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9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re:
13 CHANNEL TECHNOLOGIES GROUP,
14 LLC,¹
15 Debtor.

Case No.: 9:16-bk-11912-PC

Chapter 11

**NOTICE OF MOTION AND MOTION FOR
AN ORDER AUTHORIZING DEBTOR TO
ENTER INTO ASSET PURCHASE
AGREEMENT AND SELL PROPERTY FREE
AND CLEAR THROUGH PRIVATE SALE;
MEMORANDUM OF POINTS AND
AUTHORITIES; DECLARATION OF DAVID
TIFFANY**

Requested Hearing

Date: December 14, 2016

Time: 10:00 a.m.

Place: Courtroom "201"

1415 State Street

Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

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23 **TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE
24 UNITED STATES TRUSTEE, THE 20 LARGEST UNSECURED CREDITORS, BLUE
25 WOLF CAPITAL FUND II, L.P., THE COUNTERPARTIES, AND OTHER PARTIES IN
INTEREST:**

26 **PLEASE TAKE NOTICE** that Channel Technologies Group, LLC, the above-captioned
27 debtor and debtor in possession ("CTG" or the "Debtor"), hereby moves (the "Motion") the Court

28 ¹ The last four digits of the Debtor's Tax Identification Number are: 0460. The Debtor's mailing address is: 879 Ward
Drive, Santa Barbara, CA 93111.

1 for entry of an order substantially in the form attached hereto as **Exhibit “A,”** (a) authorizing the
2 Debtor to enter into that certain *Asset Purchase Agreement (MSI Assets)* dated November 29, 2016
3 (the “APA”), a copy of which is attached hereto as **Exhibit “B,”**² between the Debtor, as seller, and
4 MSI Transducers Corp., as buyer (the “Buyer”); (b) authorizing the private sale (the “Sale”) of the
5 assets set forth in the APA related to the Debtor’s MSI business division (the “Property”) to Buyer
6 free and clear of all liens, claims, rights, encumbrances, and other interests (“Interests”) pursuant to
7 sections 105, 363(b) and 363(f) of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure
8 6004(f)(1), except for certain assumed liabilities as set forth in the APA (the “Assumed Liabilities”),
9 for cash consideration in the amount of \$1,750,000 (the “Purchase Price”); and (c) granting related
10 relief.

11 **PLEASE TAKE FURTHER NOTICE** that, pursuant to the APA, for tax purposes the
12 Purchase Price shall be allocated among the assets transferred pursuant to the Sale by agreement of
13 the parties. In addition, tax liabilities related to the Property that are due in respect of periods prior
14 to or as of the closing of the Sale shall be paid by the Debtor and tax liabilities due in respect of
15 periods after the closing shall be paid by the Buyer. Any applicable sales, purchase, transfer, stamp,
16 documentary stamp, use or similar taxes which may be payable by reason of the sale or transfer of
17 the Property shall be borne and paid by the Buyer.

18 **PLEASE TAKE FURTHER NOTICE** that the Debtor has requested that a hearing (the
19 “Hearing”) on the Motion be held on December 14, 2016 at 10:00 a.m. in Courtroom 201, 1415
20 State Street, Santa Barbara, California 93101, before the Honorable Peter H. Carroll, for the Court to
21 consider the Motion. The Debtor will serve a separate notice of the date for the Hearing and
22 deadline for filing and service of any opposition to the Motion.

23 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on and supported by this
24 Notice, the attached Memorandum of Points and Authorities, the attached Declaration of David
25 Tiffany, Chief Restructuring Officer of the Debtor (the “Tiffany Declaration”), and the record in this
26

27 _____
28 ² The APA has been filed without schedules due to certain confidentiality restrictions. The Debtor will provide copies to interested parties upon request, subject to an appropriate non-disclosure agreement. The Debtor reserves the right to withhold schedules in whole or in part if the Debtor believes that they are being sought for an improper purpose.

1 case. In addition, the Debtor requests that the Court take judicial notice of all documents filed with
2 the Court in this case.

3 **WHEREFORE**, the Debtor respectfully requests that this Court enter an order
4 (a) authorizing the Debtor to enter into the APA; (b) authorizing the Sale of the Property to Buyer
5 free and clear of all Interests; and (c) granting such other and further relief as is just and proper.

6 Dated: November 30, 2016

PACHULSKI STANG ZIEHL & JONES LLP

7
8 By /s/ Jeffrey W. Dulberg
9 Jeffrey W. Dulberg

10 Attorneys for Channel Technologies
11 Group, LLC, Debtor and Debtor in
12 Possession

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

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **STATEMENT OF FACTS**

4 **A. Jurisdiction and Venue**

5 This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is
6 a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408
7 and 1409.

8 **B. Background**

9 On October 14, 2016 (the "Petition Date"), the debtor filed a voluntary petition for relief
10 under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor
11 continues to operate its business and manages its affairs as a debtor in possession pursuant to
12 sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or committee has been
13 appointed in this chapter 11 case (the "Case").

14 The Debtor designs and manufactures piezoelectric ceramics, transducers, sonar equipment
15 and other related products sold primarily to military, commercial, and industrial customers in the
16 United States and internationally. Founded in 1959, the Debtor is based in Santa Barbara, California
17 and operates a second manufacturing site with respect to MSI in Littleton, Massachusetts. The
18 Debtor supplies its products to a variety of end-users, including the U.S. Navy and energy services
19 companies. Among the Debtor's customers are some of the largest United States defense
20 contractors, including Northrop Grumman, Lockheed Martin and Raytheon.

21 Certain long-term supply contracts are onerous to the Debtor and have negatively impacted
22 and continue to negatively impact the Debtor's cash flow. Despite efforts to consensually address
23 the problematic aspects of certain of its contracts with the counterparties through negotiations, prior
24 to the Petition Date, with some minor exceptions, the Debtor was unable to stop the significant
25 negative impact of such contracts on the Debtor's business. Although customer demand for its
26 products and services remains substantial, the Debtor has been unable to obtain necessary further
27 outside funding to complete certain long-term contracts (as they currently exist) and invest in new
28 equipment and research and development.

1 The Debtor commenced the Case to expeditiously pursue a potential sale of some or all of the
2 Debtor's business to one or more third parties and an orderly wind down of the remaining business.

3 The MSI division (to which the Property relates) designs, prototypes, and manufactures
4 innovative piezocomposite sonar transducers and arrays for defense and commercial customers.
5 MSI's products are used in defense applications such as mine hunting, mine neutralization, torpedo
6 honing, AUVs, acoustic communications and harbor defense, and commercial applications such as
7 oil and gas surveying and exploration, as well as a variety of medical applications. MSI has
8 approximately 14 employees.

9 **C. The Property**

10 The Property consists of real property leases, contracts, equipment, inventory, permits (to the
11 extent assignable), and other assets located at the Debtor's facility at 543 Great Road, Littleton,
12 Massachusetts (the "Facility"), related solely and exclusively the MSI business and/or specifically
13 described in Schedule 1.1.2 attached to the APA.

14 The Debtor has conducted a UCC search of purported lienholders of the Property in
15 conjunction with the proposed Sale of the Property. The only party asserting a lien on the Property
16 of which the Debtor is aware is Blue Wolf.

17 **D. The APA**

18 The key terms of the APA are summarized below.¹ The description below only summarizes
19 certain provisions of the APA as a convenience to the Court and parties in interest, and the terms of
20 the APA control in the event of any inconsistency.

- 21 a. Purchase Price. The consideration to be paid by Buyer to the Debtor for the
22 Property shall be cash in an amount equal to one million seven hundred fifty
23 thousand dollars (\$1,750,000.00) (the "Purchase Price").
- 24 b. Assumption of Liabilities. Subject to the terms and conditions of the APA,
25 Buyer shall assume, as of the closing date: (i) all obligations of the Debtor
26 now existing or hereafter arising or accruing under the Assigned Contracts (ii)
27 with respect to employees of the Debtor (but not including any liabilities
under employment agreements or the Debtor's employee benefit plans) and to
trade payables of the Debtor's operations at the Facility, in each case to the
extent incurred in the ordinary course from and after the commencement of
the Case, and obligations to customers of the Debtor for refunds, rebates,

28 ¹ Capitalized terms used in this section but not otherwise defined herein shall have the meanings ascribed to them in the APA.

1 returns, discounts and the like and existing as of the Closing Date, (iii) with
2 respect to compensation costs related to employees of the Debtor regarding
3 the pay period immediately preceding the Closing Date; (iv) all vacation,
4 holiday entitlements and other paid time off accrued of employees of the
5 Debtor (whenever accrued) which remain unpaid as of the Closing Date, (v)
6 with respect to all environmental liabilities (whether now existing or hereafter
7 arising), if any, under federal, state and local law relating to or arising out of
8 or in connection with the Debtor's operations at the Facility (including,
9 without limitation, administrative or civil fines or penalties for violations of
10 environmental laws, or remediation or response costs for contamination),
11 including, without limitation, any liabilities described on Schedule 2.2.1-(v)
12 attached to the APA; (vi) all cure obligations required to be paid as a
13 condition to the Debtor's assumption and assignment of the Assigned
14 Contracts, and (vii) with respect to any such additional liabilities and
15 obligations as may be specifically set forth or described on Schedule 2.2.1-
16 (vii) to the APA (collectively, the "Assumed Liabilities"). Notwithstanding
17 the foregoing, the aggregate liabilities of the Debtor assumed by Buyer
18 pursuant to clause (v) alone and pursuant to Section 2.2.3 of the APA shall not
19 exceed a total of \$500,000.00. As set forth in Section 2.2.1 of the APA, the
20 Purchase Price shall be adjusted if the non-environmental liabilities exceed
21 \$200,000 and, if such adjustment exceeds \$150,000, the Debtor may elect to
22 terminate the APA.

- 23 c. Sales, Use, and Other Taxes. Any sales, purchase, transfer, stamp,
24 documentary stamp, use or similar taxes under the laws of the states in which
25 any portion of the Property is located, or any subdivision of any such state, or
26 under any federal law or the laws or regulations of any federal agency or
27 authority, which may be payable by reason of the sale or transfer of the
28 Property under the APA shall be borne and paid by Buyer.
- d. Free and Clear. The Property shall be transferred to Buyer free and clear of
all liens, security interests, claims and encumbrances (other than the lien of
current taxes not yet payable with respect to any Property).
- e. "AS IS" Transaction. Buyer acknowledges and agrees that, except only as set
forth in the APA, Buyer makes no representations or warranties whatsoever,
express or implied, with respect to any matter relating to the Property. Buyer
further acknowledges that, by having conducted an independent inspection of
the physical condition of the Property, Buyer has acquired all information and
knowledge relating to or affecting the Property as Buyer deems necessary or
appropriate to proceed with the transactions contemplated by the APA.
- f. Employees. Prior to the Closing, Buyer shall offer to employ, with such
employment commencing immediately following the Closing, all active
employees of Debtor employed at the Facility at salaries, compensation levels
and other terms and conditions of employment comparable to those of their
employment by Debtor prior to the date of APA; provided that Buyer is not
obligated to undertake to pay severance or similar compensation to any
employee or to employ any employee on other than an "at-will" basis.
- g. Deadline to Close. The APA provides that the deadline to close the Sale is
December 20, 2016.

1 II.

2 ARGUMENT

3 A. The Proposed Sale of the Property Should be Approved Under Section 363(b) of the
4 Bankruptcy Code

5 A trustee, after notice and a hearing, may use, sell, or lease property, other than in the
6 ordinary course of business. 11 U.S.C. § 363(b)(1). A trustee’s application of his or her sound
7 business judgment in the use, sale, or lease of property is subject to great judicial deference. *See,*
8 *e.g., In re Moore*, 110 B.R. 924 (Bankr. C.D. Cal. 1990); *In re Canyon P’ship*, 55 B.R. 520 (Bankr.
9 S.D. Cal. 1985); *see also Walter v. Sunwest Bank (In re Walter)*, 83 B.R. 14, 19-20 (B.A.P. 9th Cir.
10 1988) (“[T]here must be some articulated business justification for using, selling, or leasing the
11 property outside the ordinary course of business . . . whether the proffered business justification is
12 sufficient depends on the facts of the case. As the Second Circuit held in *Lionel*, the bankruptcy
13 judge should consider all salient factors pertaining to the proceeding and, accordingly, act to further
14 the diverse interests of the debtor, creditors and equity holders, alike.”).

15 In interpreting section 363(b)(1) of the Bankruptcy Code, courts have held that a transaction
16 involving property of the estate generally should be approved where the debtor or trustee can
17 demonstrate “some articulated business justification for using, selling, or leasing property outside of
18 the ordinary course of business.” *In re Continental Airlines, Inc.*, 780 F.2d 1223, 1226 (5th Cir.
19 1986); *accord In re Lionel Corp.*, 722 F.2d 1063, 1071 (2d Cir. 1983); *Walter*, 83 B.R. at 19-20; *In*
20 *re Curlew Valley Assocs.*, 14 B.R. 506, 513-14 (Bankr. D. Utah 1981). Among other factors, courts
21 should consider the consideration to be paid, the financial condition and needs of the debtor, the
22 qualifications of the buyer, and whether a risk exists that the assets proposed to be sold would
23 decline in value if left in the debtor’s possession. *See Equity Funding Corp. of Am. v. Fin. Assocs.*
24 *(In re Equity Funding Corp.)*, 492 F.2d 793, 794 (9th Cir. 1974) (affirming trial court’s finding that
25 the proposed sale of the debtor’s assets would be in the best interest of the estate in light of
26 impending deterioration of market value of debtor’s assets).

27 The Debtor believes that, as a result of the marketing efforts that have been undertaken as
28 described below, the Sale will provide maximum value to the Debtor under the current

1 circumstances. The fairness and reasonableness of the consideration to be paid by the Buyer is
2 demonstrated by the marketing efforts that the Debtor has undertaken, followed by a fair and
3 reasonable sale process. The sale of the Property is supported by sound business reasons and is in
4 the best interests of the Debtor and its estate. Accordingly, the Debtor requests approval under
5 Bankruptcy Code section 363(b) of the Sale to the Buyer, as set forth herein.

6 **B. The Buyer Acted in Good Faith in Connection With the Sale**

7 The Sale was negotiated in good faith, at arms' length and, to the best of the Debtor's
8 information and belief, without collusion or fraud of any kind. The Debtor's financial advisors, CR3
9 Partners, LLC ("CR3"), reached out to eleven strategic and financial buyers on or about October 24,
10 2016. The five parties that expressed an interest and executed non-disclosure agreements were given
11 access to the data room to conduct due diligence and conducted in-person or conference call
12 meetings with management. Between November 11 and 15, 2016, CR3 received four bids. The
13 Buyer's bid was selected as the highest and best bid chiefly for the following reasons, among others:
14 (a) the Buyer offered more cash consideration than the other bids for the same assets; (b) the Buyer's
15 demonstrated ability to close the transaction promptly relative to the other bids received; (c) the
16 Buyer is already familiar with MSI's assets and operations due to its having considered a bid prior to
17 its acquisition by the Debtor; and (d) MSI's proprietary injection molding process has
18 complementary application for the Buyer's commercial customers. The parties (each represented by
19 counsel) then proceeded to negotiate the APA over a more than two week period, resulting in
20 substantial give and take by both parties. Accordingly, this Court should find that Buyer acted in
21 good faith within the meaning of section 363(m) of the Bankruptcy Code. *See generally Ewell v.*
22 *Diebert (In re Ewell)*, 958 F.2d 276, 280 (9th Cir. 1992); *Marin v. Coated Sales, Inc., (In re Coated*
23 *Sales, Inc.)*, No. 89 Civ. 3704 (KMW), 1990 WL 212899 (S.D.N.Y. Dec. 13, 1990) (holding that to
24 show lack of good faith, a party must demonstrate "fraud, collusion, or an attempt to take grossly
25 unfair advantage of other bidders"); *see also In re Sassoon Jeans, Inc.*, 90 B.R. 608, 610 (S.D.N.Y.
26 1988) (quoting *In re Bel Air Assocs., Ltd.*, 706 F.2d 301, 305 (10th Cir. 1983)); *In re Pisces Leasing*
27 *Corp.*, 66 B.R. 671, 673 (E.D.N.Y. 1986) (examining the facts of each case, concentrating on the
28

1 “integrity of [an actor’s] conduct during the sale proceedings” (quoting *In re Rock Indus. Machinery*
2 *Corp.*, 572 F.2d 1195, 1998 (7th Cir. 1978)).

3 **C. The Sale of the Property Free and Clear of Liens, Claims, And Interests Pursuant to 11**
4 **U.S.C. § 363(f) Should be Approved**

5 The Debtor requests that the Court approve the sale of the Property free and clear of all
6 Interests, with any such Interests to attach to the Sale Proceeds with the same validity, enforceability,
7 and priority, if any, as existed with respect to the Property as of the date of the commencement of
8 this chapter 11 case.

9 Section 363(f) of the Bankruptcy Code expressly authorizes a debtor to sell property outside
10 the ordinary course of business “free and clear of any interest in such property of an entity” if any
11 one of the five following conditions is met:

- 12 1. applicable non-bankruptcy law permits sale of such property free and clear of
13 such interest;
- 14 2. such entity consents;
- 15 3. such interest is a lien and the price at which such property is to be sold is
16 greater than the aggregate value of all liens on such property; and
- 17 4. such interest is in bona fide dispute; or
- 18 5. such entity could be compelled, in a legal or equitable proceeding, to accept a
19 money satisfaction of such interest.

20 11 U.S.C. § 363(f). Because section 363(f) of the Bankruptcy Code is written in the disjunctive, any
21 one of these five conditions provides authority to sell the Property free and clear of liens. *See*
22 *Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (E.D. Pa. 1988).

23 As discussed above, the only Interests encumbering the Property of which the Debtor is
24 aware is the lien of Blue Wolf. Blue Wolf has advised the Debtor that it consents to the Sale.

1 In any event, if the holder of a lien or claim receives notice of the sale and fails to object, the
2 Property may be sold free and clear of that lien or claim under section 363(f)(2) of the Bankruptcy
3 Code. Thus, a sale free of Interests is permitted.

4 **D. The Court Should Authorize Assumption and Assignment of the Assigned Contracts**
5 **Pursuant to 11 U.S.C Section 365**

6 As part of the Sale, the Debtor will assume and assign to the Buyer its rights and obligations
7 under the Assigned Contracts. The Debtor requests, pursuant to section 365 of the Bankruptcy
8 Code, authority to assume and assign the estate's interests in the Assigned Contracts to the Buyer
9 and payment of the cure costs (the "Cure Costs"), which amounts, if any, are what the Debtor
10 believes are owed to each counterparty (each a "Counterparty," and collectively, the
11 "Counterparties") to an Assigned Contract in order to cure any defaults that exist under such contract
12 or lease. The Debtor further requests that the order approving the Sale provides that the Assigned
13 Contracts will be assigned to, and remain in full force and effect for the benefit of, the Buyer,
14 notwithstanding any provisions therein, including those described in sections 365(b)(2) and (f)(1)
15 and (3) of the Bankruptcy Code, that prohibit such assignment.

16 If a contract or lease is assumed and assigned pursuant to the Court's order approving same,
17 then unless the affected Counterparty properly files and serves an objection to the Cure Costs and
18 satisfies all its burdens on any such objection, the Counterparty will receive at the time of the closing
19 (or as soon as reasonably practicable thereafter), the Cure Costs, with payment made pursuant to the
20 terms of the APA.

21 The Buyer, on behalf of the Debtor, shall promptly pay or cause to be paid the Cure Costs
22 with respect to the Assigned Contracts, other than those Cure Costs, if any, which are to be paid by
23 the Debtor pursuant to the APA. The Buyer shall be responsible for satisfying any requirements
24 regarding adequate assurances of future performance that may be imposed under section 365(b) of
25 the Bankruptcy Code in connection with the proposed assignment of any Assigned Contracts, which
26 the Buyer shall satisfy through its promise to perform obligations under the Assigned Contracts
27 following closing of the Sale. The Debtor proposes that the Court make its determinations
28 concerning adequate assurance of future performance under the Assigned Contracts pursuant to

1 section 365(b) of the Bankruptcy Code at the Hearing or in the case of any Assigned Contracts not
2 assumed and assigned to the Buyer at the Hearing, at such other hearing to approve assumption and
3 assignment of such Assigned Contract to the Buyer. The Debtor requests that Cure Costs disputed
4 by any Counterparty be resolved by the Court at the Hearing or at such other hearing to approve
5 assumption and assignment of the relevant contract or lease.

6 Except to the extent otherwise provided in the APA, subject to the payment of any Cure
7 Costs, the assignee of any Assigned Contracts will not be subject to any liability to the assigned
8 contract or lease counterparty that accrued or arose before the closing date of the sale of the Property
9 and the Debtor shall be relieved of all liability accruing or arising thereafter pursuant to section
10 365(k) of the Bankruptcy Code.

11 The Bankruptcy Code provides, in pertinent part, that:

12 The trustee may assign an executory contract or unexpired
13 lease of the debtor only if –

14 (A) the trustee assumes such contract or lease in accordance
with the provisions of this section; and

15 (B) adequate assurance of future performance by the
16 assignee of such contract or lease is provided, whether or not
there has been a default in such contract or lease.

17 11 U.S.C. § 365(f)(2). A debtor “subject to the court’s approval, may assume or reject any
18 executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a).

19 Section 365(b)(1), in turn, codifies the requirements for assuming an unexpired lease or
20 executory contract of a debtor, providing in relevant part that:

21 (b)(1) If there has been a default in an executory contract or
22 unexpired lease of the debtor, the trustee may not assume such contract
23 or lease unless, at the time of assumption of such contract or lease, the
trustee –

24 (A) cures, or provides adequate assurance that the trustee
25 will promptly cure, such default;

26 (B) compensates, or provides adequate assurance that the
27 trustee will promptly compensate, a party other than the debtor to such
28 contract or lease, for any actual pecuniary loss to such party resulting
from such default; and

1 (C) provides adequate assurance of future performance under such
2 contract or lease.

3 11 U.S.C. § 365(b)(1). Although section 365 of the Bankruptcy Code does not set forth standards
4 for courts to apply in determining whether to approve a decision to assume an executory contract,
5 courts have consistently applied a “business judgment” test when reviewing such a decision. *See,*
6 *e.g., Group of Institutional Investors v. Chicago, Milwaukee, St. Paul & Pacific Railroad Co.*, 318
7 U.S. 523, 550 (1953). A trustee satisfies the “business judgment” test when he or she determines, in
8 good faith, that assumption of an executory contract will benefit the estate. *In re FCX, Inc.*, 60 B.R.
9 405, 411 (Bankr. E.D.N.Y. 1986). The assignment of the Assigned Contracts to the Buyer is a
10 component of the proposed APA and subject to the terms thereof. Further, the assumption and
11 assignment of the Assigned Contracts will benefit the estate by decreasing unsecured claims based
12 on rejection of contracts and thus increase the recovery on the liquidation of the estate’s assets

13 Lease and contract assignees must, under appropriate circumstances, “cure” defaults under
14 contracts to be assigned and provide “adequate assurance of future performance,” the meaning of
15 which depends on the facts and circumstances of each case, but should be given “practical,
16 pragmatic construction.” *See Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.)*, 103 B.R.
17 524, 538 (Bankr. D.N.J. 1989). *See also In re Natco Indus., Inc.*, 54 B.R. 436, 440 (Bankr. S.D.N.Y.
18 1985); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985).

19 With respect to Assigned Contracts to be assumed and assigned pursuant to the Sale, the
20 Debtor will have sent a copy of the notice substantially in the form attached hereto as **Exhibit “C”**
21 (the “Cure Notice”) to all Counterparties to the Assigned Contracts, notifying such Counterparties of
22 the potential assumption by the Debtor and assignment to the Buyer of the Assigned Contracts at the
23 Hearing and proposed Cure Costs.

24 The Counterparties will have sufficient opportunity to file an objection to the proposed
25 assumption and assignment, including the proposed Cure Costs set forth on the Cure Notice. To the
26 extent no objection is filed with regard to a particular cure amount, such cure amount shall be
27 binding on the applicable contract or lease counterparty. The payment of the Cure Costs set forth in
28 the Cure Notice (or a different amount either agreed to by the Debtor or resolved by the Court as a

1 result of a timely-filed objection filed by a contract or lease counterparty) will be in full and final
2 satisfaction of all obligations to cure defaults and compensate the Counterparties for any pecuniary
3 losses under such contracts or leases pursuant to section 365(b)(1) of the Bankruptcy Code, unless
4 the Debtor determines that a particular contract is not truly executory,² and does not need to be cured
5 to transfer the Property to the Buyer or, alternatively, the Buyer subsequently elects (the the extent
6 provided by the terms of the APA) not to have any Assigned Contract(s) assumed or assigned to it
7 prior to the Hearing.

8 The Buyer is responsible for providing evidence of “adequate assurance of future
9 performance” to the extent required in connection with the assumption and assignment of any
10 Assigned Contracts. The meaning of “adequate assurance of future performance” for the purpose of
11 the assumption of executory contracts and unexpired leases pursuant to section 365 of the
12 Bankruptcy Code depends on the facts and circumstances of each case, but should be given
13 “practical, pragmatic construction.” See *Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.)*,
14 103 B.R. 524, 538 (Bankr. D.N.J. 1989); see also, e.g., *In re Natco Indus., Inc.*, 54 B.R. 436, 440
15 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean an absolute
16 assurance that debtor will thrive and pay rent); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789,
17 803 (Bankr. N.D. Ill. 1985). If necessary, the Buyer shall provide evidence of its ability to provide
18 adequate assurances to Counterparties before or at the Hearing.

19 **E. The Court Should Authorize the Sale of the Property and Assignment of the Assigned**
20 **Contracts Pursuant to a Private Sale Under Bankruptcy Rule 6004(f)(1).**

21 Bankruptcy Rule 6004(f)(1) authorizes the Court to approve the sale of estate property in
22 connection with a private sale (“All sales not in the ordinary course of business may be by private
23 sale or by public auction”). The circumstances of this case justify sale of the Property through a
24 private sale to Buyer. The Debtor marketed the Property to eleven potential buyers. The offer by
25 Buyer as set forth in the APA is the best offer received for such assets. The Debtor is advised that
26 Blue Wolf supports a private sale to Buyer. Moreover, there is an imminent risk that the value of the

27 _____
28 ² Nothing in this Motion, the APA or any Cure Notice constitutes an acknowledgment by the Debtor that a particular agreement constitutes an executory contract and that the Debtor reserves all rights with respect to the characterization of any agreement.

1 Property will be impaired in the absence of an immediate sale. The Debtor expects to cease
2 operations as part of its contemplated sales and wind down. The overhead associated with the
3 continued operation of the MSI business is a drain on the estate's budget. Moreover, unless a
4 transaction is approved quickly, based on the Debtor's internal conversations, key personnel at MSI
5 are expected to leave and the Debtor anticipates that customers will be lost. If the Sale is not
6 approved quickly, therefore, the Property is likely to plummet in value with the resulting loss of jobs
7 to the Debtor's employees.

8 **F. Waiver of Bankruptcy Rule 6004(a), 6004(h) and 6006(d)**

9 To implement the foregoing successfully, the Debtor requests that the Court enter an order
10 providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the
11 Debtor has established cause to exclude such relief from the 14-day stay period under Bankruptcy
12 Rule 6004(h) and 6006(d). As noted above, there is an imminent risk that the value of the Property
13 will be impaired in the absence of an immediate sale. The Debtor expects to cease operations as part
14 of its contemplated sales and wind down. The overhead associated with the continued operation of
15 the MSI business is a drain on the estate's budget. Moreover, unless a transaction is approved
16 quickly, based on the Debtor's internal conversations, key personnel at MSI are expected to leave
17 and the Debtor anticipates that customers will be lost. If the Sale is not approved quickly, therefore,
18 the Property is likely to plummet in value. Accordingly, the Debtor requests that the Sale may be
19 closed by the drop-dead date in the APA of December 20, 2016 and the resulting loss of jobs to the
20 Debtor's employees avoided.

21 **G. Notice**

22 In accordance with the Court's *Order Granting Emergency Motion Limiting Notice* [Dkt. No.
23 62], entered October 20, 2016, a copy of this Motion has been given to the following parties or their
24 counsel, if known: (a) the Office of the United States Trustee, (b) the creditors appearing on the list
25 filed in accordance with Bankruptcy Rule 1007(d) by the Debtor, (c) the United States of America
26 by service to the Attorney General of the United States and the United States Attorney for the
27 Central District of California, (d) parties that have filed with the Court and served upon the Debtor
28 requests for notice of all matters in accordance with Bankruptcy Rule 2002(i), (e) the Counterparties,

1 (f) Blue Wolf, and (g) other known parties that may assert an interest in the Property.

2 **III.**

3 **CONCLUSION**

4 WHEREFORE, the Debtor respectfully requests that the Court enter an order (a) authorizing
5 the Debtor to enter into the APA; (b) authorizing the Sale of the Property to Buyer free and clear of
6 all Interests; and (c) granting such other and further relief as is just and proper.

7 Dated: November 30, 2016

PACHULSKI STANG ZIEHL & JONES LLP

8
9 By /s/ Jeffrey W. Dulberg
Jeffrey W. Dulberg

10 Attorneys for Channel Technologies Group,
11 LLC, Debtor and Debtor in Possession

DECLARATION OF DAVID TIFFANY

1 I, David Tiffany, hereby declare that the following is true to the best of my
2 knowledge, information and belief:

3
4 1. I am a Director of CR3 Partners, LLC ("CR3"), an advisory firm with offices
5 in Dallas, Texas and other cities in the United States. As of the Petition Date, I am the Chief
6 Restructuring Officer of Channel Technologies Group, LLC, the above-captioned debtor and debtor-
7 in-possession ("CTG" or the "Debtor"). If I were called to testify as a witness in this matter, I could
8 and would competently testify to each of the facts set forth herein based upon my personal
9 knowledge, review of documents, or opinion. I am authorized to submit this Declaration on behalf
10 of the Debtor.

11 2. I submit this declaration (the "Declaration") in support of the Debtor's *Motion*
12 *for an Order Authorizing Debtor to Enter Into Asset Purchase Agreement and Sell Property Free*
13 *and Clear Through Private Sale* (the "Motion"). Except as otherwise indicated, all statements in this
14 Declaration are based upon my personal knowledge, my review of the Debtor's books and records,
15 relevant documents and other information prepared or collected by the Debtor's employees, or my
16 opinion based on my experience with the Debtor's operations and financial condition. In making my
17 statements based on my review of the Debtor's books and records, relevant documents and other
18 information prepared or collected by the Debtor's employees, I have relied upon these employees
19 accurately recording, preparing or collecting such documentation and other information.

20 3. The Debtor's financial advisors, CR3 Partners, LLC ("CR3"), reached out to
21 eleven strategic and financial buyers on or about October 24, 2016. The five parties that expressed
22 an interest and executed non-disclosure agreements were given access to the data room to conduct
23 due diligence and conducted in-person or conference call meetings with management. Between
24 November 11 and 15, 2016, CR3 received four bids. The Buyer's bid was selected as the highest
25 and best bid chiefly for the following reasons, among others: (a) the Buyer offered more cash
26 consideration than the other bids for the same assets; (b) the Buyer's demonstrated ability to close
27 the transaction promptly relative to the other bids received; (c) the Buyer is already familiar with
28 MSI's assets and operations due to its having considered a bid prior to its acquisition by the Debtor;

1 and (d) MSI's proprietary injection molding process has complementary application for the Buyer's
2 commercial customers.

3 4. The Sale was negotiated in good faith, at arms' length and, to the best of the
4 Debtor's information and belief, without collusion or fraud of any kind. Accordingly, I believe that
5 Buyer acted in good faith within the meaning of section 363(m) of the Bankruptcy Code.

6 5. The Debtor has conducted a UCC search of purported lienholders of the
7 Property in conjunction with the proposed Sale of the Property. The only party asserting a lien on
8 the Property of which the Debtor is aware is Blue Wolf Capital Fund II, L.P. ("Blue Wolf"). I am
9 informed and believe that Blue Wolf supports a private sale to Buyer as proposed in the Motion and
10 consents to the Sale free and clear of its liens.

11 6. The Debtor has marketed the Property to eleven buyers over the last several
12 weeks. The offer by Buyer as set forth in the APA is the best offer received for such assets. To the
13 best of my knowledge, neither the Debtor nor CR3 has been contacted by any potential overbidder.
14 In my business judgment, there are no viable alternative purchasers for the Property.

15 7. Moreover, there is an imminent risk that the value of the Property will be
16 impaired in the absence of an immediate sale. I expect that the Debtor will cease operations as part
17 of its contemplated sales and wind down. The overhead associated with the continued operation of
18 the MSI business is a drain on the estate's budget. In addition, unless a transaction is approved
19 quickly, based on internal conversations, key personnel at MSI are expected to leave and customers
20 lost. If the Sale is not approved quickly, therefore, I believe that the Property is likely to plummet in
21 value with the resulting loss of jobs to the Debtor's employees.

22 8. For the foregoing reasons, I believe that the Sale is supported by reasonable
23 business judgment and is in the best interests of the estate.

24 *[Signature on next page]*

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

3 Executed this 30 day of November, 2016 at Santa Barbara, California.

4 
5 _____
6 DAVID TIFFANY

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

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EXHIBIT A

Proposed Form of Order

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PACHULSKI STANG ZIEHL & JONES LLP
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7 Attorneys for Channel Technologies Group, LLC, Debtor and
Debtor in Possession

8
9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re:
13 CHANNEL TECHNOLOGIES GROUP,
14 LLC,¹
15 Debtor.

Case No.: 9:16-bk-11912-PC

Chapter 11

**ORDER AUTHORIZING DEBTOR TO
ENTER INTO ASSET PURCHASE
AGREEMENT AND SELL PROPERTY FREE
AND CLEAR THROUGH PRIVATE SALE**

Hearing

Date: [●]

Time: [●]

Place: Courtroom "201"
1415 State Street
Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

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21 **THIS MATTER CAME BEFORE THE COURT** at the above-captioned date and time
22 before the Honorable Peter H. Carroll, United States Bankruptcy Judge, to consider the *Motion for*
23 *Order Authorizing Debtor to Enter Into Asset Purchase Agreement and Sell Property Free and*
24 *Clear Through Private Sale* [Dkt. No. [●]] (the "Motion"), filed on November 30, 2016.² The Court
25 having considered the Motion and the Declaration of David Tiffany in support thereof, and finding
26 that notice of the Motion was appropriate and sufficient and that no other notice need be given, after

27
28 ¹ The last four digits of the Debtor's Tax Identification Number are: 0460. The Debtor's mailing address is: 879 Ward
Drive, Santa Barbara, CA 93111.

² Capitalized terms not defined herein shall take the meaning ascribed thereto in the Motion.

1 due deliberation and sufficient cause appearing therefor

2 **THE COURT HEREBY FINDS AS FOLLOWS:**

3 A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
4 §§ 157 and 1334.

5 B. Venue of this case in this district is proper pursuant to 28 U.S.C. §§ 1408 and
6 1409(a).

7 C. Determination of the Motion is a core proceeding under 28 U.S.C. § 157(b)(2)(A),
8 (M) and (N).

9 D. The statutory predicates for the relief requested herein are sections 363 and 365 of the
10 Bankruptcy Code and Bankruptcy Rules 2002, 6004, and 6006.

11 E. Proper, timely, adequate and sufficient notice of the Motion has been provided in
12 accordance with Sections 102(1), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002,
13 6004 and 6006 and no other or further notice of the Motion is required.

14 F. The terms of the APA³ are fair and reasonable in all respects and the terms of the
15 Order shall not modify the terms of the APA except as specifically set forth herein.

16 G. A reasonable opportunity to object or be heard with respect to the Motion and the
17 relief requested therein has been afforded to all interested persons and entities, including: (a) the
18 Office of the United States Trustee, (b) the creditors appearing on the list filed in accordance with
19 Bankruptcy Rule 1007(d) by the Debtor, (c) the United States of America by service to the Attorney
20 General of the United States and the United States Attorney for the Central District of California,
21 (d) parties that have filed with the Court and served upon the Debtor requests for notice of all
22 matters in accordance with Bankruptcy Rule 2002(i), (e) the Counterparties, (f) Blue Wolf, and
23 (g) other known parties that may assert an interest in the Property.

24 H. The transfer of the Property to the Buyer pursuant to the APA is a valid, legal and
25 effective transfer of the Property to the Buyer, free and clear of all liens, claims, interests and
26 encumbrances whatsoever (other than the lien of current taxes not yet payable with respect to any

27 _____
28 ³ As used herein, "APA" shall mean that certain Asset Purchase Agreement dated November 29, 2016, attached as
Exhibit "B" to the Motion, and any and all amendments, schedules and exhibits thereto, and all agreements and
documents contemplated thereby, executed in connection therewith, or related thereto.

1 Property) (collectively, “Interests”) under section 363(f) of the Bankruptcy Code except the
2 Assumed Liabilities.

3 I. The service of a *Notice to Counterparties to Executory Contracts and Unexpired*
4 *Leases That May Be Assumed and Assigned* (each, a “Cure Notice”) to non-Debtor counterparties to
5 those of the Debtor’s executory contracts and unexpired leases which the Debtor seeks to assume
6 and assign in connection with the Sale was good, sufficient, and appropriate under the circumstances
7 and no further notice need be given in respect of the proposed assumption and assignment of the
8 Assigned Contracts. Non-debtor counterparties to such Assigned Contracts have had a reasonable
9 opportunity to object to the proposed cure amounts and the assumption and assignment of such
10 contracts.

11 J. The Debtor may sell the Property free and clear of all Interests because, in each case,
12 one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been
13 satisfied. Those holders of Interests who did not object, or who withdrew their objections, to the
14 Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Those
15 holders of Interests who did object are adequately protected by having their Interests, if any, attach
16 to the proceeds of the sale, with the same validity and priority as existed prior to the sale. Blue
17 Wolf, the only lienholder of record, has consented to the Sale.

18 K. The APA is necessary to effectuate the transfer of the Property to the Buyer and the
19 other transactions contemplated in the APA and is enforceable pursuant to its terms and applicable
20 law.

21 L. The Debtor has demonstrated that approval of the APA and consummation of the Sale
22 at this time is in the best interests of the Debtor, the estate and its creditors. The Debtor has
23 advanced good and sufficient business justification supporting the sale of the Property to the Buyer
24 pursuant to section 363(b) of the Bankruptcy Code and outside of a plan of reorganization, as set
25 forth in the Motion and at the Hearing, and it is a reasonable exercise of the Debtor’s business
26 judgment to consummate a sale of the Property on the terms and conditions set forth in the APA, and
27 to execute, deliver and perform its obligations thereunder.

28 M. The Debtor has full corporate power and authority to execute and deliver the APA,

1 and documents contemplated thereby and to perform the transactions contemplated thereby; no
2 consents or approvals, other than those expressly provided for in the APA, are required for the
3 Debtor to consummate the Sale.

4 N. The consideration to be paid by the Buyer under the APA constitutes reasonably
5 equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United
6 States, and any state, territory or possession of the United States or the District of Columbia.

7 O. The APA was negotiated, proposed and entered into in a non-collusive, good faith,
8 “arm’s-length” manner by the Debtor and the Buyer. The transaction proposed in the APA
9 constitutes the highest or otherwise best offer for the Property received by the Debtor. Buyer is a
10 good faith Buyer of the Property. The Buyer is entitled to the protections of a good faith purchaser
11 pursuant to section 363(m) of the Bankruptcy Code with respect to the transactions approved hereby.

12 P. Authorizing the Sale as a private sale is justified by the exigent circumstances,
13 including the Debtor’s marketing efforts, the lengthy arm’s length negotiations between the parties
14 each represented by counsel, the Debtor’s anticipated cessation of operations as part of its
15 contemplated sales and wind down, and the likely attrition of key MSI personnel and customers.

16 Q. The Buyer would not have entered into the APA and would not consummate the
17 transactions contemplated thereby, thus adversely affecting the Debtor, its estate and its creditors, if
18 the sale of the Property to the Buyer was not free and clear of all Interests of any kind or nature
19 whatsoever, or if the Buyer would, or in the future could, be liable for any of the Interests, except the
20 Assumed Liabilities.

21 R. The Debtor does not have any interest in the Buyer or any party affiliated with the
22 Buyer.

23 S. The Buyer is not an “insider” of the Debtor or any party affiliated with the Debtor, as
24 that term is defined in section 101 of the Bankruptcy Code.

25 T. The Debtor has to the extent necessary, cured or provided adequate assurance of cure,
26 of any default existing prior to the date hereof with respect to the Assigned Contracts, within the
27 meaning of 11 U.S.C. §§ 365(b)(1)(A) and 365(f)(2)(A), and provided compensation or adequate
28 assurance of compensation to any party for any actual pecuniary loss to such party resulting from a

1 default prior to the date hereof with respect to the Assigned Contracts, within the meaning of 11
2 U.S.C. § 365(b)(1)(B) and 365(f)(2)(A). The Buyer has demonstrated adequate assurance of future
3 performance within the meaning of 11 U.S.C. §§ 365(b)(1)(C), 365(b)(3) (to the extent applicable)
4 and 365(f)(2)(B).

5 U. Time is of the essence in consummating the sale. In order to maximize the value of
6 the Property and preserve the viability of the business as a going concern, it is essential that the sale
7 of the Property occur immediately. Accordingly, there is cause to determine inapplicable the stays
8 contemplated by Bankruptcy Rules 6004 and 6006.

9 V. Approval of the APA, assumption, assignment and sale of the Assigned Contracts,
10 and consummation of the Sale at this time are in the best interests of the Debtor, its creditors, its
11 estate and other parties in interest.

12 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS**
13 **FOLLOWS:**

14 1. The Motion is granted and approved in all respects.

15 2. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
16 § 1334.

17 3. As evidenced by the declarations of service previously filed with this Court, proper,
18 timely, adequate and sufficient notice of the Motion, the Hearing and the Sale has been provided in
19 accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002,
20 6004 and 6006, and no other or further notice of the Motion, the Hearing or of the entry of this order
21 is required.

22 4. All objections to the Motion not withdrawn are overruled and denied.

23 5. Where appropriate herein, findings of fact shall be deemed conclusions of law and
24 conclusions of law shall be deemed findings of fact.

25 6. Each and every term and provision of this Order shall be binding in all respects upon
26 the Buyer, the Debtor, the Debtor's bankruptcy estate, its creditors, and all individuals or entities
27 holding an interest in the Debtor, including, without limitation, any entity purporting to hold an
28 Interest in the Buyer.

1 7. The Sale of the Property to Buyer on the terms and conditions set forth in the APA is
2 hereby approved.

3 8. The Debtor is authorized to proceed with the Sale. The Debtor and each other person
4 having duties or responsibilities under the APA or this Order, and its respective members, managers,
5 directors, officers, agents, representatives, and attorneys, are authorized and empowered to carry out
6 all of the provisions of the APA, to issue, execute, deliver, file and record, as appropriate, the APA,
7 and any related agreements, and to take any action contemplated by the APA or this Order, and to
8 issue, execute, deliver, file and record, as appropriate, such other contracts, instruments, releases,
9 deeds, bills of sale, assignments, or other agreements, and to perform such other acts as are
10 consistent with, and necessary or appropriate to, implement, effectuate and consummate the APA
11 and this Order and the transactions contemplated thereby and hereby, all without further application
12 to, or order of, the Court or further action by its members, managers, directors or stockholders, and
13 with like effect as if such actions had been taken by unanimous action of its members, managers,
14 directors and stockholders. Without limiting the generality of the foregoing, this Order shall
15 constitute all approvals and consents, if any, required by applicable business, corporation, limited
16 liability company, trust and other laws of applicable governmental units with respect to the
17 implementation and consummation of the APA and this Order and the transactions contemplated
18 thereby and hereby.

19 9. Upon the Closing Date, all right, title and interest in and to the Property shall be
20 immediately vested in the Buyer pursuant to section 363(b) and (f) of the Bankruptcy Code free and
21 clear of Interests, except for Assumed Liabilities.

22 10. Effective upon the Closing Date, any Interests (except for Assumed Liabilities)
23 against the Property shall attach to the proceeds of the APA with the same extent, validity, priority
24 and effect, if any, as the Interests formerly had against the Property, subject to the Debtor's ability to
25 challenge the extent, validity, priority and effect of the Interests (except to the extent such ability is
26 limited by any financing order).

27 11. This Order is and shall be effective as a determination that all Interests (except for
28 Assumed Liabilities) existing as to the Property conveyed to the Buyer have, effective as of the

1 Closing Date, been and hereby are terminated and declared to be unconditionally released,
2 discharged and terminated, and such determination shall be binding upon and govern the acts of all
3 entities, including all filing agents, filing officers, administrative agencies or units, governmental
4 departments or units, secretaries of state, federal, state and local officials and all other persons and
5 entities who may be required by operation of law, the duties of their office, or contract, to accept,
6 file, register or otherwise record or release any documents or instruments, or who may be required to
7 report or insure any title or state of title in or to the Property conveyed to the Buyer. Each of the
8 Buyer and the Debtor may take such further steps and execute such further documents, assignments,
9 instruments and papers to implement and effectuate the transactions contemplated in this paragraph.
10 All Interests (except for Assumed Liabilities) of record as of the date of this Order and the Closing
11 Date shall be forthwith removed and stricken as against the Property.

12 12. Except for the Assumed Liabilities expressly assumed under the APA, the Buyer shall
13 not be liable for any claims against the Debtor, its predecessors or affiliates, and the Buyer shall
14 have no successor or vicarious liabilities of any kind or character whether known or unknown as of
15 the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the
16 Debtor. Except for the Assumed Liabilities expressly assumed under the APA, under no
17 circumstance will the Buyer be deemed a successor of or to the Debtor for any Interest against the
18 Debtor or the Property, and the Buyer shall have no liability as a successor to the Debtor. The sale,
19 transfer, assignment and delivery of the Property shall not be subject to any Interests, except that the
20 Buyer shall assume the Assumed Liabilities the Buyer is expressly required to assume under the
21 APA.

22 13. The Debtor is authorized in accordance with sections 105(a), 363 and 365 of the
23 Bankruptcy Code to (a) assume and assign to the Buyer, conditioned and effective upon the Closing
24 of the Sale, the Assigned Contracts free and clear of all Interests of any kind or nature whatsoever,
25 and (b) execute and deliver to the Buyer such documents or other instruments as may be necessary to
26 assign and transfer the Assigned Contracts to the Buyer.

27 14. Upon the Closing of the transactions contemplated by the APA, the Buyer shall
28 assume the Assumed Liabilities in accordance with the express terms of the APA, including, but not

1 limited to, all responsibilities of the Debtor under the Property that arise from and after the Closing
2 Date as more specifically and to the extent provided in the APA.

3 15. The Assigned Contracts shall be transferred and assigned to, and following the
4 assumption and assignment shall be deemed valid and binding and remain in full force and effect for
5 the benefit of, the Buyer or its designee in accordance with their respective terms, notwithstanding
6 any provision in any such Assigned Contract (including those of the type described in sections
7 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or
8 transfer, and, pursuant to section 365(k) of the Bankruptcy Code, the Debtor shall be relieved from
9 any further liability with respect to the Assigned Contracts after such assignment to and assumption
10 by the Buyer or its designee. The Debtor may assign each such Assigned Contract in accordance
11 with sections 363 and 365 of the Bankruptcy Code, and any provisions in any Assigned Contract that
12 prohibit or condition the assignment of such Assigned Contract or allow the party to such Assigned
13 Contract to terminate, recapture, impose any penalty, condition renewal or extension, or modify any
14 term or condition upon the assignment of such Assigned Contract, constitute unenforceable anti-
15 assignment provisions which are void and of no force and effect. All other requirements and
16 conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtor and
17 assignment to the Buyer or its designee of each such Assigned Contract have been satisfied. Upon
18 Closing, with respect to Assigned Contracts, the Buyer shall be fully and irrevocably vested in all of
19 the Debtor's right, title and interest of each such Assigned Contract.

20 16. If an objection is or has been filed with respect to the cure amount under any
21 Assigned Contract, to the extent not resolved at or prior to the hearing on the Motion, the dispute
22 with respect to the cure amount may be resolved consensually, if possible, by the parties, or, if the
23 parties are unable to resolve their dispute, by the Court. The Buyer shall pay the cure amount as and
24 when either agreed upon by the parties consensually or finally determined by the Court as provided
25 in the APA.

26 17. The cure amounts set forth on the Cure Notices and any disputed cure amounts once
27 resolved by agreement or by the Court (collectively, the "Cure Amounts") are the true, correct, final
28 and fixed amounts, and only amounts, that are required to be paid upon assumption of the Assigned

1 Contracts pursuant to sections 365(b)(1)(A) and (B) of the Bankruptcy Code and the Buyer is
2 directed to pay such amounts under sections 105, 363(b) and 365 of the Bankruptcy Code upon
3 assumption of such Assigned Contracts. The Cure Amounts shall not be subject to further dispute or
4 audit, including any based on performance prior to the time of assumption, assignment and sale,
5 irrespective of whether such Assigned Contract contains an audit clause. The payment of the
6 applicable Cure Amounts (if any) shall (a) effect a cure of all monetary and nonmonetary defaults
7 existing under the Assigned Contracts as of the date of assumption and assignment, (b) compensate
8 for any actual pecuniary loss to such non-Debtor party resulting from such default, and (c) together
9 with the assumption of the Assigned Contracts by the Debtor, constitute adequate assurance of future
10 performance thereof.

11 18. There shall be no rent accelerations, assignment fees, increases or any other fees
12 charged to the Buyer or its designee as a result of the assumption, assignment and sale of the
13 Assigned Contracts. The validity of the assumption, assignment and sale to the Buyer or its designee
14 shall not be affected by any dispute between the Debtor or its affiliates and another party to an
15 Assigned Contract regarding the payment of any amount, including any cure amount under the
16 Bankruptcy Code.

17 19. Any party that may have had the right to consent to the assignment of its Assigned
18 Contract is deemed to have consented to such assignment for purposes of Section 365(e)(2)(A)(ii) of
19 the Bankruptcy Code and otherwise if it failed to object to the assumption and assignment.

20 20. Except as provided hereinafter, pursuant to sections 105(a), 363 and 365 of the
21 Bankruptcy Code, each non-Debtor party to a Assigned Contract hereby is forever barred, estopped,
22 and permanently enjoined from raising or asserting against the Debtor, the Buyer, the Buyer's
23 designees, their affiliates or the property of any of them: (i) any fee, monetary or nonmonetary
24 default, breach, claim, pecuniary loss, liability or obligation (whether legal or equitable, secured or
25 unsecured, matured or unmatured, contingent or non-contingent, senior or subordinate) arising under
26 or related to the Assigned Contract existing as of the date of assumption and assignment or arising
27 by reason of the Closing, including without limitation under any unexpired real property lease with
28 respect to any tenant improvement obligations, recoupment rights with respect to tenant

1 improvement payments, rent, percentage rent, common area charges, real estate taxes or utilities or
2 other charges owing under such unexpired real property lease (including any amounts owed to the
3 landlord pursuant to any “true-up” provisions with respect to any of the foregoing for any portion of
4 the current lease year which elapsed prior to the Closing), and (ii) any condition to assignment or
5 objection to the assumption and assignment of such non-Debtor party’s Assigned Contracts.

6 21. Except as provided in the APA or this Order, after the Closing, the Debtor and the
7 estate shall have no further liabilities or obligations with respect to any Assumed Liabilities and all
8 holders of such claims are forever barred and estopped from asserting such claims against the
9 Debtor, its successors or assigns, its property or its assets or estate.

10 22. As the Sale was non-collusive, fair and reasonable and conducted in good faith, and
11 the transactions contemplated by the APA have been bargained for and undertaken by the Debtor
12 and the Buyer at arm’s length and without collusion, the Sale approved by this Order is not subject
13 to avoidance pursuant to section 363(n) of the Bankruptcy Code.

14 23. Nothing contained in any plan of reorganization (or liquidation) confirmed in this
15 case or the order of confirmation confirming any plan of reorganization (or liquidation) shall conflict
16 with or derogate from the provisions of the APA or the terms of this Order. Further, the provisions
17 of this Order and any actions taken pursuant hereto shall survive the entry of any order which may
18 be entered converting the Debtor’s case from Chapter 11 to a case under Chapter 7 of the
19 Bankruptcy Code.

20 24. The terms and provisions of the APA, together with the terms and provisions of this
21 Order, shall be binding in all respects upon, and shall inure to the benefit of, the Debtor, its estate,
22 any trustee appointed in this case (whether in Chapter 7 or Chapter 11), its creditors, the Buyer and
23 its respective affiliates, successors and assigns, and any affected third parties, including but not
24 limited to, any and all persons asserting a claim against or interest in the Debtor’s estate or the
25 Property.

26 25. The APA may be modified, amended, or supplemented by the parties thereto, in a
27 writing signed by the parties in accordance with the terms thereof without further order of the Court,
28 provided that any such modification, amendment, or supplement is immaterial and the Debtor is

1 authorized to execute any additional documents reasonably necessary to consummate the
2 transactions set forth in the APA.

3 26. On the Closing Date, this Order will be construed and constitute for any and all
4 purposes a full and complete general assignment, conveyance and transfer of the Property or a bill of
5 sale transferring title in the Property to the Buyer. Each and every federal, state, and local
6 governmental agency or department shall be, and it hereby is, directed to accept any and all
7 documents and instruments necessary and appropriate to consummate the transactions contemplated
8 by the APA.

9 27. No bulk sales law, or similar law of any state or other jurisdiction shall apply in any
10 way to the transactions contemplated by the APA, the Motion or this Order.

11 28. Because the Court finds that the Buyer is a good faith purchaser within the meaning
12 of section 363(m) of the Bankruptcy Code, in the event that the parties to the Sale consummate the
13 transactions contemplated thereby while an appeal of this Order is pending, the Buyer shall be
14 entitled to rely upon the protections of section 363(m) of the Bankruptcy Code, absent any stay
15 pending appeal granted by a court of competent jurisdiction prior to such consummation.

16 29. This Court retains jurisdiction to:

17 a. Interpret, implement and enforce the terms and provisions of this Order and
18 the terms of the APA, all amendments thereto and any waivers and consents thereunder and of each
19 of the agreements executed in connection therewith or related thereto;

20 b. Compel delivery of the Property to the Buyer;

21 c. Until the entry of a final decree in this case, resolve any disputes arising under
22 or related to the Sale; and

23 d. Adjudicate all issues concerning alleged Interests and any other alleged
24 interests in and to the Property or the proceeds of the Sale, including the extent, validity,
25 enforceability, priority and nature of all such alleged interests relating to the proceeds of the Sale.

26 30. Notwithstanding Bankruptcy Rules 6004, 6006 and 7062, this Order shall be effective
27 and enforceable immediately upon entry and its provisions shall be self-executing, and the Motion or
28 notice thereof shall be deemed to provide sufficient notice of the Debtors' request for waiver of the

1 otherwise applicable stay of the order. This Order shall be effective immediately upon entry
2 pursuant to Rule 7062 and 9014 of the Federal Rules of Bankruptcy Procedure.

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

EXHIBIT B

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

ASSET PURCHASE AGREEMENT
(MSI Assets)

THIS ASSET PURCHASE AGREEMENT (the “**Agreement**”) is made and entered into as of this 29th day of November, 2016, by and between MSI Transducers Corp., a Massachusetts corporation (the “**Buyer**”), on the one hand, and Channel Technologies Group, LLC, a California limited liability company (the “**Seller**” and, together with Buyer, the “**Parties**”), Seller being a Debtor and Debtor in Possession under Case No. 9:16-bk-11912-PC (the “**Case**”) in the United States Bankruptcy Court for the Central District of California – Santa Barbara Division (the “**Bankruptcy Court**”).

RECITALS

A. Seller wishes to sell to Buyer, pursuant to Sections 363 of Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”), certain assets of Seller heretofore used in connection with or arising out of Seller’s operation of its “MSI” business (the “**Business**”) at its facility located at 543 Great Road, Littleton, Massachusetts (the “**Facility**”), all at the price and on the other terms and conditions specified in detail below.

B. Buyer wishes to so purchase and acquire such assets from Seller free and clear of all liens, claims and encumbrances to the extent provided in the Approval Order (as defined in Section 8 below) and pursuant to a sale under Section 363 of the Bankruptcy Code. As more particularly provided below, the transaction contemplated herein shall be subject to entry of the Approval Order.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Transfer of Assets.

1.1 Purchase and Sale of Assets. On the Closing Date, as hereinafter defined, in consideration of the covenants, representations and obligations of Buyer hereunder, and subject to the conditions hereinafter set forth, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, Seller’s right, title and interest as of the Closing Date in and to the following assets and properties free and clear of liens, claims and encumbrances to the extent provided in the Approval Order, and only such assets and properties of Seller (collectively, the “**Property**”):

1.1.1 Leases and Contracts. Seller’s right, title and interest in and to (i) the lessee’s interest under those real property leases described on **Schedule 1.1.1-(i)** attached to this Agreement and incorporated herein by this reference (collectively, the “**Real Property Leases**”), (ii) the lessee’s interest under those equipment, personal property and intangible property leases, rental agreements, licenses, contracts, agreements and similar arrangements, if any, described on **Schedule 1.1.1-(ii)** attached to this Agreement and incorporated herein by this reference (collectively, the “**Other Leases**”), and (iii) those other contracts, leases, orders,

purchase orders, licenses, contracts, agreements and similar arrangements described on **Schedule 1.1.1-(iii)** attached to this Agreement and incorporated herein by this reference (collectively, the **“Other Contracts”** and together with the Real Property Leases and Other Leases, the **“Leases and Contracts”**). Seller shall use commercially reasonable efforts (which shall not be deemed to require Seller to pay any amount to the consenting party or anyone else) to obtain any required third-party consents to the assignments of Leases and Contracts (or to obtain an appropriate Bankruptcy Court order (either as part of the Approval Order or separately) pursuant to Section 365 of the Bankruptcy Code approving Seller's assumption and assignment to Buyer).

1.1.2 Personal Property. Those items of equipment and tangible personal property owned by Seller which are either (i) located at the Facility, (ii) related solely and exclusively to the Business (including without limitation those items used in connection with the “AQS20” contract which are specifically listed or described on **Schedule 1.1.2** attached to this Agreement and incorporated herein by this reference), or (iii) otherwise specifically listed or described in **Schedule 1.1.2** hereto (collectively, the **“Personal Property”**). For the avoidance of all doubt, the Personal Property shall expressly exclude any equipment or other tangible property held by Seller pursuant to a lease, rental agreement, contract, license or similar arrangement (a **“Contract”**) where Buyer does not assume the underlying Contract relating to such personal property at the Closing.

1.1.3 Intangible Property. To the extent of Seller's interest and only to the extent transferable, those books, records, proprietary information, data, methods, patents, patent applications, inventions, processes, operating procedures, research records, plans, specifications, software, copyrights, trademarks, trade names, service marks, goodwill, catalogues, customer lists and other customer data bases, correspondence with present or prospective customers and suppliers, advertising materials, and telephone exchange numbers identified with the Facility, but, in each of the foregoing cases, only if and to the extent such items are (i) physically located at the Facility as of the execution date hereof (but intellectual property shall not be deemed included in the Property solely by virtue of satisfying the criteria set forth in this item (i)), (ii) related solely and exclusively to the Business or (iii) specifically described on **Schedule 1.1.3** attached hereto and incorporated herein by this reference (collectively, the **“Intangible Property”**). As used in this Agreement, Intangible Property shall in all events exclude (i) any materials containing privileged communications or information about employees, disclosure of which would violate an employee's reasonable expectation of privacy and any other materials which are subject to attorney-client or any other privilege, and (ii) any software or other item of intangible property held by Seller pursuant to a license or other Contract where Buyer does not assume the underlying Contract relating to such intangible personal property at the Closing.

1.1.4 Governmental Permits. To the extent transferable and assignable and to the extent relating solely and exclusively to Seller's operations at the Facility, Seller's interest in all licenses, certificates of occupancy, permits, registrations, certificates of public convenience and necessity, approvals, licenses, easements, authorizations and operating rights which are issued or granted by any governmental or similar authority having jurisdiction over and which relate solely to the operations at the Facility, including without limitation those of the foregoing specifically described on **Schedule 1.1.4** attached hereto and incorporated herein by

this reference (collectively, the “**Permits and Licenses**”). Seller shall reasonably cooperate with Buyer, at Buyer’s sole cost and expense and without imposing on Seller any obligation to pay any fees, charges or the like of any governmental authority or other third party, in seeking transfer or re-issuance of the Permits and Licenses to Buyer.

1.1.5 Accounts Receivable. Those accounts and notes receivable (whether current or non-current) and all causes of action specifically pertaining to the collection of the foregoing, which relate solely and exclusively to the Business and remain outstanding as of the Closing, but in each case, only to the extent of such then outstanding amounts (collectively, the “**Accounts Receivable**”). **Schedule 1.1.5** attached hereto and incorporated herein by this reference sets forth the Accounts Receivable as of November 28, 2016. Seller shall update **Schedule 1.1.5** immediately prior to Closing to reflect the Accounts Receivable which are then outstanding.

1.1.6 Inventory. All supplies, goods, materials, work in process, inventory and stock in trade owned and held by Seller actually located at the Facility as of the Closing (collectively, the “**Inventory**”).

1.1.7 Vendor Items. All promotional allowances and vendor rebates and similar items to the extent (and only to the extent) the same are related to the Business or the Property (collectively, the “**Vendor-Related Assets**”).

1.1.8 Claims, Etc. All claims, prepayments, warranties, guarantees, refunds, reimbursements, causes of action, rights of recovery, rights of set-off and rights of recoupment, in each case to the extent (and only to the extent) the same are directly and exclusively related to the Business or the Property (collectively, the “**Claims**”); provided that any Claim shall only be included in the Property to the extent Buyer assumes the liabilities, if any, associated therewith at the Closing. Notwithstanding the foregoing or anything else to the contrary in this Agreement, the Claims shall expressly exclude (i) all rights, claims and causes of action of Seller against former officers, directors, employees, members, principals, agents, lenders, and representatives of Seller, and (ii) all preference or avoidance claims and actions of the Seller, including, without limitation, any such claims and actions arising under Sections 544, 547, 548, 549, and 550 of the Bankruptcy Code; provided, however, any such claims or action of the type described in this clause (ii) shall not be excluded (but rather shall be part of the Property) to the extent they relate (xx) to any of the current customers or vendors of or suppliers to, the Business and directly and exclusively to the Business or the Property.

The items and assets described in Sections 1.1.2 and 1.1.4 through 1.1.8 are sometimes collectively referred to herein as the “**Assignment Property**”.

1.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the Property shall be limited solely and exclusively to the assets specifically described in Section 1.1 above.

1.3 Instruments of Transfer. The sale, assignment, transfer, conveyance and delivery of the Property to Buyer shall be made by deeds, assignments, bill of sale, and other

instruments of assignment, transfer and conveyance provided for in Section 3 below and such other instruments as may reasonably be requested by Buyer to transfer, convey, assign and deliver the Property to Buyer, but in all events only to the extent that the same do not impose any monetary obligations upon Seller or in any other respect increase in any material way the burdens imposed by the other provisions of this Agreement upon Seller.

2. Consideration and Liquidated Damages.

2.1 Purchase Price.

2.1.1. Subject to the provisions of Section 2.5 below, the cash consideration to be paid by Buyer to Seller for the Property (the **“Purchase Price”**) shall be an amount equal to One Million, Seven Hundred Fifty Thousand Dollars (\$1,750,000.00).

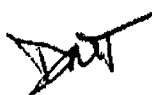
2.1.2 The Purchase Price shall be paid as follows:

(a) Concurrently with the mutual execution and delivery of this Agreement (the date of such mutual execution and delivery is sometimes referred to herein as the **“Execution Date”**), Buyer shall deposit into an escrow (the **“Escrow”**) with an escrow agent (the **“Escrow Holder”**) reasonably designated by Seller an amount equal to \$200,000 (the **“Deposit”**) in immediately available, good funds (funds delivered in this manner are referred to herein as **“Good Funds”**), pursuant to joint escrow instructions to be delivered to the Escrow Holder on or before the Execution Date. Buyer and Seller shall each be responsible for one half (1/2) of the Escrow Holder’s escrow fees and charges. In turn, the Escrow Holder shall immediately deposit the Deposit into an interest-bearing account. The Deposit shall become nonrefundable upon the termination of the transaction contemplated by this Agreement by reason of Buyer’s default of any obligation hereunder (a **“Buyer Default Termination”**), it being agreed that Seller shall not have the right to so terminate this Agreement unless Buyer has failed to cure the applicable default within five (5) calendar days following its receipt of written notice thereof from Seller. At the Closing, the Deposit (and any interest accrued thereon) shall be credited and applied toward payment of the Purchase Price. In the event the Deposit becomes nonrefundable by reason of a Buyer Default Termination, Escrow Holder shall immediately disburse the Deposit and all interest accrued thereon to Seller to be retained by Seller for its own account. If the transactions contemplated herein terminate by reason of (A) Seller’s material default under this Agreement, it being agreed that Buyer shall not have the right to so terminate this Agreement unless Seller has failed to cure the applicable default within five (5) calendar days following their receipt of written notice thereof from Buyer, or (B) the failure of a condition to Buyer’s obligations hereunder, the Escrow Holder shall return to Buyer the Deposit (together with all interest accrued thereon), but less Buyer’s one-half share of the Escrow Holder’s escrow fees and charges.

(b) LIQUIDATED DAMAGES. BUYER AND SELLER HEREBY ACKNOWLEDGE THAT, IN THE EVENT OF BUYER'S DEFAULT, IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES SELLER MAY SUFFER OR INCUR IN THE EVENT THAT THE TRANSACTION CONTEMPLATED HEREIN FAILS TO CLOSE BY REASON OF SUCH DEFAULT.

ACCORDINGLY, NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, BUYER AND SELLER HEREBY AGREES THAT CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING AT THE EXECUTION OF THIS AGREEMENT, A REASONABLE ESTIMATE OF THE TOTAL DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT THE TRANSACTION CONTEMPLATED HEREIN FAILS TO CLOSE BY REASON OF BUYER'S DEFAULT IS AND SHALL BE AN AMOUNT EQUAL TO THE AMOUNT OF THE DEPOSIT. EXCEPT AS OTHERWISE PROVIDED IN CLAUSES (ii) AND (iii) BELOW, SAID AMOUNT SHALL REPRESENT THE FULL, AGREED, AND LIQUIDATED DAMAGES TO WHICH SELLER IS ENTITLED BY REASON OF BUYER'S BREACH AND SELLER HEREBY EXPRESSLY WAIVES ANY AND ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES (WHETHER AT LAW OR IN EQUITY). THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT RATHER IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, ET. SEQ. UPON BUYER'S DEFAULT AND SELLER'S ELECTION TO TERMINATE THIS AGREEMENT BY REASON THEREOF, THIS AGREEMENT SHALL TERMINATE AND EXCEPT FOR (i) SELLER'S RIGHT TO COLLECT THE AMOUNT OF SUCH LIQUIDATED DAMAGES, (ii) ANY PROVISIONS AND OBLIGATIONS (INCLUDING, WITHOUT LIMITATION, BUYER'S INDEMNITY OBLIGATIONS) OF THIS AGREEMENT WHICH BY THEIR TERMS SURVIVE ANY TERMINATION OF THIS AGREEMENT, AND (iii) THE PARTIES' RESPECTIVE OBLIGATIONS UNDER SECTION 11.2 OF THIS AGREEMENT, THE PARTIES HERETO SHALL BE RELIEVED OF ANY FURTHER LIABILITY OR OBLIGATION UNDER THIS AGREEMENT. BY PLACING THEIR INITIALS IN THE SPACES PROVIDED BELOW, EACH PARTY SPECIFICALLY ACKNOWLEDGES AND CONFIRMS THE ACCURACY OF THE STATEMENTS SET FORTH ABOVE AND THAT THEY WERE REPRESENTED BY COUNSEL OF THEIR CHOICE WHO FULLY EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME OF EXECUTION OF THIS AGREEMENT.

Seller's Initials:



Buyer's Initials: _____

(c) On the Closing Date, Buyer shall (A) cause the Escrow Holder to deliver the Deposit (together with all accrued interest thereon) to Seller, and (B) pay and deliver to Seller, in Good Funds, an amount equal to the Purchase Price minus the Deposit minus the Excess Liability Amount (as defined below).

2.2 Assumed Liabilities, Environmental Release and Indemnification.

2.2.1. Effective as of the Closing Date, Buyer shall assume all the following liabilities and obligations of Seller: (i) all obligations of Seller now existing or hereafter arising or accruing under the Leases and Contracts (ii) with respect to employees of Seller (but not including any liabilities under employment agreements or Seller's employee benefit plans) and to

ACCORDINGLY, NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, BUYER AND SELLER HEREBY AGREES THAT CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING AT THE EXECUTION OF THIS AGREEMENT, A REASONABLE ESTIMATE OF THE TOTAL DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT THE TRANSACTION CONTEMPLATED HEREIN FAILS TO CLOSE BY REASON OF BUYER'S DEFAULT IS AND SHALL BE AN AMOUNT EQUAL TO THE AMOUNT OF THE DEPOSIT. EXCEPT AS OTHERWISE PROVIDED IN CLAUSES (ii) AND (iii) BELOW, SAID AMOUNT SHALL REPRESENT THE FULL, AGREED, AND LIQUIDATED DAMAGES TO WHICH SELLER IS ENTITLED BY REASON OF BUYER'S BREACH AND SELLER HEREBY EXPRESSLY WAIVES ANY AND ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES (WHETHER AT LAW OR IN EQUITY). THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT RATHER IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, ET. SEQ. UPON BUYER'S DEFAULT AND SELLER'S ELECTION TO TERMINATE THIS AGREEMENT BY REASON THEREOF, THIS AGREEMENT SHALL TERMINATE AND EXCEPT FOR (i) SELLER'S RIGHT TO COLLECT THE AMOUNT OF SUCH LIQUIDATED DAMAGES, (ii) ANY PROVISIONS AND OBLIGATIONS (INCLUDING, WITHOUT LIMITATION, BUYER'S INDEMNITY OBLIGATIONS) OF THIS AGREEMENT WHICH BY THEIR TERMS SURVIVE ANY TERMINATION OF THIS AGREEMENT, AND (iii) THE PARTIES' RESPECTIVE OBLIGATIONS UNDER SECTION 11.2 OF THIS AGREEMENT, THE PARTIES HERETO SHALL BE RELIEVED OF ANY FURTHER LIABILITY OR OBLIGATION UNDER THIS AGREEMENT. BY PLACING THEIR INITIALS IN THE SPACES PROVIDED BELOW, EACH PARTY SPECIFICALLY ACKNOWLEDGES AND CONFIRMS THE ACCURACY OF THE STATEMENTS SET FORTH ABOVE AND THAT THEY WERE REPRESENTED BY COUNSEL OF THEIR CHOICE WHO FULLY EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME OF EXECUTION OF THIS AGREEMENT.

Seller's Initials: _____ Buyer's Initials: *MDB*

(c) On the Closing Date, Buyer shall (A) cause the Escrow Holder to deliver the Deposit (together with all accrued interest thereon) to Seller, and (B) pay and deliver to Seller, in Good Funds, an amount equal to the Purchase Price minus the Deposit minus the Excess Liability Amount (as defined below).

2.2 Assumed Liabilities, Environmental Release and Indemnification.

2.2.1. Effective as of the Closing Date, Buyer shall assume all the following liabilities and obligations of Seller: (i) all obligations of Seller now existing or hereafter arising or accruing under the Leases and Contracts (ii) with respect to employees of Seller (but not including any liabilities under employment agreements or Seller's employee benefit plans) and to trade payables of Seller's operations at the Facility, in each case to the extent incurred in the

trade payables of Seller's operations at the Facility, in each case to the extent incurred in the ordinary course from and after the commencement of the Case, and obligations to customers of Seller for refunds, rebates, returns, discounts and the like and existing as of the Closing Date, (iii) with respect to compensation costs related to employees of Seller regarding the pay period immediately preceding the Closing Date; (iv) all vacation, holiday entitlements and other paid time off accrued of employees of the Seller (whenever accrued) which remain unpaid as of the Closing Date, (v) with respect to all environmental liabilities (whether now existing or hereafter arising), if any, under federal, state and local law relating to or arising out of or in connection with Seller's operations at the Facility (including, without limitation, administrative or civil fines or penalties for violations of environmental laws, or remediation or response costs for contamination), including, without limitation, any liabilities described on **Schedule 2.2.1-(v)** attached hereto and incorporated herein by this reference; (vi) all cure obligations required to be paid pursuant to the Approval Order as a condition to Seller's assumption and assignment of the Leases and Contracts, and (vii) with respect to any such additional liabilities and obligations as may be specifically set forth or described on **Schedule 2.2.1-(vii)** hereto (collectively, the "**Assumed Liabilities**"). Notwithstanding the foregoing, the aggregate liabilities of Seller assumed by Buyer pursuant to clause (v) alone of this Section 2.2.1 and pursuant to Section 2.2.3 below shall not exceed a total of \$500,000.00. Not less than two (2) business days prior to the Closing Date, Seller shall deliver to Buyer a schedule setting forth in reasonable detail the projected amount of the aggregate liabilities of Seller assumed by Buyer pursuant to clauses (i) (it being expressly understood and agreed that only amounts owing under the Leases and Contracts described in clause (i) as of the Closing Date (including, without limitation, cure amounts payable pursuant to clause (vi) above) shall be taken into account for purposes of the computation contemplated by this sentence and the following sentence of this Section 2.2.1), (ii), (iii), and (iv) of this Section 2.2.1 (the "**Non-Environmental Liabilities**") as of the Closing Date, certified by an authorized officer of Seller (the "**Closing Liabilities Schedule**"). In the event that the amount of the Non-Environmental Liabilities, as set forth in the Closing Liabilities Schedule, exceeds \$200,000, such excess shall be the "**Excess Liability Amount**"; provided that, in the event the Excess Liability Amount is greater than \$150,000, Seller may elect to terminate this Agreement upon written notice to Buyer unless Buyer agrees to limit the Excess Liability Amount, solely for purposes of Section 2.1.2(c), to \$150,000 and assumes such Excess Liability Amount, at Closing. In the event Seller terminates this Agreement pursuant to the preceding sentence, the Escrow Holder shall return to Buyer the Deposit (together with all interest accrued thereon), but less Buyer's one-half share of the Escrow Holder's escrow fees and charges. In the event the amount of the Non-Environmental Liabilities, as set forth in the Closing Liabilities Schedule, is \$200,000 or less, the Excess Liability Amount shall be zero. Except as expressly set forth in this Section 2.2.1, Buyer is not assuming any of Seller's liabilities of any nature, whether fixed or contingent, known or unknown.

2.2.2. Buyer and anyone claiming by, through or under Buyer hereby waives any right to recover from and fully and irrevocably releases Seller and all of its respective employees, officers, directors, representatives, agents, servants, attorneys, affiliates, parent, subsidiaries, successors and assigns, and all persons, firms, corporations and organizations in its behalf (collectively, "**Released Parties**") of and from any and all claims, responsibility and/or liability that it or they may now have or hereafter acquire against any of the Released Parties for

any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the environmental condition or any environmental matters affecting the real property which is the subject of any Real Property Lease, including, without limitation, geologic conditions and subsurface soil and water conditions. This release includes claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist which, if known by Buyer, would materially affect Buyer's release to Seller. In this connection and to the extent permitted by law, Buyer hereby agrees, represents and warrants that Buyer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses relating to the environmental condition of or environmental matters affecting the real property which is the subject of any Real Property Lease, including, without limitation, geologic conditions and subsurface soil and water conditions, which are presently unknown, unanticipated and unsuspected, and Buyer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Buyer nevertheless hereby intends to release, discharge and acquit the Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses relating to or arising in connection with the environmental condition of or environmental matters affecting the real property which is the subject of any Real Property Lease (including, without limitation, geologic conditions and subsurface soil and water conditions).

2.2.3. Subject to the limitation set forth in the fifth sentence from the end of Section 2.2.1, in addition to the assumption of liability set forth in Section 2.2.1(v) above and the release in favor of the Seller and other Released Parties set forth in Section 2.2.2 above, from and after the Closing Date, Buyer shall indemnify, defend (with counsel reasonably satisfactory to Seller), protect and save and hold the Released Parties harmless of, from and against any and all costs, loss, liability, damages, expenses (including, without limitation, all court costs and reasonable attorneys' fees), claims, demands, fines, penalties, violations, actions, proceedings, liens, or causes of action ("**Losses**") arising from or in any way relating to the environmental condition of the real property which is the subject of any Real Property Lease, or any portion thereof, or any Hazardous Substances (as defined below) which are present in, on, at, about, around or under the real property which is the subject of any Real Property Lease, or any portion thereof, as of the Closing, including, without limitation, any Losses imposed or arising under CERCLA, the RCRA (both as defined below) or any other applicable federal, state, or local law or regulation. For purposes of this Agreement, "**Hazardous Substances**" means any hazardous, toxic or dangerous waste, substance or material, pollutant or contaminant, as defined for purposes of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 6901 et seq.), as amended ("**CERCLA**"), or the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), as amended ("**RCRA**"), or any substance which contains gasoline, diesel fuel or other petroleum hydrocarbons, or polychlorinated biphenyls.

2.3 Purchase Price Allocation. Not later than ninety (90) days following the Closing, Buyer shall prepare and deliver to Seller for its review and consideration a schedule (the "**Allocation Schedule**") allocating the Purchase Price among the various assets comprising the Property in accordance with Treasury Regulation 1.1060-1 (or any comparable provisions of

state or local tax law) or any successor provision. If Seller disagrees with or raises objections to the Allocation Schedule, Buyer and Seller will negotiate in good faith to resolve such objections. If the Parties are able to agree upon the allocation of the Purchase Price, Buyer and Seller shall report and file all tax returns (including any amended tax returns and claims for refund) consistent with such mutually agreed Purchase Price allocation, and shall take no position contrary thereto or inconsistent therewith (including in any audits or examinations by any taxing authority or any other proceedings). Buyer and Seller shall file or cause to be filed any and all forms (including U.S. Internal Revenue Service Form 8594), statements and schedules with respect to such allocation, including any required amendments to such forms. If, on the other hand, the Parties are unable mutually to agree upon the manner in which the Purchase Price should be allocated, Buyer and Seller shall be free to make their own respective allocations of the Purchase Price for tax purposes.

3. Closing Transactions.

3.1 Closing Conference. The Closing of the transactions provided for herein (the “**Closing**”) shall take place at such place or places as the Parties may mutually agree upon, or by the electronic exchange of documents.

3.2 Closing Date. The Closing shall be held upon the earlier to occur of (i) the second (2nd) business day following the satisfaction of the last of the conditions set forth in Sections 4.1 and 4.2 below, and (ii) December 20, 2016 (the “**Outside Date**”); provided, however, in the event the conditions to Closing have not been satisfied or waived by the Outside Date, then any Party who is not in default hereunder may terminate this Agreement and, provided that Buyer is not in default hereunder, the Escrow Holder shall return to Buyer the Deposit (together with all interest accrued thereon), but less Buyer’s one-half share of the Escrow Holder’s escrow fees and charges. Alternatively, the Parties may mutually agree to an extended Closing Date. Until this Agreement is either terminated or the Parties have agreed upon an extended Closing Date, the Parties shall diligently continue to work to satisfy all conditions to Closing and the transaction contemplated herein shall close as soon as such conditions are satisfied or waived.

3.3 Seller’s Deliveries to Buyer at Closing. On the Closing Date, Seller shall make the following deliveries to Buyer:

3.3.1 An Assignment and Assumption of Leases and Contracts substantially in the form and content attached as **Exhibit “A”** hereto, duly executed by Seller pursuant to which Seller shall assign to Buyer such Seller’s respective interest, if any, in the Leases and Contracts (the “**Assignment of Leases**”).

3.3.2 A Bill of Sale and Assignment, duly executed by Seller in the form and on the terms of the bill of sale attached hereto as **Exhibit “B,”** pursuant to which Seller transfers and assigns to Buyer such Seller’s right, title and interest in and to the Personal Property and the other Assignment Property (the “**Bill of Sale**”).

3.3.3 A counterpart Assignment of Intangible Property, duly executed by Seller, in the form and content of the assignment of intangible property attached as **Exhibit “C”** hereto, pursuant to which Seller assigns to Buyer such Seller’s interest, if any, in and to the Intangible Property (the **“Assignment of Intangible Property”**).

3.3.4 Any such other documents, funds or other things reasonably contemplated by this Agreement to be delivered by Seller to Buyer at the Closing.

3.4 Buyer’s Deliveries to Seller at Closing. On the Closing Date, Buyer shall make or cause the following deliveries to Seller:

3.4.1 Payment of the Purchase Price.

3.4.2 A counterpart of the Assignment of Leases, duly-executed by Buyer.

3.4.3 An Assumption of Liabilities with respect to the Assumed Liabilities, in the form and content attached as **Exhibit “D”** hereto, duly-executed by Buyer (the **“Assumption of Liabilities”**).

3.4.4 Any such other documents, funds or other things reasonably contemplated by this Agreement to be delivered by Buyer to Seller at the Closing.

3.5 Prorations. Rent, current personal property taxes, prepaid advertising, utilities and other items of expense (including, without limitation, any prepaid insurance, maintenance, tax or common area or like payments under any Real Property Lease or Other Leases and Contracts, or any of them) relating to or attributable to the Seller’s operations at the Facility and/or the Property shall be prorated between Seller and Buyer as of the Closing Date. All liabilities and obligations due in respect of periods prior to or as of the Closing Date shall be paid in full or otherwise satisfied by Seller and all liabilities and obligations due in respect of periods after the Closing Date shall be paid in full or otherwise satisfied by Buyer; provided, however, the provisions of this Section 3.5 are subject to Buyer’s obligations to assume liabilities and obligations pursuant to Section 2.2, above.. Rent shall be prorated on the basis of a thirty (30) day month.

3.6 Sales, Use and Other Taxes. Any sales, purchase, transfer, stamp, documentary stamp, use or similar taxes under the laws of the states in which any portion of the Property is located, or any subdivision of any such state, or under any federal law or the laws or regulations of any federal agency or authority, which may be payable by reason of the sale or transfer of the Property under this Agreement or the transactions contemplated herein shall be borne and paid by Buyer.

3.7 Possession. Right to possession of the Property shall transfer to Buyer on the Closing Date. Seller shall transfer and deliver to Buyer on the Closing Date such keys, locks

and safe combinations and other similar items as Buyer may reasonably require to obtain occupation and control of the Property, and shall also make available to Buyer at their then existing locations the originals of all documents in Seller's actual possession that are required to be transferred to Buyer by this Agreement.

4. Conditions Precedent to Closing.

4.1 Conditions to Seller's Obligations. Seller's obligation to make the deliveries required of Seller at the Closing Date and otherwise consummate the transaction contemplated herein shall be subject to the satisfaction or waiver by Seller of each of the following conditions:

4.1.1 All of the representations and warranties of Buyer contained herein shall continue to be true and correct at the Closing in all material respects.

4.1.2 Buyer shall have executed and delivered to Seller the Assignment of Leases and the Assumption of Liabilities.

4.1.3 Buyer shall have delivered, or shall be prepared to deliver to Seller at the Closing, all cash and other documents required of Buyer to be delivered at the Closing.

4.1.4 Buyer shall have delivered to Seller appropriate evidence of all necessary entity action by Buyer in connection with the transactions contemplated hereby, including, without limitation: (i) certified copies of resolutions duly adopted by Buyer's directors and sole shareholder approving the transactions contemplated by this Agreement and authorizing the execution, delivery, and performance by Buyer of this Agreement; and (ii) a certificate as to the incumbency of those officers of Buyer executing this Agreement and any instrument or other document delivered in connection with the transactions contemplated by this Agreement.

4.1.5 No action, suit or other proceedings shall be pending before any court, tribunal or governmental authority seeking or threatening to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain substantial damages in respect thereof, or involving a claim that consummation thereof would result in the violation of any law, decree or regulation of any governmental authority having appropriate jurisdiction. For the avoidance of doubt, the condition set forth in this Section 4.1.5 shall not apply to any motion for a stay of or to otherwise limit the effect of the Approval Order unless the same has theretofore been granted or approved by the Bankruptcy Court.

4.1.6 Buyer shall have substantially performed or tendered performance of each and every material covenant on Buyer's part to be performed which, by its terms, is required to be performed at or before the Closing.

4.1.7 The Bankruptcy Court shall have entered the Approval Order in accordance with Sections 8 below and the Approval Order shall not have been stayed as of the Closing Date.

4.2 Conditions to Buyer's Obligations. Buyer's obligation to make the deliveries required of Buyer at the Closing and otherwise consummate the transaction contemplated herein shall be subject to the satisfaction or waiver by Buyer of each of the following conditions:

4.2.1 Seller shall have substantially performed or tendered performance of each and every covenant on Seller's part to be performed which, by its terms, is required to be performed or capable of performance at or before the Closing, including without limitation Seller's obligations pursuant to Section 9.

4.2.2 All of the representations and warranties of Seller contained herein shall continue to be true and correct at the Closing in all material respects.

4.2.3 Seller shall have delivered, or shall be prepared to deliver to Buyer at the Closing, all documents required of Seller to be delivered at the Closing.

4.2.4 No action, suit or other proceedings shall be pending before any court, tribunal or governmental authority seeking or threatening to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain substantial damages in respect thereof, or involving a claim that consummation thereof would result in the violation of any law, decree or regulation of any governmental authority having appropriate jurisdiction, or which, if adversely determined, could reasonably be expected to have a material adverse effect on the Property or the Business. For the avoidance of doubt, the condition set forth in this Section 4.2.4 shall not apply to any motion for a stay of or to otherwise limit the effect of the Approval Order unless the same has theretofore been granted or approved by the Bankruptcy Court.

4.2.5 The Bankruptcy Court shall have entered the Approval Order in accordance with Sections 8 below and the Approval Order shall not have been stayed as of the Closing Date.

4.2.6 The Leases and Contracts assigned to Buyer at the Closing (whether by virtue of the effect of the Approval Order rendering consent to assignment unnecessary or by virtue of written consents to assignment obtained from the applicable counterparties) shall include all of the Contracts and Leases described on **Schedule 4.2.6** attached hereto and incorporated herein by this reference).

Any waiver of a condition shall be effective only if such waiver is stated in writing and signed by the waiving Party; provided, however, that the consent of a Party to the Closing shall constitute a waiver by such Party of any conditions to Closing not satisfied as of the Closing Date.

5. Seller's Representations and Warranties. Seller hereby makes the following representations and warranties to Buyer:

5.1 Organization, Standing and Power. Seller is a limited liability company, duly organized, validly existing and in good standing under the laws of the state of California.

Seller has all requisite entity power and authority to own, lease and, subject to the provisions of the Bankruptcy Code applicable to debtors in possession, operate its properties, to carry on Seller's business as now being conducted. Subject to entry of the Approval Order, Seller has the power and authority to execute, deliver and perform this Agreement and all writings relating hereto. Subject to entry of the Approval Order, the execution, delivery and performance of this Agreement and all writings relating hereto by Seller have been duly and validly authorized.

5.2 Validity and Execution. This Agreement has been duly executed and delivered by Seller and, upon entry of the Approval Order, will constitute the valid and binding obligation of Seller enforceable against it in accordance with its terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other laws (whether statutory, regulatory or decisional), now or hereafter in effect, relating to or affecting the rights of creditors generally or by equitable principles (regardless of whether considered in a proceeding at law or in equity).

5.3 No Conflict. Subject to the entry of the Approval Order, the execution and delivery of this Agreement, the consummation of the transactions herein contemplated, and the performance of, fulfillment of and compliance with the terms and conditions hereof by Seller do not and will not: (i) conflict with or result in a breach of the articles of incorporation, by-laws or operating agreement, as applicable, of Seller; (ii) violate any statute, law, rule or regulation, or any order, writ, injunction or decree of any court or governmental authority, or (iii) violate or conflict with or constitute a default under any agreement, instrument or writing of any nature to which Seller is a party or by which Buyer or its assets or properties may be bound.

6. Buyer's Warranties and Representations. Buyer hereby makes the following representations and warranties to Seller:

6.1 Organization, Standing and Power. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Massachusetts. Buyer has all requisite entity power and authority to own, lease and operate its properties, to carry on its business as now being conducted and to execute, deliver and perform this Agreement and all writings relating hereto.

6.2 No Conflict. The execution, delivery and performance of this Agreement and all writings relating hereto by Buyer have been duly and validly authorized. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated, and the performance of, fulfillment of and compliance with the terms and conditions hereof by Buyer do not and will not: (i) conflict with or result in a breach of the articles of incorporation or by-laws of Buyer or, if applicable, other organizational documents or agreements of Buyer; (ii) violate any statute, law, rule or regulation, or any order, writ, injunction or decree of any court or governmental authority; or (iii) violate or conflict with or constitute a default under any agreement, instrument or writing of any nature to which Buyer is a party or by which Buyer or its assets or properties may be bound.

7. "AS IS" Transaction. Buyer hereby acknowledges and agrees that, except only as provided in Section 5 above, Seller makes no representations or warranties whatsoever, express

or implied, with respect to any matter relating to the Property (including, without limitation, income to be derived or expenses to be incurred in connection with the Property, the physical condition of the Personal Property or Inventory, the environmental condition or other matter relating to the physical condition of any real property or improvements which are the subject of any Real Property Lease, the zoning of the real property or improvements which are the subject of any Real Property Lease, the value of the Property (or any portion thereof), the transferability of the Property or any portion thereof, the terms, amount, validity, collectability or enforceability of the Accounts Receivable or any Assumed Liabilities or Lease or Contract, the merchantability or fitness of the Personal Property, the Inventory or any other portion of the Property for any particular purpose, whether the assignment of any Lease or Contract without the consent of the counterparties thereto or any Lease or Contract would constitute a breach or default under such Lease or Contract). Without in any way limiting the foregoing, Seller hereby disclaims any warranty (express or implied) of merchantability or fitness for any particular purpose as to any portion of the Property. Buyer further acknowledges that Buyer has conducted an independent inspection and investigation of the physical condition of all portions the Property and all such other matters relating to or affecting or comprising the Property and/or the Assumed Liabilities (including, without limitation, those matters, if any, disclosed to Buyer pursuant to **Schedule 7** attached hereto and incorporated herein by this reference) as Buyer deemed necessary or appropriate and that in proceeding with its acquisition of the Property, Buyer is doing so based solely upon such independent inspections and investigations. Accordingly, Buyer will accept the Property at the Closing **“AS IS, “WHERE IS,” and “WITH ALL FAULTS.”**

8. Bankruptcy Court Approvals. Promptly following the Execution Date (and in no event later than two (2) business days thereafter), Seller will make a motion (the **“Sale Motion”**) for an order (the **“Approval Order”**) from the Bankruptcy Court which (i) approves the sale of the Property to Buyer on the terms and conditions set forth in this Agreement and authorizes the Seller to proceed with this transaction, (ii) includes specific findings that Buyer is a good faith Buyer of the Property and that the Purchase Price constitutes reasonably equivalent value and fair consideration under relevant provisions of the Bankruptcy Code, (iii) orders Buyer to pay, concurrently with the Closing and as a condition to Seller’s assumption and assignment thereof, all cure amounts owing to the counterparties to the Leases and Contracts, and (iv) states that the sale of the Property to Buyer shall be free and clear of all liens, claims, interests and encumbrances whatsoever (other than the lien of current taxes not yet payable with respect to any Property). If requested by the Bankruptcy Court or Seller, Buyer shall provide adequate assurance of future performance (satisfactory to the Bankruptcy Court) to the counterparties to the Leases and Contracts. Following the filing of the Sale Motion, Seller shall use commercially reasonable efforts to obtain the Approval Order. Both Buyer’s and Seller’s obligations to consummate the transactions contemplated in this Agreement which the Buyer and Seller may hereafter enter into shall be conditioned upon the Bankruptcy Court’s entry of the Approval Order. If (i) the Bankruptcy Court refuses to issue the Approval Order at the hearing on the Sale Motion, or (ii) the Approval Order is for any reason whatsoever not entered by the Bankruptcy Court on or before December 16, 2016, then, in either circumstance, either Seller or Buyer shall have the right to terminate this Agreement upon written notice to the other, whereupon Seller and Buyer shall be relieved of any further liability or obligation hereunder unless the failure of the Approval Order to get entered is the result of a Party’s breach hereunder, in which case the non-

breaching Party shall have the right to pursue its remedies for the other Party's breach hereof. In the event of any such termination, and provided that Buyer is not in default hereunder, the Escrow Holder shall return to Buyer the Deposit (together with all interest accrued thereon), but less Buyer's one-half share of the Escrow Holder's escrow fees and charges. Upon entry of the Approval Order in accordance with the provisions of this Section 8 (such entry date being referred to herein as the "**Sale Approval Date**"), the condition set forth in this Section 8 shall conclusively be deemed satisfied, unless the Approval Order is stayed by the Bankruptcy Court prior to the Closing. Seller shall promptly provide Buyer with drafts of all documents, motions, orders, filings or pleadings that Seller proposes to file with the Bankruptcy Court which relate to the consummation or approval of this Agreement and to the extent practicable will provide Buyer with reasonable opportunity to review such filings. Seller will also promptly provide Buyer with written notice and copies of any notice of appeal and any motion or application filed in connection with any appeal from or application for reconsideration of, any of such orders and any related briefs.

9. Operations Pending Closing. Except (i) as otherwise expressly contemplated by this Agreement, (ii) with the prior written consent of Buyer, (iii) as prohibited or restricted by the Bankruptcy Code or orders of the Bankruptcy Court, or (iv) as described on **Schedule "9"** attached hereto and incorporated herein by this reference, from the date hereof until the Closing Date, the Seller shall: (a) pay rent under the Lease for the Facility and utilities charges relating to the Facility, (b) use commercially reasonable efforts to preserve intact the Property at the Facility and to keep available the services of its current employees, (c) use commercially reasonable efforts to continue servicing and shipping customer orders to the extent such orders have been submitted by such customers and accepted in writing by Seller as of the mutual execution of this Agreement, and (d) not take any action inconsistent with this Agreement or with the consummation of the Closing. Prior to the Closing Date, so long as the same does not materially interfere with or disrupt Seller's or its employees' activities at the Facility, Seller will give Buyer reasonable access to the Facility, the books and records (excluding records which are attorney-client privileged or considered attorney work product or otherwise subject to privacy rights) and employees and agents of the Seller that relate to the Property during normal working hours, for the sole purposes of enabling Buyer to further investigate, at Buyer's sole expense, the Property and any other appropriate matters germane to the subject matter of this Agreement. For the avoidance of all doubt, Buyer hereby expressly acknowledges and agrees that (xx) Buyer shall not have the right to conduct any Phase II environmental testing or any other "invasive" testing whatsoever of or at the Facility, and (yy) Buyer's obligation to consummate the transaction contemplated herein shall not be contingent or conditioned in any way upon the foregoing inspections and investigations or the results or conclusions thereof. In addition, prior to the Closing Date, Buyer may purchase and (so long as the same do not materially interfere with or disrupt Seller's activities at the Facility) deliver (or cause to be delivered) to the Facility, , with Buyer to make payment in full for the same prior to or concurrently with the delivery thereof to the Facility, raw materials, supplies or equipment usable in the Business; provided, however, that in the event this Agreement is terminated (xx) for any reason (other than a default by Seller), Seller shall be permitted to retain and use such raw materials, supplies and equipment without payment therefor to Buyer or any other person or entity, and (yy) for any reason whatsoever (including, without limitation, Seller's default), Buyer shall not have the right to seek

payment, reimbursement or any other monetary recourse against Seller for any such materials, supplies or equipment so delivered to the Facility.

10. Employee Matters.

10.1 Prior to the Closing, Buyer shall offer to employ, with such employment commencing immediately following the Closing, all active employees of Seller employed at the Facility at salaries, compensation levels and other terms and conditions of employment comparable to those of their employment by Seller prior to the date of this Agreement; provided that nothing herein shall be deemed to obligate Buyer to undertake to pay severance or similar compensation to any employee or to employ any employee on other than an "at-will" basis. Such employees who become employees of Buyer shall be collectively referred to as the **"Transferred Employees."**

10.2 To the extent permitted by the terms of the applicable plans and arrangements and by applicable law, Buyer shall give Transferred Employees full credit for purposes of eligibility and vesting and benefit accrual (other than benefit accrual under a defined benefit pension plan) under the employee benefit plans or arrangements maintained by the Buyer in which such Transferred Employees participate for such Transferred Employees' service with the Seller.

10.3 To the extent permitted by the terms of the applicable plans and by applicable law, with respect to any welfare benefit plans maintained by Buyer for the benefit of Transferred Employees on and after the Closing Date, Buyer shall (i) cause there to be waived any eligibility requirements or pre-existing condition limitations, and (ii) give effect, in determining any deductible and maximum out-of-pocket limitations, amounts paid by such Transferred Employees with respect to benefit plans heretofore maintained by the Seller.

10.4 Subject to the limitations set forth in Section 2.2.1, Buyer shall be responsible for paying and discharging all liabilities for vacation time, sick leave, personal leave and other compensated time off accrued by Seller's employees as of the Closing Date.

10.5 To the extent required by applicable law, Buyer shall provide group health plan continuation coverage, pursuant to the requirements of COBRA, to Seller's employees, former employees of Seller receiving group health plan continuation coverage from Seller on the Closing Date, and former employees of Seller who are in a COBRA-election period on the Closing Date, each only to the extent that such persons: (i) properly request such coverage; (ii) will not be hired by Buyer; and (C) timely pay for such coverage.

11. Miscellaneous.

11.1 Risk of Loss. Damage and Destruction; Condemnation. Seller shall promptly notify Buyer of the occurrence of any material damage to or destruction of the Property that occurs prior to the Closing Date. In the event of any uninsured damage to or destruction of the Property prior to the Closing Date the cost of which to repair would total \$25,000 or less, then such damage or destruction shall have no effect whatsoever on the Purchase Price or

Buyer's or Seller's obligation to close. Should any uninsured damage or destruction to the Property occur prior to the Closing Date the cost of which to repair would total more than \$25,000 but less than \$175,000, then unless Seller causes the same to be repaired and restored in all material respects prior to the Closing Date (in which case the Purchase Price shall be unaffected and the parties shall proceed with the Closing as though such damage, destruction or proceedings had never occurred or been initiated), Buyer's sole remedy shall be to receive a dollar-for-dollar reduction in the Purchase Price in an amount equal to the sum of (i) the cost of such repairs, less (ii) the amount of any insurance proceeds with respect thereto assigned to Buyer at the Closing, and consummate the transaction contemplated herein. If any uninsured damage or destruction to the Property occurs prior to the Closing Date the cost of which to repair would total \$175,000 or more, then irrespective of whether the same can be repaired and/or restored prior to the Closing Date, Buyer shall have the right and option to either (i) terminate the transaction contemplated herein (in which event the Escrow Holder shall return to Buyer the Deposit (together with all interest accrued thereon), but less Buyer's one-half share of the Escrow Holder's escrow fees and charges), or (ii) elect to receive, as its sole and exclusive remedy by reason of such damage, destruction, a Purchase Price reduction in the amount of \$175,000 and consummate the transaction contemplated herein as though the damage or destruction had never occurred or been initiated. In all other events or in the event that Buyer elects to consummate the purchase pursuant to clause (ii) above, (xx) all insurance or condemnation proceeds, including business interruption and rental loss proceeds, collected by or paid to Seller prior to the Closing Date, shall be credited against the Purchase Price on Buyer's account or the Purchase Price shall be adjusted by an amount agreed between Buyer and Seller, and (yy) all entitlement to all other insurance or condemnation proceeds arising out of such damage or destruction or proceedings and not collected prior to the Closing Date shall be assigned to Buyer at the Closing. Notwithstanding anything to the contrary in this Agreement, the risk of loss or damage to the Property (including, without limitation, any Off-Site Property (as defined in Section 11.23 below), shall unconditionally shift to the Buyer on the Closing Date. For avoidance of doubt, Buyer and Seller intend that the provisions of this Section 11.1 shall control over any right or remedy to which the Buyer may otherwise be entitled under this Agreement by reason of the occurrence of any event subject to this Section 11.1.

11.2 Attorneys' Fees. In the event that either Party hereto brings an action or other proceeding to enforce or interpret the terms and provisions of this Agreement, the prevailing Party in that action or proceeding shall be entitled to have and recover from the non-prevailing Party all such fees, costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing Party may suffer or incur in the pursuit or defense of such action or proceeding.

11.3 Reasonable Access to Records and Certain Personnel. In order to facilitate Seller's efforts to administer and close the Case (including, without limitation, the preparation of filings in the Case and state, local and federal tax returns and other filings, reconciliation of claims filed in the Case, removal of corporate and other records and information relating or belonging to entities other than Seller), for a period of four (4) years following the Closing, (i) Buyer shall permit Seller's counsel and other professionals and counsel for any successor to Seller and its respective professionals (collectively, "**Permitted Access Parties**") reasonable

access to the financial and other books and records relating to Seller's ownership of the Property or Seller's operation of the Business prior to the Closing and the systems containing such information, books and records, which access shall include (xx) the right of such Permitted Access Parties to copy, at such Permitted Access Parties' expense, such documents and records as they may request in furtherance of the purposes described above, and (yy) Buyer's copying and delivering to the relevant Permitted Access Parties such documents or records as they may request, but only to the extent such Permitted Access Parties furnish Buyer with reasonably detailed written descriptions of the materials to be so copied and the applicable Permitted Access Party reimburses the Buyer for the reasonable costs and expenses thereof, and (ii) Buyer shall provide the Permitted Access Parties (at no cost to the Permitted Access Parties) with reasonable access to Bryan Pazol, Art Krokus, Art Ortega, and Carolyn Gamberutti during regular business hours to assist Seller and the other Permitted Access Parties in their post-Closing activities (including, without limitation, preparation of tax returns), provided that such access does not unreasonably interfere with the Buyer's business operations.

11.4 Confidentiality. At all times from and after the Closing, Seller shall not use or disclose to any other person or entity any non-public document or other non-public information in Seller's possession or control to the extent that the same relates to the Intangible Property acquired by Buyer hereunder. This Section 11.4 will not prohibit Seller from disclosing information: (i) to the extent it is required by Law, rule or regulation to do so, (ii) that becomes generally available to the public other than as a result of a disclosure by Seller or (iii) that is necessary to disclose in connection with the Case.

11.5 Notices. Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by any Party to the other may be effected by personal delivery in writing, or by registered or certified mail, postage prepaid, return receipt requested or by facsimile, and shall be deemed communicated as of the date of mailing or facsimile transmission (with answer back confirmation of such transmission). Mailed notices shall be addressed as set forth below, but each Party may change his address by written notice in accordance with this Section 11.4.

To Seller: c/o David Tiffany
Chief Restructuring Officer
13727 Noel Road, Suite 200
Dallas, TX 75240
Facsimile: (214) 276-1417
Email: david.tiffany@cr3partners.com

With a copy to: Laura Davis Jones, Esq.
Pachulski Stang Ziehl & Jones LLP
919 North Market Street, 17th Floor
Wilmington, DE 19899-8705 (courier 19801)
Fax: 302.652.4400
Email: ljones@pszjlaw.com

To Buyer: MSI Transducers Corp.
c/o Airmar Technology Corp.
35 Meadowbrook Drive
Milford, NH 03055
Attn: Matthew Boucher
Facsimile: (603) 673-4624
Email: mboucher@airmar.com

With a copy to: Sheehan Phinney Bass & Green PA
1000 Elm Street
Manchester, NH 03101
Attn: Alan L. Reische, Esq.
Facsimile: (603) 627-8121
Email: areische@sheehan.com

11.6 Entire Agreement. This Agreement, that certain Confidentiality Agreement dated November 1, 2016, between Seller and Buyer, and the documents to be executed pursuant hereto contain the entire agreement between the Parties relating to the sale of the Property. Any oral representations or modifications concerning this Agreement or any such other document shall be of no force and effect excepting a subsequent modification in writing, signed by the Party to be charged.

11.7 Modification. This Agreement may be modified, amended or supplemented only by a written instrument duly executed by all the Parties hereto.

11.8 Closing Date. All actions to be taken on the Closing pursuant to this Agreement shall be deemed to have occurred simultaneously, and no act, document or transaction shall be deemed to have been taken, delivered or effected until all such actions, documents and transactions have been taken, delivered or effected.

11.9 Severability. Should any term, provision or paragraph of this Agreement be determined to be illegal or void or of no force and effect, the balance of the Agreement shall survive.

11.10 Captions. All captions and headings contained in this Agreement are for convenience of reference only and shall not be construed to limit or extend the terms or conditions of this Agreement.

11.11 Further Assurances. Each Party hereto will execute, acknowledge and deliver any further assurance, documents and instruments reasonably requested by any other Party for the purpose of giving effect to the transactions contemplated herein or the intentions of the Parties with respect thereto; provided that nothing herein shall be deemed to require any Party to execute or deliver any such further assurance, document or instrument to the extent that the same could in any material way increase the burdens, obligations or liabilities otherwise imposed upon such Party by this Agreement.

11.12 Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

11.13 Brokerage Obligations. Seller and Buyer each represent and warrant to the other that such Party has incurred no liability to any broker or agent with respect to the payment of any commission or other compensation regarding the consummation of the transaction contemplated hereby. It is agreed that if any claims for commissions, fees or other compensation, including, without limitation, brokerage fees, finder's fees, or commissions are ever asserted against Buyer or Seller in connection with this transaction by any party, all such claims shall be handled and paid by the Party whose actions form the basis of such claim and such Party shall indemnify, defend (with counsel reasonably satisfactory to the Party entitled to indemnification), protect and save and hold the other harmless from and against any and all such claims or demands asserted by any person, firm or corporation in connection with the transaction contemplated hereby.

11.14 Payment of Fees and Expenses. Except as provided in Section 11.2 above, each Party to this Agreement shall be responsible for, and shall pay, all of its own fees and expenses, including those of its counsel, incurred in the negotiation, preparation and consummation of the Agreement and the transaction described herein.

11.15 Survival. The respective representations and warranties of Buyer and Seller under this Agreement shall lapse and cease to be of any further force or effect effective upon the Closing. Except as provided in the immediately preceding sentence, the covenants and agreements of Seller and Buyer herein, or in any certificates or other documents delivered prior to or at the Closing, shall not be deemed waived or otherwise affected by the Closing.

11.16 Assignments. This Agreement shall not be assigned by any Party hereto without the prior written consent of the other Party hereto, which consent the Parties may grant or withhold in their sole and absolute discretion.

11.17 Binding Effect. Subject to the provisions of Section 11.15, above, this Agreement shall bind and inure to the benefit of the respective heirs, personal representatives, successors, and assigns of the Parties hereto.

11.18 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11.19 Good Faith. All Parties hereto agree to do all acts and execute all documents required to carry out the terms of this Agreement and to act in good faith with respect to the terms and conditions contained herein before and after Closing.

11.20 Construction. In the interpretation and construction of this Agreement, the Parties acknowledge that the terms hereof reflect negotiations between the Parties and that this

Agreement shall not be deemed, for the purpose of construction and interpretation, drafted by either Party hereto.

11.21 Counterparts. This Agreement may be signed in counterparts. The Parties further agree that this Agreement may be executed by the exchange of facsimile signature pages provided that by doing so the Parties agree to undertake to provide original signatures as soon thereafter as reasonable in the circumstances.

11.22 Time is of the Essence. Time is of the essence in this Agreement, and all of the terms, covenants and conditions hereof.

11.23 Removal of Property Located in Seller's Santa Barbara Facility. Not later than sixty (60) days following the Closing (the "**Removal Period**"), Buyer shall remove, or cause to be removed from Seller's facility in Santa Barbara, California (the "**SB Facility**"), at Buyer's sole cost and expense, any portion of the Property located at the SB Facility (the "**Off-Site Property**"). Buyer and its agents and representatives shall be allowed reasonable access (during normal business hours) to the Off-Site Property throughout the Removal Period to cause such removal to be accomplished, which removal shall be conducted in such manner as will minimize any damage to the SB Facility or to any other assets of Seller or any other party having an interest in the SB Facility or any assets located at the SB Facility. Buyer shall, at Buyer's sole cost and expense, immediately cause any damage to the SB Facility or to any other assets resulting from Buyer's removal, handling, shipping, disposition or other activities in connection with the Off-Site Property to be fully and completely repaired or restored. As a condition to Buyer's right to enter upon the SB Facility to remove or cause the removal of the Off-Site Property, however, Buyer shall provide to Seller a certificate of insurance which names Seller, Seller's bankruptcy estate, and, if applicable, the landlord under lease pursuant to which Seller occupies the SB Facility, as additional insureds and which evidences a general public liability insurance policy (issued by an insurer, in an amount and otherwise in form and content reasonably satisfactory to Seller) which covers Seller and such other additional insureds against any loss, damage or liability as Seller or such other additional insureds may suffer or incur in connection with Buyer's removal of the Off-Site Property as contemplated by this Section 11.23; provided, however, Buyer expressly agrees that the coverage amounts under such insurance policy shall not be deemed to limit Buyer's obligations to Seller or the other indemnitees identified in the indemnification provision set forth below in this Section 11.23. Buyer shall indemnify, defend (with counsel reasonably satisfactory to Seller) and protect and hold Seller, Seller's bankruptcy estate, the landlord of the SB Facility, if any, and the respective successors and assigns of each of the foregoing indemnitees harmless of, from and against any and all claims, demands, losses, damages, liabilities, obligations, actions, causes of action and costs and expenses (including, without limitation, all court costs and all reasonable attorneys' fees, costs and charges) as Seller or such other indemnitees may suffer or incur in connection Buyer's or Buyer's representatives', employees', agents', contractors', shippers' removal or handling of the Off-Site Property at or from the SB Facility. It is expressly understood that Buyer shall bear any and all costs and expenses of shipping and handling the Off-Site Property following its removal from the SB Facility.

11.24 Interpretation and Rules of Construction. In this Agreement, except to the extent that the context otherwise requires:

11.24.1 when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or a Schedule to, this Agreement unless otherwise indicated;

11.24.2 the headings and captions used in this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

11.24.3 whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”;

11.24.4 the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

11.24.5 all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

11.24.6 the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

11.24.7 any law defined or referred to herein or in any agreement or instrument that is referred to herein means such law or statute as from time to time amended, modified or supplemented, including by succession of comparable successor laws;


11.24.8 references to a person are also to its permitted successors and assigns; and

11.24.9 the use of “or” is not intended to be exclusive unless expressly indicated otherwise.

In Witness Whereof, Buyer and Seller have executed this Asset Purchase Agreement as of the day and year first above written.

BUYER:

**MSI Transducers Corp., a
Massachusetts corporation**

By: 
Name: Matthew Baucher
Its: President

SELLER:

**Channel Technologies Group, LLC a
California limited liability company
and Debtor and Debtor in Possession**

By: _____
Name: **David Tiffany**
Its: **Chief Restructuring Officer**

In Witness Whereof, Buyer and Seller have executed this Asset Purchase Agreement as of the day and year first above written.

BUYER:

**MSI Transducers Corp., a
Massachusetts corporation**

By: _____

Name: _____

Its: _____

SELLER:

**Channel Technologies Group, LLC a
California limited liability company
and Debtor and Debtor in Possession**



By: _____

Name: David Tiffany

Its: Chief Restructuring Officer

All SCHEDULES

[To be attached]

Exhibit "A"

ASSIGNMENT AND ASSUMPTION OF LEASES AND CONTRACTS

This Assignment and Assumption of Leases and Contracts (this "**Assignment**") is entered into as of this ___th day of _____, 201__, between Channel Technologies Group, LLC, a California limited liability company (the "**Assignor**"), Assignor being a Debtor and Debtor in Possession under Case No.9:16-bk-11912-PC in the United States Bankruptcy Court for the Central District of California – Santa Barbara Division, on the one hand, and MSI Transducers Corp., a Massachusetts corporation (the "**Assignee**"), on the other hand, with respect to the following facts and circumstances:

A. Assignor, as the Seller, and Assignee, as Buyer, have heretofore entered into that certain Asset Purchase Agreement dated November 29, 2016 (the "**Purchase Agreement**"). Except for terms specifically defined herein, the capitalized terms used in this Assignment shall have the same meanings as capitalized terms used in the Purchase Agreement.

B. Concurrently with the mutual execution and delivery of this Assignment, Assignor and Assignee are consummating the transactions contemplated by the Purchase Agreement. Assignor and Assignee are executing and delivering this Assignment in satisfaction of certain of their respective obligations pursuant to Sections 3.3 and 3.4 of the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which Assignor and Assignee hereby acknowledge, Assignor and Assignee hereby agree as follows:

1. Assignment. Effective as of the Closing Date, Assignor hereby assigns to Assignee all of his right, title and interest in and to the Leases and Contracts (collectively, the "**Assigned Contracts**").

2. Assumption. Effective as of the Closing Date, Assignee hereby accepts the foregoing assignment and assumes and agrees to be bound by the terms and provisions of the Assigned Contracts and to faithfully perform all of Assignor's obligations thereunder to be performed from and after the Closing Date as though Assignee had been the original contracting Party thereunder.

3. Attorneys' Fees. In the event that either Party hereto brings an action or other proceeding to enforce or interpret the terms and provisions of this Assignment, the prevailing Party in that action or proceeding shall be entitled to have and recover from the non-prevailing Party therein all such fees, costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing Party may suffer or incur in the pursuit or defense of such action or proceeding.

4. Amendments. This Assignment may only be amended by a writing signed by both Assignor and Assignee.

5. Execution in Counterparts. This Assignment may be executed in counterparts and delivered by the delivery of facsimile signatures; provided, however, that if the Parties exchange facsimile signatures, each of them agrees to provide the other with a copy of this Assignment bearing their original signature promptly thereafter.

6. Delivery Pursuant to Purchase Agreement. Notwithstanding anything to the contrary herein, Assignor and Assignee are executing and delivering this Assignment in accordance with and subject to all of the terms and provisions of the Purchase Agreement (including, without limitation, the acknowledgement and disclaimer set forth in Section 7).

7. Governing Law. This Assignment shall be governed by and construed and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the day and year first set forth above.

ASSIGNOR:

**Channel Technologies Group, LLC a
California limited liability company
and Debtor and Debtor in Possession**

**By: _____
Name: David Tiffany
Its: Chief Restructuring Officer**

ASSIGNEE:

MSI Transducers Corp., a Massachusetts corporation

**By: _____
Name: _____
Its: _____**

Exhibit “B”

BILL OF SALE AND ASSIGNMENT

Pursuant to Section _____ of that certain Asset Purchase Agreement dated November 29, 2016 (the “**Agreement**”), by and between MSI Transducers Corp., a Massachusetts corporation (“**Buyer**”), on the one hand, and Channel Technologies Group, LLC, a California limited liability company (“**Seller**”), Seller being a Debtor and Debtor in Possession under Case No. No.9:16-bk-11912-PC in the United States Bankruptcy Court for the Central District of California – Santa Barbara Division, on the other hand, and for good and valuable consideration, the receipt and sufficiency of which Seller hereby expressly acknowledges, Seller hereby sells, transfers, assigns and delivers to Buyer Seller’s right, title and interest in and to (i) the Personal Property, and (ii) the other Assignment Property.

Except for terms specifically defined in this Bill of Sale, all capitalized terms used in herein shall have the same meanings as such terms have when utilized in the Agreement.

Seller covenants and agrees to execute and deliver further instruments of transfer and assignment and take such other action as Buyer may reasonably request to more effectively transfer and assign to and vest in Buyer each of the Personal Property and Assignment Property; provided that nothing herein shall be deemed to require Seller to execute or deliver any such further document or instrument or take any such action to the extent that the same could in any material way increase the burdens, obligations or liabilities otherwise imposed upon Seller by this Agreement.

Notwithstanding anything to the contrary herein, Seller is executing and delivering this Bill of Sale and Assignment in accordance with and subject to all of the terms and provisions of the Agreement (including, without limitation, the acknowledgement and disclaimer set forth in Section 7 of the Agreement).

IN WITNESS WHEREOF, Seller has caused this Bill of Sale and Assignment to be executed as of the _____ day of _____, 201__.

SELLER:

**Channel Technologies Group, LLC a
limited liability company
and Debtor and Debtor in Possession**

**By: _____
Name: David Tiffany
Its: Chief Restructuring Officer**

Exhibit "C"

ASSIGNMENT OF INTANGIBLE PROPERTY

Channel Technologies Group, LLC, a California limited liability company ("**Assignor**"), Assignor being a Debtor and Debtor in Possession under Case No. No.9:16-bk-11912-PC in the United States Bankruptcy Court for the Central District of California – Santa Barbara Division is executing this Assignment of Intangible Property (this "**Assignment**") as of this _____, 201____, in favor of MSI Transducers Corp., a Massachusetts corporation (the "**Assignee**"), with respect to the following facts and circumstances:

(A) Assignor and Assignee have heretofore entered into that certain Asset Purchase Agreement dated November 29, 2016 (the "**Agreement**"). Except for terms specifically defined in this Assignment, the capitalized terms used in this Assignment shall have the same meanings as such terms when used in the Agreement.

(B) Concurrently with the execution and delivery of this Assignment, Assignor and Assignee are consummating the transactions contemplated by the Agreement.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which Assignor hereby expressly acknowledges, Assignor hereby assigns, conveys, transfers and sets over unto Assignee, all of its right, title and interest, if any, in and to all Intangible Property. This Assignment shall inure to the benefit of, and be binding upon, the successors, executors, administrators, legal representatives and assigns of Assignor and Assignee.

Notwithstanding anything to the contrary herein, Assignor is executing and delivering this Assignment in accordance with and subject to all of the terms and provisions of the Agreement (including, without limitation, the acknowledgement and disclaimer set forth in Section 7).

In the event that Assignor or Assignee brings an action or other proceeding to enforce or interpret the terms and provisions of this Assignment, the prevailing Party(ies) in that action or proceeding shall be entitled to have and recover from the non-prevailing Party(ies) all such fees, costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing Party(ies) may suffer or incur in the pursuit or defense of such action or proceeding.

This Assignment shall be governed by and construed and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of
the ___ day of _____, 201__.

ASSIGNOR:

**Channel Technologies Group, LLC a
California limited liability company
and Debtor and Debtor in Possession**

**By: _____
Name: David Tiffany
Its: Chief Restructuring Officer**

ASSIGNEE:

MSI Transducers Corp., a Massachusetts corporation

**By: _____
Name: _____
Its: _____**

Exhibit "D"

ASSUMPTION AGREEMENT

This Assumption Agreement (this "**Assumption**") is entered into as of this ____ day of _____, 201____, by MSI Transducers Corp., a Massachusetts corporation (the "**Buyer**") in favor of Channel Technologies Group, LLC, a California limited liability company (the "**Seller**"), Seller being a Debtor and Debtor in Possession under Case No. No.9:16-bk-11912-PC in the United States Bankruptcy Court for the Central District of California – Santa Barbara Division with respect to the following facts and circumstances:

A. Seller and Buyer have heretofore entered into that certain Asset Purchase Agreement dated November 29, 2016 (the "**Purchase Agreement**"). Except for terms specifically defined herein, the capitalized terms used in this Assumption shall have the same meanings as capitalized terms used in the Purchase Agreement.

B. Concurrently with the execution and delivery of this Assumption, Buyer and Seller is consummating the transactions contemplated by the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which Buyer hereby acknowledges, Buyer hereby agrees as follows:

1. Assumption. Effective as of the Closing Date, Buyer hereby assumes and agrees fully and faithfully to perform all of the Assumed Liabilities.

2. Attorneys' Fees. In the event that either Party(ies) hereto brings an action or other proceeding to enforce or interpret the terms and provisions of this Assumption, the prevailing Party(ies) in that action or proceeding shall be entitled to have and recover from the non-prevailing Party(ies) therein all such fees, costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing Party(ies) may suffer or incur in the pursuit or defense of such action or proceeding.

3. Amendments. This Assumption may only be amended by a writing signed by both Buyer and Seller.

4. Governing Law. This Assumption shall be governed by and construed and enforced in accordance with the laws of the State of California.

5. Execution in Counterparts. This Assumption may be executed in counterparts and delivered by the delivery of facsimile signatures; provided, however, that if the parties exchange facsimile signatures, each of them agrees to provide the other with a copy of this Assumption bearing their original signature promptly thereafter.

IN WITNESS WHEREOF, Buyer has executed this Assumption as of the day
and year first set forth above.

BUYER:

**MSI Transducers Corp., a
Massachusetts corporation**

By: _____
Name: _____
Its: _____

SELLER:

**Channel Technologies Group, LLC a
California limited liability company
and Debtor and Debtor in Possession**

By: _____
Name: David Tiffany
Its: Chief Restructuring Officer

EXHIBIT C

Cure Notice

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

1 Laura Davis Jones (DE Bar No. 2436) (*Admitted Pro Hac Vice*)
Jeffrey W. Dulberg (CA Bar No. 181200)
2 Victoria A. Newmark (CA Bar No. 183581)
PACHULSKI STANG ZIEHL & JONES LLP
3 10100 Santa Monica Blvd., 13th Floor
Los Angeles, CA 90067
4 Telephone: 310/277-6910
Facsimile: 310/201-0760
5 E-mail: ljones@pszjlaw.com
jdulberg@pszjlaw.com
6 vnewmark@pszjlaw.com

7 Attorneys for Channel Technologies Group, LLC, Debtor and
Debtor in Possession

8
9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re:
13 CHANNEL TECHNOLOGIES GROUP,
14 LLC,¹
15 Debtor.

Case No.: 9:16-bk-11912-PC
Chapter 11

**NOTICE TO COUNTERPARTIES TO
EXECUTORY CONTRACTS AND
UNEXPIRED LEASES THAT MAY BE
ASSUMED AND ASSIGNED**

Hearing
Date: [●]
Time: [●]
Place: Courtroom "201"
1415 State Street
Santa Barbara, CA 93101
Judge: Hon. Peter H. Carroll

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22 **PLEASE TAKE NOTICE** that on November 30, 2016, Channel Technologies Group, LLC,
the above-captioned debtor and debtor in possession ("CTG" or the "Debtor") filed the *Motion for*
23 *an Order Authorizing Debtor to Enter Into Asset Purchase Agreement and Sell Property Free and*
Clear Through Private Sale (the "MSI Sale Motion").² Pursuant to the MSI Sale Motion, the Debtor
24 seeks, *inter alia*, the Bankruptcy Court's approval of the sale of certain assets (the "Property")
heretofore used in connection with or arising out of the Debtor's operation at its facility at 543 Great
25 Road, Littleton, Massachusetts related to its MSI business, including the assumption and assignment
of various executory contracts and unexpired leases (the "Assigned Contracts"), to the proposed
26 buyer, MSI Transducers Corp. (the "Buyer"), free and clear of liens, claims, encumbrances and other
interests.

27
28 ¹ The last four digits of the Debtor's Tax Identification Number are: 0460. The Debtor's mailing address is: 879 Ward
Drive, Santa Barbara, CA 93111.

² Capitalized terms not otherwise defined herein shall have the meanings set forth in the Motion.

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

1 **PLEASE TAKE FURTHER NOTICE** that a hearing (the “Hearing”) on the MSI Sale
2 Motion has been set for **December 14, at 10:00 a.m. Pacific time** before the Honorable Peter H.
3 Carroll, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Central
4 District of California, Northern Division, 1415 State Street, Santa Barbara, California 93101,
5 Courtroom 201.

6 **PLEASE TAKE FURTHER NOTICE** that the amount shown on Exhibit A to this Notice
7 as the “Cure Cost” for each Assigned Contract listed on Exhibit A to which you are a party is the
8 amount, based upon the Debtor’s books and records, which the Debtor believes (if any) is owed to
9 cure any defaults existing under the Assigned Contract as of the Petition Date.³

10 **PLEASE TAKE FURTHER NOTICE** that the Debtor may exclude any agreement or
11 agreements from the list of Assigned Contracts at any time prior to the Hearing.

12 **PLEASE TAKE FURTHER NOTICE** that the Debtor has or will deliver a copy of the
13 MSI Sale Motion to you and will do so again by facsimile, email or overnight delivery if you request
14 a copy by email to Jeffrey W. Dulberg, Esq., at Pachulski Stang Ziehl & Jones LLP, 10100 Santa
15 Monica Boulevard, 13th Floor, Los Angeles, California 90067, jdulberg@pszjlaw.com. Such request
16 must specify how the information is to be transmitted.

17 **PLEASE TAKE FURTHER NOTICE** that if you disagree with the Cure Cost shown for
18 the Assigned Contract(s) on Exhibit A, or if you object to the assumption and assignment of your
19 Assigned Contract(s), you must file an objection in writing with the Bankruptcy Court, on or before
20 **[●], 2016, at 4:00 p.m. Pacific time**. In addition, any objection must set forth the specific default or
21 defaults alleged, set forth any such other ground for objection, and set forth the specific amount of
22 and supporting documentation for any Cure Cost as alleged by you.

23 **PLEASE TAKE FURTHER NOTICE** that any objection to the Cure Cost so filed must be
24 served so as to be actually received by that same date and time upon the following parties: (i) the
25 Debtor, Channel Technologies Group, LLC, 879 Ward Drive, Santa Barbara, CA 93111, Attn:
26 David Tiffany, Chief Restructuring Officer, email: david.tiffany@cr3partners.com, with a copy to
27 counsel for the Debtor, Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor,
28 Wilmington, Delaware 19801, Attn: Laura Davis Jones, email: ljones@pszjlaw.com and Pachulski
29 Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard, 13th Floor, Los Angeles, California
30 90067, Attn: Jeffrey W. Dulberg, email: jdulberg@pszjlaw.com; (ii) counsel to Blue Wolf Capital
31 Fund II, L.P., Holland & Knight LLP, 10 Saint James Avenue, 11th Floor, Boston, Massachusetts
32 02116, Attn: John Monaghan, email: john.monaghan@hkllaw.com; and (iii) counsel to the Buyer,
33 Sheehan Phinney Bass & Green PA, 1000 Elm Street, Manchester, NH 03101, Attn: Alan L.
34 Reische, Esq., email: areische@sheehan.com (collectively, the “Notice Parties”).

35 **PLEASE TAKE FURTHER NOTICE** that all other objections to the MSI Sale Motion
36 must be filed with the Court and served upon the Notice Parties so as to be actually received by no
37 later than **[●], 2016 at 4:00 p.m. Pacific time**.

38 **PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND
39 SERVE AN OBJECTION OR OBJECTIONS AS STATED ABOVE, THE COURT MAY
40 GRANT THE RELIEF REQUESTED IN THE MSI SALE MOTION WITHOUT FURTHER
41 NOTICE. ANY NON-DEBTOR PARTY TO ANY ASSIGNED CONTRACT WHO DOES
42 NOT FILE A TIMELY OBJECTION TO THE CURE COSTS FOR SUCH ASSIGNED
43 CONTRACT WILL BE DEEMED TO HAVE CONSENTED TO SUCH CURE COSTS, AND
44 ANY NON-DEBTOR PARTY TO ANY ASSIGNED CONTRACT WHO DOES NOT FILE A**

45 _____
46 ³ Your receipt of this notice does not constitute an admission by the Debtor or any other party that your agreement(s)
47 actually constitutes an executory contract or unexpired lease under section 365 of the Bankruptcy Code, and the Debtor
48 expressly reserves the right to challenge the characterization of any agreement(s) through the conclusion of the Hearing.

1 **TIMELY OBJECTION ON OTHER GROUNDS WILL BE DEEMED TO HAVE**
2 **CONSENTED TO SUCH ASSIGNMENT AND ASSUMPTION.**

3 Dated: [●], 2016

PACHULSKI STANG ZIEHL & JONES LLP

4 By /s/ Jeffrey W. Dulberg
5 Jeffrey W. Dulberg

6 Attorneys for Channel Technologies
7 Group, LLC, Debtor and Debtor in
8 Possession
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PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

EXHIBIT A

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

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 Blvd., 13th Floor, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **NOTICE OF MOTION AND MOTION FOR AN ORDER AUTHORIZING DEBTOR TO ENTER INTO ASSET PURCHASE AGREEMENT AND SELL PROPERTY FREE AND CLEAR THROUGH PRIVATE SALE; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF DAVID TIFFANY** 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 stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **November 30, 2016**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**:

On _____, I served the following persons and/or entities at the last known addresses 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 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

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) **November 30, 2016**, I served the following persons and/or entities by personal delivery, overnight mail service, 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, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

By Federal Express

The Honorable Peter H. Carroll
United States Bankruptcy Court
Central District of California
1415 State Street, Suite 230 / Ctrm. 201
Santa Barbara, CA 93101

Service information continued on attached page

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

November 30, 2016
Date

Myra Kulick
Printed Name

/s/ Myra Kulick
Signature

Mailing Information for Case 9:16-bk-11912-PC

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

- Daniel Denny ddenny@gibsondunn.com
- Brian D Fittipaldi brian.fittipaldi@usdoj.gov
- Michael S Greger mgreger@allenmatkins.com
- William W Huckins whuckins@allenmatkins.com, clynch@allenmatkins.com
- Elan S Levey elan.levey@usdoj.gov, louisalin@usdoj.gov
- David W. Meadows david@davidwmeadowslaw.com
- Samuel A Newman sneyman@gibsondunn.com
- Reed H Olmstead reed@olmstead.law, olmstead.ecf@gmail.com
- United States Trustee (ND) ustpregion16.nd.ecf@usdoj.gov
- Alan J Watson alan.watson@hklaw.com, gloria.hoshiko@hklaw.com

3. SERVED BY OVERNIGHT MAIL:

MSI Transducers Corp.
c/o Airmar Technology Corp.
35 Meadowbrook Drive
Milford, NH 03055
Attn: Matthew Boucher

Sheehan Phinney Bass & Green P A
1 000 Elm Street
Manchester, NH 03101
Attn: Alan L. Reische, Esq.

Channel Technologies Group, LLC
Ch 11 Case No.: 9:16-bk-11912-PC
2002 Service List

Debtor

Channel Technologies Group, LLC
Attn: David Tiffany
Chief Restructuring Officer
879 Ward Drive
Santa Barbara, CA 93111

Brian Fittipaldi, Esq.
United States Trustee
128 East Carrillo Street
Santa Barbara, CA 93101

United States Trustee
915 Wilshire Blvd., Suite 1850
Los Angeles, CA 90017

Charles Miller, Member
5916 Carnegie Lane
Plano, Texas 75093

CR3 Partners
Attn: William Snyder; David Tiffany;
Robert Carringer; Michael Nguyen
13727 Noel Road, Suite 200
Dallas, TX 75240

Claims Agent

Prime Clerk
Attn: Michael J. Frishberg
830 3rd Avenue
New York, NY 10022

Bank

CIT/One West
Gordon Lenarth, Director
Treasury Management Group
888 East Walnut Street
Pasadena, CA 91101
Email: gordon.lenarth@cit.com

Government Entities

Loretta E. Lynch
U.S. Attorney General
U.S. Dept. of Justice
950 Pennsylvania Avenue NW
Washington, D.C. 20530-0001

U.S. Dept. of Justice
Ben Franklin Station
P.O. Box 683
Washington, DC 20044

Eileen M. Decker, U.S. Attorney
Dorothy A. Schouten, AUSA, Civil Chief
Elan S. Levey, AUSA
United States Attorney's Office
Federal Building, Room 7516
300 North Los Angeles Street
Los Angeles, CA 90012

Kamala D. Harris
State of California
Office of the Attorney General
1300 "I" Street
Sacramento, CA 95814-2919

Felix E. Leatherwood
Supervising Deputy AG
Brain D. Wesley, Deputy AG
300 South Spring Street, Suite 1702
Los Angeles, CA 90013

DFAS
Attn: Office of the General Counsel
8899 East 56th Street
Indianapolis, IN 46349-0160

Internal Revenue Service
P.O. Box 7346
Philadelphia, PA 19101-7346

Internal Revenue Service
1332 Anacapa St.
Santa Barbara, CA 93101

CA Franchise Tax Board
BK Section, MS: A-340
P.O. Box 2952
Sacramento, CA 95812-2952

Littleton Massachusetts Chief Assessor
Attn: Katherine Miller
37 Shattuck Street, Room 206
Littleton, MA 01460

Littleton Massachusetts Tax Collector
Attn: Deborah Richards
37 Shattuck Street, Room 207
Littleton, MA 01460

CA Franchise Tax Board
P.O. Box 942857
Sacramento, CA 95812-2952

Santa Barbara County Tax Collector
Attn: Harry E. Hagen
105 East Anapamu Street, Suite 109
Santa Barbara, CA 93102

Employment Development Dept.
Bankruptcy Group MIC 92E
P.O. Box 826880
Sacramento, CA 94280-0001

State Board of Equalization
Special Operations BK Team, MIC: 74
P.O. Box 942879
Sacramento, CA 94279-0074

Massachusetts Dept. of Revenue
P.O. Box 9550
Boston, MA 02114-9550

Massachusetts Dept. of Revenue
P.O. Box 7010
Boston, MA 02204

TOP 20 LARGEST

BAE Systems
Attn: Kim Dean
65 River Road
Hudson, NH 03051-5228

SCIENCE APPLICATION INT'L CORP.
Attn: Laura Hyden
151 Lafayette Drive, Suite 301
P.O. Box 2501
Oak Ridge, TN 37830

PRECISION SCREW MACHINE
PRODUCTS, INC.
Attn: Joseph A. Moreshead
30 GOOCH STREET
P.O. BOX 1944
BIDDEFORD, ME 04005

ALION
Attn: Paul Hendryz
1000 Burr Ridge Parkway
Suite 202
Burr Ridge, IL 60527

LEIDOS
Attn: Kristin M. Grimes, Legal Dept.
11955 Freedom Drive, 16th Floor
Reston, VA 20190

ADVANCED GEOENVIRONMENTAL, INC.
2300 KNOLL DR., UNIT L
VENTURA, CA 93003

HERAEUS PRECIOUS METALS
NORTH AMERICA
Attn: Ryan Hermann
24 UNION HILL ROAD
WEST CONSHOHOCKEN, PA 19428

MEL CHEMICALS
Attn: Patricia Jones
14271 Collection Center Drive
Chicago, IL 60693

CNC MACHINING, INC.
Attn: Greg Brous, President/CEO Admin.
510 S. Fairview Avenue
Goleta, CA 93117

KAYO DENSHI CO., LTD.
Attn: Ms. Chieko Murakami
5-19-13 Suneori-cho
Tsurugashima, Saitama 350-2211
Japan

VALUE BASED SOLUTIONS
Attn: Roland Ciaramitaro
1651 Crossings Parkway
Suites B & C
Westlake, OH 44145

ASTRO INDUSTRIES, INC.
Attn: A. Hinders
4403 DAYTON XENIA ROAD
BEAVERCREEK, OH 45432

CAL WEST ENVIRONMENTAL
Attn: Cathy Williams
2386 First Street
La Verne, CA 91750-5545

PHOENIX INTL HOLDINGS, INC.
Attn: O.Glover/Ken Pollock
9301 Largo Drive West
Largo, MD 20774

NRL & ASSOCIATES, INC.
Attn: Jeff Rumsey
245 Log Canoe Circle, Suite I
Stevensville, MD 21666

MI-TECH METALS, INC.
Attn: Kathi Slaughter
4701 Massachusetts Avenue
Indianapolis, IN 46218-3144

GRAINGER
Attn: Tracy Dillon
101 S. Rice Road
Oxnard, CA 93030

MORGAN TECHNICAL CERAMICS
Attn: Kay Griffiths
Vauxhall Industrial Estate LL14
6HY Ruabon Wrexham
United Kingdom

GLENAIR, INC.
Attn: Pam Ama-Hawkins
1211 Air Way
Glendale, CA 91201

MISSION UNIFORM SERVICE
Attn: William Slade
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Request for Special Notice

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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