUANT TO**  
24 ) **BANKRUPTCY CODE SECTION 1112(b);**  
25 ) **MEMORANDUM OF POINTS AND**  
26 ) **AUTHORITIES IN SUPPORT THEREOF;**  
27 ) **DECLARATION OF GARY E. KLAUSNER**  
28 ) **IN SUPPORT THEREOF**

**Hearing Date**

Date: May 29, 2014  
Time: 10:00 a.m.  
Location: Courtroom 1375  
255 East Temple Street  
Los Angeles, CA 90012

1 **TO THE HONORABLE JULIA W. BRAND, UNITED STATES BANKRUPTCY JUDGE,**  
2 **THE OFFICE OF THE UNITED STATES TRUSTEE, ALL OF THE DEBTORS'**  
3 **CREDITORS, AND OTHER PARTIES ENTITLED TO NOTICE:**

4 **PLEASE TAKE NOTICE** that Colorep, Inc. and Transprint USA, Inc., the debtors  
5 and debtors in possession in the above-captioned bankruptcy cases (together, the "Debtors"), hereby  
6 move (the "Motion") the Court for an entry of an order providing for the dismissal of these Chapter  
7 11 cases pursuant to Bankruptcy Code section 1112(b) and Federal Rule of Bankruptcy Procedure  
8 ("Bankruptcy Rule") 1017, and requests that the Court retain limited jurisdiction after the dismissal  
9 of these cases on the following matters (collectively, the "Retained Jurisdiction Matters"):

10 (a) overseeing any administrative matter that may arise in connection with implementing the  
11 dismissal; and (b) entering ministerial orders as may be necessary to implement the dismissal. The  
12 Debtor also requests, out of an abundance of caution, that the Court enter an order, pursuant to  
13 Bankruptcy Code section 349(b), holding that the dismissal of these Chapter 11 cases will not alter  
14 the enforceability of certain orders previously entered in these cases.

15 **PLEASE TAKE FURTHER NOTICE** that the dismissal of the Debtors' Chapter 11  
16 cases is the most cost-effective way for the Debtors to emerge from these bankruptcy proceedings  
17 and will not negatively impair the rights of any creditors. The Debtors have sold substantially all  
18 their assets in a Court-approved sale and do not anticipate making any distribution to creditors.

19 **PLEASE TAKE FURTHER NOTICE** that the United States Bankruptcy Court for  
20 the Central District of California will hold a hearing on the Motion on May 29, 2014 at 10:00 a.m.  
21 (the "Dismissal Hearing"). The Dismissal Hearing will take place in the courtroom of the Honorable  
22 Bankruptcy Judge Julia W. Brand in Courtroom 1375, 255 East Temple Street, Los Angeles,  
23 California 90012.

24 **PLEASE TAKE FURTHER NOTICE** that the Motion is based upon the annexed  
25 Memorandum of Points and Authorities, the annexed Declaration of Gary E. Klausner (the  
26 "Klausner Declaration"), and the record in these cases, including all pleadings and documents filed  
27 by the Debtors, the arguments and representations of counsel, and any oral or documentary evidence  
28 presented at or prior to the time of the hearing on the Motion.

1                   **PLEASE TAKE FURTHER NOTICE** that Local Bankruptcy Rule 9013-1(f)  
2 requires that any objection or response to the Motion must be filed with the Court and served upon  
3 the undersigned counsel for the Debtors no later than fourteen (14) days before the scheduled  
4 hearing on the Motion. **Pursuant to Local Bankruptcy Rule 9013-1(h), the failure to timely file**  
5 **and serve a written opposition may be deemed by the Court to be consent to the granting of the**  
6 **relief requested in the Motion.**

7                   **WHEREFORE**, the Debtors respectfully request the Court enter an order:  
8 (1) authorizing and approving, pursuant to Bankruptcy Code section 1112(b) and Bankruptcy Rule  
9 1017, the Debtors' voluntary dismissal of their Chapter 11 cases; (2) holding that Bankruptcy Code  
10 section 349(b) does not affect the enforceability of certain orders entered in these Chapter 11 cases;  
11 (3) retaining jurisdiction with respect to the Retained Jurisdiction Matters; and (4) granting such  
12 other and further relief as the Court may deem just and proper under the circumstances.

13 Date: April 22, 2014

Respectfully submitted,

/s/ Danielle A. Pham

GARY E. KLAUSNER, and  
DANIELLE A. PHAM, Members of  
STUTMAN, TREISTER & GLATT  
PROFESSIONAL CORPORATION

Reorganization Counsel for Debtors and  
Debtors in Possession

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **INTRODUCTION**

4 The Debtors have used their time in chapter 11 to maximize value for stakeholders  
5 through an orderly marketing and sale of substantially all their assets.

6 After an intensive marketing process, Meserole and the Debtors' DIP Agent (as  
7 defined below) submitted a bid through AirDye Solutions, LLC (the "Buyer") to purchase  
8 substantially all of the assets of the Debtors. The Debtors, with the assistance of Stutman, Treister &  
9 Glatt ("ST&G"), engaged in weeks of negotiations with the Buyer regarding the terms and  
10 conditions of the proposed sale. Ultimately, the Debtors entered into an Asset Sale Agreement  
11 ("ASA") with the Buyer that conferred meaningful benefit on the Debtors' estates, including, but not  
12 limited to, commitments from the Buyer to: (i) hire seventy-seven (77) of the Debtors'  
13 approximately 100 employees; (ii) give the Debtors \$25,000 to satisfy UST quarterly fees; (iii)  
14 satisfy up to \$425,032 in unsecured priority employee wage claims; (iv) satisfy up to \$161,200 in  
15 unsecured priority employee claims for accrued but unpaid vacation, sick, or personal days; (v)  
16 assume responsibility for up to \$190,198 in prepetition priority tax claims; and (vi) pay an additional  
17 \$341,000, in the aggregate, to ST&G and Executive Sounding Board Associates, LLC ("ESBA") to  
18 compensate them for their time and expenses incurred during these cases, including to wind up these  
19 cases in an orderly fashion.

20 Having liquidated all of their assets and analyzed potential causes of actions held by  
21 the estates, the Debtors have determined that there are no assets to distribute to creditors. Dismissal  
22 is the most efficient and effective manner of preventing accrual of additional administrative expense  
23 which would result from the conversion of these case to Chapter 7. The Debtors do not believe that  
24 dismissal will prejudice the interests of any creditors or shareholders in light of the fact that the  
25 Debtors will not be obtaining a discharge of debts and there are no assets to be administered in this  
26 cases. As discussed below, no plan can be confirmed in these cases, and there are no assets to  
27 distribute so conversion would provide no benefit to creditors.

1 For these reasons and as detailed further below, ST&G respectfully requests that the  
2 Court authorize the Debtors to dismiss their cases.

3 **II.**

4 **STATEMENT OF FACTS**

5 **A. Petition Date and Jurisdiction.**

6 On July 10, 2013 (the "Petition Date"), the Debtors commenced the above-captioned  
7 chapter 11 cases. On July 18, 2013, the Court entered orders authorizing the joint administration of  
8 the Debtors' respective chapter 11 cases.

9 **B. General Background.**

10 Prior to the sale of substantially all of their assets (the "Sale"), the Debtors engaged in  
11 the business of industrial printing in the textile industry. The Debtors held, and had applied for, the  
12 patents for a process for dyeing and decorating fabric, which does not result in water pollution and  
13 significantly reduces energy use, costs and time from design to market.

14 Beginning in 2007, Colorep licensed this technology to manufacturers and resellers.  
15 At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned company, with  
16 headquarters and manufacturing facilities in Harrisonburg, Virginia. In addition to their production  
17 and manufacturing facility in Harrisonburg, Virginia, the Debtors maintained sales operations in  
18 Charlotte, North Carolina and New York, New York. Prior to the Sale, the Debtors also owned  
19 proprietary designs and trademarks.

20 The factual background relating to the commencement of the Debtors' chapter 11  
21 cases is set forth in detail in the *Declaration of Mark A. Fox in Support of Emergency First Day*  
22 *Motions* [Docket No. 13], filed on July 11, 2013.

23 **C. Postpetition Events.**

24 The Debtors and their professionals have spent significant time and expense  
25 managing these bankruptcy cases in a manner that would, and has, maximized the value for the  
26 Debtors' estates. This includes significant efforts by ST&G, in cooperation with ESBA, to finalize  
27 and obtain "first-day" relief necessary to ensure the uninterrupted operation of the Debtors'  
28 businesses, and to complete accurate schedules of the Debtors' numerous, complex assets and

1 liabilities. The majority of ST&G's time in these cases involved tasks related to finalizing and  
2 receiving approval of the DIP Financing, and in negotiating, managing, and ultimately obtaining  
3 Court approval of the Sale of substantially all of the Debtors' assets. The following is a brief  
4 summary of the significant events that took place during the Debtors' bankruptcy cases, which  
5 highlight the value ST&G's efforts have created for the Debtors' estates.

6 **1. Postpetition Financing.**

7 Before the Debtors filed for bankruptcy, it became clear that the Debtors could not  
8 continue to operate their business absent significant, additional capital infusions. However, the  
9 Debtors were unable to find a source of sufficient new capital on reasonable terms and conditions.  
10 Accordingly, the Debtors determined, in the sound exercise of their business judgment that the best  
11 course of action to maximize the value of their assets and the potential return to creditors was to file  
12 for chapter 11 and seek to sell the Debtors' assets through an efficient sale process. In order to  
13 complete such a process, the Debtors needed to secure funding to cover the Debtors' ongoing  
14 operational costs as well as the costs and expenses necessary to operate as a chapter 11 debtors in  
15 possession.

16 Prior to the Petition Date, the Debtors negotiated an agreement with Meserole to  
17 provide postpetition financing (the "DIP Financing") and to allow the Debtors' the use of their cash  
18 collateral through the anticipated closing of a sale of the Debtors' Assets. On July 11, 2013, the  
19 Debtors filed their *Emergency Motion Of Debtors And Debtors In Possession For Interim And Final*  
20 *Orders (1) Authorizing Post-Petition Financing; (2) Authorizing Use Of Cash Collateral; (3)*  
21 *Granting Priming Liens And Superpriority Claims; (4) Providing Adequate Protection; And (5)*  
22 *Granting Related Relief* [Docket No. 12], seeking interim approval of the proposed DIP Financing  
23 and use of cash collateral on an interim basis. On July 18, 2013, the Court entered its Interim DIP  
24 Order, approving the Debtors' use of DIP Financing and cash collateral on an interim basis.

25 Between entry of the Interim DIP Order and the hearing on final approval of the  
26 proposed DIP Financing, the Debtors, with the assistance ST&G, engaged in intense negotiations  
27 with Meserole regarding the budget that needed to be funded under the DIP Financing to provide the  
28 Debtors with the means to engage in a meaningful auction process for their assets. The Court also

1 required further briefing and evidence in connection with the proposed granting of a priming lien to  
2 the DIP Lenders and DIP Agent, as those terms are defined in the Final DIP Order, under  
3 Bankruptcy Code section 364(d). As a result of the Debtors' negotiations with Meserole, Meserole  
4 agreed to modify the proposed budget to provide sufficient DIP Financing for the Debtors to conduct  
5 a meaningful auction of their assets and to cover operating costs through closing of the Sale. On  
6 August 16, 2013, the Court entered its Final DIP Order.

7 **2. The Sale Of Substantially All Of The Debtors' Assets.**

8 As referenced above, when the Debtors filed for bankruptcy, their plan was to  
9 maximize value to their stakeholders through the marketing and sale of substantially all of their  
10 assets. Accordingly, shortly after the Petition Date, on July 24, 2013 the Debtors filed their *Motion*  
11 *for Order: (A) Approving Sale and Bid Procedures for the Sale of Substantially All the Assets of*  
12 *Debtors; (B) Scheduling an Auction and Hearing to Consider the Sale and Approve the Form and*  
13 *Manner of Notice Related Thereto; (C) Establishing Procedures Relating to the Assumption and*  
14 *Assignment of Certain Contracts; and (D) Granting Other Related Relief* [Docket No. 69] (the "Sale  
15 Motion"). The Court scheduled a hearing for August 6, 2013 to consider the bid and auction  
16 procedures set forth in the Sale Motion (the "Sale Procedures"). The Court initially denied the  
17 proposed Sale Procedures, but after modifications to the procedures to remedy the Court's concerns,  
18 the Court, at a hearing on August 8, 2013, approved the Debtors' Sale Procedures. The Court  
19 entered its order approving the Sale Procedures on August 12, 2013 [Docket No. 109] (the "Sale  
20 Procedures Order").

21 Under the Sale Procedures Order, the Court established a procedure whereby the  
22 Debtors were to market their assets to interested buyers, and if qualified buyers made "Qualified  
23 Bids" by September 18, 2013, the Debtors were to hold an auction for the sale of their assets the  
24 following day. The Debtors hired Hilco IP Services LLC d/b/a Hilco Streambank ("Hilco") as an  
25 investment banker to run the sale process and market the Debtors' assets. The Debtors, with the  
26 assistance of ESBA and ST&G, compiled relevant information regarding the identity and description  
27 of the Debtors' assets into a data room maintained by Hilco. Hilco conducted an extensive  
28

1 marketing process, but, ultimately, neither Hilco nor the Debtors received any Qualified Bids for the  
2 Debtors' assets.

3 The Debtors did, however, receive an offer from Meserole and the DIP Agent under  
4 the DIP Financing to purchase through an entity known as AirDye Solutions, LLC (the "Buyer")  
5 substantially all of the Debtors' assets by credit bidding, pursuant to Bankruptcy Code section  
6 363(k), their secured claims against the Debtors. The Debtors, with the assistance of ST&G,  
7 engaged in weeks of negotiations with the Buyer regarding the terms and conditions of the proposed  
8 sale. Ultimately, the Debtors and the Buyer entered into the ASA. The ASA provided meaningful  
9 benefit to the Debtors' estates, including, but not limited to, commitments from the Buyer to: (i) hire  
10 seventy-seven (77) of the Debtors' approximately 100 employees; (ii) give the Debtors \$25,000 to  
11 satisfy UST quarterly fees;<sup>1</sup> (iii) satisfy up to \$425,032 in unsecured priority employee wage claims;  
12 (iv) satisfy up to \$161,200 in unsecured priority employee claims for accrued but unpaid vacation,  
13 sick, or personal days; (v) assume up to \$190,198 in prepetition priority tax claims; and (vi) pay an  
14 additional \$341,000, in the aggregate, to ST&G and ESBA to compensate them for their time and  
15 expenses incurred during these cases, including to wind up these cases in an orderly fashion.

16 The Debtors received no objections to the proposed Sale, and on October 4, 2013, the  
17 Court entered its *Order: (A) Authorizing the Sale of Substantially all of the Debtors' Assets Free and*  
18 *Clear of Liens, Claims, Encumbrances, and Other Interests, Except as Provided in the Asset*  
19 *Purchase Agreement; (B) Authorizing and Approving Asset Purchase Agreement; (C) Approving the*  
20 *Assumption and Assignment of Certain of the Debtors' Executory Contracts and Unexpired Leases*  
21 *Related Thereto; and (D) Granting Related Relief* [Docket No. 219]. The Sale closed on October 7,  
22 2013.

### 23 3. The Debtors' Outstanding Claims.

24 As reflected in Debtors' recently filed monthly operating reports [Docket Nos. 289 &  
25 290], the Debtors have no assets to distribute. Furthermore, the Debtors have reviewed any potential  
26

---

27 <sup>1</sup> The \$25,000 provided to satisfy the Debtors' UST quarterly fees was transferred to ST&G, and is  
28 currently held in ST&G's client trust account. As of the date of this Application, \$29,908.33  
remains in ST&G's trust account to cover future UST quarterly fees.



1 causes of actions that the estates may hold, and have determined that prosecuting such claims will  
2 not provide any additional value to the estates. Furthermore, the Debtors will pay all outstanding US  
3 Trustee fees before the dismissal of these cases. The Debtor seeks to dismiss these Chapter 11 cases  
4 in order to avoid additional administrative expense, which would be required were the Debtors to  
5 proceed either with a chapter 11 plan or the conversion of this case to Chapter 7.

6 **III.**

7 **ARGUMENT**

8 **A. "Cause" Exists to Dismiss Chapter 11 Cases When Bankruptcy No Longer**  
9 **Benefits the Interests of the Debtor or Creditors.**

10 Bankruptcy Code section 1112(b) allows the Court, upon request of a party in  
11 interest, to dismiss a Chapter 11 case for "cause." 11 U.S.C. § 1112(b).<sup>2</sup> Although section 1112(b)  
12 enumerates various grounds for dismissal, the section's use of the term "includes" is not limiting.  
13 *See* 11 U.S.C. § 102(3) ("includes' and 'including' are not limiting"). Accordingly, courts have held  
14 that "cause" for purposes of section 1112(b) may include any reasonable grounds justifying  
15 dismissal, whether or not expressly stated in the Bankruptcy Code. *See In re Gonic Realty Trust*,  
16 909 F.2d 624, 626 (1st Cir. 1990).

17 A debtor's motion to dismiss its own Chapter 11 case should be granted "in all but  
18 extraordinary situations." *In re Geller*, 74 B.R. 685, 689 (Bankr. E.D. Pa. 1987). Indeed, courts  
19 have routinely granted debtors' motions to dismiss Chapter 11 cases where proceeding under Chapter  
20 11 no longer benefits the debtor or creditors. *See, e.g., In re Hospitality Assocs. of Tappan Zee Ltd.*  
21 *P'ship*, 102 B.R. 369, 372 (Bankr. S.D.N.Y. 1989) (where the debtor's primary secured creditor did  
22 not object to dismissal, the court held, "[w]hen there is no useful purpose in retaining jurisdiction  
23 over a chapter 11 case because the debtor does not wish to continue under the aegis of chapter 11....,

24 \_\_\_\_\_  
25 <sup>2</sup> Pursuant to Bankruptcy Code section 1109(b), a "party in interest" includes the Debtor. 11  
26 U.S.C. § 1109; *In re Prods. Int'l Co.*, 395 B.R. 101, 107 (Bankr. D. Ariz. 2008) ("[T]he Debtor  
27 does have standing to bring a motion to dismiss, since it is a 'party in interest.'"); 7 Collier on  
28 Bankruptcy ¶ 1112.04[1] (16th ed. 2013) (stating that a "trustee and the debtor" have standing to  
seek to dismiss a case as a "party in interest"); *In re Int'l Airport Inn P'ship.*, 517 F.2d 510, 512  
(9th Cir. 1975) (holding that, under the Bankruptcy Act, a debtor had the right to seek dismissal  
of its case); *see also* Fed. R. Bankr. P. 1017(a) (establishing procedures to dismiss case at  
debtor's request).

1 it follows that voluntary dismissal should be permitted pursuant to 11 U.S.C. § 1112(b)"); *see also*  
2 *In re Evans*, No. 01-21259, 2002 Bankr. LEXIS 1932 (Bankr. D. Idaho 2002) (granting debtor's  
3 motion to dismiss chapter 11 case where debtor lacked a reasonable likelihood of rehabilitation and  
4 secured claims threatened to "consume the estate"); *In re Mountain Highlands, LLC*, No. 11-06-  
5 10011, 2008 Bankr. LEXIS 3336 (Bankr. D. N.M. 2008) (granting debtor's motion to dismiss); *In re*  
6 *OptinRealBig.com, LLC*, 345 B.R. 277, 283 (Bankr. D. Col. 2006) (dismissing chapter 11 case and  
7 holding that, "[r]eorganization is a process that is costly and time consuming for the parties and for  
8 the Court. Where ... reorganizing under the protection of the Bankruptcy Court no longer serves the  
9 interests of a debtor or its creditors, then the Court believes that cause exists for dismissal ...."); *In*  
10 *re Midland Marina, Inc.*, 259 B.R. 683 (8th Cir. B.A.P. 2001) (affirming bankruptcy court's  
11 dismissal of case upon debtor's motion)).

12 Courts generally grant requests for voluntary dismissal unless to do so would result in  
13 some "plain legal prejudice" to creditors. *See, e.g., Gill v. Hall (In re Hall)*, 15 B.R. 913, 917  
14 (Bankr. 9th Cir. 1981) (citing *In re Int'l Airport Inn P'ship.*, 517 F.2d 510 (9th Cir. 1975) (decided  
15 under the Bankruptcy Act)); *In re Turboff*, 120 B.R. 849, 850 (Bankr. S.D. Tex. 1990). "Plain legal  
16 prejudice has been described as prejudice that is significant and real, not potential, when viewed in  
17 terms of the rights that the debtors and creditors have after dismissal." *Knipple v. Lopez (In re*  
18 *Lopez)*, No. 10-01187-FLW, 2010 U.S. Dist. LEXIS 127905, at \*12 n.5 (D.N.J. Dec. 2, 2010)  
19 (internal quotation marks omitted).

20 **B. The Debtors' Chapter 11 Bankruptcy Cases Should Be Dismissed.**

21 Cause exists to dismiss the Debtors' Chapter 11 cases. The Debtor's goal in filing  
22 Chapter 11 cases was to maximize value to their stakeholders through the marketing and sale of  
23 substantially all of their assets. The Sale to the Buyer closed on October 7, 2013. , The Debtors now  
24 have no operations and no assets to distribute.

25 The dismissal of this Chapter 11 case will save the Debtors the expense of either  
26 confirming a Chapter 11 liquidating plan or converting this case to Chapter 7, which will provide no  
27 added value to creditors. Further, no creditor will suffer any "legal prejudice" from the dismissal of  
28 this Chapter 11 cases as there are no assets to distribute and the Debtors will not be receiving a

1 discharge of any of their debts. Accordingly, dismissal is in the best interests of the Debtors' estates  
2 and creditors.

3 **C. Certain Orders in the Debtors' Chapter 11 Cases Should Remain Enforceable on**  
4 **Dismissal.**

5 Bankruptcy Code section 349(b) unwinds certain events or orders entered in a  
6 bankruptcy case upon entry of a dismissal order. Specifically, section 349(b) provides:

7 (b) Unless the court, for cause, orders otherwise, a dismissal of a  
8 case other than under section 742 of this title—

9 (1) reinstates—

10 (A) any proceeding or custodianship superseded under  
11 section 543 of this title;

12 (B) any transfer avoided under section 522, 544, 545,  
13 547, 548, 549, or 724(a) of this title, or preserved under section  
14 510(c)(2), 522(i)(2), or 551 of this title; and

15 (C) any lien voided under section 506(d) of this title;

16 (2) vacates any order, judgment, or transfer ordered, under  
17 section 522(i)(1), 542, 550, or 553 of this title; and

18 (3) reverts the property of the estate in the entity in which such  
19 property was vested immediately before the commencement of the  
20 case under this title.

21 The Debtors do not believe Bankruptcy section 349(b) has any application in this  
22 Chapter 11 case, as none of the orders or transactions affected by such section have been entered or  
23 were altered in the bankruptcy cases. However, out of an abundance of caution, the Debtors request  
24 the Court order that the following orders retain their legal effect after dismissal of these bankruptcy  
25 cases: (i) any order approving the fees and expenses of the Debtors' professionals under Bankruptcy  
26 Code sections 330 or 331; and (ii) the order approving the Sale.

27 **D. The Court Should Retain Limited Jurisdiction Over Matters Related to This**  
28 **Bankruptcy Cases.**

Although the Debtors are seeking to dismiss these Chapter 11 cases, the Debtor  
requests the Court retain jurisdiction over certain limited matters that it is uniquely situated to rule  
on should a dispute arise. Specifically, the Debtors request the Court retain jurisdiction over the  
following matters: (a) overseeing any administrative matter that may arise in connection with

1 implementing the requested dismissal; and (b) approving fees of any professionals whose fees are  
2 subject to court approval (c) resolving any disputes, claims or causes of action that may arise in  
3 connection with the APA and (d) entering orders as may be necessary to implement the requested  
4 dismissal (collectively, the "Retained Jurisdiction Matters").

5  
6 **IV.**

7 **CONCLUSION**

8 For the foregoing reasons, the Debtor respectfully requests the Court enter an order:  
9 (1) authorizing and approving, pursuant to Bankruptcy Code section 1112(b) and Bankruptcy Rule  
10 1017, the Debtors' voluntary dismissal of these Chapter 11 cases; (2) holding that Bankruptcy Code  
11 section 349(b) does not affect the enforceability of orders entered in these Chapter 11 cases;  
12 (3) retaining jurisdiction with respect to the Retained Jurisdiction Matters; and (4) granting such  
13 other and further relief as the Court may deem just and proper under the circumstances.

14  
15 Date: April 22, 2014

Respectfully submitted,

16 /s/ Danielle A. Pham

17 GARY E. KLAUSNER, and  
18 DANIELLE A. PHAM, Members of  
19 STUTMAN, TREISTER & GLATT  
20 PROFESSIONAL CORPORATION

21 Reorganization Counsel for Debtor and  
22 Debtor in Possession  
23  
24  
25  
26  
27  
28

**DECLARATION OF GARY E. KLAUSNER**

I, Gary E. Klausner, declare as follows:

1. I am over 18 years of age and if called upon I would and could competently testify as to the matters set forth herein from my own personal knowledge.

2. I am an attorney duly licensed and admitted to practice law before all state courts within the State of California, and the United States District Court for the Central District of California. I am a senior shareholder at the law firm of Stutman, Treister & Glatt Professional Corporation ("ST&G"). ST&G is the reorganization counsel for Colorep, Inc. and Transprint USA, Inc. (together, the "Debtors") in their chapter 11 cases.

3. I submit this Declaration in support of the *Motion for Order Dismissing the Debtor's Chapter 11 Case Pursuant to Bankruptcy Code Section 1112(b)* (the "Motion")<sup>3</sup> filed by the Debtors.

**A. Petition Date and Jurisdiction.**

4. On July 10, 2013 (the "Petition Date"), the Debtors commenced the above-captioned chapter 11 cases. On July 18, 2013, the Court entered orders authorizing the joint administration of the Debtors' respective chapter 11 cases.

**B. General Background.**

5. Prior to the sale of substantially all of their assets (the "Sale"), the Debtors engaged in the business of industrial printing in the textile industry. The Debtors held, and had applied for, the patents for a process for dyeing and decorating fabric, which does not result in water pollution and significantly reduces energy use, costs and time from design to market.

6. Beginning in 2007, Colorep licensed this technology to manufacturers and resellers. At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned company, with headquarters and manufacturing facilities in Harrisonburg, Virginia. In addition to their production and manufacturing facility in Harrisonburg, Virginia, the Debtors maintained sales

---

<sup>3</sup> Capitalized terms not otherwise defined herein shall have the meaning afforded to them in the Motion.

1 operations in Charlotte, North Carolina and New York, New York. Prior to the Sale, the Debtors  
2 also owned proprietary designs and trademarks.

3 7. The factual background relating to the commencement of the Debtors' chapter  
4 11 cases is set forth in detail in the *Declaration of Mark A. Fox in Support of Emergency First Day*  
5 *Motions* [Docket No. 13], filed on July 11, 2013.

6 **C. Postpetition Events.**

7 8. The Debtors and their professionals have spent significant time and expense  
8 managing these bankruptcy cases in a manner that would, and has, maximized the value for the  
9 Debtors' estates. This includes significant efforts by ST&G, in cooperation with ESBA, to finalize  
10 and obtain "first-day" relief necessary to ensure the uninterrupted operation of the Debtors'  
11 businesses, and to complete accurate schedules of the Debtors' numerous, complex assets and  
12 liabilities. The majority of ST&G's time in these cases involved tasks related to finalizing and  
13 receiving approval of the DIP Financing, and in negotiating, managing, and ultimately obtaining  
14 Court approval of the Sale of substantially all of the Debtors' assets. The following is a brief  
15 summary of the significant events that took place during the Debtors' bankruptcy cases, which  
16 highlight the value ST&G's efforts have created for the Debtors' estates.

17 **1. Postpetition Financing.**

18 9. Before the Debtors filed for bankruptcy, it became clear that the Debtors  
19 could not continue to operate their business absent significant, additional capital infusions.  
20 However, the Debtors were unable to find a source of sufficient new capital on reasonable terms and  
21 conditions. Accordingly, the Debtors determined, in the sound exercise of their business judgment  
22 that the best course of action to maximize the value of their assets and the potential return to  
23 creditors was to file for chapter 11 and seek to sell the Debtors' assets through an efficient sale  
24 process. In order to complete such a process, the Debtors needed to secure funding to cover the  
25 Debtors' ongoing operational costs as well as the costs and expenses necessary to operate as a  
26 chapter 11 debtors in possession.

27 10. Prior to the Petition Date, the Debtors negotiated an agreement with Meserole  
28 to provide postpetition financing (the "DIP Financing") and to allow the Debtors' the use of their

1 cash collateral through the anticipated closing of a sale of the Debtors' Assets. On July 11, 2013, the  
2 Debtors filed their *Emergency Motion Of Debtors And Debtors In Possession For Interim And Final*  
3 *Orders (1) Authorizing Post-Petition Financing; (2) Authorizing Use Of Cash Collateral; (3)*  
4 *Granting Priming Liens And Superpriority Claims; (4) Providing Adequate Protection; And (5)*  
5 *Granting Related Relief* [Docket No. 12], seeking interim approval of the proposed DIP Financing  
6 and use of cash collateral on an interim basis. On July 18, 2013, the Court entered its Interim DIP  
7 Order, approving the Debtors' use of DIP Financing and cash collateral on an interim basis.

8           11. Between entry of the Interim DIP Order and the hearing on final approval of  
9 the proposed DIP Financing, the Debtors, with the assistance ST&G, engaged in intense negotiations  
10 with Meserole regarding the budget that needed to be funded under the DIP Financing to provide the  
11 Debtors with the means to engage in a meaningful auction process for their assets. The Court also  
12 required further briefing and evidence in connection with the proposed granting of a priming lien to  
13 the DIP Lenders and DIP Agent, as those terms are defined in the Final DIP Order, under  
14 Bankruptcy Code section 364(d). As a result of the Debtors' negotiations with Meserole, Meserole  
15 agreed to modify the proposed budget to provide sufficient DIP Financing for the Debtors to conduct  
16 a meaningful auction of their assets and to cover operating costs through closing of the Sale. On  
17 August 16, 2013, the Court entered its Final DIP Order.

18           **2. The Sale Of Substantially All Of The Debtors' Assets.**

19           12. As referenced above, when the Debtors filed for bankruptcy, their plan was to  
20 maximize value to their stakeholders through the marketing and sale of substantially all of their  
21 assets. Accordingly, shortly after the Petition Date, on July 24, 2013 the Debtors filed their *Motion*  
22 *for Order: (A) Approving Sale and Bid Procedures for the Sale of Substantially All the Assets of*  
23 *Debtors; (B) Scheduling an Auction and Hearing to Consider the Sale and Approve the Form and*  
24 *Manner of Notice Related Thereto; (C) Establishing Procedures Relating to the Assumption and*  
25 *Assignment of Certain Contracts; and (D) Granting Other Related Relief* [Docket No. 69] (the "Sale  
26 Motion"). The Court scheduled a hearing for August 6, 2013 to consider the bid and auction  
27 procedures set forth in the Sale Motion (the "Sale Procedures"). The Court initially denied the  
28 proposed Sale Procedures, but after modifications to the procedures to remedy the Court's concerns,

1 the Court, at a hearing on August 8, 2013, approved the Debtors' Sale Procedures. The Court  
2 entered its order approving the Sale Procedures on August 12, 2013 [Docket No. 109] (the "Sale  
3 Procedures Order").

4 13. Under the Sale Procedures Order, the Court established a procedure whereby  
5 the Debtors were to market their assets to interested buyers, and if qualified buyers made "Qualified  
6 Bids" by September 18, 2013, the Debtors were to hold an auction for the sale of their assets the  
7 following day. The Debtors hired Hilco IP Services LLC d/b/a Hilco Streambank ("Hilco") as an  
8 investment banker to run the sale process and market the Debtors' assets. The Debtors, with the  
9 assistance of ESBA and ST&G, compiled relevant information regarding the identity and description  
10 of the Debtors' assets into a data room maintained by Hilco. Hilco conducted an extensive  
11 marketing process, but, ultimately, neither Hilco nor the Debtors received any Qualified Bids for the  
12 Debtors' assets.

13 14. The Debtors did, however, receive an offer from Meserole and the DIP Agent  
14 under the DIP Financing to purchase through an entity known as AirDye Solutions, LLC (the  
15 "Buyer") substantially all of the Debtors' assets by credit bidding, pursuant to Bankruptcy Code  
16 section 363(k), their secured claims against the Debtors. The Debtors, with the assistance of ST&G,  
17 engaged in weeks of negotiations with the Buyer regarding the terms and conditions of the proposed  
18 sale. Ultimately, the Debtors and the Buyer entered into the ASA. The ASA provided meaningful  
19 benefit to the Debtors' estates, including, but not limited to, commitments from the Buyer to: (i) hire  
20 seventy-seven (77) of the Debtors' approximately 100 employees; (ii) give the Debtors \$25,000 to  
21 satisfy UST quarterly fees;<sup>4</sup> (iii) satisfy up to \$425,032 in unsecured priority employee wage claims;  
22 (iv) satisfy up to \$161,200 in unsecured priority employee claims for accrued but unpaid vacation,  
23 sick, or personal days; (v) assume up to \$190,198 in prepetition priority tax claims; and (vi) pay an  
24 additional \$341,000, in the aggregate, to ST&G and ESBA to compensate them for their time and  
25 expenses incurred during these cases, including to wind up these cases in an orderly fashion.

26  
27 <sup>4</sup> The \$25,000 provided to satisfy the Debtors' UST quarterly fees was transferred to ST&G, and is  
28 currently held in ST&G's client trust account. As of the date of this Application, \$29,908.33  
remains in ST&G's trust account to cover future UST quarterly fees.



1 15. The Debtors received no objections to the proposed Sale, and on October 4,  
2 2013, the Court entered its *Order: (A) Authorizing the Sale of Substantially all of the Debtors' Assets*  
3 *Free and Clear of Liens, Claims, Encumbrances, and Other Interests, Except as Provided in the*  
4 *Asset Purchase Agreement; (B) Authorizing and Approving Asset Purchase Agreement; (C)*  
5 *Approving the Assumption and Assignment of Certain of the Debtors' Executory Contracts and*  
6 *Unexpired Leases Related Thereto; and (D) Granting Related Relief* [Docket No. 219]. The Sale  
7 closed on October 7, 2013.

8 **3. The Debtors' Outstanding Claims.**

9 16. As reflected in Debtors' recently filed monthly operating reports [Docket Nos.  
10 289 & 290, the Debtors have no assets to distribute. Furthermore, the Debtors have reviewed any  
11 potential causes of actions that the estates may hold, and have determined that prosecuting such  
12 claims will not provide any additional value to the estates. Furthermore, the Debtors will pay all  
13 outstanding US Trustee fees before the dismissal of these cases.

14 I declare under penalty of perjury that the foregoing is true and correct.

15 Executed this 18th day of April 2014, at Los Angeles, California

16  
17  
18   
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
GARY E. KLAUSNER

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 1901 Avenue of the Stars, 12<sup>th</sup> Floor, Los Angeles, California 90067. A true and correct copy of the foregoing document entitled: **NOTICE OF MOTION AND MOTION FOR ORDER DISMISSING THE DEBTORS' CHAPTER 11 CASES PURSUANT TO BANKRUPTCY CODE SECTION 1112(b); MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF GARY E. KLAUSNER IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On April 22, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**:

On \_\_\_\_\_, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served)**: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (date) April 22, 2014, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Via Federal Express  
Honorable Julie W. Brand  
U.S. Bankruptcy Court  
255 E. Temple Street  
Suite 1382 / Courtroom 1375  
Los Angeles, CA 90012

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

April 22, 2014 Therese A. Barron  
Date Printed Name

/s/ Therese A. Barron  
Signature

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):**

Melanie Scott Green on behalf of U.S. Trustee United States Trustee (LA)  
Melanie.green@usdoj.gov

Patrick B Howell on behalf of Creditor Sensient Imaging Technologies S.A., Sensient Technologies Corporation  
phowell@whdlaw.com, dprim@whdlaw.com;tmichalak@whdlaw.com

David W. Meadows on behalf of Creditor Columbia Gas of Virginia, Inc.  
david@davidwmeadowslaw.com

David W. Meadows on behalf of Creditor Virginia Electric And Power Co  
david@davidwmeadowslaw.com

Stephan W Milo on behalf of Interested Party Courtesy NEF  
smilo@wawlaw.com, psilling@wawlaw.com

Margreta M Morgulas on behalf of Debtor Colorep, Inc.  
mmorgulas@stutman.com

Margreta M Morgulas on behalf of Debtor Transprint USA, Inc.  
mmorgulas@stutman.com

Michael S Neumeister on behalf of Debtor Colorep, Inc.  
mneumeister@stutman.com

Michael S Neumeister on behalf of Debtor In Possession Transprint USA, Inc.  
mneumeister@stutman.com

Penelope Parmes on behalf of Interested Party Anthem Health Plans of Virginia, Inc.  
penelope.parmes@troutmansanders.com

Frank T Pepler on behalf of Creditor Fuller Smith Capital Management LLC  
frank.pepler@dlapiper.com, carolyn.ernser@dlapiper.com

Frank T Pepler on behalf of Creditor Meserole, LLC  
frank.pepler@dlapiper.com, carolyn.ernser@dlapiper.com

Frank T Pepler on behalf of Creditor Saviva FS 1 LP  
frank.pepler@dlapiper.com, carolyn.ernser@dlapiper.com

Danielle A Pham on behalf of Debtor Colorep, Inc.  
dpham@stutman.com, daniellepham@gmail.com

Danielle A Pham on behalf of Debtor Transprint USA, Inc.  
dpham@stutman.com, daniellepham@gmail.com

Danielle A Pham on behalf of Debtor In Possession Transprint USA, Inc.  
dpham@stutman.com, daniellepham@gmail.com

Jeffrey M. Reisner on behalf of Interested Party Courtesy NEF  
jreisner@irell.com

Christopher O Rivas on behalf of Creditor Columbia Gas of Virginia, Inc.  
crivas@reedsmith.com

Nicola G Suglia, Esq on behalf of Creditor Canon Financial Services, Inc. c/o Fleischer, Fleischer & Suglia  
nsuglia@fleischerlaw.com

United States Trustee (LA)  
ustpreion16.la.ecf@usdoj.gov