

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)

In re:)
)
FRONTLINE SECURITY SERVICES LLC,) Case No. 16-26249-LSS
) Chapter 7
Debtor)
_____)

NOTICE OF MOTION FOR AUTHORITY TO RESOLVE CERTAIN
ESTATE CLAIMS WITH THE UNITED STATES
DEPARTMENT OF LABOR AND FOR AUTHORITY TO
PAY CERTAIN CLAIMS AGAINST THE ESTATE

TO WHOM IT MAY CONCERN, AND ESPECIALLY TO ALL INTERESTED
PARTIES OF THE ESTATE OF FRONTLINE SECURITY SERVICES LLC (the
“Debtor”):

You are hereby notified that unless objection is made on or before twenty-one (21) days from the date of this notice, Merrill Cohen, Chapter 7 trustee (the “Trustee”) for the Debtor’s estate (the “Estate”), will proceed to resolve certain claims of the Estate regarding the United States Department of Labor, United States Social Security Administration and Department of Homeland Security and to pay certain claims against the Estate, as more fully set forth in the Trustee’s Motion for Authority to Resolve such Estate Claims (the “Motion”). A copy of the Motion is on file with the Court and may be obtained from undersigned counsel as well.

As set forth in the Motion, the Debtor’s records indicate that amounts are owed to the Estate by the United States Social Security Administration (“SSA”) and Department of Homeland Security (“DHS”) under certain pre-bankruptcy contracts referenced in the Motion, in the total amount of \$2,737,123.84. Action Capital Corporation (“Action”), a creditor in the Debtor’s bankruptcy case, has asserted a lien against such accounts receivable. The United States Department of Labor (“DOL”) has placed a hold on payment of such accounts receivable, asserting that a portion thereof are subject to claims by DOL for wages and fringe benefits owed to employees pursuant to the McNamara-O’Hara Service Contract Act of 1965 (the “SCA”), as amended, 41 U.S.C. § 351, *et seq.*

The Trustee proposes to resolve the foregoing claims regarding the accounts receivable referenced in the Motion. Upon Court approval of the Motion, the Department of Labor shall instruct DHS to pay \$911,596.25 to the Estate in satisfaction of its obligations under the contracts set forth in the Motion, after withholding \$1,207,233.18 in order to pay certain employee payroll claims relating to such contracts. The Department of Labor shall instruct SSA to pay to the Estate \$17,506.37, after withholding

\$563,033.31 to pay similar employee payroll claims. The total amount to be paid to the Estate is \$929,102.62.

DHS and SSA shall pay the amounts withheld from the Estate to the Department of Labor. The Department of Labor shall pay such funds to satisfy certain of the Debtor's employee payroll obligations set forth in the Motion, after withholding the amount of Federal taxes, and the employee's share of FICA, Social Security and Medicare taxes. The total amount to be paid to, or for the benefit of, the Debtor's employees is \$1,770,266.49. The Department of Labor shall issue to each employee a Form W-2 reflecting the amounts paid and withheld regarding such employee. The Department of Labor shall not withhold any amounts concerning the employee's state or local tax obligations. The Department of Labor shall file with the IRS quarterly Form 941X forms, which shall include the appropriate employer's portion of any FICA, Social Security or Medicare taxes attributable to such employee payments, and such employer's portion shall be treated as an administrative expense of the Estate entitled to priority in payment under 11 U.S.C. §§ 507(a)(2) and 503(b)(1)(B).

Payment by the Department of Labor of the Employee-Related Claims as set forth in this Motion shall constitute full payment of such payroll obligations regarding the DHS and SSA contracts. Any employee who has filed a proof of claim in the bankruptcy case concerning such payroll obligations shall, upon payment thereof, withdraw such proof of claim.

The parties have further agreed that Action, which holds a claim secured in part by the Debtor's accounts receivable, shall carve out for the benefit of the Estate the amount of \$210,000 from the accounts receivable proceeds paid to the Estate from the specified DHS and SSA contracts. Action shall receive the amount of \$719,102.62 from such DHS and SSA accounts receivable.

The Trustee believes that such agreement is in the best interest of the Estate and recommends acceptance of this compromise, which would alleviate the need for litigation and collection efforts concerning the contracts and accounts receivable described herein.

Any objections to the aforementioned should be filed, in writing, with the Clerk of the United States Bankruptcy Court for the District of Maryland 6500 Cherrywood Lane, Greenbelt MD 20770 and a copy of any such objection should be sent to undersigned counsel for Merrill Cohen, Chapter 7 trustee.

DATED: December 8, 2017

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Augustus T. Curtis
Augustus T. Curtis (#26653)
Cohen, Baldinger & Greenfeld, LLC
2600 Tower Oaks Boulevard, Ste 103
Rockville, Maryland 20852
(301)881-8300
Attorney for Trustee