

364(c)(2) of the United States Bankruptcy Code, 11 U.S.C. §§101-1330 (the “*Bankruptcy Code*”), Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”) and Rule 4001-1 of the Local Rules of the United States Bankruptcy Court for the District of Oregon (the “*Local Rules*”), for the Debtor to obtain post-petition loans of \$100,000 from Joseph A Nathan living trust ua dtd 12/30/1996, Joseph A Nathan trustee (“*Nathan*”) (“*Lender*”)¹ secured by first priority security interests in and liens upon all of the Debtor’s intellectual property, whether existing and hereafter acquired, pursuant to §364(c)(2) of the Bankruptcy Code, (ii) authority for the Debtor to enter into the Debtor in Possession Financing Agreement dated April 3, 2013 between Lender and Debtor (the “*DIP Agreement*”), and (iii) approval of the terms and conditions of the DIP Agreement, and (iv) the granting to Lenders of super-priority administrative claim status pursuant to §364(c)(1) of the Bankruptcy Code.

THIS MOTION CONTAINS NONE OF THE PROVISIONS IDENTIFIED IN LOCAL BANKRUPTCY FORM 541.7.

In support of the Motion, Debtor submits herewith the Declaration of David Moffenbeier, its Chief Executive Officer, and further represents as follows:

JURISDICTION

1. The consideration of this Motion constitutes a “core proceeding” pursuant to 28 U.S.C. §§157(b)(2)(A), (D), (G), (K), (M) and (O) and 1334, and this Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§157 and 1334.

¹ Joseph Nathan, Nathan’s principal, holds controlling interests in several entities that have invested in Debtor by way of cash contributed as debt and equity in amounts that total in excess of several million dollars. Nathan is also a board member of Debtor.

FACTUAL AND PROCEDURAL BACKGROUND

2. On March 8, 2013 (the “*Petition Date*”), the Debtor filed an emergency voluntary petition for reorganization under chapter 11 of the Bankruptcy Code to avert termination of the lease on its principal manufacturing facility located in Albany, Oregon.

3. Since the Petition Date Debtor has continued in the management and possession of its business and properties as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

4. Debtor’s business, ten years old, consists of the manufacture and sale of a super-absorbent polymer starch product, brand name Zeba®, designed to be included with fertilizer and seeds or seedlings of various crops at the time of planting and initial irrigation. The product captures water otherwise lost to evaporation, river run-off and seepage into the subsurface water table, greatly improving the hydration of seeds and roots. The use of Zeba® has been demonstrated over years of testing and sales to significantly increase crop yields, especially in dry soils and climates.

5. The Zeba® manufacturing process is complex. In Debtor’s early years, developing methods to allow production in sufficient quantities to provide a profitable cost/price ratio proved challenging. ATI eventually developed and patented such a manufacturing process. As a result of the collapse in bank lending beginning in 2008-2009, however, ATI was unable to acquire bank financing to complete construction of its new factory and install its special manufacturing equipment to take advantage of that production innovation. With production continuing to occur in relatively limited quantities at high costs, Debtor struggled to sustain its business leading, eventually, to this bankruptcy filing.

6. Debtor has communicated with Nathan concerning its interest in joining with other investors to create a new corporate entity to acquire substantially all of Debtor's assets through a liquidating Chapter 11 plan that would compensate creditors and provide additional cash to assume leases and resume operations to capitalize on the Zeba® product after bankruptcy.

NEED FOR EMERGENCY DIP FINANCING

7. To operate its business or engage in an orderly sale of its assets, Debtor has an immediate need to borrow \$100,000 to pay postpetition expenses as follows: \$78,757 due FHA, LLC for March and April rent on Debtor's principal manufacturing facility; \$12,310.38 to pay March employee health insurance premium to Providence Health Plan; and \$8,932.39 for postpetition payroll. Without the proposed emergency financing, the Debtor will suffer immediate and irreparable harm.

8. Despite vigorously seeking out sources of Debtor In Possession financing (the "DIP Loan") since the Petition Date, Debtor has been unable to obtain unsecured credit allowable under §503(b)(1) of the Bankruptcy Code, or pursuant to §§364(a) and (b) of the Bankruptcy Code, except on the terms and conditions set forth herein. Lender is unwilling to lend to Debtor except on the terms of the DIP Agreement, a copy of which is attached hereto as Exhibit 1. No source of interim financing exists on this date other than from the Lender. Debtor anticipates and additional DIP Loan from Nathan and another entity interested in acquiring Debtor's assets, in the amount of \$900,000 to cover additional postpetition costs going forward.

9. The terms of the DIP Agreement between the Debtor and Lender pursuant to which the proposed financing will be provided has been negotiated in good faith and at arm's

length as that term is used at §364(e) of the Bankruptcy Code and are in the best interests of the Debtor and its creditors.

10. The ability of the Debtor to continue its business and maximize the value of its assets under chapter 11 of the Bankruptcy Code depends upon obtaining such financing from Lender. Debtor's employees and their health care insurance premiums must be paid for Debtor to retain these workers' services. FHA, the landlord on Debtor's principal manufacturing facility in Albany, Oregon, is entitled to lease payments from Debtor covering the postpetition periods of March 9-31, 2013 (the "March stub period") and April 1-30, 2013. Amounts owed for those two periods total approximately \$78,000. Debtor is informed by FHA that pursuant to its obligations to its mortgagee lender, FHA requires funds sufficient to pay its April 1, 2013 installment due on FHA's mortgage debt not later than April 5, 2013. The relief granted by this Court pursuant to this Emergency Financing Order is necessary to avoid such immediate and irreparable harm to the Debtor's estate.

TERMS OF THE DIP AGREEMENT

11. The terms of the DIP Agreement are set forth in Exhibit 1 and can be summarized as follows: (a) lending of \$100,000 to be as set forth above; (b) interest rate of 8% per annum on outstanding advances; (c) reimbursement of Lenders' reasonable expenses associated with the credit facility, including attorney fees; (d) termination in the event of Debtor default; and (e) adequate protection consisting of the granting of a first position lien on Debtor's intellectual property assets, which are unencumbered.

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LEGAL ARGUMENT

12. The court on motion may give a trustee leave to borrow funds according to terms required by a lender, including the granting of a superpriority administrative expense and senior lien on unencumbered property, where this is necessary to preserve the estate and is in the best interests of creditors. 11 USC Section 364(c) and (d). Debtor has complied with the federal and local bankruptcy rules and has made its showing as to the need for relief under these provisions of the Bankruptcy Code. The form of an order granting Debtor permission to borrow and to enter into the DIP Agreement, and providing Nathan an administrative expense priority right of repayment and a senior security position in Debtor's unencumbered intellectual property, and reasonable findings in connection with such requested relief, is attached hereto as Exhibit 2. Debtor respectfully submits that the proposed form of order is appropriate and request that the Court enter it.

NOTICE OF MOTION AND HEARING

13. A hearing on this motion has been set for 1:30 pm, April 5, 2013, in Courtroom 4, United States Bankruptcy Court for the District of Oregon, 1001 SW Fifth Avenue, 7th floor, Portland, OR 97204.

14. Each of the parties set forth below received due notice of the Motion pursuant to Bankruptcy Rules 4001(b)(1), (c)(1) and (d)(1) and 1007(d) and the Local Rules: (a) the Office of the United States Trustee (via ECF), and (b) all parties in interest that have filed a Notice of Appearance in the Debtor's chapter 11 case, including the County of Linn, Oregon through its counsel (via ECF). In addition, due to the timing of filing of the Motion, the following parties shall be contacted telephonically or by fax or email on Wednesday, April 3, 2013: (c) all

creditors known to the Debtor who may have liens against the Debtor's assets; (d) members of the Official Committee of Unsecured Creditors; and (e) the twenty (20) largest unsecured creditors of the Debtor.

15. The notice of the Motion and expedited hearing constitutes good and sufficient notice to the parties in interest pursuant to Bankruptcy Rules 2002, 4001(c) and (d) and 9014, the Local Rules and §102(1) of the Bankruptcy Code, as required by §§364(c) and (d) of the Bankruptcy Code, and no further notice of, or hearing on, the relief sought in the Motion is necessary or required.

CONCLUSION

WHEREFORE, Movant prays for an order authorizing Debtor to obtain postpetition financing pursuant to the terms set forth in the DIP Agreement, to enter into the DIP Agreement, and to provide Nathan a senior lien on the intellectual property of Debtor, Debtor's sole unencumbered asset.

DATED this 3rd day of April, 2013.

/s/ Gary Underwood Scharff
Gary Underwood Scharff,
Attorney for Debtor

DEBTOR IN POSSESSION FINANCING AGREEMENT

This Debtor in Possession Financing Agreement (this "Agreement") is made and entered into as of April 3, 2013, by and between Absorbent Technologies, Inc., an Oregon corporation ("Debtor") and Joseph A. Nathan, Trustee of the Joseph A Nathan Living Trust u/a/d 12/30/1996 ("Lender").

RECITALS

A. Debtor filed a petition under Chapter 11 of the Bankruptcy Code on March 3, 2013 ("Petition Date"), in the United States Bankruptcy Court for the District of Oregon.

B. Debtor currently is unable to obtain the funds required to operate after the Petition Date other than by borrowing from Lender on the terms set forth in this Agreement. Lender is unwilling to lend to Debtor except on the terms of this Agreement.

C. To operate its business or engage in an orderly sale of its assets, Debtor has an immediate need to borrow funds to finance certain expenses and Debtor will suffer immediate and irreparable harm if it is not immediately permitted to borrow pursuant to the terms of this Agreement.

D. The parties now desire to set forth the conditions on which Lender will make postpetition Advances to Debtor.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

Article 1

**INCORPORATION OF RECITALS, DEFINITIONS,
AND EXHIBITS**

1.1 Recitals. The foregoing recitals are incorporated into this Agreement by this reference.

1.2 Definitions. Except as otherwise defined here or as the context requires otherwise, (a) capitalized terms used here shall have the meanings assigned to them in Appendix A and (b) all other terms will have the meanings, if any, given to them in the Bankruptcy Code.

1.3 Exhibits. The exhibits referred to in and attached to this Agreement are incorporated into this Agreement by this reference.

Article 2

REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement, Debtor makes the following representations, covenants, and warranties, which survive execution and delivery of this Agreement and are not affected or waived by any inspection or examination made by, or on behalf of, Lender:

(a) Debtor is a duly authorized and existing corporation in good standing in all states in which it transacts business. Debtor has been duly authorized to enter into this Agreement and to perform its obligations and covenants as stated here.

(b) Debtor has full power and legal capacity to execute, deliver, and perform the terms and provisions of this Agreement and all of the Loan Documents that it is required to execute, deliver, and perform by the terms of this Agreement.

(c) Executing, delivering, and performing this Agreement will not constitute a breach or default under any other agreement to which Debtor is a party or by which Debtor may be bound or affected, or a violation of any law, regulation, court order, or decree of any governmental department, commission, board, bureau, agency, or instrumentality, that may affect Debtor or the Collateral.

(d) Debtor is not in default under any material provision of any applicable statute, rule, order, certificate, license, or regulation of any governmental authority having jurisdiction over it or its business operations.

(e) With the exception of the Bankruptcy Case, there are no actions, suits, or proceedings pending or threatened against or affecting Debtor before any court or before any governmental or administrative body or agency that could have a material adverse effect on Debtor.

(f) Debtor has not proposed and will not propose to Lender any budget that will not permit Debtor to make all expenditures necessary for Debtor to comply with all requirements of this Agreement, including Article 6.

(g) Debtor has not failed to disclose to Lender any material fact necessary to make the representations and warranties that are made, in light of the circumstances under which they are made, not misleading.

(h) Debtor owns the Intellectual Property and the Intellectual Property is not subject to any lien, security interest, encumbrance, license or other impairment.

Article 3

CONDITIONS PRECEDENT

Before Lender will be bound to the terms of this Agreement, or have any obligation to make any Advance to Debtor, the following conditions must have been fulfilled to Lender's satisfaction:

(a) A Bankruptcy Court order in form satisfactory to the Lender, in his sole discretion, approving this Agreement and authorizing the loans contemplated hereunder must be entered.

(b) Debtor and Lender must execute one or more financing statements with collateral description and all other Loan Documents required by this Agreement, all in form satisfactory to the Lender, in his sole discretion.

(c) The representations and warranties of Article 2 above must be true and correct.

(d) No Default exists under this Agreement or under any of the Loan Documents.

Article 4

LOAN COMMITMENT

4.1 Loan Agreement Advances. Lender agrees, subject to the terms and conditions of, and relying upon the representations set forth in, this Agreement, and provided that no Event of Default then exists, to make postpetition Advances to Debtor, in an aggregate principal amount not to exceed \$100,000 (the "**Loan Commitment**").

4.2 DIP Note. All Advances under this Agreement may, at the election of Lender, be evidenced by one or more promissory notes in form satisfactory to Lender. Separate notes for each Advance, however, will not be required and the amount reflected upon the records of Lender shall be conclusive as to the amount owing Lender from time to time, absent manifest error.

4.3 Interest. All Advances under this Agreement shall bear interest at the rate of 8%.

4.4 Reimbursement of Expenses. In addition to all Advances made by Lender under this Agreement, Debtor shall reimburse Lender for all costs, expenses and reasonable attorney fees incurred by Lender in connection with or arising out of the administration of this Agreement and the Loan Documents, including all costs and expenses incurred by Lender following an Event of Default. All outstanding indebtedness under this Agreement, including accrued interest, fees, and expenses, shall be due in full upon the earlier to occur of: (a) an Event of Default; (b) the sale of substantially all of the Debtor's assets; or (c) May 15, 2013.

4.5 Court Approval. Within one (1) business day of Lender's execution of this Agreement, Debtor shall file a motion for authorization to borrow pursuant to the terms of this Agreement and give notice of that motion, this Agreement, and the hearing on approval of this Agreement in accordance with FRBP 4001(d).

4.6 Use of Advances. Advances made to Debtor under this Agreement shall be used and expended by Debtor exclusively to pay: (a) March and April rent in the amount of \$78,757 for the Debtor's Queen Street facility; (b) March insurance premiums due Providence in the amount of \$12,310.38, and (c) payroll expenses totaling \$8932.39.

4.7 Fees of Counsel to the Debtor. Nothing in this Agreement shall be construed as Lender's authorization or consent to disbursement of any fees or costs of attorneys or other professional persons engaged by Debtor, the subordination of Lender's security interests in the Intellectual Property to such fees or costs, or Lender's consent to recovery of those fees or costs by Debtor or any trustee under Section 506(c).

4.8 Termination of Authority to Borrow from Lender. Debtor's authority to borrow from Lender expires when an Event of Default occurs or 11:59 p.m. on May 15, 2013 (the "Termination Date"), whichever is earlier. Lender may consent in writing to Debtor's borrowing from Lender beyond the Termination Date, in which case all provisions of this Agreement remain in full force and effect, except that the Termination Date will be modified accordingly.

Article 5

ADEQUATE PROTECTION

5.1 Adequate Protection. Nothing in this Agreement bars Lender from seeking additional or different adequate protection or relief from the automatic stay on the ground that Lender has not been afforded adequate protection with respect to any prepetition obligations owing by Debtor to Lender.

5.2 Grant of Postpetition Lien. Debtor hereby grants to Lender a first priority security interest in and lien on the Intellectual Property to secure any and all Advances and all other indebtedness, liabilities, or obligations of Debtor to Lender under this Agreement and the Loan Documents, which lien shall be valid and enforceable as of the Petition Date.

5.5 Documentation. The Postpetition Lien is attached and is perfected automatically by entry of the Bankruptcy Order approving this Agreement. Notwithstanding the automatic perfection of the Postpetition Lien, the Lender is authorized, but not required, to file or record financing statements, intellectual property filings, notices of lien or similar instruments in any jurisdiction, or take any other action in order to validate and perfect the Postpetition Lien. Whether or not the Lender shall, in his sole discretion, choose to file such financing statements, intellectual property filings, notices of lien or similar instruments, or otherwise confirm perfection of the liens and security interests granted to them under this Agreement, the Postpetition Lien shall be deemed valid, perfected, allowed, enforceable, unavoidable and not subject to challenge, dispute or subordination as

of the date of entry of the Bankruptcy Order. At Lender's request, Debtor shall promptly execute and deliver to Lender security agreements, financing statements, and any other instruments or documents considered by Lender to be necessary or desirable to perfect the Postpetition Lien. The automatic stay of 11 USC §362(a) is modified to permit Lender to do all acts permitted or required by this Agreement.

5.6 No Waiver or Admission. Nothing contained in this Agreement constitutes or causes a waiver of Lender's rights or the priority of Lender's liens and security interests in any prepetition property of the Debtor or a waiver of any right to adequate to protection of any such interest.

Article 6

COVENANTS

6.1 Affirmative Covenants. Debtor covenants that it shall:

(a) Maintain and preserve its corporate existence.

(b) Keep its books of account in accordance with generally accepted accounting principles, consistently applied, and reported on the basis of a fiscal year ending December 31, 2013.

(c) Provide to Lender at or before 12 noon on each Wednesday a report containing the following information:

(i) Cash income for the prior week and for the period since the Petition Date;

(ii) Cash expenditures by for the prior week and for the time period since the Petition Date;

(iii) A comparison of actual weekly and cumulative income and expenditures by line item to projected or budgeted weekly and cumulative income and expenditures by line item;

(g) A copy of Debtor's check registers, showing all checks written by Debtor during the week ending on the preceding Friday and identifying each check listed in the register by check number, date, payee, amount, and category; and

(h) A report in a form reasonably satisfactory to Lender identifying Debtor's actual collections from sales of assets, and expenditures related to such sales, for both the preceding week and the cumulative period of time since the Petition Date.

(i) Deliver to Lender on or before the tenth day of each month ending after the date of this Agreement an aged listing, by account debtor, of accounts receivable as of the last day of the prior month

(j) Deliver to Lender no later than 10 days after the close of each month ending after the date of this Agreement, within 20 days after the close of each calendar quarter ending after the date of this Agreement, and within 30 days after the close of each fiscal year ending after the date of this Agreement, the following unaudited financial statements of Debtor compiled by Debtor's independent certified public accountants: balance sheet, income statement, statement of cash flows, and accounts payable and inventory listings as of the last day of the prior month and for the periods of the prior month, the fiscal quarter to the end of the prior month, and the fiscal year to the end of the prior month, all in reasonable detail and certified by Debtor to be true and correct.

(k) Provide to Lender at no charge copies of any audited financial statements that Debtor provides to any third party.

(l) Provide to Lender certificates of insurance and, if requested by Lender, copies of all insurance policies required by the Loan Documents, and maintain all insurance required by the Loan Documents in full force and effect.

(m) Allow Lender or his agents, representatives, or workers to enter Debtor's places of business at any reasonable time after prior written notice to Debtor for the purpose of inspecting and copying any of Debtor's books and records, and for the purpose of performing any of the acts that Lender is authorized to perform under the terms of this Agreement. Any such inspection will take place during ordinary business hours and will not unduly interfere with the operation of Debtor's business. Lender shall give Debtor reasonable notice before conducting an inspection. Twenty-four hours' notice is conclusively deemed to be reasonable. Lender's inspection rights are in addition to all of Lender's rights to inspect its collateral under its security agreements with Debtor and otherwise.

(n) Deliver to Lender copies of all reports filed by Debtor or its affiliates with any governmental agency.

(o) With reasonable promptness, provide other information respecting the business, operations, and financial condition of Debtor or its affiliates as Lender may from time to time reasonably request.

(p) Maintain all material licenses and permits, and all related or other agreements, necessary for Debtor to operate its business, as may now exist or be modified or expanded.

(q) At all times comply with any and all material regulations, rules, or requirements of any federal agency or department and of any state, local, or municipal government, agency, or department that may at any time have jurisdiction or power to regulate, license, or grant permits in respect of the facilities or activities of Debtor, whether the regulations, rules, or requirements presently exist or are modified, promulgated, or implemented after the date of this Agreement.

(r) Keep its properties in good repair and in good working order and condition, in a manner consistent with past practices and comparable to industry standards; make from time to time all appropriate and proper repairs, renewals, replacements, additions, and improvements to the properties; and keep all equipment that may now or in the future be subject to compliance with standards or rules imposed by any governmental agency or authority, or state or local governments or instrumentalities, in full compliance with those standards or rules.

(s) Duly pay and discharge all lawful claims, whether for labor, materials, rentals, or anything else, that might or could, if unpaid, become a lien or charge on Debtor's property, unless and to the extent only that the validity of a claim, after written notice of the claim is given to Lender, is being contested in good faith and by appropriate proceedings. If Debtor contests any charge as allowed above, Debtor must establish adequate reserves against possible liability with respect to the charge.

(t) Timely pay all of its employees, in accordance with its agreements with the employees and all applicable law, for services rendered after the Petition Date, and pay all payroll and other taxes imposed on Debtor with respect to its employees or otherwise that accrue after the Petition Date.

(u) Immediately advise Lender in writing of any Hazardous Materials Claim.

(v) At Debtor's sole cost and expense, keep and maintain its properties and each portion of its properties in compliance with, and not cause or permit its properties or any portion to be in violation of, any Hazardous Materials Laws.

(w) Promptly give written notice to Lender of any of the following:

(i) Any citation, order to show cause, or other legal process or order that could have a material adverse effect on Debtor, directing Debtor to become a party to or to appear at any proceeding or hearing by or before any governmental agency or instrumentality or any municipality or other agency or instrumentality that has granted Debtor a license, certificate of compliance, or permit, and include with the notice a copy of any citation, order to show cause, or other legal process or order.

(ii) Any (A) refusal or failure by any governmental agency or instrumentality to renew or extend any material license, certificate of compliance, or permit, or (B) proposed or actual revocation, termination, or modification (whether favorable or adverse) thereof, or (C) dispute or other action with respect thereto, or (D) denial or threatened denial or revocation or modification by any governmental agency or instrumentality of any material authorization required by law, or (E) notice from any governmental agency or instrumentality of the imposition of any material fines or penalties or forfeitures or (F) threats or notice with respect to any of the foregoing or with respect to any proceeding or hearing that might result in any of the foregoing.

(iii) Any dispute concerning, or any threatened nonrenewal or modification of, any material lease for real or personal property to which Debtor is a party.

(iv) Any postpetition actions, proceedings, or claims of which Debtor may have notice, that may be commenced or asserted against Debtor in which the amount involved is \$50,000 or more, and that is not fully covered by insurance or that, if not solely a claim for monetary damages, could, if adversely determined, have a material adverse effect on Debtor.

(x) Promptly notify Lender if Debtor becomes aware of a Default or Event of Default hereunder.

(y) Notify Lender of any written offers to purchase Debtor's assets out of the ordinary course of business.

(z) Provide Lender with copies of all pleadings filed in this case, except proofs of claim, that do not evidence service on Lender or its counsel.

(aa) Meet with Lender on reasonable notice, at reasonable times, and at reasonable intervals to inform Lender of the status of the Bankruptcy Case.

(bb) Upon Lender's demand, duly execute and deliver, or cause to be duly executed and delivered, to Lender other instruments, agreements, and documents and do or cause to be done other acts that may be necessary or proper in the reasonable opinion of Lender to carry out more effectively the provisions and purpose of this Agreement.

6.2 Negative Covenants. Debtor covenants that, as long as this Agreement is in effect, and until all Advances and other obligations and indebtedness owing Lender under this Agreement are paid or satisfied in full, Debtor shall not:

(a) Without the prior written consent of Lender, obtain credit.

(b) Employ any Person when it will be unable to pay the Person the required compensation or any taxes.

(c) Cause or permit the Intellectual Property to be subject to any lien, encumbrance, license, or other transfer or impairment of any kind.

(d) Without the prior written consent of Lender, enter into any transaction, other than on terms reasonably believed to be at least as favorable as those that could be obtained from an unrelated party, in which an affiliate of Debtor has any interest, or make any payment or agree to make any payment to any such affiliate, or transfer or agree to transfer ownership or possession of any of its business or assets, tangible or intangible, real, personal, or mixed, to any affiliate.

(e) Without the prior written consent of Lender, lend money, make credit available (other than in the ordinary course of business to customers), or lend property or the use of property to any Person, or purchase or repurchase the stock or indebtedness, or all or a substantial part of the assets or properties, of any Person, or guarantee, assume, endorse, or otherwise become responsible for (directly or

indirectly or by any instrument having the effect of assuring any Person's payment or performance or capability) the indebtedness, performance, obligations, stock, or dividends of any Person, or agree to do any of the foregoing, except the endorsement of negotiable instruments for deposit or collection in the ordinary course of business.

(f) Without the prior written consent of Lender, invest in (by capital contribution or otherwise) or acquire or purchase or make any commitment to purchase the obligation or stock or equity of any Person except (i) the purchase of direct obligations of the government of the United States of America or any agency or instrumentality thereof, (ii) interest-bearing certificates of deposit or repurchase agreements issued by any commercial banking institution satisfactory to Lender, (iii) stock or obligations issued in settlement of Debtor's claims against others by reason of bankruptcy or a composition or readjustment of debt or reorganization of any debtor of Debtor.

(g) Without the prior written consent of Lender, enter into any business that is substantially different from and/or not connected with the businesses in which Debtor is presently engaged, or make any substantial change in the nature of its businesses or operations.

(h) Without the prior written consent of Lender, change the chief executive office of Debtor if the effect of the change in location would adversely affect Lender's security interest in the Intellectual Property without (i) prior written notice to Lender, and (ii) executing, delivering, and filing (and paying filing fees and taxes) all documents as may be necessary or advisable in Lender's opinion to continue to perfect and protect the liens and security interests in the Intellectual Property.

(i) Without the prior written consent of Lender, enter into any agreement (other than employment agreements) with any Person that confers on the Person the right or authority to control or direct a major portion of the business or assets of Debtor.

(j) Permit its properties or any portion of them to be a site for the storage, use, generation, manufacture, disposal, or transportation of Hazardous Materials.

(k) Permit any Hazardous Materials that were owned or generated by Debtor to be disposed of off its properties other than in properly licensed disposal sites.

Article 7

EVENTS OF DEFAULT

7.1 Events of Default. Time is of the essence in this Agreement and the Loan Documents. The occurrence of any one or more of the following constitutes an Event of Default under this Agreement and the Loan Documents:

(a) If Debtor fails to perform any of its other obligations under, or to comply with any of the terms, conditions, and covenants that are contained in, this Agreement, or any other Loan Document or other agreement, document, or instrument that Debtor has given or in the future gives to Lender to evidence or secure any obligation or indebtedness of Debtor to Lender.

(b) If any statement, warranty, or representation that Debtor makes in this Agreement or any statement, warranty, or representation that Debtor or any third party has made or in the future makes in any other Loan Document, certificate, report, or other document, instrument, or agreement that is delivered under this Agreement or in connection with any obligation or indebtedness of Debtor to Lender, is false or inaccurate in any material respect when made.

(c) If this Agreement shall for any reason shall fail to create a valid and perfected first priority security interest in the Intellectual Property, or if such security interest shall fail to remain in full force and effect, or if any action is taken to discontinue or to assert the invalidity or unenforceability of this Agreement, or Lender security interest in the Intellectual Property.

(d) Any one of the following is timely filed: (i) notice of appeal of any Bankruptcy Court order granting interim or final approval of this Agreement ("Approval Order"), (ii) motion for leave to appeal any Approval Order, (iii) motion to extend the time to file a notice of appeal or motion for leave to appeal any Approval Order, or (iv) motion to alter or amend any Approval Order, whether or not the Approval Order is stayed.

(e) Custody or control of any substantial part of Debtor's property is assumed by any governmental agency or authority or any court of competent jurisdiction at the insistence of any governmental agency or authority, or any governmental regulatory agency or authority takes any final action that would have a material adverse effect on Debtor.

(f) Any governmental agency or instrumentality refuses or fails to issue, renew, or extend any lease, license, contract, certificate of compliance, or permit with respect to the operation of Debtor's business, or any governmental agency or instrumentality denies, forfeits, or revokes any license, permit, or authorization required by law, and the government action could have a material adverse effect on Debtor.

(g) If, in Lender sole judgment and discretion, any event occurs that has a material adverse effect on Debtor's business or financial condition, or that materially increases Lender's risk.

(h) Debtor's authority to borrow from Lender terminates or expires.

(i) The Bankruptcy Court announces from the bench or enters any order or judgment holding any material provision of this Agreement invalid or unenforceable.

(j) The Bankruptcy Court announces from the bench or enters any order dismissing the Bankruptcy Case or converting that case to a Chapter 7 case, or Debtor files a motion to convert that case to a Chapter 7 case.

(k) Debtor fails to make when due any payment required under this Agreement.

(l) Debtor fails to enter into loan documents providing for additional debtor in possession financing in an amount of at least \$900,000 on or before April 12, 2013.

7.2 Remedies on Default. If an Event of Default occurs, Debtor's authority to borrow from Lender shall automatically terminate without notice from Lender and Lender shall have the absolute right to refuse to disburse any funds hereunder. At his option and election and in his sole discretion, Lender may exercise alternatively or cumulatively any or all of the rights, privileges or remedies available to Lender at law or in equity, including as may be provided by the Uniform Commercial Code and any other applicable law. All rights and remedies given by this Agreement and the other Loan Documents are cumulative and not exclusive of any other rights or remedies available to Lender, and no course of dealing between Debtor and Lender or any delay or omission in exercising any right or remedy operates as a waiver of any right or remedy, and every right and remedy may be exercised from time to time and as often as is deemed appropriate by Lender.

Article 8

MISCELLANEOUS

8.1 Waiver and Estoppel. Lender may at any time and from time to time waive in writing any one or more of the terms and/or conditions contained in this Agreement, but any waiver will be deemed to be made pursuant to this Agreement and not in modification of it, and any such waiver in any instance, or under any particular circumstances, will not be construed as a waiver of the condition or of any subsequent Default or Event of Default. Lender's failure to promptly exercise its rights or remedies will not be deemed to be a waiver or grounds for the claim of estoppel.

8.2 Conflict. The terms and conditions of this Agreement and of the Loan Documents are intended to complement and supplement each other, and are to be construed as consistent and complementary. If the terms or conditions of the Loan Documents conflict with the terms and conditions of this Agreement, the terms and conditions of this Agreement control.

8.3 Captions. The captions and headings are merely for convenience and are not a substantive part of this Agreement.

8.4 Complete and Final Agreement. This Agreement and the Loan Documents are the complete and final agreement of the parties, and no provision can or will be waived or modified by conduct or oral agreement either before or after this Agreement is executed.

8.5 Governing Law. The rights, duties, liabilities, and obligations of the parties under this Agreement will be construed and governed by and under the laws of the State of Oregon, excluding principles of conflict of laws.

8.6 Notices. All notices, requests, consents, demands, approvals, and other communications under this Agreement are deemed to have been duly given, made, or served if in writing and delivered personally or mailed by first-class mail, postage prepaid, or sent via fax, to the respective parties to this Agreement as follows:

(a) If to Debtor: Absorbent Technologies, Inc.
8705 SW Nimbus Avenue, Suite 230
Beaverton, OR 97008
Attn: David Moffenbeier

Fax: 503-699-3026

(b) If to Lender: Joseph A. Nathan, Trustee
755 W. Big Beaver Rd. Suite 1700
Troy, MI 48084
Fax: 248-687-7206

The designation of the Persons to be notified or the address of such Persons for the purposes of notice may be changed from time to time by similar notice in writing, except that any communication regarding a change of address is deemed to be given or made when received by the party to whom the communication was sent.

8.8 Further Assurances. At any time and from time to time, on the reasonable request of Lender, the parties shall promptly execute and deliver further instruments and documents and take further actions as Lender may reasonably request to obtain or preserve the full benefits of this Agreement and the rights and powers granted in the Agreement and granted in the Loan Documents.

8.9 Severability. If any provision of this Agreement is held to be invalid or unenforceable, all other provisions nevertheless continue in full force and effect.

8.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which will constitute an original. Faxed signatures will serve as original signatures for purposes of evidencing an intent to be bound by the terms of this Agreement. The parties shall exchange original executed signature pages to Lender on or before April 5, 2013.

8.11 Notice.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE BY LENDER CONCERNING LOANS AND OTHER CREDIT EXTENSIONS THAT ARE NOT FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION, AND BE SIGNED BY LENDER TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date first written above.

DEBTOR:

ABSORBENT TECHNOLOGIES, INC.

By: David Moffenbeier

Title: President

LENDER:

Joseph A. Nathan, Trustee of the
Joseph A Nathan Living Trust u/a/d
12/30/1996

APPENDIX A

DEFINITIONS

As used in this Agreement, the following terms have the meanings set forth below:

"Advance(s)" shall mean each borrowing by Debtor pursuant to the terms of this Agreement.

"Agreement" means this debtor in possession financing agreement.

"Approval Order" has the meaning set forth in Section 3 (a) of this Agreement.

"Bankruptcy Case" means Debtor's Chapter 11 Bankruptcy case pending in the Bankruptcy Court under Case No. No. 13-31286-tmb11.

"Bankruptcy Code" means Title 11 of the United States Code.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Oregon.

"Business Day" means any day except a Saturday, Sunday, or other day on which national Lender in the state of Oregon are authorized or required by law to close.

"Debtor" means Absorbent Technologies, Inc., an Oregon corporation.

"Default" means any condition or event that constitutes an Event of Default, or that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Event of Default" means any of the events described in Section 7.1 of this Agreement.

"Hazardous Materials" means any oil or petrochemical products, PCBs, asbestos, urea formaldehyde, flammable explosives, radioactive materials, hazardous wastes, toxic substances, or related materials, including, without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations.

"Hazardous Materials Claim" means (1) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted, completed, or threatened pursuant to any applicable Hazardous Materials Laws; and (2) any and all claims made or threatened by any third party against Debtor or the property of either of them relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Materials.

"Hazardous Materials Laws" means all federal, state, or local laws, ordinances, regulations, orders, and directives pertaining to Hazardous Materials.

"Indebtedness" means all items that, in accordance with generally accepted accounting principles, would be included in determining total liabilities as shown on the liabilities side of the balance sheet as of the date that "Indebtedness" is to be determined and, in any event, includes liabilities secured by any mortgage, deed of trust, pledge, lien, or security interest on property owned or acquired, whether or not such a liability has been assumed, and the guaranties, endorsements (other than for collection in the ordinary course of business), and other contingent obligations in respect of the obligations of other Persons.

"Intellectual Property" means all patents, patent applications, copyrights and licenses all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclose thereof by any person or entity, pricing and cost information, business and marketing plans and proposals, consulting agreements, engineering contracts and such other assets which relate to such goodwill.

"Loan Agreement" has the meaning set forth in Recital A of this Agreement.

"Loan Commitment" means \$100,000.00.

"Loan Documents" means this Agreement, and all other agreements, instruments, and documents arising out of or relating to Debtor's Indebtedness to Lender, including, without limitation, all such agreements, instruments, and documents previously obtained by Lender from Debtor granting Lender a security interest in the Collateral, as well as all renewals and modifications thereof.

"Loans" means the loans by Lender to Debtor.

"Person" means any individual, partnership, joint venture, firm, corporation, association, trust, or other enterprise, or any government or political subdivision or agency, department, or instrumentality thereof.

"Petition Date" has the meaning set forth in Recital E of the Agreement.

"Postpetition Lien" means the security interest and lien granted by Section 5.3 of this Agreement.

"Property" means all the real and personal property of Debtor acquired either before or after the Petition Date, tangible or intangible, including, but not limited to, all land, buildings, fixtures, trade fixtures, accounts, contract rights, general intangibles, rights to payment of every kind, including rights to tax refunds, equipment, fixtures, trade fixtures, motor vehicles, goods, machinery, inventory, farm products, chattel paper, leases, conditional sale agreements, cash, deposit accounts, notes, documents, documents of title, instruments, securities, shares of capital stock, capital equities, and other securities of and claims against any corporation, joint venture, or partnership, pledges and agreements to pledge, rights in and claims under insurance policies, letters of credit, trademarks, trade names, trade styles, licenses, customer lists, goodwill, instruments, bills of lading, warehouse receipts and trust receipts, and all renewals, replacements, substitutions, additions, accessions, rents, profits, issues, products, and proceeds (whether due to voluntary or involuntary disposition) of the foregoing, all whether now owned or hereafter acquired. "Property" includes proceeds, products, rents, and profits of Existing Collateral acquired by Debtor after the Petition Date, including, but not limited to, all funds hereafter deposited into the Cash Collateral Account or advanced to the Operating Account. "Property" does not include any avoidance or recovery powers of Debtor or any trustee under Bankruptcy Code Chapter 5.

"Reporting Requirements" means the requirements of Section 6.1(d) of this Agreement.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re:
Absorbent Technologies, Inc.,

Debtor.

) Case No.: 13-31286-tmb11
) Chapter 11
)
) **ORDER GRANTING MOTION FOR**
) **EMERGENCY ORDER:**
) **(A) AUTHORIZING DEBTOR TO**
) **OBTAIN POSTPETITION**
) **FINANCING PURSUANT TO 11 U.S.C.**
) **§§ 105, 362, 364(c)(1), 364(c)(2) AND**
) **364(e);**
) **(B) GRANTING POSTPETITION**
) **LIENS AND PRIORITY**
) **ADMINISTRATIVE EXPENSE**
) **STATUS; AND**
) **(C) AUTHORIZING DEBTOR TO**
) **ENTER INTO AGREEMENTS WITH**
) **POSTPETITION LENDER**
)
)
)

Hearing: 1:30 pm, 4/13/2013
Courtroom 4, Bankruptcy Court

Upon the Motion of Absorbent Technologies, Inc., debtor and debtor-in-possession (the “*Debtor*”), dated April 3, 2013 (the “*Motion*”), seeking, *inter alia*, (i) authority pursuant to §§364(c)(1) and 364(c)(2) of the United States Bankruptcy Code, 11 U.S.C. §§101-1330 (the “*Bankruptcy Code*”), Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”) and Rule 4001-1 of the Local Rules of the United States Bankruptcy Court

for the District of Oregon (the “*Local Rules*”), for the Debtor to obtain post-petition loans of up to \$100,000.00 from Joseph A Nathan living trust ua dtd 12/30/1996, Joseph A Nathan trustee (“*Lender*”) secured by first priority security interests in and liens upon all of the Debtor’s intellectual property, whether existing and hereafter acquired, pursuant to §§364(c)(2) of the Bankruptcy Code, (ii) authority for the Debtor to enter into the Debtor in Possession Financing Agreement dated April 3, 2013 between Lender and Debtor (the “*DIP Agreement*”), (iii) approval of the terms and conditions of the DIP Agreement, and (iv) the granting to Lender of super-priority administrative claim status pursuant to §364(c)(1) of the Bankruptcy Code. Upon the Motion, the files and pleadings in this case, the record of the proceedings heretofore held before this Court with respect to the Motion and upon completion of such hearing and after due deliberation and sufficient cause appearing therefor, the parties hereto stipulate and the Court hereby finds and concludes as follows:

A. Each of the parties set forth below received due notice of the Motion pursuant to Bankruptcy Rules 4001(b)(1), (c)(1) and (d)(1) and 1007(d) and the Local Rules: (a) the Office of the United States Trustee; (b) all parties in interest that have filed a Notice of Appearance in the Debtor’s chapter 11 case, including the County of Linn, through its counsel; (c) all creditors known to the Debtor who may have liens against the Debtor’s assets; (d) the members of the Official Committee of Unsecured Creditors; and (e) the twenty (20) largest unsecured creditors of the Debtor; and

B. The Debtor filed a voluntary petition for reorganization under chapter 11 of the Bankruptcy Code on March 8, 2013 (the “*Petition Date*”) and has thereafter continued in the

management and possession of its business and properties as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code; and

C. Without the proposed emergency financing, the Debtor will not have the funds necessary to pay lease and insurance obligations and post-petition payroll necessary to manage and preserve its assets and properties. In the absence of such loans, the Debtor will suffer immediate and irreparable harm; and

D. The Debtor has requested that the Lender make loans and advances to the Debtor in order to provide funds to be used by the Debtor to pay: (a) March and April rent in the amount of \$78,757.00 for the Debtor's Queen Street facility; (b) March insurance premiums due Providence in the amount of \$12,310.38, and (c) payroll expenses totaling \$8932.39 (the "*Approved Expenses*") which are necessary to continue in business and remain a viable entity and thereafter reorganize under chapter 11 of the Bankruptcy Code; and

E. The Debtor is unable to obtain unsecured credit allowable under §503(b)(1) of the Bankruptcy Code, or pursuant to §§364(a) and (b) of the Bankruptcy Code, except on the terms and conditions set forth herein; and

F. No other source of interim financing exists other than from the Lender. The terms of the DIP Agreement between the Debtor and Lender pursuant to which the proposed financing will be provided to the Debtor by Lender has been negotiated in good faith and at arm's length as that term is used at §364(e) of the Bankruptcy Code and are in the best interests of the Debtor and its creditors, and this Emergency Financing Order is subject to, and Lender is entitled to the benefits of, the provisions of §§363(m) and 364(e) of the Bankruptcy Code; and

G. The ability of the Debtor to continue its business and maximize the value of its assets under chapter 11 of the Bankruptcy Code depends upon obtaining such financing from

Lender and therefore immediate and irreparable harm to the Debtor and the Debtor's estate will result if the proposed financing is not obtained. The relief granted by this Court pursuant to this Emergency Financing Order is necessary to avoid such immediate and irreparable harm to the Debtor's estate; and

H. The consideration of this Motion constitutes a "core proceeding" pursuant to 28 U.S.C. §§157(b)(2)(A), (D), (G), (K), (M) and (O) and 1334, and this Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§157 and 1334; and

I. The expedited notice of the Motion and hearing constitutes good and sufficient notice to the parties in interest pursuant to Bankruptcy Rules 2002, 4001(c) and (d) and 9014, the Local Rules and §102(1) of the Bankruptcy Code, as required by §§364(c) and (d) of the Bankruptcy Code, and no further notice of, or hearing on, the relief sought in the Motion is necessary or required, and

THEREFORE, ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, THAT:

1. This Motion is granted and it is hereby approved in all respects, and objections thereto, if any, that have not previously been withdrawn are hereby overruled. This Order is valid immediately and fully effective upon its entry. (This Order may sometimes hereinafter be referred to as the "*Emergency Financing Order*").

2. From the date of the entry of this Emergency Financing Order through the close of business on Termination Date (as defined in the DIP Agreement) the Debtor is hereby

authorized and empowered to obtain post-petition loans and advances from Lender, on an pursuant to the terms of this Emergency Financing Order and the terms and conditions set forth in the DIP Agreement, in such amount or amounts as may be available thereunder (all post-petition obligations, liabilities and indebtedness owed by the Debtor to Lender of whatever kind or nature or description arising under or relating to the DIP Agreement is referred to herein as the “*DIP Indebtedness*”), provided, that the outstanding principal balance of the DIP Indebtedness shall not exceed \$100,000.00.

3. The Debtor shall be authorized to use the post-petition advances under the DIP Agreement only for payment of the Approved Expenses and subject to the terms and conditions set forth in the DIP Agreement and this Emergency Financing Order. Lender’s obligation to fund amounts under the DIP Agreement is expressly conditioned on the Debtor’s compliance with the terms and conditions of the DIP Agreement and this Emergency Financing Order. Any disbursement by the Debtor other than for Approved Expenses shall constitute an Event of Default in accordance with the provisions of this Emergency Financing Order unless Lender consents to those changes in writing.

4. The Debtor is authorized and directed to execute, deliver, perform and comply with the terms and covenants of the DIP Agreement.

5. The terms and conditions of the DIP Agreement are incorporated into the terms and conditions of this Emergency Financing Order and shall be sufficient and conclusive evidence of the borrowing arrangements between the Debtor and Lender and of the Debtor’s assumption and adoption of the terms and conditions of the DIP Agreement, for all purposes, including the reimbursement of all reasonable attorney fees and other expenses of Lender as more fully set forth in the DIP Agreement. The DIP Agreement shall continue in full force and

effect and constitute a valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms.

6. Pursuant to section 364(c)(1) of the Bankruptcy Code, all of the DIP Indebtedness shall constitute allowed senior administrative claims against the Debtor with priority over all valid claims, administrative expenses, and all other valid claims against the Debtor, now existing or hereafter arising, of any kind whatsoever, including without limitation, all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment.

7. To secure the repayment the DIP Indebtedness, Lender shall have, and the Debtor hereby grants to Lender, pursuant to section 364(c)(2) effective on and after the date of this Emergency Financing Order, a valid, binding, continuing and perfected first priority security interests in and lien on, all Intellectual Property (as defined in the DIP Agreement), whether now owned and hereafter acquired by Debtor (the “*Collateral*”).

8. This Emergency Financing Order shall be sufficient and conclusive evidence of the priority, perfection and validity of Lender’s security interests in and lien on the Collateral granted to Lender as set forth herein, without the necessity of filing, recording or serving any financing statements, mortgages or other documents which may otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the security interests and liens granted to Lender in this Emergency Financing Order and the DIP

Agreement. Such security interest and lien granted to Lender shall be prior and senior to all security interests, liens, claims, and encumbrances of all other creditors in and to the Collateral. If Lender shall, in his sole discretion, elect for any reason to file any such financing statements or other documents with respect to such security interests and liens, the Debtor is authorized and directed to execute, or cause to be executed, all such financing statements or other documents upon Lender' request and the filing, recording or service (as the case may be) of such financing statements or similar documents shall be deemed to have been made at the time of and on the Petition Date. Lender may, in his sole discretion, file a certified copy of this Emergency Financing Order in any filing or recording office in any County or other jurisdiction in which the Debtor has real or personal property and, in such event, the subject filing or recording officer is authorized and directed to file or record such certified copy of this Emergency Financing Order.

9. The Debtor is hereby authorized and directed to perform all acts, and execute and comply with the terms of such other documents, instruments, and agreements in addition to the DIP Agreement as Lender may reasonably require as evidence of the DIP Indebtedness and for the protection of the Collateral, or which may be otherwise deemed necessary by Lender to effectuate the terms and conditions of this Emergency Financing Order and the DIP Agreement.

10. The Debtor is authorized and directed, without further Order of this Court, to reimburse Lender for all present and future fees, costs and expenses paid or incurred by Lender (including, without limitation, the reasonable fees and expenses of Lender's counsel) respecting the financing transactions as provided in this Emergency Financing Order and the DIP Agreement. All such costs, fees and expenses shall be included as part of the principal amount of the DIP Indebtedness.

11. The automatic stay provisions of §362 of the Bankruptcy Code are vacated and modified only to the extent necessary to permit Lender to implement the financing of the Debtor and the provisions of this Emergency Financing Order.

12. The Debtor is authorized and directed to provide Lender, unless there is a written waiver by Lender in each instance, all of the documentation, reports, schedules, assignments, financial statements, insurance policies and endorsements, access, inspection, audits, information and other rights which the Debtor is required to provide to Lender under the DIP Agreement.

13. Nothing herein shall be construed as consent to the allowance of any fees and expenses of the professionals retained by the Debtor or the Committee, or shall affect the right of Lender or any other interested party to object to the allowance and payment of such fees and expenses.

14. In the event of the occurrence of any of the following: (a) the failure of the Debtor to perform in any material respect any of its obligations pursuant to this Emergency Financing Order; (b) the occurrence of any "Event of Default" under the DIP Agreement; (c) the termination or non-renewal of the DIP Agreement, as provided for therein and in this Emergency Financing Order; (d) the appointment of a trustee appointed pursuant to sections §1104(a)(1) or 1104(a)(2) of the Bankruptcy Code; (e) dismissal of the Debtor's chapter 11 case; (f) the entry of any order modifying, reversing, revoking, staying, rescinding, vacating or amending this Emergency Financing Order; (g) the Debtor's filing, without the express written consent of Lender, of a motion requesting authority to incur indebtedness either (A) having administrative expense priority equal or superior to the administrative expense priority granted to Lender under this Emergency Financing Order or (B) secured by a security interest or lien in the Collateral;

(h) any party (including the Debtor) filing a motion or application for an order seeking to

(i) revoke, reverse, stay the implementation of, modify, supplement or amend this Emergency Financing Order, (ii) invalidate, raise defenses to, or otherwise challenge the extent, amount, validity, perfection, priority or enforceability of the security interests and liens of Lender in the Collateral or (iii) obtain relief from the automatic stay with respect to any nonresidential real property lease of the Debtor; (the foregoing being referred to in this Emergency Financing Order, individually, as an “*Event of Default*” and, collectively, as “*Events of Default*”); then (unless such Event of Default is specifically waived in writing by Lender) Lender may, at his election, by written notice to the Debtor, the United States Trustee and counsel for the Committee (a “*Default Notice*”), immediately cease making loans to the Debtor under the DIP Agreement, terminate the DIP Agreement and declare all of the DIP Indebtedness due and payable in full. The automatic stay against Lender imposed by section 362 of the Bankruptcy Code shall be deemed to be vacated five (5) business days after Lender sends the Default Notice to the Debtor, the United States Trustee, and the Official Unsecured Creditors Committee (the “*Committee*”)(or Committee Counsel, if appointed), without the entry of any additional Order of this Court, and Lender, without further notice, hearing or approval of this Court, shall be and is hereby authorized, in his sole and complete discretion, to take any and all actions and exercise all rights and remedies under the DIP Agreement which Lender may deem appropriate to collect the DIP Indebtedness and to realize upon the Collateral, provided, however, that the Debtor and the Committee may seek entry of an Order prohibiting Lender from taking the actions contemplated in this ¶14.

15. Upon the payment in full of all DIP Indebtedness to Lender, or upon the termination of the DIP Agreement, Lender shall have no further obligations pursuant to the terms of this Emergency Financing Order and/or the DIP Agreement.

16. Notwithstanding anything to the contrary contained herein, (a) no costs or expenses of administration of this bankruptcy case or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Collateral pursuant to section 506(c) of the Bankruptcy Code or any similar principle of law, without the prior written consent of Lender, (b) no such consent shall be implied from any other action, inaction, or acquiescence by Lender, and (c) nothing contained in this Order shall be deemed to be a consent by Lender to any charge, lien, assessment or claim against the Collateral under section 506(c) of the Bankruptcy Code or otherwise

17. All post-petition advances under the DIP Agreement are made in reliance on this Emergency Financing Order and there shall not at any time be entered in the Debtor's chapter 11 case any Order which (a) authorizes the sale, license, or other disposition of the Collateral; or (b) under §364 of the Bankruptcy Code, authorizes the obtaining of credit or the incurring of indebtedness secured by a lien or security interest in the Collateral, or which is entitled to priority administrative claim status which is equal or superior to that granted to Lender herein; unless, in each instance (i) Lender shall have given his express prior written consent thereto, no such consent being implied from any other action, inaction or acquiescence by Lender, or (ii) such other Order requires that the DIP Indebtedness due Lender shall be indefeasibly paid in full. The security interests and liens granted to Lender hereunder and the rights of Lender

pursuant to this Emergency Financing Order with respect to the Collateral shall not be altered, modified, extended, impaired, or affected by any plan of reorganization of the Debtor.

18. The provisions of this Emergency Financing Order shall be binding upon the Debtor and its successors and assigns, including any chapter 7 or chapter 11 trustee or other fiduciary hereafter appointed as a legal representative of the Debtor or with respect to property of the estate of the Debtor, whether under chapter 11 of the Bankruptcy Code or in any subsequent chapter 7 case, and shall also be binding upon all creditors of the Debtor and other parties in interest.

19. The DIP Indebtedness may be used to “credit bid” for the assets and property of the Debtor as provided for in section 363(k) of the Bankruptcy Code, without the need for further Court order authorizing the same and whether such sale is effectuated through section 363(k) and/or section 1129(b) of the Bankruptcy Code, or otherwise.

20. If any or all of the provisions of this Emergency Financing Order are hereafter modified, vacated or stayed, such modification, vacation or stay shall not affect (a) the validity of any DIP Indebtedness incurred by the Debtor to Lender prior to the effective date of such modification, vacation or stay, or (b) the validity or enforceability of Lender’s security interest and lien in the Collateral, or the priority authorized or created hereby or pursuant to the DIP Agreement, with respect to any DIP Indebtedness incurred prior to the effective date of such modification, vacation or stay. Notwithstanding any such modification, vacation or stay, any indebtedness, obligations or liabilities incurred by the Debtor to Lender prior to the effective date of such modification, vacation or stay shall be governed in all respects by the original provisions of this Emergency Financing Order, and Lender shall be entitled to all the rights, remedies,

privileges and benefits granted herein and pursuant to the DIP Agreement with respect to all such indebtedness, obligations or liabilities.

21. To the extent the terms and conditions of the DIP Agreement are in conflict with the terms and conditions of this Emergency Financing Order, the terms and conditions of this Emergency Financing Order shall control.

22. Nothing contained in this Emergency Financing Order shall be deemed to terminate, modify or release any obligations of the Debtor to Lender with respect to any pre-petition indebtedness, obligation, or liability.

23. The terms of this Emergency Financing Order shall be valid and binding upon the Debtor, all creditors of the Debtor, and all other parties in interest from and after the date of this Emergency Financing Order by this Court. In the event this Court modifies any of the provisions of this Emergency Financing Order and the DIP Agreement following any further hearing, such modifications shall not affect the rights and priorities of Lender pursuant to this Emergency Financing Order with respect to the Collateral and any portion of the DIP Indebtedness which arises, or is incurred or is advanced prior to such modifications (or otherwise arising prior to such modifications), and this Emergency Financing Order shall remain in full force and effect except as specifically amended or modified at such final hearing.

24. Nothing contained herein shall: (a) affect or impair Lender's right to seek adequate protection of his interests in an pre-petition collateral; (b) be deemed to constitute or constitute a commitment by Lender to continue to make advances to the Debtor or to finance the Debtor's chapter 11 case; (c) limit Lender's right to seek such other relief as to the Debtor or the estate as may be otherwise provided in the Bankruptcy Code.

###

Submitted by:

/s/ Gary Underwood Scharff
Gary Underwood Scharff, Esq.
Law Office of Gary Underwood Scharff
621 SW Morrison Street #1300
Portland, OR 97205
gs@scharfflaw.com
T: 503-493-4353
Attorney for Debtor

Cc: All parties identified in Paragraph A, above.

2. I am the Chief Executive Officer of Absorbent Technologies, Inc., Debtor in Possession in this case (“Debtor” or “ATI”).

3. Debtor’s business, ten years old, consists of the manufacture and sale of a super-absorbent polymer starch product, brand name Zeba®, designed to be included with fertilizer and seeds or seedlings of various crops at the time of planting and initial irrigation. The product captures water otherwise lost to evaporation, river run-off and seepage into the subsurface water table, greatly improving the hydration of seeds and roots. The use of Zeba® has been demonstrated over years of testing and sales to significantly increase crop yields, especially in dry soils and climates.

4. The Zeba® manufacturing process is complex. In Debtor’s early years, developing methods to allow production in sufficient quantities to provide a profitable cost/price ratio proved challenging. ATI eventually developed and patented such a manufacturing process. As a result of the collapse in bank lending beginning in 2008-2009, however, ATI was unable to acquire bank financing to complete construction of its new factory and install its special manufacturing equipment to take advantage of that production innovation. With production continuing to occur in relatively limited quantities at high costs, Debtor struggled to sustain its business leading, eventually, to this bankruptcy filing.

5. Debtor has communicated with Joseph A. Nathan living trust (“Nathan”) concerning its interest in joining with other investors to create a new corporate entity to acquire substantially all of Debtor’s assets through a liquidating Chapter 11 plan that would compensate creditors and provide additional cash to assume leases and resume operations to capitalize on the Zeba® product after bankruptcy.

6. To operate its business or engage in an orderly sale of its assets, Debtor has an immediate need to borrow \$100,000 to pay the following postpetition expenses: (1) postpetition rent of \$78,757.00 due FHA LLC, Debtor's landlord on its principal manufacturing facility in Albany Oregon; (2) \$12,310.38 to pay March insurance premium to Providence Health Plans; and (3) \$8,932.39 for payroll. In the absence of such loans, the Debtor will suffer immediate and irreparable harm.

7. ATI has vigorously sought out sources of Debtor In Possession financing (the "DIP Loan") since the Petition Date, but as of this date has been unable to obtain unsecured credit other than the \$100,000 loan from Nathan. We expect to have available to us pursuant to another court order and additional \$900,000 over the coming week, from Nathan and United Phosphorus Limited ("UPL").

8. The terms of the DIP Agreement between the Debtor and Lenders pursuant to which the proposed financing will be provided to the Debtor by Lenders has been negotiated in good faith and at arm's length as that term is used at §364(e) of the Bankruptcy Code and are in the best interests of the Debtor and its creditors.

9. The ability of the Debtor to continue its business and maximize the value of its assets under Chapter 11 of the Bankruptcy Code depends upon obtaining such financing from Lenders and therefore immediate and irreparable harm to the Debtor and the Debtor's estate will result if the proposed financing is not obtained.

I affirm under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

DATED this 3rd day of April, 2013.

/s/ David Moffenbeier

**DECLARATION OF DAVID
MOFFENBEIER - 3**

Law Office of Gary Underwood Scharff
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(503) 493-4353