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5 Proposed Conflicts Counsel for Contessa Premium
6 Foods, Inc., Debtor and Debtor-in-Possession

7
8 **UNITED STATES BANKRUPTCY COURT**
CENTRAL DISTRICT OF CALIFORNIA
9 **LOS ANGELES DIVISION**

10 In re:

11 CONTESSA PREMIUM FOODS, INC.¹

12 Debtor.

Case No.: 11-13454 (PC)

Chapter 11

**STIPULATED INTERIM ORDER (A)
AUTHORIZING THE DEBTOR'S USE OF
CASH COLLATERAL,
(B) GRANTING ADEQUATE PROTECTION
TO WELLS FARGO BANK, NATIONAL
ASSOCIATION, (C) SCHEDULING FINAL
HEARING, AND (D) GRANTING OTHER
RELATED RELIEF**

Interim Hearing

Date: January 31, 2011

Time: 10:00 a.m.

Place: Courtroom 1539

Edward R. Roybal Federal Bldg.

255 East Temple Street

Los Angeles, CA 90012

Judge: Hon. Peter H. Carroll

Final Hearing

Date: March 9, 2011

Time: 9:30 a.m.

Place: Courtroom 1539

Edward R. Roybal Federal Bldg.

255 East Temple Street

Los Angeles, CA 90012

Judge: Hon. Peter H. Carroll

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28 ¹ The Debtor is a California corporation, Fed. Tax I.D. No. 33-0020606. The Debtor's address is 222 West 6th Street, San Pedro, California 90731.

1 This matter came before the Court on the emergency motion (the “Motion”) of Contessa
2 Premium Foods, Inc. (the “Debtor”) for interim and final orders pursuant to 11 U.S.C. §§ 105, 361,
3 362, 363, 364, 503 and 507 and Fed. R. Bankr. P. 2001, 4001 and 9014 and Bankr. C.D. Cal. L.R.
4 4001-2, (i) authorizing the use of “cash collateral,” as such term is defined in section 363 of title 11,
5 United States Code, (the “Bankruptcy Code”), in which the Secured Lender (as defined below) has
6 an interest, the (“Cash Collateral”), (ii) authorizing the issuance of postpetition documentary and
7 import letters of credit for the limited purpose of acquiring inventory, (iii) providing adequate
8 protection to the Secured Lender for, among other purposes, any diminution in value of the Secured
9 Lender’s interests in the Prepetition Collateral (as defined below), including the Cash Collateral,
10 (iv) vacating and modifying the automatic stay imposed by section 362 of the Bankruptcy Code to
11 the extent necessary to implement and effectuate the terms and provisions of this Interim Order, and
12 (v) requesting, pursuant to Rule 4001 of the Federal Rules of Bankruptcy Procedure (“Bankruptcy
13 Rules”) and the Central District of California’s Local Rules of Bankruptcy Procedure, that a final
14 hearing (the “Final Hearing”) be held before this Court to consider entry of a final order approving
15 (a) the Debtor’s use of Cash Collateral and (b) the grant of adequate protection to the Secured
16 Lender, all on a final basis (the “Final Order”) as set forth in the Motion.²

17 Pursuant to Bankruptcy Rules 4001(b) and 4001(c)(1) and Bankr. C.D. Cal. L.R. 4001-2, due
18 and sufficient notice under the circumstances of the Motion and the interim hearing having been
19 provided by the Debtor as set forth in paragraph G below, and the interim hearing having been held
20 on January 31, 2011 (the “Interim Hearing”), with the appearances of all interested parties noted in
21 the record of the Interim Hearing, and upon consideration of all of the pleadings filed with this
22 Court; and any objections to the relief requested in the Motion that have not been resolved are
23 hereby overruled with respect to this Interim Order, without prejudice to the rights of such parties to
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28 ² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion or the Prepetition
(continued...)

1 raise any such objections at the Final Hearing or deferred to the Final Hearing; and upon the record
2 made by the Debtor at the Interim Hearing, and after due deliberation and consideration and good
3 and sufficient cause appearing therefor:

4 **IT IS HEREBY STIPULATED BY THE UNDERSIGNED PARTIES:**

5
6 A. On January 26, 2011 (the "Petition Date"), the Debtor filed a voluntary petition for
7 relief under the Bankruptcy Code commencing this chapter 11 case (the "Case"). Pursuant to
8 sections 1107 and 1108 of the Bankruptcy Code, the Debtor has retained possession of its property
9 and is authorized thereby, as debtor-in-possession, to continue the operation and management of its
10 business. No request has been made for the appointment of a trustee or examiner and none has been
11 appointed.

12 B. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
13 This is a "core" proceeding within the meaning of 28 U.S.C. § 157(b)(2). The statutory predicates
14 for the relief sought herein are sections 105, 361, 362, 363, 364, 503 and 507 of the Bankruptcy
15 Code and Bankruptcy Rules 4001(b), (c) and (d). Venue of this Case and the Motion in this district
16 is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

17
18 C. After consultation with their attorneys and financial advisors, but without prejudice to
19 the rights of any official committee of unsecured creditors (the "Committee") (if appointed), or other
20 non-debtor parties in interest if a Committee is not appointed, as set forth in paragraph 12 below, the
21 Debtor admits, stipulates, acknowledges and agrees as follows (collectively
22 subparagraphs (i) through (v) below shall be referred to herein as the "Debtor's Stipulations"):

23
24 (i) Prepetition Credit Agreement. Pursuant to that certain first lien credit
25 agreement dated as of June 1, 2009 (as amended, supplemented, amended and restated or
26 otherwise modified, the "Prepetition Credit Agreement"), by and between the Debtor and

27 _____
28 (...continued)

Credit Agreement (as defined herein), as applicable.

1 Wells Fargo Bank, National Association (the “Secured Lender”), the Secured Lender made
2 loans and provided letters of credit and other financial accommodations to the Debtor. The
3 Prepetition Credit Agreement provides for a revolving credit facility (“Revolving Facility”)
4 in the aggregate principal amount of \$17,050,000. As of the Petition Date, the Debtor’s
5 obligations under the Prepetition Credit Agreement consisted of the outstanding Revolving
6 Facility in the aggregate principal amount of \$17,050,000, plus any accrued and unpaid
7 interest, fees, costs and expenses thereunder, (collectively, the “Prepetition Secured
8 Obligations”).

9
10 (ii) Prepetition Security Agreements. Pursuant to (i) that certain Security
11 Agreement (Equipment) dated as of September 8, 2008 by and between the Debtor and the
12 Secured Lender, (ii) that certain Continuing Security Agreement (Rights to Payment and
13 Inventory) dated as of June 1, 2009 by and between the Debtor and the Secured Lender, and
14 (iii) the grant of security interests contained in section 1.4 of the Prepetition Credit
15 Agreement (each as amended, supplemented, amended and restated or otherwise modified,
16 the “Prepetition Security Agreements” and together with the Prepetition Credit Agreement
17 and all related documents, the “Secured Financing Documents”)³, between the Debtor and
18 the Secured Lender, the Debtor granted to the Secured Lender, valid and perfected first-
19 priority continuing liens on and security interests in (the “Prepetition Liens”) substantially all
20 of the Debtor’s inventory, accounts receivable, goods, machinery, equipment, and general
21 intangibles, including all proceeds thereof, all as more particularly described in the
22 Prepetition Security Agreements (collectively, the “Prepetition Collateral”).

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26 ³ The Secured Lender also asserts a security interest in a depository bank account maintained with Wells Fargo Bank,
27 National Association pursuant to, among other things, that certain Security Agreement (Immediately Restricted Wells
28 Fargo Bank, National Association Deposit Account) dated as of December 8, 2010 by and between the Debtor and the
Secured Lender (the “Account Agreement”). The Debtor reserves its right to investigate and contest such asserted
interest at this time. Accordingly, the Debtor’s Stipulations shall not apply to the depository account referenced in the
Account Agreement.

1 (iii) Validity and Priority of Prepetition Liens, Claims, and Prepetition Secured
2 Obligations. The Prepetition Liens are valid, binding, enforceable, and perfected liens that
3 have priority over any and all other security interests in the Prepetition Collateral except for
4 certain liens permitted under Section 5.7 of the Prepetition Credit Agreement (the “Permitted
5 Liens”) (to the extent any valid, properly perfected, unavoidable, and senior Permitted Liens
6 exist, they are referred to herein as the “Prior Liens”). In addition, (a) none of the Prepetition
7 Liens are subject to avoidance, recharacterization or subordination pursuant to the
8 Bankruptcy Code or applicable nonbankruptcy law, (b) the Prepetition Secured Obligations
9 constitute allowed secured claims of the Secured Lender, which are legal, valid, binding and
10 non-avoidable obligations of the Debtor that, except for the stay of enforcement arising from
11 section 362 of the Bankruptcy Code, are enforceable in accordance with the terms of the
12 applicable Secured Financing Documents, (c) no offsets, defenses, challenges, claims, or
13 counterclaims of any kind or nature to any of the Prepetition Secured Obligations exist, and
14 no portion of the Prepetition Secured Obligations is subject to avoidance, recharacterization
15 or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law, (d) the
16 Debtor and its estate has no offsets, defenses, claims, objections, challenges, causes of action,
17 and/or choses in action, including, without limitation, Avoidance Actions (as defined below),
18 against the Secured Lender, and (e) any payments made on account of the Prepetition
19 Secured Obligations (i) have been payments out of the Prepetition Collateral, and (ii) have
20 not diminished any property otherwise available for distribution to unsecured creditors;

24 (iv) Release of Claims. The Debtor hereby waives and releases any claims,
25 offsets, defenses, or counterclaims arising under the Secured Financing Documents against
26 the Secured Lender, or its officers, directors, employees, attorneys, representatives, parent,
27 affiliates, predecessors, successors, or assigns, whether known or unknown, at law or in
28 equity, from the beginning of the world through the date hereof.

1 (v) Waiver. The Debtor waives any and all rights under sections 105 and 363 of
2 the Bankruptcy Code or otherwise to seek the use of Cash Collateral on any other terms
3 except as expressly provided for herein or as consented to by the Secured Lender. Further,
4 the Debtor hereby agrees that until such time as all Prepetition Secured Obligations are
5 indefeasibly paid in full in cash and completely satisfied, the Debtor shall not in any way
6 prime or seek to prime or otherwise cause to be subordinate in any way, either the Prepetition
7 Liens or Adequate Protection Liens (as defined below) of the Secured Lender, by offering a
8 subsequent lender or any party-in-interest a superior or pari passu lien or claim pursuant to
9 section 364(d) of the Bankruptcy Code; provided however, the Debtor is authorized to obtain
10 postpetition letters of credit, or renewals of prepetition letters of credit ("Postpetition Letters
11 of Credit"), as provided for herein, and obtain any replacement financing that satisfies and
12 pays the Prepetition Secured Obligations in full in cash at the closing of such replacement
13 financing.
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16 For the avoidance of doubt, the Debtor's Stipulations shall be deemed to apply only to the Secured
17 Financing Documents and Wells Fargo Bank, National Association, as the Secured Lender.
18 Notwithstanding anything herein to the contrary, the Debtor's Stipulations shall not apply to (i)
19 Wells Fargo Bank Northwest, National Association, in connection with that certain Aircraft Lease
20 Agreement dated as of March 21, 2005, or any related agreement executed in relation thereto, or (ii)
21 the Account Agreement or the depository account referenced therein.
22

23 D. The Debtor has an immediate and critical need to use Cash Collateral in order to
24 continue to operate its business and effectuate a reorganization of its business, subject to the terms of
25 this Interim Order. Absent entry of the Interim Order, the Debtor's business, property and estate will
26 be immediately and irreparably harmed. The Debtor's use of Cash Collateral has been deemed
27 sufficient to meet the Debtor's immediate post-petition, critical needs, subject to the terms of this
28 Interim Order and all other agreements, documents, notes or instruments delivered pursuant hereto,

1 or thereto or in connection herewith or therewith, including, without limitation, the budget, attached
2 as Exhibit 1 hereto (the "Budget"). The Budget, and any supplement or modification thereto as
3 allowed pursuant to the terms of this Interim Order, is an integral part of this Interim Order and has
4 been relied upon by the Secured Lender in deciding to consent, or not otherwise object, to the entry
5 of this Interim Order.

6
7 E. Based on the record presented by the Debtor to this Court, the use of Cash Collateral
8 as provided in this Interim Order has been negotiated in good faith at "arms length" between the
9 Debtor and the Secured Lender, and use of Cash Collateral by the Debtor shall be deemed to have
10 been extended, issued, or made, as the case may be, by the Secured Lender, in "good faith."

11 F. As a result of the Debtor's use of Cash Collateral, and the imposition of the automatic
12 stay, the Secured Lender is entitled to receive adequate protection pursuant to sections 361, 362, and
13 363 of the Bankruptcy Code to the extent of any diminution in the value of its interest in the
14 Prepetition Collateral (including Cash Collateral) resulting from the Debtor's use, sale or lease of the
15 Prepetition Collateral (including Cash Collateral) during this Case, or imposition of the automatic
16 stay. As adequate protection, the Secured Lender will receive: (1) the Adequate Protection Liens;
17 (2) the Adequate Protection Superpriority Claim; and (3) the Adequate Protection Payments (each as
18 defined below).

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20 G. Notice of the Motion and Final Hearing has been provided to (i) the Debtor's twenty
21 (20) largest unsecured creditors, (ii) the Office of the United States Trustee for the Central District of
22 California (the "U.S. Trustee"), (iii) counsel to the Secured Lender, (iv) the Debtor's other alleged
23 secured creditors, and (v) any other party that has filed a request for notice pursuant to Bankruptcy
24 Rule 2002 or is entitled to receive notice under the Bankruptcy Rules, (collectively, the "Notice
25 Parties").
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1 **BASED ON THE RECORD OF THE INTERIM HEARING, WITH APPEARANCES**
2 **OF ALL INTERESTED PARTIES THE MOTION AND THE STIPULATIONS, THE**
3 **COURT FINDS THAT⁴:**

4 A. The Court finds that notice of the Motion, as it relates to this Interim Order, is, under
5 the circumstances, sufficient under the Bankruptcy Code and the Bankruptcy Rules, including,
6 without limitation, sections 102(1) and 363 and 364 of the Bankruptcy Code and Bankruptcy
7 Rules 4001(b), (c) and (d) and 9014.

8 B. Good cause has been shown for the entry of this Interim Order. Among other things,
9 entry of this Interim Order will minimize disruption of the Debtor' business and operations and
10 permit the Debtor to meet payroll and other operating expenses and maintain customer confidence
11 by demonstrating the ability to maintain normal operations. The use of Cash Collateral and
12 Postpetition Letters of Credit as contemplated hereby and by the Budget is intended by the Debtor to
13 enable it to continue the operation of its business and maximize the value of its estate.

14 C. The Debtor represents and it appears that the interim use of Cash Collateral, adequate
15 protection arrangements, and Postpetition Letters of Credit authorized hereunder have been
16 negotiated in good faith and at arm's length, and the terms of such adequate protection arrangements
17 and Postpetition Letters of Credit are fair and reasonable under the circumstances, reflect the
18 Debtor's exercise of prudent business judgment consistent with its fiduciary duties and are supported
19 by reasonably equivalent value and fair consideration.

20 D. An immediate and critical need exists for the Debtor to be permitted access to Cash
21 Collateral and Postpetition Letters of Credit to continue to operate its business. Without access to
22 Cash Collateral, the Debtor will not be able to pay its payroll and other direct operating expenses or
23 to maintain vendor and customer support.

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28 ⁴ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings
of fact, pursuant to Bankruptcy Rule 7052.

1 E. The Debtor has requested immediate entry of this Interim Order pursuant to Rule
2 4001 of the Bankruptcy Rules. The permission granted herein to allow the Debtor to use Cash
3 Collateral and Postpetition Letters of Credit is necessary to avoid immediate and irreparable harm to
4 the Debtor.

5
6 F. The Court concludes that entry of this Interim Order is in the best interests of the
7 Debtor and its estate and creditors as its implementation will, among other things, allow for the
8 continued operation of the Debtor's existing business.

9 **BASED ON THE STIPULATIONS AND FINDINGS IT IS HEREBY**
10 **ORDERED, ADJUDGED, AND DECREED:**

- 11 1. Grant of Motion. The Motion is granted as provided for herein on an interim basis.
- 12 2. Authorization to Use Cash Collateral; Limitations on Use. Pursuant to the terms and
13 conditions of this Interim Order, and pursuant to section 363 of the Bankruptcy Code, the Debtor is
14 authorized to use Cash Collateral to obtain documentary and import letters of credit as provided in
15 this Interim Order, and otherwise solely for the purposes identified in the Budget setting forth, on a
16 line-item basis, the Debtor's anticipated cumulative cash receipts and expenditures on a weekly basis
17 and all necessary and required cumulative expenses which the Debtor expects to incur during each
18 week of the Budget, provided however, that (i) unless specifically authorized in writing by the
19 Secured Lender, no Cash Collateral may be paid or transferred to any non-debtor affiliate of the
20 Debtor and (ii) for any week in the Cash Collateral Budget (as defined below), the amounts for each
21 line item may vary so long as, unless otherwise waived in writing by the Secured Lender, the actual
22 expenditures paid in connection with the Cash Collateral Budget (as defined below) do not exceed
23 110% of the aggregate projected expenditures set forth therein, measured on a rolling four-week
24 basis. The Budget may be modified or supplemented from time to time by additional budgets
25 (covering any time period covered by a prior budget or covering additional time periods) prepared
26 by the Debtor and approved by the Secured Lender in writing (each such additional budget, a
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1 “Supplemental Approved Budget”), in each case without further notice, motion or application to,
2 order of, or hearing before, this Court. The aggregate, without duplication, of all items in the Budget
3 and any Supplemental Approved Budgets shall constitute a “Cash Collateral Budget”). The Cash
4 Collateral Budget is an integral part of this Interim Order and has been relied upon by the Secured
5 Lender in deciding to consent, or not otherwise object, to the entry of this Interim Order.
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7 3. Postpetition Letters of Credit. To the extent provided for in the Cash Collateral
8 Budget, the Debtor may use Cash Collateral to obtain from the Secured Lender postpetition
9 documentary and import letters of credit (each, a “Postpetition Letter of Credit”) to acquire
10 postpetition inventory, provided that, (i) prior to the issuance of any Postpetition Letter of Credit the
11 Debtor shall be required to obtain the consent of the Secured Lender; (ii) such Postpetition Letter of
12 Credit shall be cash collateralized at 105% of its face value; and (iii) the Debtor may pay the
13 customary fees or expenses and complete the customary documentation, as required by the Secured
14 Lender in connection with the issuance of any Postpetition Letter of Credit.
15

16 4. Adequate Protection Liens. The Secured Lender is entitled, pursuant to sections 361
17 and 363(e) of the Bankruptcy Code, to adequate protection of its interest in the Prepetition
18 Collateral. As adequate protection for any diminution in value of the Secured Lender’s interest in
19 the Prepetition Collateral from and after the Petition Date, the Secured Lender is hereby granted, a
20 valid, perfected and enforceable security interest (the “Adequate Protection Liens”) equivalent to a
21 lien granted under the sections 364(c) and (d) of the Bankruptcy Code in and upon all of the assets of
22 the Debtor in which the Secured Lender had a security interest prior to the Petition Date and hereby
23 created after the Petition Date, wherever the assets are located, including without limitation, all of
24 the Debtor’s accounts, contract rights, inventory, machinery and equipment, vehicles, licenses,
25 general intangibles, investment property, bank accounts, insurance proceeds, tax refunds, equity and
26 stock interests in the Debtor and its direct and indirect subsidiaries, and including the Prepetition
27 Collateral, all as more particularly described in the Prepetition Security Agreements, but excluding
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1 any causes of action under Chapter 5 of the Bankruptcy Code (the “Avoidance Actions”) and any
2 proceeds thereof, whether such property was owned on the Petition Date or thereafter created,
3 acquired or arising, and all improvements, additions and extensions thereto, all replacement thereof,
4 all books and records with respect thereto and all products and proceeds of the foregoing
5 (collectively, the “Collateral”). The Adequate Protection Liens shall be subject only to the Carve-
6 Out and any Prior Liens. Except for the Adequate Protection Liens or as otherwise provided in this
7 Interim Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the
8 Debtor after the Petition Date is not and shall not be subject to any lien of any person resulting from
9 any security agreement entered into by the Debtor prior to the Petition Date, except to the extent that
10 such property constitutes proceeds of property of the Debtor that is subject to a Prior Lien. The
11 Adequate Protection Liens herein granted: (i) are and shall be in addition to all security interests,
12 liens and rights of set-off existing in favor of the Secured Lender on the Petition Date; (ii) are and
13 shall be valid, perfected, enforceable and effective as of the Petition Date without any further action
14 by the Debtor or the Secured Lender, and without the necessity of the execution, filing or recordation
15 of any financing statements, security agreements, filings with the United States Patent and
16 Trademark Office, mortgages or other documents, obtaining control agreements or other agreements
17 over bank accounts or possession of stock certificates; and (iii) shall secure the payment of
18 indebtedness to the Secured Lender in an amount equal to any diminution in value of the Collateral.
19 Notwithstanding the foregoing, the Secured Lender may, in its sole discretion, file such financing
20 statements, notices of liens and other similar documents, and is hereby granted relief from the
21 automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing
22 statements, notices and other documents shall be deemed to have been filed or recorded at the time
23 and on the date of the commencement of this Case.

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27 5. Adequate Protection Superpriority Claim. In addition to the Adequate Protection
28 Liens granted to the Secured Lender pursuant to this Interim Order, the Secured Lender is hereby

1 granted an administrative claim under sections 503(b)(1), 507(a), and 507(b) of the Bankruptcy
2 Code (the “Adequate Protection Superpriority Claim”) to the extent of any diminution in the value of
3 the Collateral, which shall have priority in this Case and in any cases under chapter 7 of the
4 Bankruptcy Code upon conversion of this Case or any other action, case or proceeding related to or
5 arising out of any of the foregoing (collectively, the “Successor Case”), under sections 363(e),
6 363(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expenses
7 of the kinds specified in or arising or ordered under sections 105(a), 326, 328, 330, 331, 503(b),
8 506(c), 507, 546(c), 726, 1113 and 114 of the Bankruptcy Code and unsecured claims against the
9 Debtor and its estate, now existing or hereafter arising, of any kind or nature whatsoever which
10 allowed claims shall be payable from and have recourse to all Collateral of the Debtor and all
11 proceeds thereof, but excluding proceeds of any Avoidance Actions. Except as permitted by this
12 Interim Order, including without limitation, the Carve-Out, no costs or expenses of administration
13 including, without limitation, Professional Fees (as defined below) allowed and payable under
14 sections 328, 330 and 331 of the Bankruptcy Code, or otherwise, that have been or may be incurred
15 in this Case or in any Successor Case, and no priority claims are, or will be, senior to, prior to, or on
16 parity with the Adequate Protection Superpriority Claim.
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19 6. Adequate Protection Payments. As additional adequate protection, the Debtor shall
20 pay to the Secured Lender cash payments of interest at the rate in effect as of the Petition Date⁵ and
21 at the times required under the Prepetition Credit Agreement (the “Interest Payments”). In addition,
22 the Debtor shall pay to the Secured Lender the professional fees and expenses (whether incurred
23 before or after the Petition Date) of the Secured Lender, including, without limitation, the reasonable
24 fees and expenses of legal counsel, financial advisors, auditors, appraisers and other consultants,
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27 ⁵ The Secured Lender reserves its right to request payment of interest on its claims at the default rate of interest, and all
28 rights of the Debtor, the Committee (if appointed), or any other party in interest to object to any such request are also
reserved.

1 within ten (10) business' days (if no written objection is received within such ten (10) business' day
2 period) after such professional has delivered an invoice substantially in the form provided to the
3 Debtor to date describing such fees and expenses; provided, however, that any such invoice may be
4 redacted to protect privileged, confidential or proprietary information., with a copy of such invoices
5 to the U.S. Trustee and the Committee (if appointed) (collectively, the Adequate Protection Expense
6 Payments," and together with the Interest Payments, the "Adequate Protection Payments"). Any
7 written objection to payment of the fees and expenses invoiced by or on behalf of the Secured
8 Lender must contain a specific basis for the objection and quantification of the undisputed amount of
9 the fees and expenses invoiced; failure to object with specificity or to quantify the undisputed
10 amount of the invoice subject to such objection will constitute a waiver of any objection to such
11 invoice. None of such out-of-pocket costs, fees, charges, and expenses shall be subject to Court
12 approval or required to be maintained in accordance with the U.S. Trustee Guidelines and no
13 recipient of any such payment shall be required to file with respect thereto any interim or final fee
14 application with the Court; provided however, if an objection to a professional's invoice is timely
15 received, the Debtor shall only be required to pay the undisputed amount of the invoice and the
16 Court shall have jurisdiction to determine the disputed portion of such invoice if the parties are
17 unable to resolve the dispute.

20 7. Debtor's Obligations and Covenants. In consideration for the use of the Cash
21 Collateral and other Collateral and as further adequate protection, until the Debtor and the Debtor's
22 counsel receives written notice of the termination of the Debtor's authorization to use Cash
23 Collateral hereunder, the Debtor shall:

25 (a) use Cash Collateral in accordance with the Cash Collateral Budget and
26 approved variances;

27 (b) deliver to the Secured Lender copies of all financial and other reports
28 (including, but not limited to, borrowing base reports), notices and other financial analyses

1 required to be delivered to the Secured Lender under the Secured Financing Documents, and
2 such other financial statements, information and reports that the Secured Lender shall
3 reasonably request; provided, however, that (i) all reporting required to be delivered pursuant
4 to Section 4.3(b) of the Prepetition Credit Agreement shall be due no later than thirty (30)
5 days after and as of the end of the month, and (ii) all reporting required to be delivered
6 pursuant to Section 4.3(c) of the Prepetition Credit Agreement shall be reportable on a bi-
7 weekly basis beginning as of February 4, 2011, and due on the fifteenth (15th) and last day of
8 each month, or, if such date falls on a Saturday, Sunday, or a day on which banks are
9 required or permitted to be closed, the first business day thereafter;

11 (c) deliver to the Secured Lender on or before 1:00 p.m. (prevailing Pacific Time)
12 on Thursday of each week, in form and substance reasonably acceptable to the Secured
13 Lender, a report (the "Variance Report") detailing actual cash receipts, disbursements and
14 inventory levels for the immediately preceding week, noting therein all variances, including,
15 without limitation, variances to cash balance on a week to week basis, in each case, from
16 values set forth for such period in the Cash Collateral Budget, and shall include explanations
17 for all material variances along with a certification by the chief financial officer of the
18 Debtor;

21 (d) not sell, lease or otherwise dispose of or transfer any Collateral (other than in
22 the ordinary course of Debtor' businesses) unless a sale, lease or other disposition of
23 Collateral outside the ordinary course of business is approved and ordered by the Court
24 following notice and a hearing;

25 (e) maintain a minimum aggregate cash balance in its depository accounts
26 (excluding payroll and tariff accounts), to be measured weekly on a cumulative two-week
27 rolling basis, of no less than 75% of the "Ending Cash Balance" projected in the line item of
28

1 the Cash Collateral Budget beginning the week ending on February 11, 2011, until entry of a
2 Final Order;

3 (f) maintain the equity cushion percentage as reflected on Exhibit 2 attached
4 hereto (the "Projected Borrowing Base") with respect to the actual eligible inventory and
5 accounts receivable elements of the Collateral (excluding all cash) existing as of the Petition
6 Date as to the Prepetition Secured Obligations, to be measured on a weekly basis from the
7 "BBC (Net)" line item of the Projected Borrowing Base, at a rate of no less than (i) 110%
8 through the week ending on March 4, 2011, (ii) 107% through the week ending April 1,
9 2011, and (iii) 110% thereafter;

10
11 (g) the Debtor shall not increase the salaries, compensation, or bonuses to be paid
12 to any insider of the Debtor, or to any other employee of the Debtor outside of the ordinary
13 course of business, without the consent of the Secured Lender or as may be approved by the
14 Court following appropriate notice and hearing.

15
16 8. Insurance/Cash Management. The Debtor shall maintain all necessary insurance,
17 including, without limitation, life, fire, hazard, comprehensive, public liability, and workmen's
18 compensation as may be currently in effect, and obtain such additional insurance in an amount as is
19 appropriate for the business in which the Debtor is engaged, naming the Secured Lender as loss
20 payee with respect thereto. In allowing use of Cash Collateral as provided for herein, the Debtor is
21 required to, among other things, maintain certain depository accounts currently held with the
22 Secured Lender, to which the Secured Lender's liens and claims attach with respect to collections to
23 the extent Debtor receives any such collections or proceeds from the Collateral. Unless and until
24 new procedures are established as may be required by the U.S. Trustee or otherwise, and, upon
25 approval by the Court, the Debtor is authorized and directed to maintain its prepetition cash
26 management system and bank account system described in its *Emergency Motion for Order*
27
28 *Pursuant to 11 U.S.C. §§ 363, 1107 and 1108 Authorizing Maintenance of Existing Bank Accounts,*

1 filed concurrently with the Motion. Notwithstanding anything herein to the contrary, any and all
2 rights of setoff held by the Secured Lender as of the Petition Date are preserved and have not been
3 altered by the entry of this Interim Order.

4 9. Payment of the Debtor's Professional Fees and Expenses. Subject to the terms and
5 conditions contained in this Interim Order, including without limitation, the Carve-Out, the Debtor
6 may pay, on a provisional basis, the reasonable fees and expenses of its legal and financial advisors,
7 in accordance with budgeted amounts contained in the Cash Collateral Budget and the permitted
8 variances applicable thereto. Notwithstanding anything herein to the contrary, and except as
9 provided in the Carve-Out, no Prepetition Collateral, Collateral, proceeds thereof, or Cash Collateral
10 shall include, apply to, or be available for any fees or expenses incurred by any party, including the
11 Debtor or the Committee (if appointed), in connection with (i) the initiation or prosecution of any
12 claims, causes of action, adversary proceedings, or other litigation against the Secured Lender,
13 including, without limitation, challenging the amount, validity, extent, perfection, priority,
14 characterization, or enforceability of, or asserting any defense, counterclaim, or offset to any of the
15 Prepetition Secured Obligations, Prepetition Liens, Adequate Protection Liens or the Adequate
16 Protection Superpriority Claims (ii) asserting any claims or causes of action, including, without
17 limitation, claims or actions to hinder or delay the Secured Lender's assertion, enforcement or
18 realization on the Collateral in accordance with the Secured Financing Documents or this Interim
19 Order or any Avoidance Actions against the Secured Lender, or (iii) the initiation or prosecution of
20 any claims, causes of action, adversary proceedings, or other litigation against the Secured Lender,
21 including, without limitation, challenging the amount, validity, extent, perfection, priority, or
22 enforceability of, or asserting any defense, counterclaim, or offset to the Prepetition Secured
23 Obligations, or the adequate protection granted herein. The foregoing shall not be construed to
24 prohibit the Debtor or a Committee (if appointed) from using Cash Collateral for the purpose of
25 conducting an investigation of any such claims, causes of action or similar matters described in
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1 subparagraphs (i) through (iii) of this paragraph. Moreover, the foregoing shall not be construed as
2 consent to the allowance of any fees and expenses referred to above and shall not affect the right of
3 the Debtor, the Secured Lender, the Committee, the U.S. Trustee, or other parties in interest to object
4 to the allowance and payment of such amounts.

5
6 10. Carve-Out and Reserve Account.

7 (a) Carve-Out. As used in this Interim Order, the term “Carve-Out” means: (i)
8 unpaid fees of the Clerk of the Court and the U.S. Trustee pursuant to 28
9 U.S.C. § 1930(a) (“Clerk Fees” and “UST Fees” respectively); (ii) to the
10 extent allowed at any time, whether by interim order, procedural order or
11 otherwise, all unpaid fees and expenses (“Professional Fees”) both provided
12 for in the Cash Collateral Budget and actually incurred by persons or firms
13 retained by the Debtor pursuant to section 327, 328 or 363 of the
14 Bankruptcy Code and any Committee (collectively, the “Professionals”), at
15 any time before or on the first business day following the delivery of a
16 Remedies Notice (as defined below), whether allowed by the Court prior to
17 or after the delivery of a Remedies Notice; and (iii) beginning the first day
18 following delivery of a Remedies Notice, to the extent allowed at any time,
19 whether by interim order, procedural order or otherwise, the payment of
20 reasonable Professional Fees of Professionals in an aggregate amount not to
21 exceed \$150,000. Nothing in this Interim Order shall impair the right of
22 any party to object to the reasonableness or allowance of any such fees or
23 expenses to be paid by the Debtor’s estate. The Carve-Out shall be senior to
24 the security interests in and liens on all of the Collateral, Adequate
25 Protection Liens and Adequate Protection Superpriority Claim provided for
26 in this Interim Order, as well as any other claims or liens against the Debtor
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1 that may arise. For purposes of calculating the amount of Professional Fees
2 permitted to be paid to a Professional as part of the Carve-Out, the Carve-
3 Out shall be reduced by the aggregate amount of all prepetition retainers
4 held by Professionals.

5
6 (b) Reserve Account. As and when reflected in the Cash Collateral Budget, the
7 Debtor shall transfer sufficient cash of the Estate in such amounts that
8 would be sufficient to satisfy the UST Fees, Clerk Fees and Professional
9 Fees set forth for such week in the Budget to the Pachulski Stang Ziehl &
10 Jones LLP Client Trust Account (the "Reserve Account") to be held in a
11 segregated account by Pachulski Stang Ziehl & Jones LLP for the benefit of
12 the Professionals, the Clerk of the Court and the U.S. Trustee, to be applied
13 to UST Fees when due, to Clerk Fees when payable, and to Professional
14 Fees pursuant to one or more orders of the Bankruptcy Court (the
15 "Segregated Funds"). Pachulski Stang Ziehl & Jones LLP shall treat the
16 Segregated Funds in the Reserve Account with the same degree of care as it
17 treats its own property. If the Debtor's right to use Cash Collateral under
18 this Interim Order is terminated and the Reserve Account does not contain
19 sufficient Segregated Funds to fund the Carve-Out (the "Shortfall") then (a)
20 to the extent the Estate has sufficient funds on hand to do so, the Debtor
21 shall transfer Cash Collateral in an amount up to the amount equal to the
22 Shortfall to the Reserve Account notwithstanding the termination of
23 Debtor's right to use Cash Collateral; or (b) to the extent the Estate does not
24 have sufficient funds on hand to do so, any Cash Collateral coming into
25 Debtor's possession after the termination of the Debtor's authorization to
26 use of Cash Collateral shall be transferred to the Reserve Account up to an
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1 amount equal to the Shortfall. Without in any way limiting the Debtor's
2 ability to use the Segregated Funds in the Reserve Account to pay
3 Professional Fees, UST Fees and Clerk Fees as provided for in this Interim
4 Order, the Segregated Funds shall remain encumbered by and subject to the
5 Prepetition Liens and the Adequate Protection Liens; provided, however, the
6 Prepetition Liens, Adequate Protection Liens and the Adequate Protection
7 Superpriority Claim are subordinate to the right of payment of the UST
8 Fees, Clerk Fees and Professional Fees as provided herein. To the extent the
9 Segregated Funds in the Reserve Account are not used to pay UST Fees,
10 Clerk Fees and Professional Fees authorized to be paid consistent with this
11 Interim Order, any such remaining amounts shall be subject to the
12 Prepetition Liens and Adequate Protection Liens of the Secured Lender.

13
14
15 11. Termination. In the absence of a further order of this Court, and notwithstanding
16 anything herein to the contrary (but subject to the Carve-Out), the Debtor shall no longer be
17 authorized pursuant to this Interim Order to use Cash Collateral after the earliest to occur of (i) the
18 effective date of any plan of reorganization of the Debtor, (ii) March 9, 2011 (unless otherwise
19 consented to by the Secured Lender, or a Final Order and Cash Collateral Budget, acceptable to the
20 Secured Lender has been entered), (iii) the closing date of a sale of all or substantially all of the
21 Collateral securing the claims and obligations of the Secured Lender, and (iv) the date upon which
22 any of the following events occurs (the earliest such date being referred to herein as the
23 "Termination Date," and each of the following events, a "Termination Event"):
24

- 25 (a) the Debtor's failure to comply with any of the terms or provisions of this Interim
26 Order;
- 27 (b) any stay, reversal, vacatur or rescission of the terms of this Interim Order, or any
28 other modification of the terms of this Interim Order that is not consented to by
the Secured Lender;

- 1 (c) entry of an order by this Court or any other Court having jurisdiction over this
2 Case approving any postpetition financing that is not consented to by the Secured
3 Lender;
- 4 (d) entry of an order by this Court dismissing any of the Cases or converting any of
5 the Cases to cases under chapter 7 of the Bankruptcy Code;
- 6 (e) the appointment of a trustee or the appointment of an examiner with enlarged
7 powers in any of the Cases unless such appointment is approved by the Secured
8 Lender; provided, however, that the Secured Lender (i) acknowledges that Daniel
9 Scouler has been appointed in the nominal capacity of "Chief Restructuring
10 Officer" to assist, represent and testify for the Debtor, but does not have the
11 rights, duties and/or obligations of (and is not) an officer or director of the Debtor,
12 and (ii) agrees that such appointment is not the appointment of a trustee or
13 examiner pursuant to this subparagraph; or
- 14 (f) any of the Prepetition Liens, the Adequate Protection Liens, or any other liens
15 granted to the Secured Lender pursuant to this Interim Order shall cease to be
16 valid, binding and perfected, first-priority and second priority liens as and to the
17 extent provided in this Interim Order.

18 Notwithstanding the occurrence of the Termination Date, all of the rights, remedies, benefits and
19 protections provided to the Secured Lender under this Interim Order as of such Termination Date
20 shall survive the Termination Date.

21 12. Investigation Period. Notwithstanding anything herein to the contrary, until the later
22 of (a) for parties-in-interest, seventy-five (75) days following entry of the Interim Order and (b) sixty
23 (60) days following formation of the Committee (the "Investigation Termination Date") the
24 Committee, or, if no Committee has been appointed, any party in interest other than the Debtor, shall
25 be entitled to investigate the validity, amount, perfection, priority, and enforceability of the Secured
26 Lender's liens, claims and security interests and the obligations arising under the Secured Financing
27 Documents, or to assert any other claims or causes of action against the Secured Lender held by the
28 Debtor's estate. If the Committee (or any party in interest, as applicable) determines that there may
be a challenge to the Secured Lender's prepetition liens, claims or security interests, by the
Investigation Termination Date, the Committee (or any party in interest, as applicable) may file a
motion or otherwise initiate an appropriate action to seek standing by the Investigation Termination

1 Date (either, a “Standing Motion”) to prosecute an objection or claim related thereto. If such
2 Standing Motion is not filed on or before the Investigation Termination Date (or such other later date
3 as extended by the written consent of the Debtor and the Secured Lender, the Debtor’s Stipulations
4 and any consideration granted as adequate protection hereunder in this Interim Order shall be
5 irrevocably binding on all creditors, interest holders, any successor trustee, and all parties-in-interest
6 without further action by any party or this Court. Unless the Secured Lender and the Debtor each
7 consents in writing to an extension, the Investigation Termination Date as to the Prepetition Credit
8 Agreement, Secured Lender, Prepetition Liens and the Prepetition Secured Obligations or may not
9 be extended, unless cause therefor is shown and only upon notice to the Secured Lender and the
10 Debtor and the filing of a motion and scheduling of a hearing date before the expiration of the
11 applicable Investigation Termination Date.

12
13
14 13. Remedies. The Secured Lender shall provide the Debtor, counsel for the Committee
15 (and if no Committee is appointed, the twenty (20) largest unsecured creditors of the Debtor) and the
16 U.S. Trustee with written notice of the occurrence of a Termination Event (the “Remedies Notice”).
17 Upon the expiration of five (5) business days after the Debtor, counsel for the Committee (and if no
18 Committee is appointed, the twenty (20) largest creditors of the Debtor) and the U.S. Trustee’s
19 receipt of the Remedies Notice (the “Waiting Period”), the automatic stay provisions of section 362
20 of the Bankruptcy Code shall be deemed vacated and modified automatically to the extent necessary
21 to permit the Secured Lender to exercise its rights and remedies against all or a portion of the
22 Collateral, including, but not limited to, setoff of any existing Cash Collateral securing the
23 Prepetition Secured Obligations, collection of accounts receivable and application of the proceeds
24 thereof in partial satisfaction of the Prepetition Secured Obligations. During the Waiting Period, the
25 Debtor shall be authorized to use Cash Collateral only for payment of the Carve-Out or the Adequate
26 Protection Payments, unless consented to by the Secured Lender in writing or as otherwise permitted
27 by order of this Court. Following the Waiting Period and upon termination of the Debtor’s
28

1 authorization to use Cash Collateral, the Debtor may pay any unpaid postpetition administrative
2 expenses provided for under the Cash Collateral Budget so long as such expenses were actually
3 incurred prior to termination. The Debtor, Committee and U.S. Trustee shall have the burden of
4 proof at any hearing on any request by them to re-impose or continue the automatic stay of section
5 362(a) of the Bankruptcy Code, use Cash Collateral, or to obtain any other injunctive relief, and
6 nothing in this Interim Order shall limit the Debtor's ability or authority to seek the use of Cash
7 Collateral on a non-consensual basis. Upon the issuance of a Remedies Notice, the Secured Lender
8 agrees that any request by the Debtor to consider the use of Cash Collateral on a non-consensual
9 basis may be heard on an expedited, emergency basis.

11 14. Monitoring of Collateral. The Debtor shall permit representatives, agents and/or
12 employees of the Secured Lender to have reasonable access to their premises and their records
13 during normal business hours (without unreasonable interference with the proper operation of the
14 Debtor's business) and shall cooperate, consult with, and provide to such persons all such non-
15 privileged information as they may request. The Secured Lender shall be permitted to retain expert
16 consultants, financial advisors and other professionals for the purpose of monitoring and conducting
17 a full appraisal of the Collateral, and the reasonable fees and expenses of such professionals shall be
18 paid by the Debtor as part of the Adequate Protection Expense Payments.

20 15. Right to Credit Bid. As consideration for its consent to the Debtor's use of the
21 Secured Lender's Cash Collateral, the Secured Lender shall have the right to "credit bid" some or all
22 of the allowed amount of the Secured Lender's claims during any sale of all or substantially all of
23 the Prepetition Collateral as part of sales occurring pursuant to section 363 of the Bankruptcy Code
24 or otherwise which are included as part of any reorganization plan subject to confirmation under
25 section 1129(b)(2)(A)(iii) of the Bankruptcy Code. The foregoing shall not be construed as a waiver
26 or limitation of any right to "credit bid" otherwise held by the Secured Lender pursuant to section
27 363 of the Bankruptcy Code.
28

1 16. Access to Leased Premises. If approved at the Final Hearing, notwithstanding
2 anything contained herein to the contrary and without limiting any other rights or remedies of the
3 Secured Lender contained in this Interim Order, or otherwise available at law or in equity, upon
4 written notice to the landlord of any leased premises that a Termination Event (as defined
5 hereinafter) has occurred under this Interim Order, the Secured Lender may, subject to any separate
6 agreement by and between such landlord and the Secured Lender (the “Separate Agreement”), enter
7 upon any leased premises of the Debtor for the purpose of exercising any remedy with respect to
8 Prepetition Collateral located thereon and, subject to the terms of any Separate Agreement, shall be
9 entitled to all of the Debtor’s rights and privileges as lessee under such lease without interference
10 from the landlords thereunder, provided that, subject to the terms of such Separate Agreement, the
11 Secured Lender shall only pay rent of the Debtor that first accrues after the Secured Lender’s written
12 notice referenced above and that is payable during the period of such occupancy by the Secured
13 Lender, calculated on a per diem basis. Nothing herein shall require the Secured Lender to assume
14 any lease as a condition to the rights afforded to the Secured Lender in this paragraph.

17 17. Section 506(c) and 552(b) Waivers. Upon entry of a Final Order authorizing such
18 relief, without the prior written consent of the Secured Lender, which consent shall not be implied
19 from any action, inaction, or acquiescence by the Secured Lender, and so long as the Debtor is using
20 the Cash Collateral of the Secured Lender either by consent or by order of the Court, no costs or
21 expenses of administration that have been or may be incurred in the Cases at any time shall be
22 charged against the Secured Lender or any of their claims pursuant to sections 105, 506(c) or 552 of
23 the Bankruptcy Code, or otherwise, nor shall such costs or expenses be charged against the
24 Collateral unless and until all Prepetition Secured Obligations have been indefeasibly paid in full and
25 in cash (if approved by the Court). The “equities of the case” exception contained in section 552(b)
26 of the Bankruptcy Code shall be waived. Further, the Secured Lender shall not be subject to the
27 equitable doctrine of “marshalling” or any similar doctrine with respect to any of the Collateral.
28

1 18. Further Adequate Protection. Nothing in this Interim Order waives any rights of the
2 Secured Lender to request at any time that the Court provide additional or further protection of its
3 interest in the Prepetition Collateral (including the Cash Collateral), or to seek further or additional
4 adequate protection in the event the adequate protection provided herein proves to be inadequate, or
5 the rights of the Debtor or the Committee (and, if no Committee is appointed, the twenty (20) largest
6 unsecured creditors of the Debtor) to contest any such request.
7

8 19. Reservation of Rights Against Guarantors. Notwithstanding anything herein to the
9 contrary, neither the entry of this Interim Order nor the Secured Lender's consent to the Debtor's use
10 of Cash Collateral pursuant to the Cash Collateral Budget and the terms of this Interim Order shall
11 constitute a waiver, release, or modification of any claims or causes of action held by the Secured
12 Lender against the guarantors of the Prepetition Secured Obligations as set forth in section 1.5 of the
13 Prepetition Credit Agreement (the "Guarantors"). Further, neither the entry of this Interim Order nor
14 the Secured Lender's consent to the Debtor's use of Cash Collateral pursuant to the Cash Collateral
15 Budget and the terms of this Interim Order shall constitute a defense to any claim or cause of action
16 held by the Secured Lender against the Guarantors. The Secured Lender's rights against each
17 Guarantor are reserved and fully preserved.
18

19 20. No Duty to Monitor Compliance. The Secured Lender may assume the Debtor will
20 comply with this Interim Order and the Cash Collateral Budget and shall not (i) have any obligation
21 with respect to the Debtor's use of Cash Collateral, (ii) be obligated to ensure or monitor the
22 Debtor's compliance with any financial covenants, formulae, or other terms and conditions of this
23 Interim Order or the Prepetition Credit Agreement or (iii) be obligated to pay (directly or indirectly
24 from Cash Collateral) any expenses incurred or authorized to be incurred pursuant to this Interim
25 Order or be obligated to ensure or monitor that such Cash Collateral exists to pay such expenses.
26

27 21. Survival; Successors and Assigns. The provisions of this Interim Order shall be
28 binding upon and inure to the benefit of the Secured Lender and the Debtor and their respective

1 successors and assigns (including, to the extent permitted by applicable law, any chapter 7 or
2 chapter 11 trustee or other fiduciary hereafter appointed or elected for the estate or as a legal
3 representative of the Debtor or with respect to the property of the estates of the Debtor). If an order
4 dismissing any of this Case under section 1112 of the Bankruptcy Code or otherwise is at any time
5 entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code)
6 that the Adequate Protection Superpriority Claim, Adequate Protection Liens, and any other
7 replacement security interests and liens and other protections afforded or granted to the Secured
8 Lender pursuant to this Interim Order as of the date of such dismissal shall continue in full force and
9 effect and shall maintain their priorities as provided in this Interim Order until all obligations in
10 respect thereof shall have been paid and satisfied in full (and that such Adequate Protection
11 Superpriority Claim and Adequate Protection Liens shall, notwithstanding such dismissal, remain
12 binding on all parties in interest). Notwithstanding any reversal, stay, modification or vacation of
13 this Interim Order, any use of Cash Collateral and issued Postpetition Letters of Credit prior to such
14 reversal, stay, modification or vacation shall be governed in all respects by the original provisions of
15 this Interim Order, and the Secured Lender shall be entitled to all the rights, remedies, privileges and
16 benefits granted herein with respect to such use.

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19 22. Findings of Fact and Conclusions of Law. This Interim Order constitutes findings of
20 fact and conclusions of law and shall take effect and be fully enforceable *nunc pro tunc* to the
21 Petition Date immediately upon the entry thereof.

22
23 23. Final Hearing. **The Final Hearing on the Motion shall be heard before this Court**
24 **on March 9, 2011 at 9:30 a.m. (prevailing Pacific Time) in Courtroom 1539 of the United**
25 **States Bankruptcy Court for the Central District of California, Edward R. Roybal Federal**
26 **Building, 255 East Temple Street, Los Angeles, California.**

27 24. Adequate Notice. The notice given by the Debtor of the interim hearing was given in
28 accordance with Bankruptcy Rule 4001(c)(2). Within three (3) business days after the Court's entry

1 of this Interim Order, the Debtor shall mail copies of this Interim Order and notice of the Final
2 Hearing to the Notice Parties. Any party-in-interest objecting to the relief sought in the Final Order
3 shall submit any such objection in writing and file same with the Court (with a courtesy copy to
4 chambers) and serve (so as to be received) such objection no later than **February 23, 2011**, which is
5 fourteen (14) days prior to the final hearing, on the following:
6

7 (i) **Pachulski Stang Ziehl & Jones LLP**, 10100 Santa Monica Boulevard, 11th Floor, Los
8 Angeles, California 90067-4100 (Attn: Jeffrey N. Pomerantz, Esq. and Jeffrey W. Dulberg, Esq.),
9 proposed conflicts counsel to the Debtor;

10 (iii) **Paul, Hastings, Janofsky & Walker, LLP**, 600 Peachtree Street NE, Suite 2400,
11 Atlanta, Georgia 30308 (Attn: Jesse H. Austin, III, Esq.); and 515 South Flower Street, 25th Floor,
12 Los Angeles, California, 90071 (Attn: Cynthia M. Cohen, Esq.), counsel to the Secured Lender;

13 (iv) **Office of the United States Trustee for the Central District of California**, 725 South
14 Figueroa Street, Suite 2600, Los Angeles, California 90017.
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DATED: February 1, 2011

United States Bankruptcy Judge

EXHIBIT A

Contessa Premium Foods
13 Week Cash Flow

	1	2	3	4	5	6	7	8	9	10	11	12	13	13 Week Total	4 Week Average
	February 2011			March 2011				April 2011							
Friday Week ending	2/4	2/11	2/18	2/25	3/4	3/11	3/18	3/25	4/1	4/8	4/15	4/22	4/29		
Beginning Book Cash Balance	3,470,000	1,837,100	1,688,100	2,463,100	2,847,100	2,055,600	1,772,000	1,732,400	1,437,800	1,324,300	691,800	841,300	841,220		
Float	43,000														
Receipts															
Gross AR	1,493,000	1,493,000	2,743,000	2,743,000	1,731,000	1,731,000	1,731,000	1,731,000	1,731,000	2,248,000	2,248,000	2,248,000	2,248,000	26,119,000	8,036,615
City Seafood Deposits (COD portion)	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	351,000	108,000
LESS: Trade Spend Deductions	(164,000)	(164,000)	(164,000)	(164,000)	(99,000)	(99,000)	(99,000)	(99,000)	(120,000)	(120,000)	(120,000)	(120,000)	(141,000)	(1,673,000)	(514,769)
Total Net Cash Receipts	1,399,000	1,356,000	2,606,000	2,606,000	1,659,000	1,659,000	1,659,000	1,659,000	1,638,000	2,155,000	2,155,000	2,155,000	2,134,000	24,840,000	7,643,077
Raw Material Purchases	-	-	1,354,000	1,452,000	1,185,600	1,185,600	1,185,600	1,185,600	1,185,600	1,413,500	1,413,500	1,413,500	1,413,500	14,388,000	4,427,077
Post Filing payments COD/in Advance	1,800,000	800,000													
Inventory Purchases, Raw Materials	1,800,000	800,000	1,354,000	1,452,000	1,185,600	1,185,600	1,185,600	1,185,600	1,185,600	1,413,500	1,413,500	1,413,500	1,413,500	16,988,000	5,227,077
Wages															
Payroll (Bi-weekly)		325,000		325,000		294,000		294,000		294,000		294,000		1,826,000	561,846
401-k Funding		8,000		8,000		8,000		8,000		8,000		8,000		48,000	14,769
Benefits				88,000				88,000				59,580		235,580	72,486
Employee Expense Reimbursement	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	11,000	191,000	58,769
Temp Labor	110,000	110,000	110,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,330,000	409,231
Rents															
Offices rent	52,000				52,000				52,000					156,000	48,000
Plant rent	126,000				126,000				126,000					378,000	116,308
Utilities		45,000				45,000					45,000			135,000	41,538
DART Storage	4,900				4,900				4,900					14,700	4,523
RE Property Taxes														-	-
Tariff (daily)	54,000	24,000	29,000	29,000	21,000	21,000	21,000	21,000	21,000	28,000	28,000	28,000	28,000	353,000	108,615
Cold Storage	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	564,000	173,538
Trucking	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	79,000	948,000	291,692
Other Taxes			2,000				2,000				2,000			6,000	1,846
Brokerage/Commissions				17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	153,000	47,077
Insurance		32,000				32,000					32,000			96,000	29,538
Other			42,000	42,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	756,000	232,615
Coupons (weekly on Mondays)	20,000	20,000	20,000	20,000	15,000	15,000	15,000	15,000	10,000	10,000	10,000	10,000	10,000	190,000	58,462
Bank Fees / Audits	7,000				7,000				10,000					24,000	7,385
Restructuring Legal & Professional Fees: Court/Trustee Fees	540,000				565,000					540,000		20,000		1,645,000	506,154
Utilities Deposit	45,000													20,000	6,154
Plant relocation Costs															
Interest Payments (1st)	96,000				96,000					96,000				288,000	88,615
IDB Bond (1st)														-	-
GE Solar Panel (2nd)	36,000				36,000					36,000				108,000	33,231
GE Equipment Lease (15th)			133,000				133,000				133,000			399,000	122,769
Wells Fargo Aircraft Lease (15th)														-	-
New Plant Expenditures														-	-
Total Disbursements	3,031,900	1,505,000	1,831,000	2,222,000	2,450,500	1,942,600	1,698,600	1,953,600	1,751,500	2,787,500	2,005,500	2,155,080	1,562,500	26,897,280	8,276,086
Net Cash flow	(1,632,900)	(149,000)	775,000	384,000	(791,500)	(283,600)	(39,600)	(294,600)	(113,500)	(632,500)	149,500	(80)	571,500	(2,057,280)	(633,009)
Ending Cash Balance	1,837,100	1,688,100	2,463,100	2,847,100	2,055,600	1,772,000	1,732,400	1,437,800	1,324,300	691,800	841,300	841,220	1,412,720		

EXHIBIT B

Quick BBC							
A/R	10,760,100		10,302,600		10,549,300		
Less: City Seafood	<u>(2,000,000)</u>		<u>(2,000,000)</u>		<u>(2,000,000)</u>		
Net AR	<u>8,760,100</u>	8,760,100	<u>8,302,600</u>	8,302,600	<u>8,549,300</u>	8,549,300	
Shrimp	17,285,000		17,285,000		17,285,000		
less Slow moving	<u>(1,100,000)</u>		<u>(1,100,000)</u>		<u>(1,100,000)</u>		
Net Eligible Shrimp	16,185,000		16,185,000		16,185,000		
Prepaid Shrimp			-		-		
Vegetable and GCM	6,269,000		5,706,000		5,706,000		
less Packaging	<u>(700,000)</u>		<u>(700,000)</u>		<u>(700,000)</u>		
Net Eligible Vegetable and GCM	5,569,000	<u>21,754,000</u>	5,006,000	<u>21,191,000</u>	5,006,000	<u>21,191,000</u>	
Gross Eligible		<u>30,514,100</u>	179.0%		<u>29,493,600</u>	173.0%	
							<u>29,740,300</u>
							174.4%
A/R	6,132,070		5,811,820		5,984,510		
Shrimp	9,711,000		9,711,000		9,711,000		
	-		-		-		
Vegetable and GCM	<u>3,062,950</u>		<u>2,753,300</u>		<u>3,138,300</u>		
BBC	<u>18,906,020</u>		<u>18,276,120</u>		<u>18,833,810</u>		
Cash	<u>2,847,100</u>		<u>1,437,800</u>		<u>1,412,720</u>		
Total Coverage	<u>21,753,120</u>		<u>19,713,920</u>		<u>20,246,530</u>		

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

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Exhibit 1

Budget

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

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Exhibit 2
Projected Borrowing Base

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
10100 Santa Monica Boulevard, 11th Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document **[PROPOSED] STIPULATED INTERIM ORDER (A) AUTHORIZING THE DEBTOR'S USE OF CASH COLLATERAL, (B) GRANTING ADEQUATE PROTECTION TO WELLS FARGO BANK, NATIONAL ASSOCIATION, (C) SCHEDULING FINAL HEARING, AND (D) GRANTING OTHER RELATED RELIEF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On _____ I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL(indicate method for each person or entity served):

On _____ I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **January 31, 2011** I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

By Personal Delivery

Honorable Peter H. Carroll, United States Bankruptcy Judge
United States Bankruptcy Court - Central District of California
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Bin outside of Suite 1534
Los Angeles, CA 90012

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

January 31, 2011
Date

Myra Kulick
Type Name

/s/ Myra Kulick
Signature

NOTE TO USERS OF THIS FORM:

- 1) Attach this form to the last page of a proposed Order or Judgment. Do not file as a separate document.
- 2) The title of the judgment or order and all service information must be filled in by the party lodging the order.
- 3) **Category I.** below: The United States trustee and case trustee (if any) will always be in this category.
- 4) **Category II.** below: List ONLY addresses for debtor (and attorney), movant (or attorney) and person/entity (or attorney) who filed an opposition to the requested relief. DO NOT list an address if person/entity is listed in category I.

NOTICE OF ENTERED ORDER AND SERVICE LIST

Notice is given by the court that a judgment or order entitled (*specify*) **[PROPOSED] STIPULATED INTERIM ORDER (A) AUTHORIZING THE DEBTOR'S USE OF CASH COLLATERAL, (B) GRANTING ADEQUATE PROTECTION TO WELLS FARGO BANK, NATIONAL ASSOCIATION, (C) SCHEDULING FINAL HEARING, AND (D) GRANTING OTHER RELATED RELIEF** was entered on the date indicated as "Entered" on the first page of this judgment or order and will be served in the manner indicated below:

I. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s), the foregoing document was served on the following person(s) by the court via NEF and hyperlink to the judgment or order. As of **January 31, 2011**, the following person(s) are currently on the Electronic Mail Notice List for this bankruptcy case or adversary proceeding to receive NEF transmission at the email address(es) indicated below.

Service information continued on attached page

II. SERVED BY THE COURT VIA U.S. MAIL: A copy of this notice and a true copy of this judgment or order was sent by United States Mail, first class, postage prepaid, to the following person(s) and/or entity(ies) at the address(es) indicated below:

Service information continued on attached page

III. TO BE SERVED BY THE LODGING PARTY: Within 72 hours after receipt of a copy of this judgment or order which bears an "Entered" stamp, the party lodging the judgment or order will serve a complete copy bearing an "Entered" stamp by U.S. Mail, overnight mail, facsimile transmission or email and file a proof of service of the entered order on the following person(s) and/or entity(ies) at the address(es), facsimile transmission number(s), and/or email address(es) indicated below:

Service information continued on attached page

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")

Russell Clementson on behalf of U.S. Trustee United States Trustee (LA)
russell.clementson@usdoj.gov

Jeffrey W Dulberg on behalf of Debtor Contessa Premium Foods Inc
jdulberg@pszjlaw.com

Peter L Isola on behalf of Creditor Farm Credit Services of Mid-America
peterisola@dwt.com

Scotta E McFarland on behalf of Debtor Contessa Premium Foods Inc
smcfarland@pszjlaw.com, smcfarland@pszjlaw.com

Kurt Ramlo on behalf of Interested Party Courtesy NEF
kurt.ramlo@dlapiper.com, evelyn.rodriguez@dlapiper.com

Katherine A Traxler on behalf of Creditor Wells Fargo Bank, N.A. and Wells Fargo Bank Northwest, N.A.
katieatrasler@paulhastings.com

United States Trustee (LA)
ustpreion16.la.ecf@usdoj.gov

Craig A Wolfe on behalf of Debtor Contessa Premium Foods Inc
kdwbankruptcydepartment@kelleydrye.com

III. TO BE SERVED BY THE LODGING PARTY:

**Contessa Premium Foods
Chapter 11 Case No. 2:11-bk-13454-PC
2002 Mailing List**

United States Trustee
Office of the United States Trustee
725 S Figueroa St., 26th Floor
Los Angeles, CA 90017

Twenty Largest Unsecured Creditors
General Electric Capital Corp.
Attn: Dale Shores, Global Restructuring Solutions
3 Capital Drive
Eden Prairie, MN 55344

Yeenin Frozen Foods Co. Ltd.
Attn: Chin Jui Weng, General Director
Rasa Tower 16th Floor
555 Phaholyothin Road
Bangkok, Thailand

Dedeaux Properties, LLC
Attn: Robert Santich, President
1430 S. Eastman Ave.
Los Angeles, CA 90023-4006

Brucepac
Attn: Glen Golomski, CEO
811 North First Street
Silverton, OR 97381

Packaging Credit Company
Attn: Larry Bissonnette, General Manager Sales
900 Diehl Rd Ste 131
Naperville, IL 60563-2392

Pacific Southwest Container
Attn: Eric Gordon, Account Executive
4530 Leckron Road
Modesto, CA 95357

Foodbuy, LLC for Compass
Attn: Manuel Silva, Vendor Relations Analyst
3954 Collections Center Dr.
Chicago, IL 60693

Haliburton International Corp.
Attn: Don Maderick, Vice President
2539 East Philadelphia St.
Ontario, CA 91761

Winn Dixie
Attn: Diane Ruff, Collection Associate
Lockbox #230
Regions Bank
6149 Chancellor Dr. Suite 700
Orlando, FL 32809

Sargento Foods Inc.
Attn: Ray Wyandt, Director of Sales and Business Dev
One Persnickety Place
Plymouth, WI 53073

Superior Foods International
Attn: Philip Mikulas, A/R Clerk
275 Westgate Drive
Watsonville, CA 95076

Sage V Foods, LLC
Attn: Pete Vegas, President
P0 Box 51915, Unit H
Los Angeles, CA 90051-6215

B&D Foods
3494 S. TK Ave.
Boise, ID 83705
Attn: Randi Lowe, Accounting

Fiore Di Pasta, Inc.
Attn: Anthony Primavera, Vice President
4776 E. Jensen Ave.
Fresno, CA 93725

CTI Food Holding Co, LLC
Attn: Naomi Stell, Accounting
PO Box 915248
Dallas, TX 75391-5248

Smith Frozen Foods, Inc.
Attn: Kelly Brown, President
Unit 14
PO Box 4500
Portland, OR 97208-4500

The Nielsen Company
Attn: Myriah Shanks,
Assoc.Database Specialist
PO Box 88956
Chicago, IL 60695-8956

Noon International
Attn: Norlina Hui, Buyer
3840 Blackhawk Rd. Suite #100
Danville, CA 94506

JSL Foods, Inc.
Attn: Wayne Nielsen, Director Of Sales/Mkt
3550 Pasadena Avenue
Los Angeles, CA 90031

Wells Fargo Bank, N.A.
Art Brokx, SVP/Loan Team Manager
333 South Grand Avenue, Suite 940
Los Angeles, CA 90071

Ahold Financial
Attn: Mike Schwartz, Vendor Relations Supervisor
3213 Paysphere Circle
Chicago, IL 60674

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New York, New York 10020-1104

Attorneys for Dedeaux Properties
Bertrand Pan (SBN 233472)
DLA Piper LLP (US)
550 South Hope Street Suite 2300
Los Angeles, California 90071

Roy L. Bennett, Senior Credit Officer
Farm Credit Services of Mid-America
1601 UPS Drive
Louisville, KY 40223