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

14 In re:) Case No. 13-bk-27689-WB
15)
16 COLOREP, INC.,) Chapter 11
17 a California corporation,) Case No. 13-bk-27698-WB
18)
19 Debtor.) Chapter 11

Tax I.D. No. 94-3055023

***EX PARTE* MOTION FOR ORDER
AUTHORIZING JOINT
ADMINISTRATION OF RELATED
CHAPTER 11 CASES**

20 In re:)
21)
22 TRANSPRINT USA, INC.,)
23 a Virginia corporation,)

Hearing Date

24 Debtor.)

Date: July 15, 2013
Time: 2:00 p.m.
Location: Courtroom 1375
255 East Temple Street
Los Angeles, CA 90012

26 Tax I.D. No. 94-3055026
27
28

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1 **TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE**
2 **UNITED STATES TRUSTEE, THE DEBTORS' TWENTY LARGEST UNSECURED**
3 **CREDITORS, THE DEBTORS' SECURED LENDER, OTHER CREDITORS ASSERTING**
4 **A SECURITY INTEREST IN OR LIEN UPON THE DEBTORS' ASSETS, AND OTHER**
5 **PARTIES IN INTEREST:**

6 Colorep, Inc. ("**Colorep**") and Transprint USA, Inc. ("**Transprint**"), the debtors and
7 debtors in possession in the above-captioned cases (together, the "**Debtors**"), hereby move (the
8 "**Motion**"), pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy**
9 **Rules**") and Rule 1015-1(b) of the Local Bankruptcy Rules ("**Local Rules**"), for entry of an order, in
10 the form annexed hereto as Exhibit "1," granting the joint administration of their chapter 11 cases.
11 The Debtors propose that all pleadings relating to these cases be filed and maintained by the Court
12 clerk under a single pleading docket in the chapter 11 case for the Debtors, using the joint caption
13 page in the form attached hereto as Exhibit "2". The Debtors further request that, pursuant to Rule
14 1015-1(b)(1) of the Local Rules, the Court grant this *ex parte* relief without a hearing. See Local
15 Rule 1015-1(b)(1).

16 This Motion is based on the Memorandum of Points and Authorities below, the
17 evidence contained in the "Declaration Of Mark A. Fox In Support Of First Day Motions" filed
18 concurrently herewith, and the record in these cases.

19 **WHEREFORE**, the Debtors respectfully request that the Court enter an order,
20 substantially in the form of the proposed order attached hereto as Exhibit "1", pursuant to
21 Bankruptcy Rule 1015(b) and Local Rules 1015-1(b) authorizing the joint administration of their
22 cases. The Debtors further request that such order direct that all pleadings relating to any of the
23 Debtors' cases: (i) bear a joint caption, substantially in the form of Exhibit "2" attached hereto, (ii) be
24 maintained by the court clerk under a single pleading docket in the Colorep chapter 11 case no. 13-
25 bk-27689, and (iii) provide such other and further relief as this Court deems just and necessary.

26 Dated: July 11, 2013

/s/ Margreta M. Morgulas

GARY E. KLAUSNER,
MARGRETA M. MORGULAS, and
KIZZY L. JARASHOW
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
[Proposed] Reorganization Counsel
for Debtors and Debtors in Possession

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **STATEMENT OF FACTS**

4

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

6 On July 10, 2013 (the "Petition Date"), Colorep, Inc. ("**Colorep**") and Transprint
7 USA, Inc. ("**Transprint**"), the debtors and debtors in possession in the above-captioned chapter 11
8 cases (together, the "**Debtors**"), commenced these cases by filing voluntary petitions under chapter
9 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Pursuant to Bankruptcy Code
10 sections 1107(a) and 1108, the Debtors are continuing to operate their businesses and manage their
11 financial affairs as debtors in possession.

12 This Court has jurisdiction over the Debtors, these chapter 11 cases and this Motion
13 pursuant to 28 U.S.C. §§ 1334 and 157(b), and venue is proper in this District pursuant to 28 U.S.C.
14 §§ 1408 and 1409. The Motion is a core proceeding under 28 U.S.C. § 157(b)(2)(M).

15 **B. General Background of the Debtors.**

16 Originally founded as a technology development company in 1989, the company that
17 later became known as Colorep shifted its focus in 2003 to industrial printing applications. By 2005
18 Colorep had advanced its textile technology and had invented a patented process for dyeing and
19 decorating fabric known as AirDye®, which is widely regarded as revolutionary because it does not
20 result in water pollution and significantly reduces energy use, costs and time from design to market.

21 In 2007 Colorep began licensing AirDye® technology to manufacturers and resellers
22 in the home interior, hospitality and apparel industries, which licensing continues to be very
23 profitable for Colorep.

24 Due to the success of the AirDye® technology, in September 2009, Colorep began
25 doing business as "AirDye Solutions."

26 At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned
27 company, with headquarters and manufacturing facilities in Harrisonburg, Virginia.. Transprint, a
28

1 leading supplier of transfer-printing paper was a strategic and potentially lucrative acquisition for
2 Colorep as it gave Colorep access to manufacturing capabilities, a global customer base, and a
3 design library exceeding 15,000 unique designs.

4 Transprint is the wholly-owned subsidiary of Colorep. Colorep is owned by
5 numerous shareholders, with interests in 1 or more of the 5 series of preferred stock (Series A-E)
6 and/or in Colorep's common stock.

7 **C. Events Leading to Chapter 11 Filing.**

8 In 2011, the Debtors began experiencing significant cash flow constraints, which
9 rendered the Debtors unable to pay ordinary course operating expenses, pay overhead, acquire
10 necessary raw materials to meet customer demands and purchase parts and supplies required for the
11 maintenance of their equipment and manufacturing and production facility in Virginia. As a result,
12 the quality and availability of the Debtors' product began to decline and their key vendor and
13 customer relationships were damaged.

14 In or around June 2011, the Debtors entered into that certain Loan and Security
15 Agreement (as amended, supplemented and modified, the "**Meserole Prepetition Loan**
16 **Agreement**") with Meserole, LLC ("**Meserole**"). Pursuant to the Meserole Prepetition Loan
17 Agreement, the Debtors had the ability to access up to \$25 million on the terms and conditions set
18 forth in the Meserole Prepetition Loan Agreement. In exchange, the Debtors granted Meserole a
19 first priority secured lien on virtually all of their tangible and intangible assets.

20 Unfortunately, the Meserole loan did not result in the stabilization of the Debtors'
21 operations as had been hoped. Accordingly, throughout 2012, the Debtors continued to experience
22 cash shortages and, therefore, were unable to purchase necessary raw materials and timely produce
23 ordered product. Further, the Debtors were unable to sustain the quality of the product they did
24 produce as they lacked the capital necessary to improve or even perform necessary service and
25 repairs to the equipment utilized in their production process. The Debtors' inability to timely meet
26 demand and resolve the increasing quality control issues resulted in material cancellations and a
27 shrinking customer base.

1 The Debtors' working capital constraints also resulted in their inability to meet their
2 obligations to their employees in a timely and consistent manner. This resulted in significant morale
3 issues and ultimately in the loss of many key employees in 2012, which further diminished their
4 capacity to fulfill customer orders and meet obligations to vendors.

5 By the end of 2012, the situation had worsened and the Debtors went through a
6 number of "dark" periods during which time production halted completely and employees went
7 unpaid.

8 In March 2013, the Debtors, with the consent of their primary secured lender, hired
9 Mark A. Fox of The Fox Group as the Chief Restructuring Officer and interim Chief Executive
10 Officer. Since that time, the Debtors have worked to improve customer relationships and employee
11 morale, and, most importantly, to try and resolve the operational issues faced by the Debtors.

12 From March through June 2013, the Debtors have adjusted staffing to appropriate
13 levels, minimized overall expenditures and eliminated expenditures that did not directly support the
14 Debtors' production and research and development operations. Further, the Debtors have focused on
15 rebuilding the most valuable customer and vendor relationships and on minimizing the Debtors'
16 exposure with respect to those relationships that had historically not been profitable. Moreover, the
17 Debtors have worked on improving inventory analysis and control with an aim to improving the
18 Debtors' ability to timely meet customer orders. Although significant cash shortages did not permit
19 extensive business development efforts, to the extent feasible, the Debtors have worked to expand
20 the Debtors' licensing activities to new, active markets around the globe.

21 Despite the significant improvements made since March 2013, it became clear in June
22 2013, that the Debtors could not continue to operate absent either a de-leveraging of their balance
23 sheet or significant, additional capital infusions. When it became clear that new capital would not be
24 available on reasonable terms or otherwise, the Debtors determined that a chapter 11 process
25 whereby the value of the Debtors' assets could be maximized through an efficient sale process was
26 the only feasible alternative.

1 **II.**

2 **ARGUMENT**

3 Under Bankruptcy Rule 1015(b) and Local Rule 1015-1(b), this Court may order the
4 joint administration of the estates of related debtors, without further notice and an opportunity for
5 hearing, if "joint administration of the cases is warranted, will ease the administrative burden for the
6 court and the parties, and will protect creditors of the different estates against potential conflicts of
7 interest." See Fed. R. Bankr. P. 1015(b) and Local Bankruptcy Rule 1015-1(b). Joint administration
8 is common when a group of related business entities with intertwined affairs file for chapter 11
9 relief. See 9 Collier on Bankruptcy ¶ 1015.03 (Rev. 15th ed. 2009). As explained in the Official
10 Committee Note to Bankruptcy Rule 1015(b), joint administration expedites cases and reduces their
11 overall cost:

12 Joint administration as distinguished from consolidation may include
13 combining the estates by using a single docket for the matters
14 occurring in the administration, including the listing of filed claims,
15 the combining of notices to creditors of the different estates, and the
16 joint handling of other purely administrative matters that may aid in
17 expediting the cases and rendering the process less costly.

18 Courts have liberally allowed joint administration of related cases to promote procedural
19 convenience and cost efficiencies. See In re Avery, 377 B.R. 264, 270-71 (Bankr. D. Alaska 2007)
20 ("Joint administration is a procedural tool permitting use of a single docket for administrative
21 matters . . . that may aid in expediting the cases.") (quoting In re Reider, 31 F.3d 1102, 1109 (11th
22 Cir. 1994)); In re Brookhollow Assocs., 435 F. Supp. 763, 766 (D. Mass. 1977) (joint administration
23 "help[s] the bankruptcy court to administer economically and efficiently different estates with
24 substantial interests in common"), aff'd, 575 F.2d 1003 (1st Cir. 1978); In re Steury, 94 B.R. 553,
553-54 (Bankr. N.D. Ind. 1988); In re H&S Transportation Co., 55 B.R. 786, 791 (Bankr. M.D.
Tenn. 1985).

25 Joint administration is appropriate in these cases because of the following facts:

- 26 a. The Debtors are closely related entities, sharing common management
27 and ownership and common facilities in Harrisonburg, Virginia; Charlotte, North Carolina;
28 and New York, New York;

1 b. There is a substantial overlap in the Debtors' creditors. Jointly
2 administering the estates will eliminate the unnecessary and expensive duplication of effort
3 and paper that would be caused by requiring the Debtors to prepare and serve the same
4 creditors with duplicative sets of differently captioned, but substantively identical papers; and

5 c. Due to the integrated manner in which the Debtors operate their
6 business, some creditors may be uncertain as to which Debtor is their obligor. Joint
7 administration of the estates would provide each creditor with notice of all matters relating to
8 all of the Debtors, thereby insuring that creditors are fully informed of all matters potentially
9 affecting their claims.

10 Joint administration will greatly reduce the cost of administering the Debtors' cases
11 and would eliminate the substantial waste, unnecessary paperwork, duplication, and confusion that
12 would otherwise be created by maintaining separate dockets for these related cases. Most motions
13 and other pleadings filed in these cases will concern all of the Debtors. If such motions (and the
14 related responses and other pleadings) were required to be filed separately in each affected Debtor's
15 case, it is likely that the only material difference among each set of pleadings would be the caption.
16 Thus, requiring each Debtor to file separate pleadings in each matter would entail considerable
17 duplication and additional paperwork at substantial cost, without generating any additional benefit to
18 creditors.

19 Joint administration of the Debtors' cases will also benefit creditors, because creditors
20 who respond to motions affecting most or all of the Debtors, or who file their own motions affecting
21 most or all of the Debtors, will not be forced to prepare and file multiple sets of papers that may be
22 identical except for the captions.

23 No creditor will be prejudiced by joint administration. In accordance with Local Rule
24 1015-1(b)(3), joint administration is merely procedural; it has no impact on creditors' substantive
25 rights. See In re Parkway Calabasas Ltd., 89 B.R. 832, 836 (Bankr. C.D. Cal. 1988) ("The purpose
26 of joint administration is to make case administration easier and less expensive than in separate
27 cases, without affecting the substantive rights of creditors"); Avery, 377 B.R. at 271 ("Joint
28 administration is a procedural tool [that] . . . does not create substantive rights") (quoting Reider, 31

1 F.3d at 1109); In re Blair, 226 B.R. 502, 505 (Bankr. D. Me. 1998); In re N.S. Garrott & Sons, 63
2 B.R. 189, 191 (Bankr. E.D. Ark. 1986). Nothing in this Motion is intended nor should be construed
3 as seeking substantive consolidation of any kind. Further, the Debtors are not requesting that the
4 Court maintain a joint claims register; the Debtors intend for each Debtor to have a separate claims
5 register unless the Court orders otherwise.

6 In short, jointly administering all of the Debtors' cases will avoid unnecessary
7 duplication and paperwork without prejudicing any creditors' substantive rights.

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III.

CONCLUSION

WHEREFORE, based on the arguments and authorities set forth above, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit "1", pursuant to Federal Rule of Bankruptcy Procedure 1015(b) and Local Bankruptcy Rule 1015-1(b) authorizing the joint administration of their cases. The Debtors further request that such order direct that all pleadings relating to any of the Debtors' cases: (i) bear a joint caption, substantially in the form of Exhibit "2" attached hereto, (ii) be maintained by the court clerk under a single pleading docket in the Colorep bankruptcy case, and (iii) provide such other and further relief as this Court deems just and necessary.

Dated: July 11, 2013

/s/ Margreta M. Morgulas
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MARGRETA M. MORGULAS
KIZZY L. JARASHOW
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[Proposed] Reorganization Counsel
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Exhibit "1"

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KIZZY L. JARASHOW (*Pro Hac Vice Application Pending*), Members Of
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for Debtors and Debtors in Possession

Debtors' Mailing Address:
Colorep, Inc. and Transprint USA, Inc.
1000 Pleasant Valley Road
Harrisonburg, VA 22801-9790

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES

In re:	)	Case No.: 13-bk-27689-WB
)	
COLOREP, INC.,	)	Chapter 11
a California Corporation,)	
)	
Debtor.	)	Case No.: 13-bk-27698-WB
)	
Tax I.D. No. 94-3055023	)	Chapter 11
<hr/>		
In re:	)	[PROPOSED] ORDER GRANTING <i>EX</i>
	)	<i>PARTE</i> MOTION FOR ORDER
TRANSPRINT USA, INC.,	)	AUTHORIZING JOINT
	)	ADMINISTRATION OF RELATED
	)	CHAPTER 11 CASES
)	
Debtor.	)	<u>Hearing Date</u>
	)	Date: July 15, 2013
Tax I.D. No. 94-3055026	)	Time: 2:00 p.m.
	)	Location: Courtroom 1375
	)	255 East Temple Street
	)	Los Angeles, CA 90012

Upon review and consideration of the *Ex Parte* Motion For Order Authorizing Joint Administration (the "**Motion**"), filed by Colorep, Inc. ("**Colorep**") and Transprint USA, Inc. ("**Transprint**"), the debtors and debtors in possession in the above-captioned cases (together, the

1 "Debtors"), the accompanying "Declaration of Mark A. Fox in Support of First Day Motions," and
2 all other pleadings and evidence submitted in connection with the Motion, the Court hereby finds
3 that good cause exists for the relief requested in the Motion.

4 THEREFORE, IT IS HEREBY ORDERED THAT:

- 5 1. The Motion is granted.
- 6 2. The Debtors' bankruptcy cases will be jointly administered under the docket
7 number of Colorep, which is Case Number 13-bk-37689-WB.
- 8 3. All pleadings, other than proofs of claim, relating to the Debtors' cases will
9 bear a joint caption, substantially in the form of Exhibit "2" attached to the Motion, and will be
10 maintained by the court clerk under a single pleading docket.
- 11 4. A combined service list will be used for the Debtors' cases and combined
12 notices will be sent to creditors of the Debtors' estates until and unless otherwise ordered by the
13 Court.

14
15 # # #

16 PRESENTED BY:

17
18 /s/ Margreta M. Morgulas
19 GARY E. KLAUSNER
20 MARGRETA M. MORGULAS
21 KIZZY L. JARASHOW
22 STUTMAN, TREISTER & GLATT
23 PROFESSIONAL CORPORATION
24 [Proposed] Reorganization Counsel
25 for Debtors and Debtors in Possession
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Exhibit "2"

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[Proposed] Reorganization Counsel
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Debtors' Mailing Address:
Colorep, Inc. and Transprint USA, Inc.
1000 Pleasant Valley Road
Harrisonburg, VA 22801-9790

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES**

In re:	)	Case No.: 13-bk-27689-WB
)	
COLOREP, INC.,	)	Chapter 11
a California corporation, <i>et al.</i> ,)	
	)	(Jointly Administered)
)	
Debtors.	)	[Name of Pleading]
)	
	)	<u>Hearing</u>
	)	Date: _____
	)	Time: _____
	)	Place: Courtroom 1375
	)	Edward R. Roybal Federal Building
Tax I.D. Nos. 94-3055023 and 94-3055026	)	and Courthouse
	)	255 E. Temple Street,
	)	Los Angeles, CA 90012