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9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re:
13 CHANNEL TECHNOLOGIES GROUP,
LLC,¹
14 Debtor.

Case No.: 9:16-bk-11912-PC

Chapter 11

**NOTICE OF MOTION AND MOTION FOR
AN ORDER AUTHORIZING AND
APPROVING OMNIBUS PROCEDURES FOR
SALE OR ABANDONMENT OF DEBTOR'S
ASSETS PURSUANT TO 11 U.S.C. §§ 105,
363(B) AND (F), AND 554; MEMORANDUM
OF POINTS AND AUTHORITIES;
DECLARATION OF DAVID TIFFANY**

Hearing

Date: December 7, 2016

Time: 10:00 a.m.

Place: Courtroom "201"

1415 State Street

Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

23 **TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE**
24 **UNITED STATES TRUSTEE, THE 20 LARGEST UNSECURED CREDITORS, BLUE**
25 **WOLF CAPITAL FUND II, L.P., AND OTHER PARTIES IN INTEREST:**

26 **PLEASE TAKE NOTICE** that Channel Technologies Group, LLC, the above-captioned
27 debtor and debtor in possession (the "Debtor"), hereby moves (the "Motion") the Court for entry of

28 ¹ The last four digits of the Debtor's Tax Identification Number are: 0460. The Debtor's mailing address is: 879 Ward Drive, Santa Barbara, CA 93111.

1 an order pursuant to sections 105, 363(b) and (f), 1107 and 1108 of title 11 of the United States Code
2 (the “Bankruptcy Code”), in the form attached hereto as **Exhibit “A”** (a) approving omnibus
3 procedures for the sale, transfer, and abandonment of certain equipment, finished goods, inventory,
4 work-in-process inventory, documents and/or surplus, obsolete, non-core, or burdensome assets
5 (collectively, the “Assets”) free and clear of all Liens assets free and clear of all liens, claims,
6 interests, and encumbrances (collectively, the “Liens”); and (b) granting related relief.

7 **PLEASE TAKE FURTHER NOTICE** that a hearing on the Motion, if necessary, will be
8 held on December 7, 2016 at 10:00 a.m. in Courtroom 201, 1415 State Street, Santa Barbara,
9 California 93101, before the Honorable Peter H. Carroll, for the Court to consider the Motion.

10 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on and supported by this
11 Notice, the attached Memorandum of Points and Authorities, the attached Declaration of David
12 Tiffany, Chief Restructuring Officer of the Debtor (the “Tiffany Declaration”), and the record in this
13 case. In addition, the Debtor requests that the Court take judicial notice of all documents filed with
14 the Court in this case. As set forth in the attached Memorandum, the Debtor is endeavoring to
15 expeditiously liquidate certain of its assets to the extent appropriate, and sell or abandon any assets
16 that are specific to certain customers or contracts and/or of immaterial value or otherwise
17 burdensome to the estate, in order to optimize value and recovery for the estate and minimize related
18 administrative claims and carrying costs. The Debtor brings this Motion to facilitate this process.
19 The Debtor has been negotiating with certain of its customers regarding potential sales of certain
20 inventory and related equipment, intellectual property, and other assets that they may want or need
21 for transition purposes, and has been assessing and will continue to assess its remaining inventory,
22 equipment and other personal property as to the proper disposition thereof. The proposed omnibus
23 procedures will enable the Debtor to promptly implement sales where appropriate in the Debtor’s
24 business judgment; provide reasonable notice to affected parties in interest; and allow the Debtor to
25 sell, abandon or otherwise dispose of Assets of limited value or that are burdensome to the estate,
26 redounding to the benefit of the estate and its creditors. The relief sought herein only extends to
27 sales up to \$300,000 as further defined below.
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **STATEMENT OF FACTS**

4 **A. Jurisdiction and Venue**

5 This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is
6 a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408
7 and 1409.

8 **B. Background**

9 On September 30, 2016 (the "Petition Date"), the debtor filed a voluntary petition for relief
10 under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor
11 continues to operate its business and manages its affairs as a debtor in possession pursuant to
12 sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or committee has been
13 appointed in this chapter 11 case (the "Case").

14 CTG designs and manufactures piezoelectric ceramics, transducers, sonar equipment and
15 other related products sold primarily to military, commercial, and industrial customers in the United
16 States and internationally. Founded in 1959, CTG is based in Santa Barbara, California and operates
17 a second manufacturing site in Littleton, Massachusetts. CTG supplies its products to a variety of
18 end-users, including the U.S. Navy and energy services companies. Among CTG's customers are
19 some of the largest United States defense contractors, including Northrop Grumman, Lockheed
20 Martin and Raytheon.

21 Certain long-term supply contracts are onerous to CTG and have negatively impacted and
22 continue to negatively impact CTG's cash flow. Despite efforts to consensually address the
23 problematic aspects of certain of its contracts with the counterparties through negotiations, prior to
24 the Petition Date, with some minor exceptions, CTG was unable to stop the significant negative
25 impact of such contracts on CTG's business. Although customer demand for its products and
26 services remains substantial, CTG has been unable to obtain necessary further outside funding to
27 complete certain long-term contracts (as they currently exist) and invest in new equipment and
28 research and development.

1 The Debtor commenced the Case to expeditiously pursue a potential sale of some or all of
2 CTG's business to one or more third parties and an orderly wind down of the remaining business.

3 **C. The Assets and Omnibus Sale and Abandonment Procedures**

4 The Debtor is currently in possession of Assets that (a) are not, or will soon not be, needed
5 by the Debtor given the anticipated sale and liquidation of substantially all of Debtor's assets or the
6 wind down of its business (*e.g.*, lab and manufacturing equipment), (b) surplus office furnishings
7 and equipment, or (c) excess inventory and related intellectual property including drawings and
8 programs specific documentation as well as equipment used for customer related production.

9 Given the Assets' limited value in relation to the Debtor's overall operations, the Debtor
10 submits that selling the Assets either to its existing customers or other third parties through efficient
11 procedures will reduce costs and other administrative expenses that would otherwise be incurred by
12 selling such assets by separate motions. Therefore, the Debtor proposes the omnibus procedures set
13 forth below to streamline the sale and transfer process and ensure that parties in interest receive
14 appropriate notice of such sales. The proposed procedures described herein will allow the Debtor to
15 sell the Assets in an efficient and cost-effective manner.

16 The Debtor proposes that each Asset sale will be for the highest and best offer received,
17 taking into consideration the exigencies and circumstances in each such sale, under the following
18 procedures (the "Omnibus Asset Sale Procedures"):

- 19 a. with regard to sales or transfers of Assets in any individual transaction
20 or series of related transactions to a single buyer or group of related
21 buyers with a net selling price equal to or less than \$99,000.00:
- 22 i. The Debtor is authorized to consummate such transaction(s) if
23 the Debtor determines in the reasonable exercise of its business
24 judgment, that such sales or transfers are in the best interests of
25 its estate, without further order of the Court or notice to any
26 party other than the U.S. Navy (the "Navy") and Blue Wolf
27 Capital Fund II, L.P. (the "DIP Lender") and subject to the
28 procedures set forth herein;
- ii. Three (3) business days prior to the scheduled closing, the
Debtor shall transmit to the Navy and the DIP Lender a notice
setting forth a) the identification of the Assets being sold or
transferred, (b) the identification of the purchaser of the assets,
(c) the purchase price;

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- iii. If, prior to the close of business on the date identified in the notice provided in accordance with the preceding paragraph (the "Closing Date") the Navy or the DIP Lender sends written notice to the Debtor that it objects to the proposed sale, the Debtor shall not consummate the proposed sale except upon further order of the Court;
 - iv. If no written objection is received by the Debtor from the Navy or the DIP Lender prior to the close of business on the Closing Date, then the Debtor is authorized to immediately consummate such sale or transfer without further order of the Court; and
 - v. Any such transaction(s) shall be free and clear of all Liens, with such Liens attaching only to the sale or transfer proceeds with the same validity, extent, and priority as had attached to the Assets immediately prior to such sale or transfer.
- b. with regard to sales or transfers of Assets in any individual transaction or series of related transactions to a single buyer or group of related buyers with a net selling price greater than \$99,000.00 but equal to or less than \$300,000.00:
- i. The Debtor is authorized to consummate such transaction(s) without further order of the Court if the Debtor determines in the reasonable exercise of its business judgment that such sales or transfers are in the best interests of the Debtor's estate, subject to the procedures set forth herein;
 - ii. Any such transaction(s) shall be free and clear of all Liens, with such Liens attaching only to the sale or transfer proceeds with the same validity, extent, and priority as had attached to the Assets immediately prior to such sale or transfer.
 - iii. The Debtor shall file with the Court and give written notice of each proposed sale or transfer (a "Sale Notice") to the parties entitled to such notice pursuant to that certain *Order Granting Emergency Motion for Order Limiting Scope of Notice* [Dkt. No. 62] (the "Limited Notice Order") entered on October 20, 2016 (collectively, the "Notice Parties"), and shall comply with the special notice procedures related to classified material approved in the Limited Notice Order, if applicable, and the requirements of Local Bankruptcy Rule 6004-1(f);
 - iv. The content of the Sale Notice shall consist of (a) identification of the Assets being sold or transferred, (b) identification of the purchaser of the assets, (c) the purchase price, (d) the significant terms of the sale or transfer agreement, and (e) the location and the identity of any broker or any other party utilized by the debtors in consummating the sale and the fee to be paid to such broker or other party and a statement regarding the disinterestedness of such broker;
 - v. If no written objections from any of the Notice Parties are filed within seven calendar (7) days after the date of service of such Sale Notice, then the Debtor is authorized to immediately

1 consummate such sale or transfer without further order of the
2 Court, provided however that if required by the buyer an order
3 may be entered by the Court approving such sale upon
4 stipulation of the parties; and

- 5 vi. If any Notice Party files a written objection to any such sale or
6 transfer with the Court within seven (7) calendar days after
7 receipt of such Sale Notice, then the relevant Assets shall only
8 be sold or transferred upon either the consensual resolution of
9 the objection by the parties in question or further order of the
10 Court. If no resolution to the objection is reached, the Debtor
11 will then schedule a hearing to consider the proposed sale of
12 any Assets at the next scheduled omnibus hearing or such other
13 date as may be authorized by the Court.

14 If the Debtor seeks authority to sell Assets to an “insider,” as that term is defined in section
15 101 of the Bankruptcy Code, the Sale Notice shall disclose the identity of the insider and the
16 insider’s relationship to the Debtor.

17 The Debtor is mindful of its duty to maximize the value of its estate and will use
18 commercially reasonable efforts to market all Assets proposed to be sold pursuant to the Omnibus
19 Asset Sales Procedures in an effort to obtain the highest consideration for all of their assets.

20 To the extent any Assets cannot be sold at a price greater than the cost of liquidating such
21 assets, the Debtor seeks authority to abandon such Assets in accordance with the following
22 procedures (the “Omnibus Asset Abandonment Procedures” and, together with the Omnibus Asset
23 Sale Procedures, the “Omnibus Asset Procedures”):

- 24 a. The Debtor shall give written notice of the abandonment (the
25 “Abandonment Notice”) to the Notice Parties;
26 b. The Abandonment Notice shall contain a description in reasonable
27 detail of the Assets to be abandoned and the Debtor’s reasons for such
28 abandonment;
29 c. If no written objections from any of the Notice Parties are submitted to
30 the Debtor within seven (7) calendar days after the date of service of
31 such Abandonment Notice, then the Debtor is authorized to
32 immediately proceed with the abandonment; and
33 d. If a written objection from any Notice Party is submitted to the Debtor
34 within seven (7) calendar days after service of such Abandonment
35 Notice, then the relevant Assets shall be abandoned only upon either
36 the consensual resolution of the objection by the parties in question or
37 further order of the Court after notice and a hearing.

38 Finally, in connection with the Omnibus Asset Procedures, the Debtor also seeks authority to
39 pay the reasonable and necessary fees and expenses incurred in the sale, transfer, or abandonment of

1 any Assets, including commission fees to agents, brokers, auctioneers, and liquidators, if any.

2 Notwithstanding any other provision to the contrary, nothing in this Motion, the proposed
3 order approving same, any sale agreement, or other related sale documents (collectively, the
4 “Documents”) authorizes the transfer or assignment of any property that does not constitute property
5 of the Debtor’s estate under section 541 of the Bankruptcy Code. Moreover, nothing in the
6 Documents shall be interpreted to set cure amounts or to require the United States to novate or
7 otherwise consent to the transfer of any assets in which the United States asserts an interest.

8 **II.**

9 **ARGUMENT**

10 **A. The Omnibus Asset Procedures are Appropriate Under Section 363(b)**

11 Section 363(b)(1) of the Bankruptcy Code provides that “[t]he trustee, after notice and a
12 hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate.”
13 11 U.S.C. § 363(b)(1). A debtor’s application of its sound business judgment in the use, sale, or
14 lease of property is subject to great judicial deference. *See, e.g., In re Moore*, 110 B.R. 924 (Bankr.
15 C.D. Cal. 1990); *In re Canyon Partnership*, 55 B.R. 520 (Bankr. S.D. Cal. 1985); *see also Walter v.*
16 *Sunwest Bank (In re Walter)*, 83 B.R. 14, 19-20 (B.A.P. 9th Cir. 1988) (“[T]here must be some
17 articulated business justification for using, selling, or leasing the property outside the ordinary
18 course of business . . . whether the proffered business justification is sufficient depends on the facts
19 of the case. As the Second Circuit held in *Lionel*, the bankruptcy judge should consider all salient
20 factors pertaining to the proceeding and, accordingly, act to further the diverse interests of the
21 debtor, creditors and equity holders, alike.”).

22 In interpreting section 363(b)(1) of the Bankruptcy Code, courts have held that a transaction
23 involving property of the estate generally should be approved where the debtor or trustee can
24 demonstrate “some articulated business justification for using, selling, or leasing property outside of
25 the ordinary course of business.” *In re Continental Airlines, Inc.*, 780 F.2d 1223, 1226 (5th Cir.
26 1986); *accord In re Lionel Corp.*, 722 F.2d 1063, 1071 (2d Cir. 1983); *Walter*, 83 B.R. at 19-20; *In*
27 *re Curlew Valley Assocs.*, 14 B.R. 506, 513-14 (Bankr. D. Utah 1981); *Meyers v. Martin (In re*
28 *Martin)*, 91 F.3d 389, 395 (3d Cir. 1996) (approval where a sound business purpose exists). Among

1 other factors, courts should consider the consideration to be paid, the financial condition and needs
2 of the debtor, the qualifications of the buyer, and whether a risk exists that the assets proposed to be
3 sold would decline in value if left in the debtor's possession. *See Equity Funding Corp. of Am. v.*
4 *Fin. Assocs. (In re Equity Funding Corp.)*, 492 F.2d 793, 794 (9th Cir. 1974) (affirming trial court's
5 finding that the proposed sale of the debtor's assets would be in the best interest of the estate in light
6 of impending deterioration of market value of debtor's assets).

7 The Debtor currently possesses (and may identify in the future) certain Assets that it wants to
8 sell or transfer because such assets are no longer necessary to the estate as a result of the effort to
9 wind down the business being effectuated by the Debtor. To defray any operational, carrying, or
10 storage expenses associated with these assets, the Debtor has determined in its business judgment
11 that it is in the best interests of the estate to sell or transfer the Assets. To that end, the Debtor has
12 proposed the Omnibus Asset Sale Procedures, whereby it can consummate the sale or effectuate the
13 transfer of Assets during the pendency of the Case. Under these proposed procedures, parties with
14 an interest in the Debtor's assets are fully protected by the opportunity to object and to attend a
15 hearing, if desired.

16 **B. The Omnibus Asset Procedures are Appropriate Under Section 363(f)**

17 Section 363(f) of the Bankruptcy Code permits a debtor to sell property free and clear of
18 another party's interest in the property if: (a) applicable non-bankruptcy law permits such a "free and
19 clear" sale; (b) the holder of the interest consents; (c) the interest is a lien and the sales price of the
20 property exceeds the value of all liens on the property; (d) the interest is in bona fide dispute; or
21 (e) the holder of the interest could be compelled in a legal or equitable proceeding to accept a
22 monetary satisfaction of its interest.

23 The Debtor proposes to sell or transfer the Assets in a commercially reasonable manner and
24 expects that the value of the proceeds from such sales or transfers will fairly reflect the value of the
25 property sold. The Debtor further proposes that any party with a Lien on the Assets sold or
26 transferred pursuant to this Motion shall have a corresponding security interest in the proceeds of
27 such sale or transfer. Moreover, the Debtor proposes that the absence of any objection to the entry
28 of the order approving this Motion, along with the absence of any timely objection under the

1 Omnibus Asset Sale Procedures, in each case following the provision of notice, be deemed
2 “consent” to any sales or transfers pursuant to the Order within the meaning of section 362(f)(2) of
3 the Bankruptcy Code. As such, the requirements of section 363(f) of the Bankruptcy Code would be
4 satisfied for any proposed sales or transfers free and clear of liens, encumbrances, and other
5 interests.

6 **B. The Omnibus Asset Abandonment Procedures are Appropriate Under Section 554(a)**

7 Section 554(a) of the Bankruptcy Code provides that “[a]fter notice and a hearing, the trustee
8 may abandon any property of the estate that is burdensome to the estate or that is of inconsequential
9 value and benefit to the estate.” 11 U.S.C. § 554(a). In evaluating decisions to abandon property of
10 the estate, courts focus on whether such decision reflects a business judgment made in good faith.
11 *See, e.g., In re Cult Awareness Network, Inc.*, 205 B.R. 575, 579 (Bankr. N.D. Ill. 1997) (citations
12 omitted); *In re Wilson*, 94 B.R. 886, 888-889 (Bankr. E.D. Va. 1989); *In re Moore*, 110 B.R. 924,
13 928 (Bankr. C.D. Cal. 1990) (“The choice of which type of action [is appropriate to liquidate the
14 assets of the estate] (whether it be acceptance of the offer, a counteroffer, negotiation, open bidding,
15 or bringing a formal motion for abandonment) belongs to the trustee within the sound exercise of the
16 trustee's business judgment so long as the trustee fulfills his statutory duties.”).

17 The Debtor expects to take all reasonable steps to sell Assets no longer needed in its
18 operations as a result of the orderly wind down. The costs associated with sales of certain Assets,
19 however, may exceed any possible proceeds thereof. The inability to consummate a commercially
20 reasonable sale of Assets would indicate that these Assets have no meaningful monetary value to
21 the Debtor’s estate. Further, the costs of storing and maintaining such Assets may burden the
22 Debtor’s estate. Accordingly, the Debtor contends that, in such circumstances, the abandonment of
23 Assets pursuant to the Omnibus Asset Abandonment Procedures is in the best interests of the
24 Debtor’s estate.

25 In light of the demonstrable benefits of streamlined procedures to sell, transfer, or abandon
26 Assets, courts in various jurisdictions have approved similar procedures in other chapter 11 cases.
27 *See, e.g., In re People’s Choice Home Loan, Inc.*, Case No. 07-10765 (RK) (Bankr. C.D. Cal. May 2,
28 2007); *In re Ownit Mortgage Solutions, Inc.*, Case No. 06-12579 (KT) (Bankr. C.D. Cal. Jan. 19,

1 2007); *In re Keysor-Century Corp.*, Case No. 02-12477 (AG) (Bankr. C.D. Cal. Sept. 10, 2003); *In*
2 *re Mineral Park, Inc.*, Case No. 14-1196 (KG) (Bankr. D. Del. Sept. 23, 2014); *In re TPOP, LLC*,
3 Case No. 13-11831 (BLS) (Bankr. D. Del. Dec. 9, 2013); *Friendly Ice Cream Corporation*, Case No.
4 11-13167 (KG) (Bankr. D. Del. Oct. 24, 2011); *Flying J Inc.*, Case No. 08-13384 (MFW) (Bankr. D.
5 Del. Feb. 9, 2009); *In re Fleming Co., Inc.*, Case No. 03-10945 (Bankr. D. Del. May 21, 2003); *In re*
6 *Exide Technologies*, Case No. 02-11125 (KJC) (Bankr. D. Del. May 10, 2002); *In re Track 'N Trail*,
7 Case No. 01-42112 (EC) (Bankr. N.D. Cal. Sept. 13, 2001). For the foregoing reasons, the Debtor
8 believes that granting the relief requested herein is appropriate and in the best interests of the
9 estate and creditors.

10 **C. Reservation of Rights**

11 Nothing contained herein is intended or should be construed as an admission of the validity
12 of any claim or Lien against the Debtor, a waiver of the Debtor's right to dispute any claim or Lien,
13 or an approval or assumption of any agreement, contract, or lease under section 365 of the
14 Bankruptcy Code. The Debtor expressly reserves its right to contest any claim or Lien with respect
15 to the Assets in accordance with applicable non-bankruptcy law.

16 **D. Waiver of Bankruptcy Rule 6004(a) and 6004(h)**

17 To implement the foregoing successfully, the Debtor requests that the Court enter an order
18 providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the
19 Debtor has established cause to exclude such relief from the 14-day stay period under Bankruptcy
20 Rule 6004(h).

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III.

CONCLUSION

WHEREFORE, the Debtor respectfully requests that the Court enter an order (a) authorizing and approving omnibus procedures for the sale, transfer, and abandonment of Assets free and clear of all Liens; and (b) granting such other and further relief as is just and proper.

Dated: November 16, 2016

PACHULSKI STANG ZIEHL & JONES LLP

By /s/ Jeffrey W. Dulberg
Jeffrey W. Dulberg

Attorneys for Channel Technologies Group,
LLC, Debtor and Debtor in Possession

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

DECLARATION OF DAVID TIFFANY

1 I, David Tiffany, hereby declare that the following is true to the best of my
2 knowledge, information and belief:

3
4 1. I am a Director of CR3 Partners, LLC ("CR3"), an advisory firm with offices
5 in Dallas, Texas and other cities in the United States. As of the Petition Date, I am the Chief
6 Restructuring Officer of Channel Technologies Group, LLC, the above-captioned debtor and debtor-
7 in-possession ("CTG" or the "Debtor"). If I were called to testify as a witness in this matter, I could
8 and would competently testify to each of the facts set forth herein based upon my personal
9 knowledge, review of documents, or opinion. I am authorized to submit this Declaration on behalf
10 of the Debtor.

11 2. I submit this declaration (the "Declaration") in support of the Debtor's *Motion*
12 *for an Order Authorizing and Approving Omnibus Procedures for Sale or Abandonment of Debtor's*
13 *Assets Pursuant to 11 U.S.C. §§ 105, 363(b) and (f), and 554* (the "Motion"). Except as otherwise
14 indicated, all statements in this Declaration are based upon my personal knowledge, my review of
15 the Debtor's books and records, relevant documents and other information prepared or collected by
16 the Debtor's employees, or my opinion based on my experience with the Debtor's operations and
17 financial condition. In making my statements based on my review of the Debtor's books and
18 records, relevant documents and other information prepared or collected by the Debtor's employees,
19 I have relied upon these employees accurately recording, preparing or collecting such documentation
20 and other information.

21 3. The Debtor is endeavoring to expeditiously liquidate certain of its assets to the
22 extent appropriate, and sell or abandon any assets that are of immaterial value or otherwise
23 burdensome to the estate, in order to optimize value and recovery for the estate and minimize related
24 administrative claims and carrying costs. The Debtor is currently in possession of certain assets (the
25 "Assets") that (a) are not, or will soon not be, needed by the Debtor given the anticipated sale and
26 liquidation of substantially all of Debtor's assets or the wind down of its business (*e.g.*, lab and
27 manufacturing equipment), (b) surplus office furnishings and equipment, or (c) excess inventory and
28

1 related intellectual property including drawings and programs specific documentation as well as
2 equipment used for customer related production.

3 4. The Debtor has been negotiating with certain of its customers regarding
4 potential sales of certain Assets consisting of inventory and related intellectual property, equipment
5 and other assets that they may want or need for transition purposes, and has been assessing and will
6 continue to assess its remaining inventory, equipment and other personal property as to the proper
7 disposition thereof.

8 5. Given the Assets' limited value in relation to the Debtor's overall operations,
9 the Debtor submits that selling the Assets either to its existing customers or other third parties
10 through efficient procedures will reduce costs and other administrative expenses that would
11 otherwise be incurred by selling such assets by separate motions. I believe that the proposed
12 omnibus procedures described in the Motion will allow the Debtor to sell the Assets in an efficient
13 and cost-effective manner. I further believe that the proposed omnibus procedures will enable the
14 Debtor to promptly implement sales where appropriate in the Debtor's business judgment; provide
15 reasonable, subsequent notice to affected parties in interest; and allow the Debtor to sell, abandon or
16 otherwise dispose of Assets of limited value or that is burdensome to the estate, redounding to the
17 benefit of the estate and its creditors.

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

20 Executed this 16 day of November, 2016 at Santa Barbara, California.

21 
22 DAVID TIFFANY

EXHIBIT A

Proposed Form of Order

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7 Attorneys for Channel Technologies Group, LLC, Debtor and
Debtor in Possession

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9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re:
13 CHANNEL TECHNOLOGIES GROUP, LLC,¹
14 Debtor.

Case No. 9:16-bk-11912-PC

Chapter 11

**ORDER GRANTING MOTION FOR AN
ORDER AUTHORIZING AND
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FOR SALE OR ABANDONMENT OF
DEBTOR'S ASSETS PURSUANT TO 11
U.S.C. §§ 105, 363(B) AND (F), AND 554**

[Relates to Docket No. ___]

Hearing

Date: December 7, 2016

Time: 10:00 a.m.

Place: Courtroom "201"

1415 State Street
Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

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23 The Court has considered the Debtor's *Motion for an Order Authorizing and Approving*
24 *Omnibus Procedures for Sale or Abandonment of Debtor's Assets Pursuant to 11 U.S.C. §§ 105,*
25 *363(b) and (f), and 554* [Docket No. ___] (the "Motion")² filed by Channel Technologies Group,
26

27 ¹ The last four digits of the Debtor's Tax Identification Number are: 0460. The Debtor's mailing address is: 879 Ward
28 Drive, Santa Barbara, CA 93111.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Motion.

1 LLC, the debtor and debtor in possession in the above-captioned case (the “Debtor”). Unless
2 otherwise defined herein, capitalized terms have the meaning ascribed to them in the Motion.

3 Based upon the Court’s review of the Motion and the Declaration of David Tiffany in
4 support thereof, this Court finds: (a) notice of the Motion was adequate and appropriate under the
5 circumstances and that no further notice need be given except as set forth herein; and (b) no
6 objections to the Motion were filed, and good cause appearing therefor,

7 **IT IS HEREBY ORDERED THAT:**

8 1. The Motion is **GRANTED**.

9 2. Pursuant to section 363(b) of the Bankruptcy Code, the Debtor is authorized to sell or
10 transfer the Assets in accordance with the following Omnibus Asset Sale Procedures:

11 a. with regard to sales or transfers of Assets in any individual transaction
12 or series of related transactions to a single buyer or group of related
buyers with a net selling price equal to or less than \$99,000.00:

13 i. The Debtor is authorized to consummate such transaction(s) if
14 the Debtor determines in the reasonable exercise of its business
judgment, that such sales or transfers are in the best interests of
15 its estate, without further order of the Court or notice to any
party other than the U.S. Navy (the “Navy”) and Blue Wolf
16 Capital Fund II, L.P. (the “DIP Lender”) and subject to the
procedures set forth herein;

17 ii. Three (3) business days prior to the scheduled closing, the
18 Debtor shall transmit to the Navy and the DIP Lender a notice
setting forth a) the identification of the Assets being sold or
19 transferred, (b) the identification of the purchaser of the assets,
(c) the purchase price;

20 iii. If, prior to the close of business on the date identified in the
21 notice provided in accordance with the preceding paragraph
(the “Closing Date”) the Navy or the DIP Lender sends written
22 notice to the Debtor that it objects to the proposed sale, the
Debtor shall not consummate the proposed sale except upon
23 further order of the Court;

24 iv. If no written objection is received by the Debtor from the Navy
or the DIP Lender prior to the close of business on the Closing
25 Date, then the Debtor is authorized to immediately
consummate such sale or transfer without further order of the
26 Court; and

27 v. Any such transaction(s) shall be free and clear of all Liens,
with such Liens attaching only to the sale or transfer proceeds
28 with the same validity, extent, and priority as had attached to
the Assets immediately prior to such sale or transfer.

- 1 b. with regard to sales or transfers of Assets in any individual transaction
2 or series of related transactions to a single buyer or group of related
3 buyers with a net selling price greater than \$99,000.00 but equal to or
4 less than \$300,000.00:
- 5 i. The Debtor is authorized to consummate such transaction(s)
6 without further order of the Court if the Debtor determines in
7 the reasonable exercise of its business judgment that such sales
8 or transfers are in the best interests of the Debtor's estate,
9 subject to the procedures set forth herein;
- 10 ii. Any such transaction(s) shall be free and clear of all Liens,
11 with such Liens attaching only to the sale or transfer proceeds
12 with the same validity, extent, and priority as had attached to
13 the Assets immediately prior to such sale or transfer.
- 14 iii. The Debtor shall file with the Court and give written notice of
15 each proposed sale or transfer (a "Sale Notice") to the parties
16 entitled to such notice pursuant to that certain *Order Granting*
17 *Emergency Motion for Order Limiting Scope of Notice* [Dkt.
18 No. 62] (the "Limited Notice Order") entered on October 20,
19 2016 (collectively, the "Notice Parties"), and shall comply with
20 the special notice procedures related to classified material
21 approved in the Limited Notice Order, if applicable, and the
22 requirements of Local Bankruptcy Rule 6004-1(f);
- 23 iv. The content of the Sale Notice shall consist of (a) identification
24 of the Assets being sold or transferred, (b) identification of the
25 purchaser of the assets, (c) the purchase price, (d) the
26 significant terms of the sale or transfer agreement, and (e) the
27 location and the identity of any broker or any other party
28 utilized by the debtors in consummating the sale and the fee to
 be paid to such broker or other party and a statement regarding
 the disinterestedness of such broker;
- v. If no written objections from any of the Notice Parties are filed
 within seven calendar (7) days after the date of service of such
 Sale Notice, then the Debtor is authorized to immediately
 consummate such sale or transfer without further order of the
 Court, provided however that if required by the buyer an order
 may be entered by the Court approving such sale upon
 stipulation of the parties; and
- vi. If any Notice Party files a written objection to any such sale or
 transfer with the Court within seven (7) calendar days after
 receipt of such Sale Notice, then the relevant Assets shall only
 be sold or transferred upon either the consensual resolution of
 the objection by the parties in question or further order of the
 Court. If no resolution to the objection is reached, the Debtor
 will then schedule a hearing to consider the proposed sale of
 any Assets at the next scheduled omnibus hearing or such other
 date as may be authorized by the Court.

1 3. To the extent the Debtor seeks to conduct a sale of Assets to an individual buyer or a
2 group of related buyers with an aggregate selling price greater than \$300,000, the Debtor shall seek
3 separate approval from the Court with respect to such sale or transfer.

4 4. Notwithstanding anything to the contrary contained herein, to the extent the Debtor
5 seeks authority to sell Assets to an “insider,” as that term is defined in section 101 of the Bankruptcy
6 Code, regardless of the sale price, a Sale Notice (a) shall disclose the identity of the insider and the
7 insider’s relationship to the Debtor and (b) be served on the Notice Parties. If no written objections
8 from any of the Notice Parties are filed within seven (7) calendar days after the date of receipt of
9 such Sale Notice, then the Debtor is authorized to consummate such sale or transfer in accordance
10 with the Omnibus Asset Sale Procedures.

11 5. The Debtor shall use commercially reasonable efforts to market all Assets proposed
12 to be sold in an effort to maximize the value received.

13 6. Asset sales sold pursuant to the Omnibus Asset Sale Procedures shall be deemed
14 arm’s-length transactions entitled to the protections of section 363(m) of the Bankruptcy Code.

15 7. All buyers shall take the Assets sold by the Debtors pursuant to the Omnibus Asset
16 Sale Procedures “as is” and “where is,” without any representations or warranties from the Debtor as
17 to the quality or fitness of such Assets for either their intended or any particular purpose.

18 8. The Assets shall be sold free and clear of all Liens against the Debtor, its estate, or
19 the Assets, because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of
20 the Bankruptcy Code has been satisfied. Holders of Liens against Assets are adequately protected by
21 having their Liens attach to the proceeds attributable to the Assets in which such holder alleges an
22 interest, in the same order of priority, with the same validity, force, and effect that such holder had
23 prior to the sale, subject to any claims and defenses the Debtor may possess with respect thereto.
24 Failure to object to the entry of this Order, along with the failure to file a timely objection to a Sale
25 Notice, as applicable, shall be deemed “consent” to any sales or transfers pursuant to this Order
26 within the meaning of section 363(f)(2) of the Bankruptcy Code.

27 9. With respect to all Asset sales consummated pursuant to this Order, this Order shall
28 be sole and sufficient evidence of the transfer of title to any particular purchaser, and an Asset sale

1 consummated pursuant to this Order shall be binding upon and shall govern the acts of all persons
2 and entities who may be required by operation of law, the duties of their office, or contract, to
3 accept, file, register, or otherwise record or release any documents or instruments, or who may be
4 required to report or insure any title or state of title in or to any of the property sold pursuant to this
5 Order, including, without limitation, all filing agents, filing officers, title agents, title companies,
6 recorders of mortgages, recorders of deeds, administrative agencies, governmental departments,
7 secretaries of state, and federal, state, and local officials, and each of such persons and entities is
8 hereby directed to accept this Order as sole and sufficient evidence of such transfer of title and shall
9 rely upon this Order in consummating the transactions contemplated hereby.

10 10. The Debtor is authorized pursuant to section 554(a) of the Bankruptcy Code to
11 abandon Assets in accordance with the following Omnibus Asset Abandonment Procedures:

- 12 a. The Debtor shall give written notice of the abandonment (the
13 “Abandonment Notice”) to the Notice Parties;
- 14 b. The Abandonment Notice shall contain a description in reasonable
15 detail of the Assets to be abandoned and the Debtor’s reasons for such
16 abandonment;
- 17 c. If no written objections from any of the Notice Parties are submitted to
18 the Debtor within seven (7) calendar days after the date of service of
19 such Abandonment Notice, then the Debtor is authorized to
20 immediately proceed with the abandonment; and
- 21 d. If a written objection from any Notice Party is submitted to the Debtor
22 within seven (7) calendar days after service of such Abandonment
23 Notice, then the relevant Assets shall be abandoned only upon either
24 the consensual resolution of the objection by the parties in question or
25 further order of the Court after notice and a hearing.

26 11. The Debtor is authorized to pay reasonable and necessary fees and expenses incurred
27 in the sale, transfer, or abandonment of Assets pursuant to this Order, including commission fees to
28 agents, brokers, auctioneers, and liquidators, if any.

12 12. Service of the Sale Notice and/or the Abandonment Notice is sufficient notice of the
13 sale, transfer, and/or abandonment of such Assets.

14 13. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a).

15 14. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are
16 immediately effective and enforceable upon its entry.

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:
10100 Santa Monica Boulevard, 13th Floor, Los Angeles, California 90067

A true and correct copy of the foregoing document entitled (*specify*): **NOTICE OF MOTION AND MOTION FOR AN ORDER AUTHORIZING AND APPROVING OMNIBUS PROCEDURES FOR SALE OR ABANDONMENT OF DEBTOR'S ASSETS PURSUANT TO 11 U.S.C. §§ 105, 363(B) AND (F), AND 554; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF DAVID TIFFANY** 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 (*date*) **November 16, 2016**, 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 (*date*) **November 16, 2016**, 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*) **November 16, 2016**, 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 FEDEX

The Honorable Peter H. Carroll
United States Bankruptcy Court
Central District of California
1415 State Street, Suite 230 / Ctrm. 201
Santa Barbara, CA 93101

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.

November 16, 2016
Date

Mary de Leon
Printed Name

/s/ Mary de Leon
Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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

- Daniel Denny ddenny@gibsondunn.com
- Jeffrey W Dulberg jdulberg@pszjlaw.com
- Brian D Fittipaldi brian.fittipaldi@usdoj.gov
- Michael S Greger mgreger@allenmatkins.com
- William W Huckins whuckins@allenmatkins.com, clynch@allenmatkins.com
- David W. Meadows david@davidwmeadowslaw.com
- Samuel A Newman snewman@gibsondunn.com
- Reed H Olmstead reed@olmstead.law, olmstead.ecf@gmail.com
- United States Trustee (ND) ustpreion16.nd.ecf@usdoj.gov
- Alan J Watson alan.watson@hklaw.com, gloria.hoshiko@hklaw.com

2. **SERVED BY U.S. MAIL**

2002 Service List

Debtor

Channel Technologies Group, LLC
Attn: David Tiffany
Chief Restructuring Officer
879 Ward Drive
Santa Barbara, CA 93111

Brian Fittipaldi, Esq.
United States Trustee
128 East Carrillo Street
Santa Barbara, CA 93101

United States Trustee
915 Wilshire Blvd., Suite 1850
Los Angeles, CA 90017

Charles Miller, Member
5916 Carnegie Lane
Plano, Texas 75093

CR3 Partners
Attn: William Snyder; David Tiffany;
Robert Carringer; Michael Nguyen
13727 Noel Road, Suite 200
Dallas, TX 75240

Claims Agent
Prime Clerk
Attn: Michael J. Frishberg
830 3rd Avenue
New York, NY 10022

Bank

CIT/One West
Gordon Lenarth, Director
Treasury Management Group
888 East Walnut Street
Pasadena, CA 91101
Email: gordon.lenarth@cit.com

Government Entities

Loretta E. Lynch
U.S. Attorney General
U.S. Dept. of Justice
950 Pennsylvania Avenue NW
Washington, D.C. 20530-0001

U.S. Dept. of Justice
Ben Franklin Station
P.O. Box 683
Washington, DC 20044

U.S. Attorney – Central Dist. of CA
Federal Building, Room 7516
300 North Los Angeles Street
Los Angeles, CA 90012

Kamala D. Harris
State of California
Office of the Attorney General
1300 "I" Street
Sacramento, CA 95814-2919

Felix E. Leatherwood
Supervising Deputy AG
Brain D. Wesley, Deputy AG
300 South Spring Street, Suite 1702
Los Angeles, CA 90013

DFAS
Attn: Office of the General Counsel
8899 East 56th Street
Indianapolis, IN 46349-0160

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Internal Revenue Service
P.O. Box 7346
Philadelphia, PA 19101-7346

Internal Revenue Service
1332 Anacapa St.
Santa Barbara, CA 93101

CA Franchise Tax Board
BK Section, MS: A-340
P.O. Box 2952
Sacramento, CA 95812-2952

Littleton Massachusetts Chief Assessor
Attn: Katherine Miller
37 Shattuck Street, Room 206
Littleton, MA 01460

Littleton Massachusetts Tax Collector
Attn: Deborah Richards
37 Shattuck Street, Room 207
Littleton, MA 01460

CA Franchise Tax Board
P.O. Box 942857
Sacramento, CA 95812-2952

Santa Barbara County Tax Collector
Attn: Harry E. Hagen
105 East Anapamu Street, Suite 109
Santa Barbara, CA 93102

Employment Development Dept.
Bankruptcy Group MIC 92E
P.O. Box 826880
Sacramento, CA 94280-0001

State Board of Equalization
Special Operations BK Team, MIC: 74
P.O. Box 942879
Sacramento, CA 94279-0074

Massachusetts Dept. of Revenue
P.O. Box 9550
Boston, MA 02114-9550

Massachusetts Dept. of Revenue
P.O. Box 7010
Boston, MA 02204

TOP 20 LARGEST

BAE Systems
Attn: Kim Dean
65 River Road
Hudson, NH 03051-5228

SCIENCE APPLICATION INTERNATIONAL CORP.
Attn: Laura Hyden
151 Lafayette Drive, Suite 301
P.O. Box 2501
Oak Ridge, TN 37830

PRECISION SCREW MACHINE
PRODUCTS, INC.
Attn: Joseph A. Moreshead
30 GOOCH STREET
P.O. BOX 1944
BIDDEFORD, ME 04005

ALION
Attn: Paul Hendryx
1000 Burr Ridge Parkway
Suite 202
Burr Ridge, IL 60527

LEIDOS
Attn: Heather Hamlette
22635 Davis Drive Dr., Suite 160
Sterling, VA 20164-7103

ADVANCED GEOENVIRONMENTAL, INC.
Attn: Bob Marty
2300 KNOLL DR., UNIT L
VENTURA, CA 93003

MISSION UNIFORM SERVICE
Attn: William Slade
725 E. Montecito
Santa Barbara, CA 93102

HERAEUS PRECIOUS METALS
NORTH AMERICA
Attn: Ryan Hermann
24 UNION HILL ROAD
WEST CONSHOHOCKEN, PA 19428

MEL CHEMICALS
Attn: Patricia Jones
14271 Collection Center Drive
Chicago, IL 60693

CNC MACHINING, INC.
Attn: Greg Brous, President/CEO Admin.
510 S. Fairview Avenue
Goleta, CA 93117

KAYO DENSHI CO., LTD.
Attn: Ms. Chieko Murakami
5-19-13 Suneori-cho
Tsurugashima, Saitama 350-2211
Japan

VALUE BASED SOLUTIONS
Attn: Roland Ciaramitaro
1651 Crossings Parkway
Suites B & C
Westlake, OH 44145

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

ASTRO INDUSTRIES, INC.
Attn Kailash Mehta
4403 DAYTON XENIA ROAD
BEAVERCREEK, OH 45432

CAL WEST ENVIRONMENTAL
Attn: Cathy Williams
2386 First Street
La Verne, CA 91750-5545

PHOENIX INTL HOLDINGS, INC.
Attn: Olden Glover
9301 Largo Drive West
Largo, MD 20774

NRL & ASSOCIATES, INC.
Attn: Jeff Rumsey
245 Log Canoe Circle, Suite I
Stevensville, MD 21666

MI-TECH METALS, INC.
Attn: Steve Hedges
4701 Massachusetts Avenue
Indianapolis, IN 46218-3144

GRAINGER
Attn: Tracy Dillon
101 S. Rice Road
Oxnard, CA 93030

MORGAN TECHNICAL CERAMICS
Attn: Kay Griffiths
Vauxhall Industrial Estate LL14
6HY Ruabon Wrexham
United Kingdom

GLENAIR, INC.
Attn: Pam Ama-Hawkins
1211 Air Way
Glendale, CA 91201

Secured Creditors

Prepetition Secured Creditor/DIP Lender

Blue Wolf Capital Partners
Attn: President
One Liberty Plaza, 52nd Floor
New York, NY 10006

Counsel to Blue Wolf Capital Fund II, L.P.

John J. Monaghan
Holland & Knight, LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116

Interested Parties

Amerisource Funding, Inc.
7225 Langtry Street
Houston, TX 77040

Fidus Mezzanine Capital II, L.P.
as Collateral Agent
1603 Orrington Avenue, Suite 1005
Evanston, IL 60201

Gladstone Investment Corporation
1521 West Branch Drive, Suite 200
McLean, VA 22102

Wells Fargo Business Credit
Government Services Group
A Div. of Wells Fargo Bank, N.A.
2010 Corporate Ridge, Suite 900
McLean, VA 22102

Requests for Special Notice

Attys for Alta Properties, Inc.
Thomas N. Harding
Seed Mackall LLP
1332 Anacapa St., Suite 200
Santa Barbara, CA 93101

Attys for Lockheed Martin Corp.
Christopher R. Donoho, III, Esq.
M. Shane Johnson, Esq.
Hogan Lovells US LLP
875 Third Avenue
New York, NY 10022