

**Debtors' Motion for an Order (A) Authorizing the Long-Term Idling of the Ashley, Indiana Facility; and (B) Authorizing the Rationalization of the Workforce at the Facility (the "Ashley Facility Motion").**

By the Ashley Facility Motion, the Debtors seek entry of an order authorizing (i) the long-term idling of Debtor Bio-Lab, Inc.'s ("Bio-Lab") Ashley, Indiana manufacturing facility (the "Ashley Facility"), and (ii) the rationalization of the Ashley Facility's workforce.

The Ashley Facility is owned and operated by Bio-Lab and is comprised of a manufacturing plant (the "Ashley Plant") and a warehouse (the "Ashley Warehouse"). Bio-Lab primarily utilizes the Ashley Warehouse to store chemicals and finished products related to the manufacturing activities at the Ashley Plant. The Ashley Plant has historically been one of two primary manufacturing sites for Bio-Lab's consumer liquid products. Bio-Lab's other main consumer liquid products manufacturing site is located in Conyers, Georgia (the "Conyers Facility").

In connection with the Debtors' efforts to rationalize production-related costs and conform their manufacturing facilities to expected operating needs, the Debtors have determined to (i) consolidate all operations related to the manufacture of consumer liquid products at the Conyers Facility and (ii) place the Ashley Facility in long-term idle mode, which would include a reduction in the number of employees located at the Ashley Facility (collectively, the "Consolidation"). The Debtors assert that the annual fixed costs for the Ashley Facility exceed \$400,000 (the "Annual Costs"). Through the Consolidation, the Debtors anticipate that they will save most of the Annual Costs and realize other savings across both the Ashley and Conyers Facilities.<sup>1</sup>

The Debtors intend to carry out the Consolidation over the course of a nine-month period (the "Transition Period"). The Consolidation will require the Debtors to (i) relocate production lines and equipment from the Ashley Facility to the Conyers Facility, (ii) terminate operations at the Ashley Plant, and (iii) decommission the Ashley Plant. In order to accomplish those steps, the Debtors have developed the following plans with respect to the environmental and workforce issues arising from the Consolidation:

- Environmental Issues: Although there are no existing clean-up decrees or orders, and there is little or no hazardous waste collection at the Ashley Facility, the Debtors plan to decontaminate, decommission and de-energize the Ashley Facility (the "Decommissioning Activities"). The Debtors are not required by law to perform the Decommissioning Activities but intend to undertake such activities in order to ensure a safe transition to long-term idling status for the Ashley Facility. The estimated cost of the Decommissioning Activities is \$600,000.
- Workforce Issues: The Ashley Facility employs a total of 55 full-time employees. These 55 employees will be eliminated from the Debtors' workforce in stages

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<sup>1</sup> The Debtors estimate that approximately 50% of the projected cost savings will be realized in June 2010 due to the outlay of one-time costs associated with the Consolidation.

over the course of the Transition Period. In connection with the rationalization of the Ashley Facility workforce, the Debtors estimate that they will be required to pay approximately \$400,000 in severance to terminated employees pursuant to the Debtors' employee severance plan.<sup>2</sup>

The Debtors assert that they routinely altered the scope of production at their various facilities and made related changes to their workforce prior to the commencement of the chapter 11 cases and, therefore, the Consolidation constitutes an action in the ordinary course of business that does not require approval of the Bankruptcy Court. To the extent that the Consolidation is not an action in the ordinary course of business, however, the Debtors assert that the relief requested is appropriate because the Consolidation is a reasonable exercise of their business judgment.

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<sup>2</sup> The Debtors assert that none of the severance that will be paid in connection with the rationalization of the Ashley Facility workforce will be paid to any insider as that term is defined in Bankruptcy Code section 101.