

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:)
American Diagnostic Medicine Inc.) CASE NO. 11- 3368
) CHAPTER 11
) Judge Doyle
Debtor.)

INTERIM ORDER AUTHORIZING THE DEBTOR'S USE OF
CASH COLLATERAL ~~AS A PROTECTIVE MEASURE TO PETITION DATE~~
RETROACTIVE TO JANUARY 28, 2011

This matter is before the Court on the motion (the "Motion") of American Diagnostic Medicine, Inc., the debtor and debtor-in-possession ("ADM" or the "Debtor"), by and through its proposed counsel, Springer, Brown, Covey, Gaertner & Davis, LLC, for authority to use cash collateral on an interim basis pursuant to 11 U.S.C. § 363(c) and Fed. R. Bankr. P. 4001(d). The Secured Creditors (as defined below) and the Debtor have represented to the Court as follows:

A. Notice and Hearing. Notice of the Motion and order shortening time pursuant to Local Rule 5096-1 and Fed. R. Bankr. P. 9006(c) for the preliminary hearing on the Debtor's use of cash collateral has been served in accordance with 11 U.S.C. § 102(1) and Fed. R. Bankr. P. 4001(d), which notice is appropriate in the particular circumstances and is sufficient for all purposes under the Bankruptcy Code and the applicable Bankruptcy Rules regarding the relief requested in order to avoid serious and irreparable harm to the debtor's estate.

B. Chapter 11 Filed. The Debtor filed its petition under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code") on January 28, 2011 (the "Petition Date") and is currently operating as a debtor-in-possession in accordance with sections 1107 and 1108 of the Bankruptcy Code.

C. Prepetition Debt and Collateral.
1. Prior to the Petition Date, ADM borrowed certain sums of money from

Cole Taylor Bank (collectively, inclusive of its successors and assigns, "Cole Taylor"), pursuant to certain promissory notes, letter agreements, loan agreements, security agreements, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents (collectively, the "Cole Taylor Prepetition Loan Documents"), as more particularly set forth on Exhibit 1 attached hereto.

2. Prior to the Petition Date, ADM borrowed certain sums of money from Cardinal Health 414, LLC (collectively, with its successors and assigns, "Cardinal Health" and sometimes, together with Cole Taylor, the "Secured Creditors"), pursuant to certain promissory notes, letter agreements, loan agreements, security agreements, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents (collectively, the "Cardinal Health Prepetition Loan Documents" and sometimes, together with the Cole Taylor Prepetition Loan Documents, the "Prepetition Loan Documents"), as more particularly set forth on Exhibit 2 attached hereto.

3. As of the Petition Date, there was and remains due and owing from the Debtor to Cole Taylor, under the Cole Taylor Prepetition Loan Documents, the principal sum of \$818,112.49, together with interest of \$11,373.47 due through 1/28/11, for a total due to Cole Taylor (exclusive of accrued and unpaid fees and costs), as of the Petition Date, of \$829,485.96 (the "Cole Taylor Prepetition Debt").

4. As of the Petition Date, there was and remains due and owing from the Debtor to Cardinal Health under the Cardinal Health Prepetition Loan Documents, the principal sum of \$2,600,000 with interest due through 1/28 of \$32,193.75; and principal due under Supply Agreement of \$730,199.97, for a total due to Cardinal Health (exclusive of accrued and unpaid fees and costs), as of the Petition Date, of \$3,362,393.72 (the "Cardinal Health Prepetition Debt").

5. As of the Petition Date, Cole Taylor was the Debtor's primary secured creditor, asserting, and having made a prima facie showing of, a perfected first priority lien on and security interest in substantially all of the Debtor's pre-petition assets, including, but not limited to, cash on hand, inventory, accounts receivable, equipment and general intangibles, together with the proceeds thereof (the "Cole Taylor Collateral"). Cole Taylor has, and the Debtor has acknowledged and agreed that Cole Taylor has, as of the Petition Date, a valid and subsisting first lien on and security interest in the Cole Taylor Collateral securing the Cole Taylor Prepetition Debt and that said debt is an allowed, fully secured claim under sections 506(a) and 502 of the Bankruptcy Code. Said determination shall be binding upon the Debtor but shall not bind any creditors' committee, which shall have sixty (60) days after appointment to contest the scope, validity, perfection and/or amount of the Cole Taylor Prepetition Debt (and, after such sixty [60] day challenge period, such creditors' committee shall also be bound, unless the Court order otherwise). Cole Taylor asserts, and the Debtor acknowledges, that Cole Taylor's security interests in the Debtor's assets were perfected more than 90 days before the Petition Date.

6. As of the Petition Date, Cardinal Health was a junior secured creditor of the Debtor, asserting, and having made a prima facie showing of, a perfected junior priority lien on and security interest in substantially all of the Debtor's prepetition assets, including, but not limited to, cash on hand, inventory, accounts receivable, and general intangibles, together with the proceeds thereof (the "Cardinal Health Collateral" and, sometimes, together with the Cole Taylor Collateral, the "Cole Taylor and Cardinal Health Collateral"). Cardinal Health has, and the Debtor has acknowledged and agreed that Cardinal Health has, as of the Petition Date, a valid and subsisting junior lien on and security interest in the Cardinal Health Collateral securing the Cardinal Health Prepetition Debt and that said debt is an allowed, secured claim under sections

506(a) and 502 of the Bankruptcy Code. Said determination shall be binding upon the Debtor but shall not bind any creditors' committee, which shall have sixty (60) days after appointment to contest the scope, validity, perfection and/or amount of the Cardinal Health Prepetition Debt (and, after such sixty [60] day challenge period, such creditors' committee shall also be bound, unless the Court order otherwise). Cardinal Health asserts, and the Debtor acknowledges, that Cardinal Health's security interests in the Debtor's assets were perfected more than 90 days before the Petition Date. (The Cardinal Health Prepetition Debt and the Cole Taylor Prepetition Debt are sometimes referred to collectively herein as the "Prepetition Debt.")

D. Debtor Representations. The Debtor represents, stipulates, acknowledges, and agrees that:

(i) the Prepetition Debt is (a) legal, valid, binding, and enforceable against the Debtor; and (b) not subject to any contest, objection, recoupment, defense, counterclaim, offset, claim of subordination, claim of recharacterization, claim of avoidance of any nature, attack or challenge under the Bankruptcy Code, other applicable non-bankruptcy law, or otherwise;

(ii) all the Prepetition Debt is secured by the security interests in and liens on the Cole Taylor Collateral and the Cardinal Health Collateral, as previously granted under the Cole Taylor Prepetition Loan Documents and the Cardinal Health Prepetition Loan Documents, respectively; that Cole Taylor and Cardinal Health have, and will continue to have, after entry of this Order, legal, valid, enforceable, non-avoidable and continuing duly-perfected security interests in, and liens on, their respective Collateral, as more fully described and defined in the Cole Taylor and Cardinal Health Prepetition Loan Documents, as the same existed on or at any time prior to the Petition Date, together with all cash and non-cash proceeds thereof (and such security interests and liens shall sometimes be referred to collectively herein as the "Prepetition

Liens”), subject to no liens or security interests other than the liens or security interests expressly permitted under the Prepetition Loan Documents and valid, prior liens of record;

(iii) nothing contained herein in any way impairs Cole Taylor’s first priority lien status respecting the Cole Taylor Collateral or Cardinal Health’s junior lien status respecting the Cardinal Health Collateral;

(iv) as of the Petition Date, and without giving effect to this Order, the Debtor is not aware of any liens or security interests having priority over the Prepetition Liens, except certain liens and encumbrances as permitted pursuant to the Cole Taylor Prepetition Loan Documents or the Cardinal Health Prepetition Loan Documents, or valid, prior liens of record;

(v) the Prepetition Liens were granted to Cole Taylor and Cardinal Health, respectively, for fair consideration and reasonably equivalent value, and were granted contemporaneously with the making of the loans secured thereby; and

(vi) all cash of the Debtor wherever located on the Petition Date represents either proceeds of loans under the Cole Taylor and/or the Cardinal Health Prepetition Loan Documents or proceeds of their respective Collateral; and pursuant to the Cole Taylor and the Cardinal Health Prepetition Loan Documents and section 552(b) of the Bankruptcy Code, Cole Taylor and Cardinal Health have valid, duly perfected liens upon and security interest in and to all of the cash of the Debtor, and these funds, along with the proceeds of the Cole Taylor and the Cardinal Health Collateral, constitute “cash collateral” within the meaning of section 363(a) of the Bankruptcy Code (the “Cash Collateral”).

(vii) The Debtor agrees that neither Cole Taylor nor Cardinal Health shall be deemed to be in control of the Debtor or its operations or to be acting as a “responsible person,” “managing agent,” or “owner or operator” with respect to the operation or management of the Debtor.

(viii) The Debtor agrees that, within the applicable limitations period, it shall file and prosecute to conclusion an Adversary Proceeding seeking, *inter alia*, to avoid and set aside any purported liens or security interests of the Settling Defendants, as such term is defined in that certain Settlement Agreement, entered into and effective as of June 9, 2010, between ADM, Sam Kancherlapalli, Vicky Kancherlapalli and Janet Hausenbauer, on the one hand, and Michelle Draper, Meriwether Lewis Garing, Jr. , John Valenton, Robert Erskine, Flora Yu, Jonathan D. Singleton, and Quinn Ranson, on the other hand.

E. Necessity and Best Interest.

1. The Debtor has an immediate need to use Cash Collateral and obtain funds in order to permit, among other things, the orderly continuation of the operation of its business, to maintain business relationships with vendors, suppliers and customers, to meet payroll, and to satisfy other working capital and operational needs. Good cause has been shown for the entry of this Order. The Debtor's use of Cash Collateral is vital to avoid immediate and irreparable harm to Debtor's estate pending a final hearing.

2. The Debtor has requested that Cole Taylor and Cardinal Health consent to the use of their respective Cash Collateral. The Debtor's ability to continue its businesses and reorganize under chapter 11 of the Bankruptcy Code depends upon the Debtor using such Cash Collateral.

3. The adequate protection provided herein and other benefits and privileges contained herein are consistent with and authorized by the Bankruptcy Code, Bankruptcy Rules 4001 and 6003 and United States Bankruptcy Court Northern District of Illinois Local Bankruptcy Rules 4001-2 and serve to adequately protect Cole Taylor's and Cardinal Health's interests in their respective Collateral, securing their claims under their respective Prepetition Loan Documents.

RETROACTIVE TO JANUARY 28, 2011:

NOW, THEREFORE, IT IS HEREBY ORDERED ~~NUNC PRO TUNC TO THE PETITION DATE:~~

as follows:

1. The Motion is hereby granted, ~~with the foregoing paragraphs stated herein incorporated by reference.~~

Authorization to Use Cash Collateral and DIP Accounts

2. Subject to the terms and conditions set forth in this Order, the Debtor is authorized, pursuant to section 363(c) of the Bankruptcy Code, to use Cash Collateral ~~nunc pro tunc to the Petition Date~~ *retroactive to January 28, 2011* through the earlier of either May 31, 2011, or the Termination Date (as defined below).

3. The Debtor shall maintain two debtor-in-possession accounts, each at Cole Taylor Bank, as follows:

(a) The Designated Proceeds DIP Account. This account (the "Designated Proceeds DIP Account") shall be comprised solely of the cash collateral the Debtor has on the Petition Date comprised solely of the proceeds of the Debtor's present and future accounts receivable, all of which shall be deposited into the Designated Proceeds DIP Account. No other funds shall be deposited into the Designated Proceeds DIP Account, and the Debtor shall not commingle any assets or funds with those in the Designated Proceeds DIP Account.

(b) The Secondary DIP Account. This account (the "Secondary DIP Account") shall be comprised of all other cash and cash proceeds of the Debtor, except those to be deposited into the Designated Proceeds DIP Account, which shall consist of but not be limited to all proceeds from the sale of equipment.

The Debtor shall use only the proceeds from the Designated Proceeds DIP Account and the Debtor shall only be allowed to use the proceeds existing in the Secondary DIP Account upon prior, written consent of the Secured Creditors, provided that such use is consistent with paragraphs 3(a) and (b) above. Under no circumstances shall the Debtor establish or maintain any other DIP bank accounts without the prior, written consent of the Secured Creditors.

4. The Debtor shall use Cash Collateral only for (a) working capital, (b) other general corporate purposes of the Debtor (including, without limitation, the making of Adequate Protection Payments (as defined below)), and (c) the costs of administration of this chapter 11 case, with each of the foregoing in compliance with the budget (the "Budget"), which is annexed hereto as Exhibit 3 and incorporated herein by reference, subject to the permitted variances as provided in this Order. The Debtor shall not (x) take any action outside the ordinary course of business, including, without limitation, the settlement of accounts receivable for less than face value except as is customary and in conformity with its past business practice, without the prior approval of Cole Taylor and Cardinal Health, or (y) grant, permit or suffer to exist any lien upon or security interest in its assets (other than liens and security interests in existence on the Petition Date) during the term of this Order that has priority over or is *pari passu* with the Prepetition Liens and the liens granted hereby.

5. Debtor shall not, without the prior written consent of Cole Taylor and Cardinal Health, use Cash Collateral in excess of the amounts set forth in the Budget for each item in the Budget (a "Budget Item"). If the actual amount paid by the Debtor on account of a particular Budget Item is less than the amount budgeted for such Budget Item, then such excess may be used by the Debtor for any other Budget Item, upon prior written notice to the Secured Creditors.

6. Notwithstanding anything herein to the contrary, no Cash Collateral may be used

by the Debtor (or any subsequent trustee), a creditors' committee (if and once formed), any other statutory committee or any other person or entity (i) to object to or contest in any manner, or raise any defense or contest (a) the validity, perfection, priority or enforceability of the Prepetition Debt, the Prepetition Liens, and/or the Prepetition Loan Documents, or (b) this Order; (ii) to assert or prosecute any action for preferences, fraudulent conveyances, other avoidance power claims (whether under chapter 5 of the Bankruptcy Code or otherwise) or any other claims or causes of action against Cole Taylor or Cardinal Health, including, without limitation, for lender liability or pursuant to sections 105, 510, 544, 547, 548, 549, or 550 of the Bankruptcy Code; (iii) to sell any portion of the Cole Taylor Collateral or the Cardinal Health Collateral (other than sales of inventory in the ordinary course of business and sales of surplus or obsolete equipment and inventory as provided in the Prepetition Loan Documents); (iv) to modify the rights of Cole Taylor or Cardinal Health under this Order unless such use of Cash Collateral is specifically authorized by Court Order on duly filed Motion by the applicable affected Party in Interest. Notwithstanding anything set forth herein to the contrary, nothing in this order shall prohibit the use of Cash Collateral by any creditors' committee formed in this case to investigate the validity, perfection, priority or enforceability of the Prepetition Debt, the Prepetition Liens and/or the Prepetition Loan Documents; ~~provided, however, that payment of any professional fees and/or related costs on account of any such investigation shall be subject to further order of the Court.~~

Reporting; Certain Deliverables

7. The Debtor shall furnish to Cole Taylor and Cardinal Health weekly reconciliation reports by 5:00 p.m. on Tuesday following the end of the week being reported, comparing actual results and expenditures to the Budget for such period and on a cumulative basis, and an explanation of all variances, in form and substance satisfactory to Cole Taylor and

Cardinal Health. The first weekly reconciliation report shall cover the week ending on February 5, 2011.

8. The Debtor shall provide Cole Taylor and Cardinal Health, prior to 5:00 p.m. on Tuesday following the week being reported, the following written reports, in form and substance satisfactory to Cole Taylor and Cardinal Health: (i) a daily reconciliation report of cash available to the Debtor compared to actual cash available through all bank accounts (for the avoidance of doubt, the reconciliation will be a reconciliation of "book cash" to "bank cash"), (ii) an accounts receivable aging report, (iii) an accounts payable aging report, and (iv) an inventory report. The Debtor shall also deliver to Cole Taylor and Cardinal Health, prior to 5:00 p.m., each business day, for the immediately preceding business day, (a) a report setting forth the amount and source of cash receipts for such day and the related deposits of such cash into each of the Designated Proceeds DIP Account and the Secondary DIP Account, (b) a report setting forth the sales for such day, (c) back-up documentation relating to the shipment of goods by the Debtor during such day, including, without limitation, shipping documentation relating to each item of inventory shipped to a customer during such day, and (d) new sale/purchase orders received during such day, all of which shall be in form and substance satisfactory to Cole Taylor and Cardinal Health.

9. In addition, and without limiting the foregoing or any other reporting requirement contained hereunder, the Debtor shall prepare and submit to Cole Taylor and Cardinal Health all reports required to be delivered to each Secured Creditor pursuant to their respective Prepetition Loan Documents, along with any other or further reports reasonably requested by Cole Taylor and Cardinal Health.

10. The Debtor shall, no later than February 3, 2011, deliver to Cole Taylor and Cardinal Health documentation confirming that the Debtor has secured and maintains property,

liability and workmen's compensation insurance, in amounts and with insurers that are reasonably acceptable to Cole Taylor and Cardinal Health and that name Cole Taylor and Cardinal Health as lender loss payee and additional insured, as applicable.

11. The Debtor shall, no later than February 3, 2011, deliver to Cole Taylor and Cardinal Health a profit and loss statement for Calendar year 2010 and a balance sheet as of December 31, 2010 in form and substance satisfactory to Cole Taylor and Cardinal Health.

Adequate Protection

12. As adequate protection for the use of Cash Collateral, Cole Taylor and Cardinal Health shall receive:

(i) adequate protection payments ("Adequate Protection Payments") in amounts as set forth in the Budget under the heading "Adequate Protection Payments", provided, only in the event that it is determined that the claims of Cole Taylor and/or Cardinal Health are not fully secured, the Adequate Protection Payments shall be subject to reallocation, recharacterization, or disgorgement, after notice and a hearing before the Court, and the acceptance by Cole Taylor and/or Cardinal Health of the Adequate Protection Payments as set forth in the Budget annexed hereto shall not prevent Cole Taylor and/or Cardinal Health from seeking to increase (or obtain) such Adequate Protection Payments after March 10, 2011;

(ii) for any diminution in the value of Cole Taylor's and/or Cardinal Health's interests in the Cash Collateral from and after the Petition Date, (a) replacement security interests in and liens upon all of the Debtor's assets in which Cole Taylor or Cardinal Health had liens as of the Petition Date (including, without limitation, cash and receivables and the proceeds thereof), whether existing on or acquired after the Petition Date, subject, however, to the same lien priorities as between Cole Taylor and Cardinal Health as existed prior to the Petition Date;

(b) first priority security interests in and liens upon any and all unencumbered assets of the Debtor, including, without limitation, the Designated Proceeds DIP Account, the Secondary DIP Account and any and all present and future deposit accounts and the funds in each such deposit account, subject, however, to the same lien priorities as between Cole Taylor and Cardinal Health as existed prior to the Petition Date, and (c) junior liens on all encumbered assets which were not otherwise subject to Cole Taylor's or Cardinal Health's liens as of the Petition Date subject, however, to the same lien priorities as between Cole Taylor and Cardinal Health as existed prior to the Petition Date; (collectively, the "Adequate Protection Liens"); provided, however, that the Adequate Protection Liens shall neither prime nor impair any perfected liens or perfected security interests in the same collateral that are senior in rank and priority to the Prepetition Liens or the Adequate Protection Liens under applicable nonbankruptcy law as of the Petition Date; and provided further, however, except as expressly set forth in this Order, the Adequate Protection Liens granted herein shall not be subject to any liens that are avoided and preserved for the benefit of the Debtor's estate under section 551 of the Bankruptcy Code; and

(iii) for any diminution in the value of Cole Taylor's and/or Cardinal Health's interests in the Cash Collateral from and after the Petition Date, an administrative expense claim pursuant to section 507(b) of the Bankruptcy Code (the "Adequate Protection Claim"),

13. The Adequate Protection Liens on property of the Debtor's estate granted herein, including, without limitation, the security interests in and liens on post-petition cash and receivables, deposit accounts, including the Designated Proceeds DIP Account and the Secondary DIP Account, are valid, binding, effective, enforceable, and fully perfected, and no filing or recordation or other act in accordance with any applicable local, state, or federal law, rule, or regulation, is necessary to create or perfect such Adequate Protection Liens. The above provision notwithstanding, Debtor shall cooperate with Cole Taylor and Cardinal Health to

execute or cause to be executed such documents and instruments, and do such other things as Cole Taylor and/or Cardinal Health may reasonably request, to evidence and perfect such Adequate Protection Liens for the convenience and information of third parties, and to evidence the obligations undertaken by the Debtor hereunder.

14. With respect to the use of Cash Collateral hereunder, each of the following shall constitute a "Termination Event":

- (i) the closing or dismissal of the chapter 11 case;
- (ii) the conversion of the Debtor's chapter 11 case to a case under chapter 7 of the Bankruptcy Code;
- (iii) non-compliance by the Debtor with any of the terms or provisions of this Order;
- (iv) non-compliance by the Debtor with any of the terms or conditions of the Prepetition Loan Documents, with the exception of the financial covenants set forth in sections 5.19(a) – (c) and (f), inclusive, of the Cole Taylor Prepetition Documents;
- (v) if the Debtor's actual cumulative cash surplus each week during the Budget period is less than 90% of the cumulative cash surplus for such week, as set forth in the Budget; the Debtor shall report such week-ending cumulative cash position in a writing certified by the Debtor's president or chief financial officer by Tuesday of each week for the immediately preceding week and provide a comparison to the amounts reflected in the Budget, with a narrative explaining any deviations;
- (vi) if, on a cumulative basis, measured every week during the Budget Period, actual sales are less than 90% of the sales reflected in the Budget; the Debtor shall report such sales in a writing certified by the Debtor's president or chief financial officer by Tuesday of each week for the immediately preceding week and provide a comparison to the amounts reflected in

the Budget, with a narrative explaining the reasons for any deviations; provided, however, that “sales” shall not include any sales of any machinery, equipment, inventory other than in the ordinary course of business or any other sales of the Debtor’s assets;

(vii) any uninsured loss with respect to the Collateral or any other collateral subject to the Adequate Protection Liens in an amount equal to or exceeding \$25,000; or

(viii) Without limiting the generality of paragraph 3 above, the Debtor’s failure to open and utilize the Designated Proceeds DIP Account as provided in this Order, including, without limitation, the Debtor’s commingling of any funds or assets with the accounts receivables deposited and/or to be deposited into the Designated Proceeds DIP Account.

15. Following the occurrence of a Termination Event, the Debtor shall have five (5) business days after receipt of written notice from Cole Taylor and/or Cardinal Health to cure such Termination Event, if it is capable of cure (the “Cure Period”). Cole Taylor and/or Cardinal Health shall serve notice of the Termination Event on the Debtor, the U.S. Trustee, and if formed, the creditors’ committee, through counsel, if retained.

16. On the earlier to occur of either (a) May 31, 2011, or (b) if upon the expiration of the Cure Period, the Debtor has not cured the Termination Event (assuming such Termination Event is curable) and any required notice referred to in paragraph 16 has not been withdrawn (herein referred to as the “Termination Date”), then the Debtor shall cease all use of Cash Collateral and any authority of Debtor under this Order to use Cash Collateral shall terminate, unless otherwise ordered by the Court.

Protection of Secured Creditors

17. Notwithstanding anything herein to the contrary, this Order is without prejudice to, and does not constitute a waiver, expressly or implicitly, of the rights of Cole Taylor and/or Cardinal Health to seek additional adequate protection should circumstances warrant.

18. Entry of this Order shall not in any way (i) constitute agreement, consent, or acquiescence to the terms of any plan of reorganization by virtue of any term or provision of this Order; or (ii) prevent Cole Taylor or Cardinal Health from objecting, for any reason, to any requests, motions or applications made in this Court (other than this Order), including any applications for interim or final allowances of compensation for services rendered or reimbursement of expenses incurred under sections 105(a), 330 or 331 of the Bankruptcy Code, by any party in interest.

19. The validity, priority, extent, enforceability and perfection of the Prepetition Liens and security interests shall remain subject to the rights of any statutory committee or any party in interest to commence an appropriate adversary proceeding or contested matter (i) objecting to the validity and amount of the Prepetition Debt or to the extent, priority, validity, perfection or non-avoidability of the Prepetition Liens, or (ii) seeking the disgorgement or avoidance of all or part of the payment of the Debtor's liabilities and obligations under the Cole Taylor or Cardinal Health Prepetition Loan Documents, which adversary proceeding or contested matter must be filed no later than sixty (60) days (the "Challenge Period") after the first formation of any statutory committee (and, after the Challenge Period, such creditors' committee shall also be bound, unless the Court order otherwise) or, as to parties in interest, at least 75 days from the entry of the Order . If such adversary proceeding or contested matter is not timely filed within the Challenge Period, unless extended with consent of Cole Taylor and Cardinal Health,

without further action by any party or this Court, the Prepetition Liens shall be deemed legal, valid, binding, enforceable, perfected and unavoidable and the full liability and obligations of the Debtor under the Cole Taylor or Cardinal Health Prepetition Loan Documents shall be conclusively and irrevocably binding upon all parties-in-interest in this case.

20. The Debtor shall also provide Cole Taylor and Cardinal Health copies of all reports made for or documents given to the United States Trustee in this chapter 11 case (when forwarded to the United States Trustee).

21. Debtor shall permit representatives, agents, and/or employees of Cole Taylor and/or Cardinal Health, including professionals retained by Cole Taylor's and Cardinal Health's legal professionals, to have reasonable access to its premises and records during normal business hours (without unreasonable interference with the proper operation of Debtor's business) and shall cooperate, consult with, and provide to such persons all such non-privileged information as they may reasonably request.

22. **Interlocutory Order and No Modification of Creditors' Adequate Protection.**

A. This is an interlocutory order. Nothing contained herein shall be deemed or construed to bar Cole Taylor or Cardinal Health from seeking other or further relief (including, without limitation, relief from the terms of this Order) for cause shown on appropriate notice to the Debtor and other parties-in-interest entitled to notice of same. This Order may be modified for cause shown by the Debtor, Cole Taylor and/or Cardinal Health, or any other party-in-interest on due notice. No such modification, however, shall deprive Cole Taylor or Cardinal Health of its respective interest in Debtor's property (pre-petition or post-petition).

B. Any reversal, modification, or vacation of this Order shall not affect the validity or priority of any obligation of the Debtor to Cole Taylor or Cardinal Health incurred or arising by operation of law, or any security interest or lien granted to Cole Taylor or Cardinal Health under this Order, before the effective date of such reversal, modification, or vacation. Notwithstanding the entry of any subsequent stay or any such reversal, modification, or vacation, all uses of Cash Collateral, and the security interests and liens granted to Cole Taylor and Cardinal Health by the Debtor under this Order before the effective date of such stay, reversal, modification, or vacation, shall be governed in all respects by the original provisions of this Order, and Cole Taylor and Cardinal Health shall be entitled to all the rights, privileges, and benefits with respect to all such uses, obligations, security interests and liens.

23. That any creditor or other interested party having any objection to this Interim Order shall file with the Clerk of this Court and serve upon counsel for the Debtor and counsel for both Cole Taylor and Cardinal Health, on or before the 10th day of March, 2011, a written objection and shall appear to advocate said objection at a final hearing to be held at 10:30a.m. on the 15th day of March, 2011, in Courtroom 742 of the United States Bankruptcy Court, in Chicago, Illinois. In the event no objections are filed or advocated at such hearing, then this Order shall continue in full force and effect and shall be deemed a Final Order without further notice or hearing in accordance with Fed. R. Bankr. P. 4001(d)(3).

24. The Debtor shall serve a copy of this Order and Notice by first class mail, fax or email within one (1) business day from the date hereof, on (i) the United States Trustee for the Northern District of Illinois Eastern Division (ii) Internal Revenue Service; (iii) State of Illinois, Department of Revenue; (iv) counsel to Cole Taylor; (v) counsel to Cardinal Health; and (vi) counsel to any committee appointed under Section 1102 of the Bankruptcy Code, if one has been

appointed and if not, to the Debtor's twenty (20) largest Rule 1007(d) list of unsecured creditors.

The Debtor shall immediately file with the Clerk a certificate of service of said mailing.

BE IT SO ORDERED.

Dated: This 4th of February, 2011.

ENTERED:

JUDGE

Carol G. Doyle
CD

Michael J. Davis (#6197896)
Springer, Brown, Covey Gaertner & Davis
400 S. County Farm Rd., St. 330
Wheaton, IL 60187
630-510-0000

EXHIBIT 1

COLE TAYLOR BANK PREPETITION LOAN DOCUMENTS¹

1. First Amended and Restated Loan and Security Agreement between American Diagnostic Medicine, Inc., as Borrower, and Cole Taylor Bank, as Lender, dated as of January 31, 2008.
2. Promissory Note, dated as of January 31, 2008, in original principal amount of \$1,824,163.
3. Promissory Note, dated as of May 1, 2008, in original principal amount of \$125,000.
4. Various UCC-1 Financing Statements of record.
5. Waiver and Second Amendment to First Amended and Restated Loan and Security Agreement, dated as of July 1, 2009.
6. Third Amendment to First Amended and Restated Loan and Security Agreement, dated as of July 1, 2010.
7. Term Loan Note, dated as of July 1, 2010, in original principal amount of \$874,163.

¹ Subject to supplementation and/or modification.

EXHIBIT 2

CARDINAL HEALTH PREPETITION LOAN DOCUMENTS¹

1. Promissory Note, dated as of January 31, 2008, in original principal amount of \$2,675,000.
2. Amended Promissory Note, as of May 19, 2010.
3. Security Agreement, dated as of January 31, 2008.
4. Various UCC-1 Financing Statements of record.
5. Letter, dated February 12, 2008, to American Diagnostics Medicine, Inc., re: Collateral as Security for Promissory Note and Personal Guaranty.
6. American Diagnostic Medicine, Inc. Supply Agreement, effective November 1, 2004.
7. First Amendment to Supply Agreement, effective November 1, 2005.
8. Second Amendment to Supply Agreement, made as of July 1, 2006, by and between American Diagnostic Medicine and Cardinal Health 414, Inc.
9. Second Amendment to Supply Agreement, made as of December 12, 2007, by and between American Diagnostic Medicine and Cardinal Health 414, LLC, formerly Cardinal Health 414, Inc.
10. Third Amendment to Supply Agreement, made as of April 1, 2008, by and between American Diagnostic Medicine and Cardinal Health 414, LLC.
11. Fourth Amendment to Supply Agreement, as of December 1, 2010, by and between American Diagnostic Medicine, Inc. and Cardinal Health 414, LLC.

¹ Subject to supplementation and/or modification.

