

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:) Chapter 11
MOLL INDUSTRIES, INC., *et al.*,¹) Case No. 10-11371 (MFW)
) Jointly Administered
)
Debtors.) **Objection Deadline: August 1, 2011 at 4:00 p.m.**
) **Hearing Date: August 8, 2011 at 2:00 p.m.**

NOTICE OF MOTION

PLEASE TAKE NOTICE THAT on July 15, 2011, the Debtors filed their attached *Motion for an Order Converting These Cases to Cases Under Chapter 7 of the Bankruptcy Code Pursuant to 11 U.S.C. § 1112(a)* (the "Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that any objections to the Motion must be made in writing, filed with the Bankruptcy Court, 824 Market Street, Wilmington, Delaware 19801 and served so as to actually be received by the undersigned counsel for the Debtors on or before **August 1, 2011 at 4:00 p.m. prevailing Eastern time.**

PLEASE TAKE FURTHER NOTICE that a hearing on the Motion will be held before the Honorable Mary F. Walrath at the Bankruptcy Court, 5th Floor, Courtroom 4, on **August 8, 2011 at 2:00 p.m. prevailing Eastern time.**

¹ The Debtors in these cases are as follows: Moll Industries, Inc., Case No. 10-11371 (MFW); Moll Holdings, Inc., Case No. 10-11372 (MFW); Moll Europe Holdings, LLC, Case No. 10-11373 (MFW); and Moll Latin America Holdings, LLC, Case No. 10-11374 (MFW).

Docket No. 1065
Date 7/15/2011

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTION OR OTHER RESPONSE TO THE MOTION IS TIMELY FILED IN ACCORDANCE WITH THE PROCEDURES SET FORTH ABOVE, THE BANKRUPTCY COURT MAY ENTER AN ORDER GRANTING THE RELIEF SOUGHT IN THE MOTION WITHOUT FURTHER NOTICE OR A HEARING.

Dated: July 15, 2011
Wilmington, Delaware

SULLIVAN · HAZELTINE · ALLINSON LLC

/s/ William A. Hazeltine

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**DEBTORS' MOTION FOR AN ORDER CONVERTING
THESE CASES TO CASES UNDER CHAPTER 7 OF THE
BANKRUPTCY CODE PURSUANT TO 11 U.S.C. § 1112(a)**

Moll Industries, Inc. and its affiliated debtors (the "Debtors"), the debtors and debtors-in-possession in the above-captioned Chapter 11 cases, hereby move this Honorable Court, pursuant to Section 1112(a) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), for an order converting these cases to cases under Chapter 7 of the Bankruptcy Code as a one-time matter of right. In support of this Motion, the Debtors state the following:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief sought herein is Section 1112(a) of the Bankruptcy Code.

¹ The Debtors in these cases are as follows: Moll Industries, Inc., Case No. 10-11371 (MFW); Moll Holdings, Inc., Case No. 10-11372 (MFW); Moll Europe Holdings, LLC, Case No. 10-11373 (MFW); and Moll Latin America Holdings, LLC, Case No. 10-11374 (MFW).

BACKGROUND

2. On April 27, 2010 (the “Petition Date”), the Debtors each filed a voluntary petition for relief pursuant to Chapter 11 of Bankruptcy Code commencing the above-captioned cases. These cases are being jointly administered for procedural purposes. The Debtors are operating as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. On May 10, 2010, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”).

3. The Debtors were a significant provider of global injection molding and full-service contract manufacturing solutions for the medical, appliance, industrial, consumer and automotive markets. They were also specialists in drug delivery, surgical devices, enclosures and fluid delivery products, and were considered one of the most experienced full-service contract manufacturers of custom injection molded components and assemblies to the medical industry in North America. They had registered medical device establishment with the FDA in their manufacturing facilities in Seagrove, North Carolina and Donegal, Ireland.

4. The Debtors filed their bankruptcy petitions with the expectation that they would sell the business as a going concern during the bankruptcy. As of the Petition Date, the Debtors firmly believed that they would be able to close a sale of substantially all of their assets as a going concern through the bankruptcy process. However, as a result of the unexpected loss of the Debtors’ largest customer, the Debtors, despite their best efforts, were unable to accomplish a going concern sale.

5. On September 16, 2010, the Court entered an order (the “Sale Order”) [Docket No. 324] authorizing the Debtors to sell substantially all of their machinery and equipment to Branford Auctions, LLC (“Branford”). The purchase price for the machinery and equipment was

\$2,720,000, subject to certain purchase price adjustments. The sale to Branford closed on September 17, 2010 (the "Closing Date"). Following the Closing Date, the Debtors continued to manufacture product for certain customers through October 1, 2010 using machinery and equipment sold to Branford pursuant to a Transition License and Operating Agreement, which was approved by the Court as part of the Sale Order. The Debtors' manufacturing of product following the Closing Date generated substantial positive cash flow.

6. On October 8, 2010, the Court entered its Order Authorizing the Debtors to (I) Lease Certain of Its Real Property Located in Seagrove, North Carolina, and (II) Sell Certain Raw Material Free and Clear of Encumbrances (the "FPE Order") [Docket No. 361]. Pursuant to the FPE Order, the Debtors leased a portion of their Seagrove, North Carolina manufacturing facility to FPE NC, LLC ("FPE") and sold certain remaining raw materials to FPE. FPE is now using the facility to manufacture product for some of the Debtors' former customers and has employed a substantial number of the Debtors' former employees.

7. The transactions approved by the FPE Order provided several benefits to the Debtors' estates and their creditors. First, the lease of the facility provided additional income to the Debtors pending the sale of the Seagrove property. Second, the Debtors were able to sell their remaining raw materials to FPE at cost, allowing the Debtors to avoid the restocking fees that their suppliers would have charged if they had returned the product. Third, FPE hired a substantial number of the Debtors' employees. In addition to providing continued employment for many of the Debtors' employees, the continued employment will mitigate any potential

WARN Act liability. Finally, FPE will be manufacturing product for Acton Pharmaceuticals, Inc. (“Acton”), which will eliminate any potential administrative expense claim asserted by Acton.²

8. Following the sale of the Debtors’ machinery and equipment to Branford, the Debtors sole remaining assets of any substantial value were the Seagrove manufacturing facility leased by FPE (the “Real Property”) and patents and other intellectual property rights relating to a method for the attachment of bristles to toothbrushes (the “IP Assets”), which the Debtors licensed to Berkenhoff GmbH (“Berkenhoff”) in 1999. The Debtors spent significant time during the period following the closing of the Branford Sale marketing the Real Property and the IP Assets for sale.

9. On May 9, 2011, this Court entered orders (i) authorizing the sale of the Real Property to FPE for \$437,764.00 [Docket No. 602] and (ii) authorizing the sale of the IP Assets to Berkenhoff for \$575,000.00 [Docket No. 603]. Both of these sales have closed. The Debtors believe that the only remaining assets of the Debtors’ estate that may have any value are possible avoidance actions under Chapter 5 of the Bankruptcy Code (the “Avoidance Actions”).

10. Currently the Debtors are holding funds totaling approximately \$5.2 million.³ The Debtors believe that all of these funds represent the cash collateral (the “Cash Collateral”) of the Debtors’ pre-petition lenders (the “Lenders”). Since the Petition Date, the Debtors have funded their operations solely through the use of Cash Collateral with the Lenders’ consent. The Debtors are informed and believe that the Lenders will no longer consent to the use of Cash Collateral.

² The Court may recall that Acton has asserted an administrative expense claim against the Debtors pursuant to a post-petition supply agreement between the Debtors and Acton. Subject to various defenses, the Debtors estimated this claim at \$460,000.

³ This amount includes \$52,000.00 held by the Debtors’ undersigned counsel in a separate, interest bearing, escrow account in connection with the sale of the Real Property to FPE.

RELIEF REQUESTED

11. By this Motion, the Debtors seek an order of the Court converting the captioned Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code pursuant to Section 1112(a). Section 1112(a) provides that a debtor, with certain exceptions, may convert a Chapter 11 case to a Chapter 7 case as a matter of right, at any time. Specifically, that provision states:

- (a) The debtor may convert a case under this chapter to one under chapter 7 of this title unless –
 - (1) the debtor is not a debtor in possession;
 - (2) the case originally was commenced as an involuntary case under this chapter; or
 - (3) the case was converted to a case under this chapter other than on the debtor's request.

11 U.S.C. § 1112(a).

12. Essentially, Section 1112(a) gives a Chapter 11 debtor a one-time right to convert to Chapter 7 unless one of the enumerated exceptions applies. *See, e.g., Results Systems Corp. v. MQVP, Inc.*, 395 B.R. 1, 5 (E.D. Mich. 2008) (“[§] 1112(a) gives the Debtors the right to convert a chapter 11 case to a liquidation case under chapter 7 at any time.”) (quoting 7-1112, Collier on Bankruptcy-15th Ed. Rev. P 1112.02); *In re Dieckhaus Stationers of King of Prussia, Inc.*, 73 B.R. 969, 971 (Bankr. E.D. Pa. 1987) (finding that section 1112(a) of the Bankruptcy Code gives a debtor in possession an absolute right to convert unless the case is governed by one of the exceptions); see also Fed. R. Bankr. P. 1017(f)(1) and 1017(f)(2) (conversion under section 1112(a) is requested by motion under Rule 9013 but is not to be treated as a contested matter under Rule 9014).

13. In this instance and under the unequivocal language of Section 1112(a), the Debtors maintain that they have the absolute right to convert these cases to cases under Chapter 7 because: (i) the Debtors remain debtors-in-possession; (ii) these cases were not commenced as

involuntary cases; and (iii) these cases have not previously been converted from cases under any other chapter of the Bankruptcy Code.

14. Moreover, given that (i) the Debtors have sold virtually all of their assets of any value and have ceased operating, (ii) the Debtors do not have the resources to propose and confirm a plan and (iii) the Debtors can no longer use the Cash Collateral, the Debtors submit that conversion of these cases to cases under Chapter 7 of the Bankruptcy Code is necessary and appropriate. While the Avoidance Actions may provide the Debtors' estates with funds for distribution to creditors other than the Lenders, the Debtors submit that, upon conversion, the Chapter 7 trustee can most efficiently analyze and commence the Avoidance Actions on behalf of the estates and otherwise complete all tasks necessary to implement the distribution of the estates' funds to creditors in accordance with the priority scheme of the Bankruptcy Code. Moreover, an independent trustee is likely to be in the best position to evaluate the merits of the adversary proceeding filed by the Committee against the Lenders and certain other parties and determine whether to continue to prosecute that action.

15. Based on the foregoing, the Debtors submit that conversion of these cases to cases under Chapter 7 of the Bankruptcy Code is in the best interests of the Debtors' estates and their creditors.

NOTICE

16. This Motion and notice of this Motion will be served on (i) the Office of the United States Trustee for the District of Delaware; (ii) NexBank, as Administrative Agent and Collateral Agent for the Debtors' pre-petition secured lenders; (iii) counsel for the Official Committee of Unsecured Creditors; and (iv) all parties that have requested special notice pursuant to Bankruptcy Rule 2002. A notice of this Motion without a copy of the Motion will be

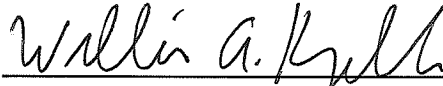
served on the Debtors remaining known creditors and such creditors will be given the opportunity to obtain a copy of the Motion at no cost.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Honorable Court enter an order, substantially in the form attached hereto, converting the captioned cases to cases under Chapter 7 of the Bankruptcy Code and granting to the Debtors such other and further relief as the Court deems just and proper.

Date: July 15, 2011
Wilmington, DE

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IN RE:) Chapter 11
MOLL INDUSTRIES, INC., *et al.*,¹) Case No. 10-11371 (MFW)
) Jointly Administered
)
Debtors.) **Related Document No. _____**

**ORDER GRANTING DEBTORS' MOTION FOR AN ORDER
CONVERTING THESE CASES TO CASES UNDER CHAPTER 7
OF THE BANKRUPTCY CODE PURSUANT TO 11 U.S.C. § 1112(a)**

Upon the Motion of the captioned debtors ("the Debtors") for entry of an Order converting the captioned Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code; and after due deliberation and consideration of the record in these cases; notice of the Motion² and the hearing thereon having been provided; and having considered any responses or objections to the Motion; and good and sufficient cause appearing therefore, it is hereby

FOUND AND DETERMINED THAT:

- A. Notice of the Motion and the hearing thereon was due and sufficient under the circumstances.
- B. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
- C. This is a core proceeding under 11 U.S.C. § 157(b).
- D. The Debtors were debtors-in-possession during the pendency of these Chapter 11 cases through the date that of this Order.

¹ The Debtors in these cases are as follows: Moll Industries, Inc., Case No. 10-11371 (MFW); Moll Holdings, Inc., Case No. 10-11372 (MFW); Moll Europe Holdings, LLC, Case No. 10-11373 (MFW); and Moll Latin America Holdings, LLC, Case No. 10-11374 (MFW).

² All capitalized terms used herein and not defined shall have the meanings ascribed to them in the Motion.

E. The Debtors' Chapter 11 cases were not originally commenced as involuntary cases.

F. The Debtors' Chapter 11 cases were not previously converted to cases under Chapter 11 of the Bankruptcy Code.

It is ORDERED, ADJUDGED AND DECREED that:

1. The Motion is GRANTED.
2. The Debtors' Chapter 11 cases shall be converted to cases under Chapter 7 of the Bankruptcy Code pursuant to 11 U.S.C. §1112(a) effective as September 16, 2011 (the "Conversion Date").
3. The Office of the United States Trustee shall appoint an interim trustee pursuant to 11 U.S.C. § 701 to serve in the Debtors' Chapter 7 cases pending the election or appointment of a permanent trustee.
4. The Debtors shall:
 - a. Turnover to the Chapter 7 trustee all records and property of the estate under its custody and control as required by Rule 1019(4) of the Federal Rule of Bankruptcy Procedure (the "Bankruptcy Rules");
 - b. Within fifteen (15) days after the Conversion Date, file a schedule of unpaid debts accrued after commencement of the captioned bankruptcy cases through the Conversion Date including the name and address of each creditor, as required under the Bankruptcy Rule 1019(5)(A)(i);
 - c. Within fifteen (15) days after the Conversion Date, file the schedules required by Bankruptcy Rules 1019(1)(A); and
 - d. Within thirty (30) days of the date of entry of this Order, file and transmit to the Office of the United States Trustee a final report and account as required by Bankruptcy Rule 1019(5)(A)(ii).

5. A representative of the Debtors and counsel to the Debtors in the Chapter 11 cases shall appear at the first meeting of creditors pursuant to 11 U.S.C. §§ 341(a) and such representative shall be available to testify at such meeting.

6. On or before August 19, 2011, all professionals employed by the Debtors and the Committee in the Chapter 11 cases that have not already done so shall file an application for final allowance and payment of profession fees and expense (the "Final Fee Applications"). The Court shall hold a hearing to consider allowance of the Final Fee Applications on September 9, 2011 at 9:30 a.m.

7. Effective upon the date of this Order, and pending appointment of a trustee under 11 U.S.C. § 702, all contested matters and adversary proceedings in the Debtors' bankruptcy cases are stayed.

8. The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: Wilmington, Delaware
August __, 2011

THE HONORABLE MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE

File a Motion:10-11371-MFW Moll Industries, Inc.

Type: bk Chapter: 11 v Office: 1 (Delaware)
 Assets: y Judge: MFW
 Case Flag: LEAD, CLMSAGNT, PlnDue, DsclsDue, Sealed Doc(s), APPEAL

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from William A. Hazeltine entered on 7/15/2011 at 11:31 AM EDT and filed on 7/15/2011

Case Name: Moll Industries, Inc.
Case Number: 10-11371-MFW
Document Number: 665

Docket Text:

Motion to Convert Chapter 11 Case to a Case Under Chapter 7. Fee Amount \$15. Filed by Moll Industries, Inc.. Hearing scheduled for 8/8/2011 at 02:00 PM at US Bankruptcy Court, 824 Market St., 5th Fl., Courtroom #4, Wilmington, Delaware. Objections due by 8/1/2011. (Attachments: # (1) Notice # (2) Proposed Form of Order) (Hazeltine, William)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**C:\fakepath\Motion to Convert.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=7/15/2011] [FileNumber=9854507-0]
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Document description:Notice**Original filename:**C:\fakepath\Motion to Convert - Notice.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=7/15/2011] [FileNumber=9854507-1]
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Document description:Proposed Form of Order**Original filename:**C:\fakepath\Motion to Convert - Order.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=7/15/2011] [FileNumber=9854507-2]
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 db346dc21e514ffe2d73d5d904392ff1cf9762e857128f1f4869150c037d]]

10-11371-MFW Notice will be electronically mailed to:

Michael G. Adams on behalf of Defendant Highland Capital Management, L.P.
 mikeadams@parkerpoe.com, lisaleskody@parkerpoe.com