UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE:	)	
	)	
MADISON PARK CHURCH OF GOD, INC. D/B/A MADISON PARK CHURCH OF GOD,	)	Case No. 13-07430-RLM-11
	)	
Debtor.	)	

DEBTOR'S FIRST DAY MOTION FOR AUTHORITY TO PAY PRE-PETITION WAGES, SALARIES, WITHHOLDING AND OTHER TAXES, EARNED VACATION, HEALTH CARE BENEFITS AND WORKERS' COMPENSATION BENEFITS, GARNISHMENTS AND COURT-ORDERED CHILD SUPPORT

Madison Park Church of God, Inc. d/b/a Madison Park Church of God, as debtor and debtor-in-possession (the "Debtor"), by counsel, hereby requests the entry of an Order pursuant to 11 U.S.C. §§ 105(a), 363(b), 507(a)(4), and 507(a)(5), and S.D. Ind. L. R. B-9013(f)(4), authorizing and allowing the Debtor to pay the following prepetition obligations: (1) wages; (2) salaries; (3) withholding and other taxes; (4) earned vacation; (5) health care benefits; (6) workers' compensation benefits; and (7) garnishments and court ordered child support. In support of its motion, the Debtor states as follows:

I. General Background

1. On July 12, 2013 (the "Petition Date"), the Debtor filed a voluntary petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor continues to operate its business as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

2. No trustee or examiner has been appointed in this chapter 11 case. No official unsecured creditors' committee has been appointed in this case.

3. This is a "First Day Motion" as that term is defined in Southern District of Indiana Local Rule B-9013-3(f).

4. The Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (M). The relief requested flows from the statutory scheme codified by the Bankruptcy Code, addresses an area of law long determined by Bankruptcy Courts, and is purely a creature of federal law. Accordingly, this Court has jurisdiction and authority to hear this matter under *Stern v. Marshall*, 131 S. Ct. 2594, 180 L.Ed.2d 475 (U.S. 2011) and *In re Ortiz*, 665 F.3d 906 (7th Cir. 2011).

5. The Debtor has discussed the filing of this case with the United States Trustee, and has advised the United States Trustee of the various First Day Motions and Rule 9006(c) Requests in accordance with Southern District of Indiana Local Rule B-9013-3(b).

II. Events Leading to the Filing

6. The Debtor operates a church located in Anderson, Indiana. The Debtor was founded in 1931 as an Indiana not-for-profit corporation and served its membership as such since its formation.

7. Prior to 2007, the Debtor operated programs at several locations in Anderson. In June 2007, the Debtor moved into new facilities adjacent to Exit 226 near Interstate 69.

8. The new facilities include a church, a community life, and early childhood center which are located on a portion of a 200 acre tract of real estate. The development of the 200 acres, together with the construction of the new facilities, was financed by three bridge loans to be repaid through a thirty-year bond issue.

9. Bonds were issued in three series (Series A, B and C) pursuant to three Trust Indentures. The Series B Bonds required a $6 million balloon payment in July 2012. It was the Debtor's intention to pay the Series B Bonds prior to July 2012 by the sale of certain Anderson-area real estate owned but not used by the Debtor, together with a portion of the 200 acres.

10. Unfortunately, the American economy (and the commercial real estate market in particular) experienced a dramatic and prolonged downturn shortly after the Debtor entered into the bond financing. This unprecedented real estate collapse, coupled with the devastating local effects from the bankruptcy of General Motors, one of Anderson's largest employers, left the Debtor unable to sell its real estate and fund the bond financing.

11. Even with these difficulties, the Debtor managed to make the required monthly payments to the Series A and C Trustees; however, it could not make the required balloon payment to the Series B Trustee in July 2012 due to its inability to sell the excess real estate. In addition, the Debtor owes several million dollars in principal to the Series A bridge lender due to the Debtor's inability to sell all of the Series A bonds.

12. The Debtor, following its failure to make the balloon payment in July 2012, entered into extensive negotiations with the Series A bridge lender, and the Series A and B Trustees. The Debtor has filed this chapter 11 case in order to implement a restructure of the Debtor's obligations to the Series A bridge lender, and the Series A, B and C Trustees pursuant to terms: (a) which have been agreed to by the Series A bridge lender and (b) which the Series A and B Trustees each believe to be appropriate and reasonable, subject to the approval of their respective bondholders.

III. Relief Requested

A. Wages, Salaries, and Commissions

17. As of the Petition Date, the Debtor employed approximately 80 employees, including full-time, part-time, hourly wage earners, and salaried personnel.

18. It is the Debtor's practice to pay its employees bi-weekly by physical check and/or direct deposit with each payroll reflecting work performed during the previous two weeks. The Debtor uses ADP to process its payroll, and paychecks are issued each Thursday.

19. Each pay period, as required by law, the Debtor withholds amounts from each employee for federal, state, and local income taxes; Social Security (FICA), and Medicare taxes; and, if applicable, garnishment contributions and court-ordered withholding payments.

20. The Debtor's last payroll was processed on July 18, 2013, and reflected work performed by the Debtor's employees for the previous two weeks from June 30, 2013 through July 13, 2013. The Debtor intends by this motion to obtain court authority to distribute and honor all pre-petition payroll to the extent it has not already cleared.

21. During each payroll approximately 95 checks are issued for an average total amount of approximately $76,000.00, including taxes.

22. Upon information and belief, none of the wages outstanding to individual employees exceed the amount granted priority status by § 507(a) of the Bankruptcy Code.

23. The Debtor respectfully seeks authority to pay and/or honor: (a) all outstanding amounts owed to employees as of the Petition Date for accrued and unpaid wages, salaries, fees, and commissions; (b) any amounts that the Debtor are required by law to withhold from employee payroll checks in respect of federal, state and local income taxes, garnishment contributions, child support orders, Social Security and Medicare taxes.

B. Vacation, Personal Holidays, Sick Days, and Reimbursement Expenses

24. In addition to wages, salaries, and commissions, the Debtor offers its employees other forms of compensation, including vacation pay, overtime pay, paid holidays, paid sick time, and other earned time off. The Debtor also reimburses employees for certain work-related expenses. Continuation of these additional benefits and forms of compensation is usual, customary, and necessary if the Debtor is to retain qualified employees to operate its business.

25. The Debtor respectfully seeks authority to honor in the ordinary course of its business all liabilities to its employees that arose under their vacation, sick day, and holiday vacation practices or policies in place prior to the Petition Date. The Debtor anticipates that most employees will utilize their accrued vacation time and personal/sick days in the ordinary course of business, and accordingly the Debtor does not anticipate any significant cash flow requirements beyond the company's normal payroll obligations.

26. The Debtor also routinely reimburses employees for certain expenses incurred within the scope of their employment, and the Debtor respectfully seeks authority to pay all prepetition business reimbursement expenses in the ordinary course of business.

C. Employee Benefit Plans

27. The Debtor provides group medical, life insurance, and a pension to many of its employees, and a portion of the premiums for those policies are paid by the Debtor. The Debtor respectfully requests authority to pay these insurance benefits that arose prior to the Petition Date, as they become due, in the ordinary course of business.

D. Workers' Compensation

28. As required by statute, the Debtor provides a workers' compensation benefit program for income protection, medical services, and rehabilitation services to employees with

job-related injuries or illnesses. It is critical that the Debtor be permitted to continue its workers' compensation benefits and to pay prepetition claims, assessments, and premiums because alternative arrangements for workers' compensation coverage would almost certainly be more costly. In addition, failure to maintain workers' compensation insurance would violate many state statutes and expose the Debtor to administrative and/or legal proceedings.

29. The Debtor therefore respectfully requests authority to continue paying and/or contesting in good faith as appropriate in the Debtor's business judgment, all amounts related to workers' compensation and posting additional security as may be required under the applicable policy, including those obligations which arose prior to the Petition Date, as they become due in the ordinary course of the Debtor's business.

E. Social Security, Income Taxes and Other Withholding

30. As stated previously, the Debtor routinely withholds Social Security, FICA, federal and state income taxes, garnishments, health care payments, and retirement fund amounts from its employees' paychecks and transmits them to third parties. The Debtor believes that such withheld funds, to the extent they remain in the company's possession, constitute monies held in trust and therefore are not property of the Debtor's bankruptcy estate. Therefore, the Debtor believes that directing such funds to the necessary parties is appropriate in the ordinary course of business and does not require Court approval. To the extent approval is required, however, the Debtor requires authority to continue to remit those monies as contemplated here and as it did in the ordinary course of its pre-petition business.

F. Garnishments and Court Ordered Child Support

31. The Debtor processes and mails garnishments and court-ordered child support checks due and owing to certain third-party recipients of the Debtor's employees. The Debtor

respectfully requests that the Court authorize and allow the payment of all amounts related to garnishment and court-ordered child support that arose prior to the Petition Date, as they become due, in the ordinary course of business.

G. Direction to Banks

32. To ensure the orderly implementation of the relief requested herein, the Debtor seeks an order authorizing and directing all banks to receive, process, honor and pay any and all checks or electronic transfers drawn on the company's payroll and general disbursement accounts related to the foregoing prepetition employee obligations, whether presented before or after the Petition Date provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

IV. Basis For The Relief Requested

33. Without the relief requested herein, the Debtor will be unable to pay employees and any pre-petition payroll checks or withholdings will be dishonored. In order to maintain employee morale at this critical and difficult time for the Debtor, and to minimize the personal hardship employees would suffer if their prepetition obligations are not satisfied or honored when due, the Debtor seek authority to honor in its discretion such obligations, including those described above.

34. The filing of this petition likely will cause employees to question their future with the Debtor. While employees have demonstrated loyalty to the Debtor despite the uncertainty during the months prior to the commencement of this case, their search for a sense of stability with regard to compensation and benefits may lead to an epidemic of employee departures.

35. The Debtor's employees are critical assets and are essential to the future success of the Debtor. The cost of replacing and retraining employees will greatly outweigh the cost of

honoring the prepetition employee-related expenses sought to be paid in this motion. Accordingly, any significant number of employee departures or deterioration in morale at this critical juncture will substantially and adversely impact the Debtor's business and result in immediate and irreparable harm to the company's creditors and its estate. Furthermore, any failure to honor employee-related expenses will cause extreme hardship on the Debtor's employees, who rely on their salaries to pay their personal and family daily living expenses.

36. In contrast, the amounts sought to be paid and the policies sought to be continued pursuant to this motion are minimal in light of the importance and necessity of preserving the morale and services of the company's employees.

37. Most, if not all, of the expenses detailed herein are priority claims within the scope of §§ 507(a)(4) and (a)(5) of the Bankruptcy Code. Section 507(a)(4) of the Bankruptcy Code gives priority to claims up to $11,725.00 for wages, salaries, or commissions earned within 180 days before the Petition Date. Other expenses are trust fund related expenses and are not likely part of the Debtor's estate. The payment of these expenses will therefore affect only the timing of the payments and not the actual amounts received by employees and third parties. Accordingly, neither the unsecured creditors nor any other party-in-interest will be prejudiced by such payments.

38. To the extent that the payments requested herein are not ordinary course payments allowed to be made pursuant to § 363(c) of the Bankruptcy Code, such payments may be made pursuant to § 363(b)(1) of the Bankruptcy Code, which provides that a debtor-in-possession, after notice and a hearing, "may use, sell or lease, other than in the ordinary course of business, property of the estate . . . ."

39. Additional authority for the relief requested herein may be found in § 105(a) of the Bankruptcy Code, which provides that the Court may issue any order necessary or appropriate to carry out the provisions of title 11. Given that the payment of the employee-related expenses detailed herein will facilitate a smooth transition into this chapter 11 case and will increase the likelihood that the Debtor will be able to effectively reorganize, the relief requested herein is necessary and appropriate and warranted in these circumstances.

40. Based on the foregoing, the Debtor respectfully requests that the Court enter an Order authorizing and allowing the Debtor to make the employee-related expense payments and withholdings requested herein.

WHEREFORE, the Debtor respectfully requests that the Court enter an Order (1) authorizing the payment of the following prepetition employee-related expenses: (a) wages, salaries, and commissions, including court-ordered garnishments and child support obligations; (b) vacation, personal holiday, sick day, and reimbursement expenses; (c) employee benefit plan payments; (d) workers' compensation premium payments; and (e) taxes and trust fund obligations; (2) directing banks to honor the payment of such employee-related payments and withholdings to the extent there are sufficient funds to satisfy such payments; and (3) granting the Debtor such other and further relief as the Court deems proper.

DATED: July 12, 2013

MADISON PARK CHURCH OF GOD, INC. d/b/a MADISON PARK CHURCH OF GOD,
as debtor and debtor-in-possession,

By: /s/ Jerald I. Ancel
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