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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: February 15, 2017

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., 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 *Bill of Sale and Purchase Agreement* dated January 25, 2017 (the
3 “APA”), a copy of which is attached hereto as **Exhibit “B,”**² between the Debtor, as seller, and BAE
4 Systems Information and Electronic Systems Integration Inc., as buyer (the “Buyer”); (b) authorizing
5 the private sale (the “Sale”) of the assets set forth in the APA (the “Property”) to Buyer free and
6 clear of all liens, claims, rights, encumbrances, and other interests (“Interests”) pursuant to sections
7 105, 363(b) and 363(f) of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure
8 6004(f)(1) and 9019, for cash consideration in the amount of \$800,000 (the “Purchase Price”); and
9 (c) granting related relief.

10 **PLEASE TAKE FURTHER NOTICE** that, pursuant to the APA, any applicable sales,
11 purchase, transfer, stamp, documentary stamp, use or similar taxes which may be payable by reason
12 of the sale or transfer of the Property shall be borne and paid by the Buyer.

13 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on and supported by this
14 Notice, the attached Memorandum of Points and Authorities, the attached Declaration of David
15 Tiffany, Chief Restructuring Officer of the Debtor (the “Tiffany Declaration”), and the record in this
16 case. In addition, the Debtor requests that the Court take judicial notice of all documents filed with
17 the Court in this case.

18 **PLEASE TAKE FURTHER NOTICE** that the Debtor has requested that a hearing (the
19 “Hearing”) on the Motion be held on February 15, 2017 at 10:00 a.m. in Courtroom 201, 1415 State
20 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 if a response is not timely filed and served, the
24 Debtor will request that the court grant the relief requested in the Motion without further notice or
25 hearing.

26 **PLEASE TAKE FURTHER NOTICE** that if a response is timely filed and served upon the
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 Debtor's counsel, the Court, in its discretion, may treat the initial hearing as a status conference if it
2 determines that the Motion involves disputed factual issues or will require presentation of substantial
3 evidence or argument.

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

7 Dated: January 27, 2017

PACHULSKI STANG ZIEHL & JONES LLP

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

11 Attorneys for Channel Technologies
12 Group, LLC, Debtor and Debtor in
13 Possession
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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 previously operated a second manufacturing site with respect to its MSI subdivision (the assets
18 of which were previously sold in this case) in Littleton, Massachusetts. The Debtor supplies its
19 products to a variety of end-users, including the U.S. Navy and energy services companies. Among
20 the Debtor's customers are some of the largest United States defense contractors, including Northrop
21 Grumman, Lockheed Martin and Raytheon.

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

1 equipment and research and development.

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

4 **C. The Property**

5 The Buyer is one of the Debtor's customers. Its program was vertically integrated within the
6 Debtor's business and involved the manufacture of both ceramics and transducers. The Property
7 consists of inventory, supplies, work in process, documentation, tooling and equipment and other
8 personal property, files, drawings, and other intellectual property specifically described on Exhibits
9 A and B attached to the APA and related to the Buyer's customer program with the Debtor.

10 The Debtor has conducted a UCC search of purported lienholders of the Property in
11 conjunction with the proposed Sale of the Property. The only party asserting a lien on the Property
12 of which the Debtor is aware is Blue Wolf Capital Fund II, L.P. ("Blue Wolf").

13 **D. The APA**

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

- 17 a. Purchase Price. The consideration to be paid by Buyer to the Debtor for the
18 Property shall be cash in an amount equal to eight hundred thousand dollars
19 (\$800,000.00) (the "Purchase Price"), paid in the following installments: (i) a
20 \$100,000 deposit upon execution of the APA (the "Deposit"); (ii) \$500,000
21 upon satisfaction of closing conditions under the APA; and (iii) \$200,000
22 upon the delivery of certain assets to be delivered after the closing.
- 23 b. 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
Property under the APA shall be borne and paid by Buyer.
- 28 c. 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).
- d. "AS IS" Transaction. Buyer acknowledges and agrees that, except only as set
forth in the APA, Buyer makes no representations or warranties whatsoever,

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

1 express or implied, with respect to the Property being purchased by Buyer
2 (including, without limitation, income to be derived or expenses to be incurred
3 in connection with the Property, the physical condition of the Personal
4 Property, the value of the Property (or any portion thereof), the
5 merchantability or fitness of the Property for any particular purpose, or any
6 other matter or thing whatsoever concerning the Property (whether relating to
7 the physical condition of the Property or otherwise). Buyer further
8 acknowledges that Buyer has conducted an independent inspection and
9 investigation of the Property and all such other matters relating to or affecting
10 the Property as Buyer deemed necessary or appropriate and Buyer is acquiring
11 the Property based solely upon such independent inspections and
12 investigations.

13 e. Deadlines. The APA provides that the deadline to obtain approval of the Sale
14 and APA is February 17, 2017 and that the deadline to close the Sale is
15 February 28, 2017.

16 f. Pre-Closing Use of IP. Concurrently with the Debtor's receipt of the Deposit,
17 the Debtor shall deliver to Buyer certain intellectual property (the "OTAA
18 Data") for Buyer's use for certain purposes pending the closing subject to the
19 conditions set forth in the APA. Upon the occurrence of the Closing, (i) the
20 Debtor's right, title and interest in the OTAA Data shall be included as part of
21 the Property to be transferred at the closing, and (ii) Buyer's liability to the
22 Debtor for any breaches or defaults by third parties who have received the
23 OTAA Data (or any portion thereof) shall terminate.

24 g. Vendor Provisions. Concurrently with the closing, the Debtor shall deliver to:
25 (i) vendor, Meridian Industrial Group ("MIG") (xx) written notice advising
26 MIG of the sale and transfer to Buyer of any interest of the Debtor in and to
27 any materials funded or paid for by the Debtor under certain outstanding
28 purchase orders (the "MIG Purchase Orders"), and (yy) a written release of
MIG by the Debtor with respect to any further liability to the Debtor under the
MIG Purchase Orders and an express statement and agreement by MIG and
the Debtor that Buyer is not assuming and shall not have any liability or
obligation with respect to the MIG Purchase Orders; and (ii) its boot supplier,
Ames Rubber Manufacturing Co., of the Debtor's transfer to Buyer of the
Debtor's right, title and interest in certain molds to Buyer.

h. Limitation on Future Distribution on Account of Buyer's Proof of Claim in
the Case; Mutual Release. Effective upon the closing, the Debtor and Buyer
agree that Buyer may, as Buyer's sole and exclusive remaining right, claim or
remedy against the Debtor Seller for any matters other than any claims arising
directly under this Agreement, file a proof of claim as a general unsecured
creditor in the case in an amount not to exceed \$500,000 pursuant to Rules
3001 and 3002 of the Federal Rules of Bankruptcy Procedure and receive as a
general unsecured creditor in the Case whatever pro rata distribution Buyer
may ultimately be entitled to on account of such proof of claim. Effective
upon the Closing and except only as to Buyer's right to file a proof of claim
as provided in the immediately preceding sentence, Buyer and the Debtor
each waive and fully release and discharge any and all rights, claims, causes
of action, demands, setoffs and interests of whatever type or kind (whether
arising in contract or otherwise, whether at law or in equity, and whether
liquidated or contingent) it may now have or hold or may at any time
heretofore have had or held against the other.

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, and particularly given the circumstances, the Sale will provide maximum value to

1 the Debtor under the current circumstances. The fairness and reasonableness of the consideration to
2 be paid by the Buyer is demonstrated by the marketing efforts that the Debtor has undertaken,
3 followed by a fair and reasonable sale process. The sale of the Property is supported by sound
4 business reasons and is in the best interests of the Debtor and its estate. Accordingly, the Debtor
5 requests approval under 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 arm's length and, to the best of the Debtor's
8 information and belief, without collusion or fraud of any kind. The Debtor's chief restructuring
9 officer and his assistants provided by CR3 Partners, LLC ("CR3") have been marketing the Debtor's
10 assets to a number of parties since October. Among other efforts, CR3 reached out to several of the
11 Debtor's customers regarding the transition away from their prior relationships with CTG. The
12 Debtor has received various offers for different portions of its assets. Based on this process, the
13 Debtor believes that the Buyer is willing to pay the most for the Property. The Property primarily
14 relates to the production activities the Debtor was performing for the Buyer and is important to the
15 Buyer's own ability to fulfill its other obligations to third parties. Accordingly, the Debtor believes
16 the Buyer is best positioned to pay, and is paying, the highest and best value for the Property.

17 Therefore, the Buyer's bid was selected for the following reasons, among others: (a) the Buyer
18 offered fair consideration; (b) the Buyer's demonstrated ability to close the transaction promptly;
19 (c) the Buyer is already familiar with the Debtor's assets and operations due to its having been a
20 long-time customer of the Debtor; and (d) the Property is program specific, meaning that the assets
21 constituting the Property are not general assets that are easily used in a variety of functions or
22 programs, but rather is of greatest value to the Buyer. The Debtor initially approached the Buyer
23 about a potential transaction on or about November 9, 2016. Once the parties agreed on principal
24 terms, the parties (each represented by counsel) negotiated the APA for several weeks, resulting in
25 substantial give and take by both parties. Accordingly, this Court should find that Buyer acted in
26 good faith within the meaning of section 363(m) of the Bankruptcy Code. *See generally Ewell v.*
27 *Diebert (In re Ewell)*, 958 F.2d 276, 280 (9th Cir. 1992); *Marin v. Coated Sales, Inc., (In re Coated*
28 *Sales, Inc.)*, No. 89 Civ. 3704 (KMW), 1990 WL 212899 (S.D.N.Y. Dec. 13, 1990) (holding that to

1 show lack of good faith, a party must demonstrate “fraud, collusion, or an attempt to take grossly
2 unfair advantage of other bidders”); *see also In re Sassoon Jeans, Inc.*, 90 B.R. 608, 610 (S.D.N.Y.
3 1988) (quoting *In re Bel Air Assocs., Ltd.*, 706 F.2d 301, 305 (10th Cir. 1983)); *In re Pisces Leasing*
4 *Corp.*, 66 B.R. 671, 673 (E.D.N.Y. 1986) (examining the facts of each case, concentrating on the
5 “integrity of [an actor’s] conduct during the sale proceedings” (quoting *In re Rock Indus. Machinery*
6 *Corp.*, 572 F.2d 1195, 1998 (7th Cir. 1978)).

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

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

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

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

24 11 U.S.C. § 363(f). Because section 363(f) of the Bankruptcy Code is written in the disjunctive, any
25 one of these five conditions provides authority to sell the Property free and clear of liens. *See*
26 *Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (E.D. Pa. 1988).

27 As discussed above, the only Interests encumbering the Property of which the Debtor is
28 aware is the lien of Blue Wolf.

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

4 **D. The APA Satisfies the Standards Under Bankruptcy Rule 9019**

5 In determining the fairness, reasonableness, and adequacy of a proposed settlement
6 agreement, a court should consider the following factors: (1) the probability of success in litigation;
7 (2) the difficulties, if any, to be encountered in the matter of collection; (3) the complexity of the
8 litigation involved and the expense, inconvenience and delay necessarily attending it; and (4) the
9 paramount interest of the creditors and the proper deference to their reasonable views in the premises
10 (collectively, the “Woodson Factors”). See *Woodson v. Fireman’s Fund Ins. Co. (In re Woodson)*,
11 839 F. 2d 610, 620 (9th Cir. 1988) (quoting *A & C Props.*, 784 F.2d at 1380). It is not necessary that
12 the conclusions reached in the consideration of each of the Woodson Factors support the settlement,
13 but taken as a whole, those conclusions must favor the approval of the settlement. See *Pacific Gas*,
14 304 B.R. at 417 (citing *In re WCI Cable, Inc.*, 282 B.R. 457, 473-74 (Bankr. D. Or. 2002)).

15 As noted above, as part of the parties’ agreements under the APA, the Debtor proposes to
16 release the Buyer of any liability related to the parties’ dealings in exchange for the Buyer’s
17 agreement to limit its right to seek a distribution in the case to filing a proof of claim for a general
18 unsecured claim no greater than \$500,000. After due diligence, the Debtor is unaware of any claims
19 against the Buyer. It is in the best interests of the estate, therefore, to give the proposed release to
20 the Buyer in exchange for the Buyer’s agreement to cap its claim.

21 **E. The Court Should Authorize the Sale of the Property Pursuant to a Private Sale Under**
22 **Bankruptcy Rule 6004(f)(1)**

23 Bankruptcy Rule 6004(f)(1) authorizes the Court to approve the sale of estate property in
24 connection with a private sale (“All sales not in the ordinary course of business may be by private
25 sale or by public auction”). The circumstances of this case justify sale of the Property through a
26 private sale to Buyer. As discussed above, the Property is specialized for relatively narrow
27 applications that are mission critical for the Buyer. The Debtor believes the Buyer will pay the
28 highest and best consideration for the Property and the offer by Buyer as set forth in the APA is the

1 best offer received, or expected by the Debtor to be received, for such assets.

2 **F. Waiver of Bankruptcy Rule 6004(a) and 6004(h)**

3 To implement the foregoing successfully, the Debtor requests that the Court enter an order
4 providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the
5 Debtor has established cause to exclude such relief from the 14-day stay period under Bankruptcy
6 Rule 6004(h). The Buyer's obligation to perform under the APA is conditioned upon entry of an
7 order approving the transaction by February 17, 2017 and the closing taking place by February 28,
8 2017, to ensure that the Buyer can timely perform obligations to its customers. As discussed above,
9 the Debtor believes that the consideration offered by the Buyer is the most that the Debtor is likely to
10 receive for the Property. Accordingly, the Debtor requests that Rule 6004(h) be waived so the Sale
11 may be closed by the drop-dead date in the APA of February 28, 2017.

12 **G. Notice**

13 In accordance with the Court's *Order Granting Emergency Motion Limiting Notice* [Dkt.
14 No. 62], entered October 20, 2016, a copy of this Motion has been given to the following parties or
15 their counsel, if known: (a) the Office of the United States Trustee, (b) the creditors appearing on the
16 list filed in accordance with Bankruptcy Rule 1007(d) by the Debtor, (c) the United States of
17 America by service to the Attorney General of the United States and the United States Attorney for
18 the Central District of California, (d) parties that have filed with the Court and served upon the
19 Debtor requests for notice of all matters in accordance with Bankruptcy Rule 2002(i), (e) Blue Wolf,
20 (f) the Buyer, and (g) other known parties that may assert an interest in the Property.

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III.

CONCLUSION

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

Dated: January 27, 2017

PACHULSKI STANG ZIEHL & JONES LLP

By /s/ Jeffrey W. Dulberg
Jeffrey W. Dulberg

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

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

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
7 debtor-in-possession ("CTG" or the "Debtor"). If I were called to testify as a witness in this matter,
8 I could 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. I and my assistants provided by CR3 Partners, LLC ("CR3") have been
21 marketing the Debtor's assets to a number of parties since October. Among other efforts, CR3
22 reached out to several of the Debtor's customers regarding the transition away from their prior
23 relationships with CTG. The Debtor has received various offers for different portions of its assets.
24 Based on this process, the Debtor believes that BAE Systems Information and Electronic Systems
25 Integration Inc., as buyer (the "Buyer"), is willing to pay the most for the Property. The Property
26 primarily relates to the production activities the Debtor was performing for the Buyer and is
27 important to the Buyer's own ability to fulfill its other obligations to third parties. Accordingly, the
28 Debtor believes the Buyer is best positioned to pay, and is paying, the highest and best value for the

1 Property. Therefore, the Buyer's bid was selected for the following reasons, among others: (a) the
2 Buyer offered fair consideration; (b) the Buyer's demonstrated ability to close the transaction
3 promptly; (c) the Buyer is already familiar with the Debtor's assets and operations due to its having
4 been a long-time customer of the Debtor; and (d) the Property is program specific, meaning that the
5 assets constituting the Property are not general assets that are easily used in a variety of functions or
6 programs, but rather is of greatest value to the Buyer. The Debtor initially approached the Buyer
7 about a potential transaction on or about November 9, 2016. Once the parties agreed on principal
8 terms, the parties (each represented by counsel) negotiated the APA for several weeks, resulting in
9 substantial give and take by both parties.

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

13 5. The Debtor has conducted a UCC search of purported lienholders of the
14 Property in conjunction with the proposed Sale of the Property. The only party asserting a lien on
15 the Property of which the Debtor is aware is Blue Wolf Capital Fund II, L.P. ("Blue Wolf").

16 6. The offer by Buyer as set forth in the APA is the best offer received for such
17 assets. To the best of my knowledge, neither the Debtor nor CR3 has been contacted by any
18 potential overbidder. In my business judgment, there are no viable alternative purchasers for the
19 Property.

20 7. The Buyer's obligation to perform under the APA is conditioned upon entry
21 of an order approving the transaction by February 17, 2017 and the closing taking place by February
22 28, 2017, to ensure that the Buyer can timely perform obligations to its customers. As discussed
23 above, I believe that the consideration offered by the Buyer is the most that the Debtor is likely to
24 receive for the Property.

25 8. To the best of my knowledge and upon review, I am unaware of any claims of
26 the Debtor against the Buyer.

27 9. For the foregoing reasons, I believe that the Sale is supported by reasonable
28 business judgment and is in the best interests of the estate.

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

Executed this 27 day of January, 2017 at Santa Barbara, California.



DAVID TIFFANY

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

EXHIBIT A

1 Laura Davis Jones (DE Bar No. 2436) (*Admitted Pro Hac Vice*)
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7 Attorneys for Channel Technologies Group, LLC, Debtor and
Debtor in Possession

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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

**ORDER AUTHORIZING DEBTOR TO
ENTER INTO ASSET PURCHASE
AGREEMENT AND SELL PROPERTY FREE
AND CLEAR THROUGH PRIVATE SALE TO
BAE SYSTEMS INFORMATION AND
ELECTRONIC SYSTEMS INTEGRATION,
INC.**

Hearing

Date: February 15, 2017

Time: 10:00 a.m.

Place: Courtroom "201"

1415 State Street
Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

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22 **THIS MATTER CAME BEFORE THE COURT** at the above-captioned date and time
23 before the Honorable Peter H. Carroll, United States Bankruptcy Judge, to consider the *Motion for*
24 *Order Authorizing Debtor to Enter Into Asset Purchase Agreement and Sell Property Free and*
25 *Clear Through Private Sale to BAE Systems Information and Electronic Systems Integration, Inc.*
26 [Dkt. No. ____] (the "Motion"), filed on January 27, 2017.² The Court having considered the Motion
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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 and the Declaration of David Tiffany in support thereof, and finding that notice of the Motion was
2 appropriate and sufficient and that no other notice need be given, after due deliberation and
3 sufficient cause appearing therefor

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

5 A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
6 §§ 157 and 1334.

7 B. Venue of this case in this district is proper pursuant to 28 U.S.C. §§ 1408 and
8 1409(a).

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

11 D. The statutory predicates for the relief requested herein are section 363 of the
12 Bankruptcy Code and Bankruptcy Rules 2002, 6004 and 9019.

13 E. Proper, timely, adequate and sufficient notice of the Motion has been provided in
14 accordance with Sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004
15 and 9019 and no other or further notice of the Motion is required.

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

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

26 H. The transfer of the Property to BAE Systems Information and Electronic Systems

27 _____
28 ³ As used herein, "APA" shall mean that certain Bill of Sale and Purchase Agreement dated January 25, 2017, 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 Integration, Inc. (the “Buyer”) pursuant to the APA is a valid, legal and effective transfer of the
2 Property to the Buyer, free and clear of all liens, claims, interests and encumbrances whatsoever
3 (other than the lien of current taxes not yet payable with respect to any Property) (collectively,
4 “Interests”) under section 363(f) of the Bankruptcy Code.

5 I. The Debtor may sell the Property free and clear of all Interests because, in each case,
6 one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been
7 satisfied. Those holders of Interests who did not object, or who withdrew their objections, to the
8 Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Those
9 holders of Interests who did object are adequately protected by having their Interests, if any, attach
10 to the proceeds of the sale, with the same validity and priority as existed prior to the sale.

11 J. The APA is necessary to effectuate the transfer of the Property to the Buyer and the
12 other transactions contemplated in the APA and is enforceable pursuant to its terms and applicable
13 law.

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

21 L. The Debtor has full corporate power and authority to execute and deliver the APA,
22 and documents contemplated thereby and to perform the transactions contemplated thereby; no
23 consents or approvals, other than those expressly provided for in the APA, are required for the
24 Debtor to consummate the Sale.

25 M. The consideration to be paid by the Buyer under the APA constitutes reasonably
26 equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United
27 States, and any state, territory or possession of the United States or the District of Columbia.

28 N. The APA was negotiated, proposed and entered into in a non-collusive, good faith,

1 “arm’s-length” manner by the Debtor and the Buyer. The transaction proposed in the APA
2 constitutes the highest or otherwise best offer for the Property received by the Debtor. Buyer is a
3 good faith Buyer of the Property. The Buyer is entitled to the protections of a good faith purchaser
4 pursuant to section 363(m) of the Bankruptcy Code with respect to the transactions approved hereby.

5 O. Authorizing the Sale as a private sale is justified by the exigent circumstances,
6 including the Debtor’s marketing efforts, the lengthy arm’s length negotiations between the parties
7 each represented by counsel and the Debtor’s anticipated cessation of operations as part of its
8 contemplated sales and wind down.

9 P. The Buyer would not have entered into the APA and would not consummate the
10 transactions contemplated thereby, thus adversely affecting the Debtor, its estate and its creditors, if
11 the sale of the Property to the Buyer was not free and clear of all Interests of any kind or nature
12 whatsoever, or if the Buyer would, or in the future could, be liable for any of the Interests.

13 Q. The Debtor does not have any interest in the Buyer or any party affiliated with the
14 Buyer.

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

17 S. Time is of the essence in consummating the sale. In order to maximize the value of
18 the Property and preserve the viability of the business as a going concern, it is essential that the sale
19 of the Property occur immediately. Accordingly, there is cause to determine inapplicable the stay
20 contemplated by Bankruptcy Rule 6004(h).

21 T. Approval of the APA and consummation of the Sale at this time are in the best
22 interests of the Debtor, its creditors, its estate and other parties in interest.

23 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS**
24 **FOLLOWS:**

- 25 1. The Motion is granted and approved in all respects.
- 26 2. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
27 § 1334.
- 28 3. As evidenced by the declarations of service previously filed with this Court, proper,

1 timely, adequate and sufficient notice of the Motion, the Hearing and the Sale has been provided in
2 accordance with sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004
3 and 9019, and no other or further notice of the Motion, the Hearing or of the entry of this order is
4 required.

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

6 5. Where appropriate herein, findings of fact shall be deemed conclusions of law and
7 conclusions of law shall be deemed findings of fact.

8 6. Each and every term and provision of this Order shall be binding in all respects upon
9 the Buyer, the Debtor, the Debtor's bankruptcy estate, any trustee who may be appointed after entry
10 of this Order, its creditors, and all individuals or entities holding an interest in the Debtor, including,
11 without limitation, any entity purporting to hold an Interest in the Buyer.

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

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

1 contemplated thereby and hereby.

2 9. As and to the extent provided for in the APA, upon the Closing Date, all right, title
3 and interest in and to the Property shall be immediately vested in the Buyer pursuant to section
4 363(b) and (f) of the Bankruptcy Code free and clear of Interests.

5 10. Effective upon the Closing Date, any Interests against the Property shall attach to the
6 proceeds of the APA with the same extent, validity, priority and effect, if any, as the Interests
7 formerly had against the Property, subject to the Debtor's ability to challenge the extent, validity,
8 priority and effect of the Interests (except to the extent such ability is limited by any financing
9 order).

10 11. This Order is and shall be effective as a determination that all Interests existing as to
11 the Property conveyed to the Buyer have, effective as of the Closing Date, been and hereby are
12 terminated and declared to be unconditionally released, discharged and terminated, and such
13 determination shall be binding upon and govern the acts of all entities, including all filing agents,
14 filing officers, administrative agencies or units, governmental departments or units, secretaries of
15 state, federal, state and local officials and all other persons and entities who may be required by
16 operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or
17 release any documents or instruments, or who may be required to report or insure any title or state of
18 title in or to the Property conveyed to the Buyer. Each of the Buyer and the Debtor may take such
19 further steps and execute such further documents, assignments, instruments and papers to implement
20 and effectuate the transactions contemplated in this paragraph. All Interests of record as of the date
21 of this Order and the Closing Date shall be forthwith removed and stricken as against the Property.

22 12. The Buyer shall not be liable for any claims against the Debtor, its predecessors or
23 affiliates, and the Buyer shall have no successor or vicarious liabilities of any kind or character
24 whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed
25 or contingent, with respect to the Debtor. Under no circumstance will the Buyer be deemed a
26 successor of or to the Debtor for any Interest against the Debtor or the Property, and the Buyer shall
27 have no liability as a successor to the Debtor. The sale, transfer, assignment and delivery of the
28 Property shall not be subject to any Interests.

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

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

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

17 16. The APA may be modified, amended, or supplemented by the parties thereto, in a
18 writing signed by the parties in accordance with the terms thereof without further order of the Court,
19 provided that any such modification, amendment, or supplement is immaterial and the Debtor is
20 authorized to execute any additional documents reasonably necessary to consummate the
21 transactions set forth in the APA.

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

28 18. No bulk sales law, or similar law of any state or other jurisdiction shall apply in any

1 way to the transactions contemplated by the APA, the Motion or this Order.

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

7 20. This Court retains jurisdiction to:

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

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

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

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

17 21. Notwithstanding Bankruptcy Rules 6004 and 7062, this Order shall be effective and
18 enforceable immediately upon entry and its provisions shall be self-executing, and the Motion or
19 notice thereof shall be deemed to provide sufficient notice of the Debtors' request for waiver of the
20 otherwise applicable stay of the order. This Order shall be effective immediately upon entry
21 pursuant to Rule 7062 and 9014 of the Federal Rules of Bankruptcy Procedure.

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EXHIBIT B

BILL OF SALE AND PURCHASE AGREEMENT

THIS BILL OF SALE AND PURCHASE AGREEMENT (the "**Agreement**") is made and entered into as of the 25th day of January, 2017, by and between BAE Systems Information and Electronic Systems Integration Inc., a Delaware 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. Upon satisfaction of the Closing Conditions, Seller is selling to Buyer and Buyer is acquiring from Seller all of Seller's right, title and interest in and to (i) the inventory, supplies, work in process, documentation, tooling and equipment and other personal property specifically described on **Exhibit "A"** and, to the extent it includes items not already reflected on Exhibit "A," **Exhibit "D"** attached hereto and incorporated herein by this reference (collectively, the "**Personal Property**"), (ii) the files, drawings, and other intellectual property specifically described on **Exhibit "B"** attached hereto and incorporated herein by this reference (collectively, the "**IP**"), and (iii) the other items specifically described on **Exhibit "C"** attached hereto and incorporated herein by this reference (collectively, the "**Subsequent Delivery Assets**") (such right, title and interest of Seller in the Personal Property, the IP and the Subsequent Delivery Assets is collectively referred to herein as the "**Property**"). For the avoidance of all doubt, the Property shall not include any assets, rights, claims, causes of action, or interests of Seller other than those specifically described or listed on **Exhibits "A," "B," "C," and "D"** hereto.

B. Buyer and Seller wish to provide for the transfer of such right, title and interest in and to the Property and for other terms and conditions applicable to such transfer.

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

1. Transfer of Assets. Subject to and upon the terms, conditions, disclaimers and acknowledgments hereinafter set forth (including, without limitation, those provisions set forth in Section 4 and the conditions set forth in Sections 5 and 6, below (collectively, the "**Closing Conditions**")), Seller hereby sells, assigns, transfers, conveys and delivers to Buyer the Property and, with the exception of the Microsoft Access Database described in Section 2(c) of this Agreement (of which Buyer acknowledges it will be receiving only a copy and the right to use, or authorize others to use, and not

ownership of any kind of the underlying database), Seller shall not sell, assign, transfer, convey or deliver any such Property to any other party so long as this Agreement has not been terminated by either party hereto.

2. Purchase Price. The cash purchase price for the Property shall be \$800,000.00 (the "**Purchase Price**"), which Buyer shall pay to Seller as follows:

(a) Concurrently with the mutual execution and delivery of this Agreement, Buyer shall deliver to Seller's counsel (in accordance with written wire transfer instructions to be provided by Seller's counsel) a deposit in the amount of \$100,000.00 (the "**Deposit**") to be held in trust by Seller's counsel for the benefit of **Buyer and for the benefit of Seller** upon (i) satisfaction of the Closing Conditions, or (ii) any failure of the Closing to occur by reason of a breach or default by Buyer hereunder. Both Buyer and Seller acknowledge and agree in favor of Seller's counsel that (i) in the event of any dispute whatsoever regarding the disposition of the Deposit, Seller's counsel shall have the right, in its sole discretion, to deposit the Deposit with the Bankruptcy Court and interplead the Deposit and dispute to be resolved by the Bankruptcy Court and, (ii) upon so interpleading the Deposit and dispute, Seller's counsel shall be released and relieved of any further obligation whatsoever with respect to the Deposit and such dispute. The Deposit shall be delivered to Seller concurrently with the consummation of the transaction contemplated herein (such consummation, the "**Closing**") and shall, at such time, be credited and applied toward payment of the Purchase Price. In the event that the Closing fails to occur by reason of the failure of any condition set forth herein (where such failure is not the result of a default of Buyer's obligations under this Agreement), Buyer shall be entitled to the prompt return of the Deposit.

(b) Concurrently with the satisfaction of the last of the Closing Conditions, Buyer shall pay to Seller in accordance with such written wiring instructions as Seller shall hereafter provide to Buyer (the "**Seller Wiring Instructions**") the amount of \$500,000.00.

3. The \$200,000.00 balance of the Purchase Price shall be paid to Seller in accordance with the following: (i) Concurrently with Seller's delivery of possession of the Subsequent Delivery Assets specifically listed or described in Item No. 1 on **Exhibit "C"** (the "**Iron Mountain Materials**") to Buyer's designated shipping company (the "**Carrier**") for shipping to Buyer at such address as Buyer may specify in writing, Buyer shall pay to Seller (without any offset or deduction of any kind) in accordance with the Seller Wiring Instructions the sum of \$100,000.00; and (ii) Concurrently with Buyer's receipt of the Subsequent Delivery Assets specifically listed or described in Item No. 2 on **Exhibit "C"** (the "**Plex Information**"), Buyer shall pay to Seller (without any offset or deduction of any kind) in accordance with the Seller Wiring Instructions the sum of \$100,000.00. With respect to Item No. 2 on Exhibit "C" (i.e., the Microsoft Access Database), until the Microsoft Access Database is delivered to Buyer, Seller shall allow Buyer to use and access, without charge to Buyer, Seller's database containing the information to be included and delivered as part of the copy of the Microsoft Access Database to be delivered to Buyer. Shipments shall be made "Freight Collect" with Buyer responsible for directly reimbursing the Carrier and for all matters relating to

insurance for the Property and such shipment and delivery. Seller shall use commercially reasonable efforts to deliver the Iron Mountain Materials to Buyer in the manner contemplated herein promptly following the Closing and, in any event, by no later than thirty (30) days following the Closing and the copy of the PLEX Information to Buyer in the manner contemplated herein within sixty (60) days following the Closing.

3. Seller's Representations and Warranties. Seller hereby makes the following representations and warranties to Buyer, with such representations limited to the actual knowledge of David Tiffany, its Chief Restructuring Officer, and after inquiry of only Greg Hutchison, Bob Perino and Peter Perotte (if and to the extent such individuals are employees of Seller as of the mutual execution and delivery of this Agreement) regarding only their respective knowledge of the matters set forth in Sections 3(a) and (b) below:

(a) 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. Subject to entry of the Sale Order, Seller has the power and authority to execute, deliver and perform this Agreement.

(b) No Conflict. Subject to the entry of the Sale 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) materially 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) materially violate or conflict with or constitute a material 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.

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

(a) Organization, Standing and Power. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Buyer has the power and authority to execute, deliver and perform this Agreement.

(b) No Conflict. 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) materially 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) materially 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.

5. Sales, Use and Other Taxes. In addition to the Purchase Price, Buyer shall (i) bear and pay any and all sales, purchases, transfer, stamp, documentary stamp, use or similar taxes under the laws of the state(s) where the Property (or any portion thereof) is located, or any subdivision of any such state(s), which are or will be payable by reason of the sale and transfer of the Property (collectively, "**Transfer Taxes**"), and (ii) indemnify, defend, protect, and save and hold Seller harmless of, from and against any and all claims, demands, causes of action, actions, liabilities, obligations, losses, costs and expenses (including, without limitation, court or tribunal costs and reasonable attorneys' fees) as Seller may suffer or incur with respect to any Transfer Taxes.

6. "AS IS" Transaction. Buyer hereby acknowledges and agrees that Seller neither makes nor has made any representations or warranties whatsoever, express or implied, with respect to the Property being purchased by Buyer (including, without limitation, income to be derived or expenses to be incurred in connection with the Property, the physical condition of the Personal Property, the value of the Property (or any portion thereof), the merchantability or fitness of the Property for any particular purpose, or any other matter or thing whatsoever concerning the Property (whether relating to the physical condition of the Property or otherwise). 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 has conducted an independent inspection and investigation of the Property and all such other matters relating to or affecting the Property as Buyer deemed necessary or appropriate and Buyer is acquiring the Property based solely upon such independent inspections and investigations. Accordingly, Buyer shall accept the Property at the Closing "**AS IS**," "**WHERE IS**," and "**WITH ALL FAULTS**."

7. No Assumption of Liability by Buyer. Except as expressly provided for in this Agreement, Buyer shall assume no liabilities of Seller in connection with this Agreement.

8. Bankruptcy Condition. Both Buyer's and Seller's obligations under this Agreement are subject to Seller obtaining, on or before February 17, 2017, entry of an order substantially in the form and content attached as **Exhibit "E"** attached hereto and incorporated herein by this reference (the "**Sale Order**"). Seller shall file a motion in Bankruptcy Court for approval of the transaction contemplated by this Agreement and shall allow Buyer to review and comment about such motion prior to such filing.

9. Termination of the Agreement. This Agreement shall terminate: (a) by mutual written consent (which each may grant or withhold in its sole discretion) of the Seller and Buyer prior to entry of the Sale Order; or (b) if the Bankruptcy Court does not approve this Agreement and the sale of the Property from Seller to Buyer by no later than February 17, 2017, unless Buyer and Seller, in their respective sole discretion, agree in writing to a later date; or (c) upon the material breach by a party of the performance of any obligation hereunder (whether it be a pre-Closing or post-Closing obligation) and the other party's delivering to the defaulting party written notice of its election to terminate this Agreement by reason of such default. In the event that this Agreement is validly terminated as provided herein, then each party whose breach or default hereunder did not

cause such termination shall be relieved of its duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to either Seller or Buyer; provided, however, to the extent that such termination resulted from a party's breach or default, such termination shall not affect such defaulting party's ongoing liability or any right or remedy to which the non-defaulting party may be entitled under the circumstances.

10. Additional Closing Conditions. In addition to the condition set forth in Section 8 above:

(a) Buyer's obligations to consummate the transaction contemplated herein shall be conditioned upon the occurrence of the following:

(i) Seller shall deliver to Meridian Industrial Group ("**MIG**"), concurrently with the Closing, (xx) written notice advising MIG of the sale and transfer to Buyer of any interest of Seller in and to any materials funded or paid for by Seller under Seller's Purchase Orders No. 111589 and No. 111590 (the "**MIG Purchase Orders**"), and (yy) a written release of MIG by Seller with respect to any further liability to Seller under the MIG Purchase Orders and an express statement and agreement by MIG and Seller that Buyer is not assuming and shall not have any liability or obligation with respect to the MIG Purchase Orders;

(ii) Concurrently with the Closing, Seller shall deliver written notice to its boot supplier, Ames Rubber Manufacturing Co., of Seller's transfer to Buyer of Seller's right, title and interest in and to LB 023832 Mold, Boot & HB 023842 Mold, Boot to Buyer;

(iii) Seller shall notify Buyer and provide Buyer with the reasonable opportunity to inspect the Personal Property specifically listed or described on **Exhibit "D"** (attached hereto and incorporated herein by this reference) (collectively, the "**Closing Delivery Assets**") prior to their being packaged for shipping for the sole purpose of confirming that Seller has segregated or otherwise reasonably identified for packing and shipping all of the Closing Delivery Assets;

(iv) Seller shall have both (xx) packaged and otherwise prepared the Closing Delivery Assets, in a customary and reasonable manner, for shipping via the Carrier to Buyer at such address as Buyer may specify in writing, (yy) be irrevocably committed to delivering possession of the Closing Delivery Assets to the Carrier for delivery to Buyer upon satisfaction of the last of the Closing Conditions set forth in Section 6(b) below. The shipments shall be made "Freight Collect" with Buyer making payment directly to the Carrier. For the avoidance of doubt, Seller shall have no obligation to obtain or pay for insurance in connection with the shipment or delivery of any Property; and

(v) The Closing shall have occurred by no later than February 28, 2017; provided, however, Buyer shall not be entitled to rely upon the

condition set forth in this clause (v) should the Closing fail to occur by such date by reason of Buyer's breach or default hereunder.

(b) Seller's obligations to consummate the transaction contemplated herein shall be conditioned upon the occurrence of the following:

(i) Concurrently with the mutual execution and delivery of this Agreement, Buyer shall have entered into a new purchase order with MIG in form and substance satisfactory to MIG, whose effectiveness shall be conditioned upon the occurrence of the Closing:

(ii) MIG shall have delivered to Seller a written release (in form and content reasonably satisfactory to Seller) of any further liability or obligation of Seller under the MIG Purchase Orders;

(iii) Buyer shall have paid to Seller the portion of the Purchase Price Buyer is required to pay to Seller pursuant to Section 2(b) above; and

(iv) The Closing shall have occurred by no later than February 28, 2017; provided, however, Seller shall not be entitled to rely upon the condition set forth in this clause (iii) should the Closing fail to occur by such date by reason of Seller's breach or default hereunder.

Upon the timely satisfaction of each of the Closing Conditions, the Closing shall be deemed to have occurred. A Closing Condition may be waived or extended only in a writing providing for the same from the party for whose benefit such Closing Condition was included in this Agreement.

11. Disclosure and Use of IP Assets Prior to Closing. Concurrently with Seller's receipt of the Deposit under Section 2(a) of this Agreement, Seller shall deliver to Buyer two copies of a compact disc (CD) containing the documents and files described as "BAE OTAA Data IP Documents and Files 20 Dec 2016" referenced in Exhibit "B" (the "OTAA Data"). Buyer shall be permitted to make use of the OTAA Data pursuant to the Proprietary Information Agreement (Mutual Disclosure) PIA No. PTP01-060463-00 ("PIA") entered into as of May 23, 2016 between Buyer and Seller, but only for the sole and exclusive purpose described in the immediately following sentence. Until the earlier to occur of the Closing, or any earlier termination of this Agreement, and notwithstanding the provisions of the PIA, Seller consents and agrees that Buyer may make limited disclosures of the OTAA Data to reputable third parties engaged in the industry CTG has heretofore engaged in to the extent necessary (and only to such extent) and for the sole and limited purpose of obtaining proposals from such third parties to manufacture and/or assemble for Buyer the products and/or parts heretofore manufactured and/or assembled by Seller for Buyer, provided, however, that prior to any such disclosure of the OTAA Data, Buyer shall have the third parties execute confidentiality, proprietary information and nondisclosure agreements (in each case, no less protective of Seller than the PIA and in which Seller is expressly designated as a third party beneficiary of such third party's obligations thereunder) protecting against any further disclosure of the OTAA Data. For

the avoidance of all doubt, Buyer hereby acknowledges and agrees that, without in any way limiting any such third party's liability to Seller, Buyer shall be responsible for any breaches or defaults under such agreements by any third party with whom the OTAA Data (or any portion thereof) is shared. Upon the occurrence of the Closing, (i) Seller's right, title and interest in the OTAA Data shall be included as part of the Seller Closing Deliverables and Property transferred at the Closing, and (ii) Buyer's liability to Seller for any breaches or defaults by third parties who have received the OTAA Data (or any portion thereof) shall terminate. In the event that this Agreement terminates, the OTAA Data, including, without limitation, all copies in Buyer's possession or control and information disclosed to third parties, shall, at Seller's option, either be returned to Seller or destroyed pursuant to the terms of the PIA. In the event of such termination, it shall be Buyer's responsibility immediately to, as Seller may elect, either return all of the OTAA Data (including, without limitation, any further disseminated to third parties) to Seller or ensure and certify in writing to Seller as to its destruction.

12. Miscellaneous.

(a) Risk of Loss. Notwithstanding anything to the contrary herein, the risk of loss or damage to the (i) Closing Delivery Assets shall shift to the Buyer immediately upon the satisfaction of the last of the Closing Conditions and the occurrence of the Closing, (ii) Subsequent Delivery Assets shall shift to Buyer upon Seller's delivery of possession of such assets to the Carrier as contemplated by Section 2(c) hereof, in each of the cases described in clauses (i) and (ii) of this sentence, irrespective of where such portions of the Property are located as of the applicable date.

(b) 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.

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

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: BAE Systems
65 Spit Brook Road
Nashua, NH 03060
Attention: John C. Jameson

Email:
john.c.jameson@baesystems.com

(d) Entire Agreement. This Agreement contains the entire agreement between Buyer and Seller 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.

(e) Modification. This Agreement may be modified, amended or supplemented only by a written instrument duly executed by all the parties hereto.

(f) 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.

(g) 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.

(h) 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.

(i) 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 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, 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.

(j) Survival. The respective representations and warranties of the Seller and Buyer contained herein shall lapse and be of no further force of effect upon the Closing.

(k) Binding Effect. This Agreement shall bind and inure to the benefit of the respective heirs, personal representatives, successors, and assigns of the parties hereto, including, but not limited to, any subsequently appointed Chapter 11 or Chapter 7 trustee appointed in the Case.

(l) Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of California, without regard to its choice of law principles.

(m) Construction. In the interpretation and construction of this Agreement, the parties acknowledge that the terms hereof reflect extensive negotiations between the parties and that this Agreement shall not be deemed, for the purpose of construction and interpretation, drafted by either party hereto.

(n) 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.

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

(p) Bankruptcy Court Jurisdiction. BUYER AND SELLER AGREE THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OVER ALL DISPUTES AND OTHER MATTERS RELATING TO (i) THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT; AND/OR (ii) THE PROPERTY, AND BUYER EXPRESSLY CONSENTS TO AND AGREES NOT TO CONTEST SUCH EXCLUSIVE JURISDICTION.

(q) Limitation on Future Distribution on Account of Buyer's Proof of Claim in the Case. Effective upon the Closing, Seller and Buyer agree that Buyer may, as Buyer's sole and exclusive remaining right, claim or remedy against Seller for any matters other than any claims arising directly under this Agreement, file a proof of claim as a general unsecured creditor in the Case in an amount not to exceed \$500,000 pursuant to Rules 3001 and 3002 of the Federal Rules of Bankruptcy Procedure and receive as a general unsecured creditor in the Case whatever pro rata distribution Buyer may ultimately be entitled to on account of such proof of claim. Effective upon the Closing and except only as to Buyer's right to file a proof of claim as provided in the

immediately preceding sentence of this provision, Buyer and Seller each hereby waive and fully release and discharge any and all rights, claims, causes of action, demands, setoffs and interests of whatever type or kind (whether arising in contract or otherwise, whether at law or in equity, and whether liquidated or contingent) it may now have or hold or may at any time heretofore have had or held against the other.

(r) Further Assurances. From time to time after the Closing, and without further consideration, Buyer and Seller shall each execute and deliver such other documents and instruments of transfer, conveyance, assignment, and delivery, and take such other actions as the other may reasonably request in order (i) more effectively to transfer, convey, and assign the Property to the Buyer, and (ii) otherwise to fully consummate the transaction contemplated herein; provided that nothing in this Section 12(r) shall be deemed to impose on either Buyer or Seller any obligation to incur any material cost or expense or to initiate or join in any litigation or other action or proceeding, nor shall Seller be required to keep the Case open merely to enable it to continue performing its obligations under this provision.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Bill of Sale and Purchase Agreement as of the day and year first above written.

SELLER:

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

By:



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

BUYER:

**BAE SYSTEMS, Information and Electronic
Systems Integration Inc.**

By: 

**Name: John C. Jameson
Its: Procurement Manager**

EXHIBITS "A" through "E"

[TO BE ATTACHED]

Exhibit "A" - The "Personal Property": the inventory, work in process, tooling and equipment and other personal property

I. Inventory

BAE LB & HB Array Inventory by Project 11/15/2016 as of 11:20A		
Row Labels	Acceptable	Grand Total
B11444-100 - BAE OTAA-BASE YR LB (ITC-5440B LB Array)		
010734M - CERAMIC RING	426	426
021021C - SHIM, CONTACT	2795	2795
021026B - BIAS BOLT	342	342
021047-1F - WIDE BAND	803	803
021207-1D - NARROW BAND	1250	1250
023215D - Headmass	397	397
023669D - CONNECTOR MOUNTING PLATE	12	12
023678- - Insulator Strip	158	158
023687K - HARNESS ASSEMBLY	5	5
023827C - Tailmass	338	338
023829C - BOOT	10	10
026520H - ELEMENT ASSEMBLY	225	225
026521G - PISTON, SILO	278	278
026522B - PAD ASSEMBLY	458	458
026522-Bond - Bonded Temp. Masonite	46	46
026523- - FEEDTHRU	1300	1300
0269230 - FEEDTHRU ASSY, BLK, 5440B	552	552
0269240 - FEEDTHRU ASSY, RED, 5440B	552	552
0269250 - PISTON ASSY, 5440B	225	225
0269260 - TAILMASS ASSY, 5440B	104	104
0269270 - HEADMASS ASSY, 5440B	75	75
0269280 - CERAMIC STACK ASSY, 5440B	175	175
0269290 - CONTACT SHIM ASSY, 5440B	37	37
027032 Matched configured	1	1
39038-01 Ring	3539	3539
027083 - PREPPED BOOT, LOW BAND	10	10
05-AL6104-003 - 3/32" THK ALUM 6061-T6 SHEET	2579	2579
39038-01- - RING	3539	3539
660002 - BANDING,.38 W,316 CRES	100	100
670065 - FIBERGLASS,ROVING,449-AA-1250	50000	50000
670232 - STANDOFF,HEX,M/F,1/4-20X3.00,14310-H-SS-	0	0

3.000-12A		
670233 - STANDOFF, ROUND, 313 DIA X .500, 4010R-PHL.500-1	61	61
670234 - INSERT, .138-32,M45938/1-9C	134	134
690393 - SCREW,SCH CAP,SST,6-32 X 1.00	618	618
690479 - SCREW,SEAL,PAN HEAD,SLOT,W/O-RING,SST,6-32 X .25	500	500
690490 - SCREW, CAP, SOCKET HEAD, 1/4-20 X .63	80	80
690617 - PIPE PLUG, 1/4-18 NPT, MS27769S3	26	26
690625 - SCREW, FLAT HEAD, 4-40 X .25, MS24693-C2	500	500
690671 - WASHER,FLW-R,SST,1/2,AN960C816,.875 OD X .073 THK	4	4
700016 - O-RING 2-016 N674-70 BUNA N	500	500
700026 - O-RING 2-026 N674-70 BUNA N	155	155
700312 - O-RING,SILICONE,100 S 045	75	75
710060 - WIRE,TYPE D,19/34,BLK,22 AWG,PVC	413.6	413.6
710241 - WIRE,TYPE D,19/36,BLK,24 AWG,PVC (NATIONAL WIRE ONLY)	10081.555 14	10081. 56
710243 - WIRE,TYPE D,19/36,RED,24 AWG,PVC (NATIONAL WIRE ONLY)	5500	5500
720108 - SHIELD TERMINATOR, HML14	2000	2000
720109 - SOLDER TERMINAL, ANGLE, 324-120	224	224
720114 - TERMINAL,INSULATED	40	40
730093 - H/S TUBING, CLR, 094 ID	450.92	450.92
730154 - H/S TUBING, 1/4 ID, WHT, 2470021	227.5	227.5
770440 - CONNECTOR, DDMME24W7P	137	137
770442 - CONTACT PIN, DM51157-8	395	395
817592 - CRATE, ITC-5440A, 32x32x14 ID	1	1
820025 - GAS, SULFUR HEXAFLUORIDE, MIN 99. 5% PURITY	115	115
B11444-200 - BAE OTAA -BASE YR HB (ITC-5441B HB Array)	30341.811	30341. 81
021030C - SHIM,CONTACT	3702	3702
021047-2F - WIDE BAND	700	700
021207-2D - NARROW BAND	1146	1146
023212F - HEADMASS	250	250
023684A - MOUNTING PLATE	12	12
023688L - CABLE ASSEMBLY SET	5	5
023839D - BOOT	11	11
023840- - SLEEVE LABEL SET	42	42
023841B - BIAS BOLT	969	969
026523- - FEEDTHRU	1450	1450
026530H - ELEMENT ASSEMBLY	420	420

026531G - PISTON, SILO	200	200
026532B - PAD	286	286
026533A - TAILMASS	150	150
0269430 - FEEDTHRU ASSY, BLK, 5441B	332	332
0269440 - FEEDTHRU ASSY, RED, 5441B	409	409
0269450 - PISTON ASSY, 5441B	239	239
0269470 - HEADMASS ASSY, 5441B	60	60
0269480 - CERAMIC STACK ASSY, 5441B	75	75
0270310 - MATCHED ELEMENT ASSEMBLY	2	2
39037-01- - .462 RING (BAE) - HIGH BAND	3124	3124
500211 - CABLE TIE	39	39
660022 - BUCKLE,.38 W,CRES	55	55
670234 - INSERT, .138-32,M45938/1-9C	200	200
670235 - STANDOFF,HEX,M/F,1/4-20X1.50,14230-H-SS-1.500-12A	154	154
670265 - CAP,THREAD PROTECTOR,DM0093-1/2	36	36
680593 - GROMMET, Z-802	7	7
680594 - GROMMET, HORSE SHOE, Z-487	55	55
690479 - SCREW,SEAL,PAN HEAD,SLOT,W/O-RING,SST,6-32 X .25	120	120
690877 - SCREW,SCH CAP,SST,6-32 X 0.9375	1000	1000
700312 - O-RING,SILICONE,100 S 045	1500	1500
710243 - WIRE,TYPE D,19/36,RED,24 AWG,PVC (NATIONAL WIRE ONLY)	6240.211	6240.211
720107 - TERMINAL, 1 PIN, AA59126/09-04	1360	1360
720110 - TERMINAL, AA59126/04-02	128	128
720111 - TERMINAL, AA59126/07-02	320	320
730171 - INSULATION SLEEVING, M3190/06-26-C	23.6	23.6
740088 - CABLE, TSP, 22 AWG, CCSC-02-008	2772	2772
770444 - CONNECTOR, DDMMY24W7P	15	15
770517 - BACKSHELL KIT, 557T451M5J-8	35	35
800825 - SHT,AL,ALY,6061-T6,.125 THK	2696	2696
817593 - Crate, ITC-5441A, 20x20x20 ID	1	1

II. Molds and Fixtures

ITC 5540B

ITEM	CAGE	DWG / PART NO.	REV	TITLE	AECO/ECO'S	SHT(S)	SIZE	QTY
MOLDS & FIXTURES								
1	17892	021052	-	FIXTURE, CERAMIC BONDING ALIGNMENT		1	B	
2	17892	023886	A	TEST/PRESSURE HOUSING ASSEMBLY		1	D	2
3	17892	025727	A	FIXTURE, LEAK TEST PORT PLUG-ADAPTER-RECEPTABLE		1	B	3
4	17892	026668	A	FIXTURE, FEEDTHRU BONDING	OBSOLETE	1	A	
5	17892	026670	A	FIXTURES, ARRAY VACUUM TEST PLUG, BAE		1	D	
6	17892	026669	C	FIXTURE, PISTON VACUUM LEAK TEST, BAE		1	D	
7	17892	026755	-	FIXTURE ASSEMBLY, LB ELE PRESSURE TEST	QUAL TEST	1	C	
8	17892	026257	C	FIXTURE, ASSY, SF6 SILO GAS PURGE, BAE LB & HB		2	E	2
9	17892	026724	A	FIXTURE ASSY, RACK, PISTON ASSEMBLIES		1	D	
10	17892	026725	B	FIXTURE, FEEDTHRU ASSY SOLDERING		1	B	
11	17892	025997	A	FIXTURE, ENDCAP ASSY, GLASS WRAP, BAE		1	B	
12	17892	026479	-	FIXTURE, ALIGN PISTON-TAILMASS ITC-5440B		1	B	
13	17892	026866	-	FIXTURE ASSEMBLY, GRITBLAST HB BAE		5	D	1
14	17892	026861	-	FIXTURE ASSY, DEGAS LB PISTON CTRBORE		1	B	22
15	17892	026975	-	FIXTURE ASSY, FEEDTHRU CURE		7		
MOLDS & FIXTURES WITHOUT DOUMENTATION								
16	17892	023671	ND	FIXTURE, ARRAY ASSEMBLY CRADLE, HOIST, LB				4
17	17892	021270	ND	FIXTURE, ELEMENT BONDING				
18	17892	023686	ND	FIXTURE, POLY FILL				1
19	17892	021273	ND	FIXTURE, SF6 GAS RE-FILLING, FOR REWORK	TANK			
20	17892	021263	ND	FIXTURE, KRAFT FORMING				
21	17892	021265	ND	FIXTURE, FIBER WRAPPING				
22	17892	023677	ND	FIXTURE, PAD CENTERING				
23	17892	023673	ND	FIXTURE, ELEMENT SIZING				
24	17892	023832	ND	MOLD, BOOT	@ VENDOR			
25	17892	024988	ND	LOW BAND FIXTURE	NA - UNKNOWN			
26	17892	025726	ND	FIXTURE, VACUUM LEAK TEST ASSY, -30° TO 0° HSG				
27	17892	024136	ND	FIXTURE, BOND / STRESS				
28	17892	024988	ND	FIXTURE, MASK, SILO LOCATION TEMPLATE				2
29	17892	(026257)	ADD ON	HIGH VAC GUAGES, HB AND LB				2
30	17892	(026257)	ADD ON	BALL VALVE, 1" DIA, VAC VALVE, HB & LB				1
31	17892	(026257)	ADD ON	VACCUM PUMP, 5 CFM, HB & LB				1
32	17892	(023886)	ADD ON	O-RING PRIMARY, 2-392N0674-70				9
33	17892	(023886)	ADD ON	O-RING SECONDARY BACK-UP RING, 8-392N06 300-90				100
34	17892	—	ND	FIXTURE, BOOT ALIGNMENT				1

ITC 5541B

ITEM	CAGE	DWG / PART NO.	REV	TITLE	AECO/ECO'S	SHT(S)	SIZE	QTY
MOLDS & FIXTURES								
1	17892	021035	-	FIXTURE, CERAMIC BONDING ALIGNMENT		1	B	2
2	17892	023891	-	TEST/PRESSURE HOUSING ASSEMBLY		1	D	
3	17892	025727	A	FIXTURE, LEAK TEST PORT PLUG-ADAPTER-RECEPTABLE		1	B	3
4	17892	023690	-	FIXTURE BLOCK		1	A	4
5	17892	026257	C	FIXTURE, ASSY, SF6 SILO GAS PURGE, BAE LB & HB		2	E	2
6	17892	026668	A	FIXTURE, FEEDTHRU BONDING	OBSOLETE	1	A	
7	17892	026669	C	FIXTURES, PISTON VACUUM LEAK TEST, BAE		1	D	
8	17892	026670	A	FIXTURES, ARRAY VACUUM TEST PLUG, BAE		1	D	1
9	17892	026756	A	FIXTURE ASSEMBLY, HB ELEMENT PRESSURE TEST	QUAL TEST	1	C	
10	17892	026484	A	FIXTURES, ALIGN PISTON - TAILMASS, ITC 5441B		1	C	1
11	17892	026724	A	FIXTURE ASSY, RACK, PISTON ASSEMBLIES		1	D	
12	17892	027052	-	FIXTURE ASSY, ARRAY ASSY CRADLE, HOIST, HB		1	D	1
13	17892	025997	A	FIXTURE, ENDCAP ASSY, GLASS WRAP, BAE		1	B	47
14	17892	024137	-	FIXTURE, RESONATOR BONDING		1	C	1
15	17892	026867	-	FIXTURE ASSEMBLY, GRITBLAST HB BAE		5	D	1
16	17892	026862	-	FIXTURE ASSY, DEGAS HB PISTON CTRBORE		1	B	22
17	17892	026975	-	FIXTURE, ASSY, FEEDTHRU CURE		7	D	
MOLDS & FIXTURES WITHOUT DOUMENTATION								
18	17892	021269	ND	FIXTURE, ELEMENT BONDING	OBSOLETE			1
19	17892	023674	ND	FIXTURE, POLY FILL				2
20	17892	021273	ND	FIXTURE, SF6 GAS RE-FILLING, FOR REWORK	TANK			
21	17892	021262	ND	FIXTURE, KRAFT FORMING				5
22	17892	021264	ND	FIXTURE, FIBER WRAPPING				
23	17892	023681	ND	FIXTURE, PAD CENTERING				6
24	17892	023682	ND	FIXTURE, ELEMENT SIZING				1
25	17892	023842	ND	MOLD, BOOT	@ VENDOR			
26	17892	024989	ND	HIGH BAND FIXTURE	NA - UNKNOWN			2
27	17892	025726	ND	FIXTURE, VACUUM LEAK TEST ASSY, -30" TO 0" HSG				1
28	17892	024989	ND	FIXTURE, MASK, SILO LOCATION TEMPLATE				3
29	17892	(026257)	ADD ON	HIGH VAC GUAGES, HB AND LB				2
30	17892	(026257)	ADD ON	BALL VALVE, 1" DIA, VAC VALVE, HB & LB				1
31	17892	(026257)	ADD ON	VACCUM PUMP, 5 CFM, HB & LB				1
32	17892	023689	ND	FIXTURE, BOOT BOND SHIM				
33	17892	-----	ND	FIXTURE, BOOT ALIGNMENT				1

Exhibit "B" -

These are the drawings and documents that are being provided on a DVD disc and ownership is passed from CTG to BAE.

ITC 5540B

ITEM	CAGE	DWG / PART NO.	RE V	TITLE	AECO/EC O'S	SHT(S)	SIZ E	QT Y
TECHNICAL DRAWING PACKAGE								
1	17892	026515	D	TOP ASSEMBLY ITC-5440B	11998, 12538	4	D	
2	17892	026520	J	ELEMENT ASSEMBLY	12599	2	D	
3	17892	010734	M	CERAMIC RING		1	A	
4	17892	021021	C	SHIM, CONTACT		1	A	
5	17892	023215	D	HEADMASS	12152	1	A	
6	17892	023827	C	TAILMASS		1	B	
7	17892	021026	B	BIAS BOLT		1	A	
8	17892	021047	F	WIDE BAND	11641, 11870	1	A	
9	17892	021207	D	NARROW BAND		1	A	
10	17892	026522	B	PAD ASSEMBLY	11423, 11459, 11489	1	B	
11	17892	023856	A	WIRE RETAINER		1	A	
12	17892	026517	B	SUPPORT RING AND HOUSING MATRIX ASSY.	12087	2	D	
13	17892	026518	D	SSRR (SUPPORT RING) LOW BAND		2	D	
14	17892	026519	B	HOUSING MATRIX MACHINED		2	D	
15	17892	023687	K	HARNESS ASSEMBLY		2	D	
16	17892	023857	-	CONNECTOR MOUNTING PLATE ASSEMBLY		1	D	
17	17892	023669	D	CONNECTOR MOUNTING PLATE		1	D	
18	17892	023829	C	BOOT		1	D	
19	17892	023831	A	SPECIFICATION, EPDM-RLE RUBBER		5	A	
20	17892	024628	-	BAND & BUCKLE ASSY (EAR TYPE)		1	B	
21	17892	023833	A	TERMINAL PLATE		1	B	
22	17892	023678	-	INSULATOR STRIP		1	A	

23	17892	023685	-	PROCEDURE, BOOT PREPARATION		2	A	
24	17892	023858	A	TEMPERED MASONITE		3	A	
25	17892	026521	G	PISTON, SILO		1	C	
26	17892	026523	-	FEEDTHRU		1	A	
MANUFACTURING DOCUMENTS								
27	17892	026535	B	ITC-5440B ELEMENT ASSEMBLY WORK INSTRUCTION		12	A	
28	17892	026535	C	ITC-5440B ELEMENT ASSEMBLY WORK INSTRUCTION	MISSING LAST 3 PAGES!	9	A	
29	17892	026537	B	ITC-5440B ARRAY ASSEMBLY WORK INSTRUCTION		24	A	
30	17892	027033	-	ITC-5440B / WIRING HARNESS		12	A	
31	17892	026544	-	SSRR ASSEMBLY PROCEDURE		2	A	
32	17892	026763	-	PRESSURE TEST, BAE ELEMENT LOT QUALIFICATION		3	A	
QUALITY ASSURANCE DOCUMENTS								
33	17892	026650	C	ITC-5440B IN PROCESS		40	A	
34	17892	026666	A	ITC-5440A FINAL TEST ACCEPTANCE PROCEDURE		14	A	
CUSTOMER DOCUMENTATION								
35		8469433	B	ACOUSTIC ARRAY MODULE, LOW BAND		41	A	
CAD DATA								
36	17892	026515.ZIP		TOP ASSEMBLY ITC-5440B, SOLIDWORKS				

QUALITY ASSURANCE INTERNAL SOFTWARE DOCUMENTATION (NOT RELEASE TO MANUFACTURING DEPARTMENT)								
37	17892	026091	B	SOFTWARE PACKAGE, CERAMIC BINNING PROGRAM		3	A	
38	17892	026091-1	A	LOGIC / APPROACH, CERAMIC BINNING PROGRAM		4	A	
39	17892	026091-2	B	SOFTWARE BUNDLE, CERAMIC SORTING PROGRAM (CD SOFTWARE)				
40	17892	026091-3	A	OPERATOR MANUAL, CERAMIC BINNING PROGRAM		4	A	
41	17892	026091-4	B	SOURCE CODE, CERAMIC BINNING PROGRAM		14	A	
ROUTERS								
42	17892		K	023687 PLEX ROUTER				
43	17892		C	026515 PLEX ROUTER				
44	17892		O	026522 PLEX ROUTER				
45	17892		O	026924 PLEX ROUTER				
46	17892		O	026928 PLEX ROUTER				
47	17892		-	023857 PLEX ROUTER				
48	17892		H	026520 PLEX ROUTER				
49	17892		O	026923 PLEX ROUTER				
50	17892		O	026925 PLEX ROUTER				
TRAVELERS								
51	17892			T-5440B ARRAY - BOOT - RMA REBUILD SN # 001	MISC & REWORK			
52	17892			T-5440B ARRAY - BOOTING - REWORK REBOOT	MISC & REWORK			
53	17892			T-5440B ARRAY - BOOTING - REWORK REBOOT-030	MISC & REWORK			
54	17892			T-5440B ARRAY - BOOTING- OLD	MISC & REWORK			
55	17892			T-5440B ARRAY - POST FAT REPL PISTON	MISC & REWORK			

56	17892		T-5440B ARRAY - POST FAT REPL PISTON_ALL	MISC & REWORK			
57	17892		T-5440B ARRAY - REBUILD FLOODED UNIT # 010	MISC & REWORK			
58	17892		T-5440B ARRAY - REBUILD FLOODED UNIT SN 010	MISC & REWORK			
59	17892		T-5440B ARRAY - REPL ELEMENT	MISC & REWORK			
60	17892		T-5440B ARRAY - Replace boot & 1 element on outer ring	MISC & REWORK			
61	17892		T-5440B ARRAY - WIRING - RMA REBUILD SN 001	MISC & REWORK			
62	17892		T-5440B ARRAY BOOTING	MISC & REWORK			
63	17892		T-5440B ARRAY BOOTING-WIRING-FINAL-026515_PLEX - Copy	MISC & REWORK			
64	17892		T-5440B BINNG-LAPPING CERAMIC RINGS	MISC & REWORK			
65	17892		T-5440B ELEMENT -1ST ARTICLE	MISC & REWORK			
66	17892		T-5440B ELEMENT ASSEMBLY (PISTON)	MISC & REWORK			
67	17892		T-5440B ELEMENT ASSY - STACKING	MISC & REWORK			
68	17892		T-5440B ELEMENT ASSY - DESTRUCTIVE PRESSURE TEST (1 per project)	MISC & REWORK			
69	17892		T-5440B ELEMENT ASSY - STACKING- 1ST ARTICLE	MISC & REWORK			
70	17892		T-5440B ELEMENT ASSY - STACKING	MISC & REWORK			
71	17892		T-5440B ELEMENT HI POT FAILURE ANALYSIS	MISC & REWORK			
72	17892		T-5440B ELEMENT REWORK MASONITE	MISC & REWORK			
73	17892		T-5440B ELEMENT REWORK	MISC & REWORK			
74	17892		T-5440B ELEMNT ASSEM LESS PISTON-FEEDTHRU STEPS - OLD	MISC & REWORK			
75	17892		T-5440B ELEMNT ASSEM LESS PISTON-FEEDTHRU STEPS OLD	MISC & REWORK			

76	17892		T-5440B ELEMNT ASSY LESS PISTON-FEEDTHRU STEPS - OLD	MISC & REWORK			
77	17892		T-5440B FEEDTHRU ASSEM- NEW	MISC & REWORK			
78	17892		T-5440B HARNESS	MISC & REWORK			
79	17892		T-5440B PAMS - PRESSURE RETEST ON FAILED TEST #3	MISC & REWORK			
80	17892		T-5440B PAMS HRS EST ARRAY WIRING	MISC & REWORK			
81	17892		T-5440B PAMS HRS EST ELEMENT ASSY	MISC & REWORK			
82	17892		T-5440B PAMS HRS EST- ARRAY BOOTING	MISC & REWORK			
83	17892		T-5440B PISTON- ASSEM- NEW	MISC & REWORK			
84	17892		T-5440B PISTON- FEEDTHRU ASSEM- NEW prelim change for bubbles on primer	MISC & REWORK			
85	17892		T-5440B PISTON- FEEDTHRU ASSEM- NEW	MISC & REWORK			
86	17892		T-5440B PISTON- FEEDTHRU ASSEM- SWR	MISC & REWORK			
87	17892		T-5440B REPAIR WIRE	MISC & REWORK			
88	17892		T-5440B REWORK- REBOOT	MISC & REWORK			
89	17892		T-5440B ARRAY - WIRING- FINAL ASSEM	PRE-PLEX			
90	17892		T-5440B ELEMNT ASSY- FINAL WIRE	PRE-PLEX			
91	17892		T-5440B PAD BOND 12 X 12	PRE-PLEX			
92	17892		T-5440				
93	17892		T-5440B ARRAY - TOP ASSEM -026515_PLEX - DOE Rev 9-22-16				
94	17892		T-5440B ARRAY - TOP ASSEM -026515_PLEX				
95	17892		T-5440B BINNG-LAPPING CERAMIC RINGS				
96	17892		T-5440B CONFIGURE CERAMIC STACKS_PLEX				

97	17892			T-5440B CONTACT SHIM ASSY-026929_PLEX				
98	17892			T-5440B ELEMENT ASSY - STACKING-026928_PLEX				
99	17892			T-5440B ELEMNT ASSY - FINAL WIRE				
100	17892			T-5440B FEEDTHRU ASSEM- 026924,026923_PLEX				
101	17892			T-5440B HARNESS ASSY- 023687_PLEX				
102	17892			T-5440B HEADMASS ASSY- 026926_PLEX				
103	17892			T-5440B PISTON ASSY- 026925_PLEX				
104	17892			T-5440B PLATE ASSY- 023857_PLEX				
105	17892			T-5440B TAILMASS ASSY- 026926_PLEX				

ITC 5541B

ITEM	CAGE	DWG / PART NO.	REV	TITLE	AECO/ECO'S	SHT(S)	SIZE	QTY
TECHNICAL DRAWING PACKAGE								
1	17892	026525	B	TOP ASSEMBLY ITC-5441B	11999, 12380, 12537	4	D	
2	17892	026530	H	ELEMENT ASSEMBLY	12600	2	D	
3	17892	010735	L	CERAMIC RING		1	A	
4	17892	021030	C	SHIM, CONTACT		1	A	
5	17892	023212	F	HEADMASS		1	B	
6	17892	026533	A	TAILMASS		1	B	
7	17892	023841	B	BIAS BOLT		1	A	
8	17892	021047	F	WIDE BAND	11641, 11870	1	A	
9	17892	021207	D	NARROW BAND		1	A	
10	17892	026532	B	PAD	11640	1	B	
11	17892	023688	L	CABLE ASSEMBLY SET	11643	2	D	
12	17892	023840	-	SLEEVE LABEL SET		1	B	
13	17892	026527	A	SUPPORT RING AND HOUSING MATRIX ASSEMBLY		2	D	
14	17892	026528	C	SSRR (SUPPORT RING) HIGH BAND		2	D	
15	17892	026529	B	HOUSING MATRIX MACHINED		2	D	
16	17892	023680	B	PREAMP/INDUCTOR MOUNTING PLATE ASSEMBLY		1	D	
17	17892	023684	A	MOUNTING PLATE		1	D	
18	17892	023839	D	BOOT		1	D	
19	17892	026531	G	PISTON, SILO		1	C	
20	17892	023831	A	SPECIFICATION, EPDM-RLE RUBBER		5	A	
21	17892	024628	-	BAND & BUCKLE ASSY (EAR TYPE)		1	B	
22	17892	023685	-	PROCEDURE, BOOT PREPARATION		2	A	
23	17892	026523	-	FEEDTHRU		1	A	
MANUFACTURING DOCUMENTS								
24	17892	026536	C	ITC-5441B ELEMENT ASSEMBLY WORK INSTRUCTION	12068	11	A	

25	17892	026538	C	ITC-5441B ARRAY ASSEMBLY WORK INSTRUCTION	12069	25	A	
26	17892	027034	-	ITC-5441B / WIRING HARNESS		12	A	
27	17892	026544	-	SSRR ASSEMBLY PROCEDURE		2	A	
28	17892	026763	-	PRESSURE TEST, BAE ELEMENT LOT QUALIFICATION		3	A	
QUALITY ASSURANCE DOCUMENTS								
29	17892	026651	C	ITC-5441B IN PROCESS		35	A	
30	17892	026667	B	ITC-5441B FINAL TEST ACCEPTANCE PROCEDURE		14	A	
CUSTOMER DOCUMENTATION								
31	94117	8469434	B	ACOUSTIC ARRAY MODULE, HIGH BAND		43	A	
CAD DATA								
32	17892	026525. ZIP		TOP ASSEMBLY ITC-5441B, SOLIDWORKS				
QUALITY ASSURANCE INTERNAL SOFTWARE DOCUMENTATION (NOT RELEASE TO MANUFACTURING DEPARTMENT)								
33	17892	026091	B	SOFTWARE PACKAGE, CERAMIC BINNING PROGRAM		3	A	
34	17892	026091-1	A	LOGIC / APPROACH, CERAMIC BINNING PROGRAM		4	A	
35	17892	026091-2	B	SOFTWARE BUNDLE, CERAMIC SORTING PROGRAM (CD SOFTWARE)				
36	17892	026091-3	A	OPERATOR MANUAL, CERAMIC BINNING PROGRAM		4	A	
37	17892	026091-4	B	SOURCE CODE, CERAMIC BINNING PROGRAM		14	A	
ROUTERS								
38	17892		B	023680 PLEX ROUTER				
39	17892		L	023688 PLEX ROUTER				
40	17892		B	026525 PLEX ROUTER				
41	17892		0	026530 PLEX ROUTER				
42	17892		0	026943 PLEX ROUTER				
43	17892		0	026944 PLEX ROUTER				
44	17892		0	026945 PLEX ROUTER				
45	17892		0	026948 PLEX ROUTER				
TRAVELERS								

46	17892		ARRAY - NEW_026525_PLEX			
47	17892		BINNG-LAPPING CERAMIC RINGS			
48	17892		CONFIGURE CERAMIC STACKS_PLEX			
49	17892		CONTACT SHIM ASSY-026949_PLEX			
50	17892		ELEMENT ASSY - STACKING - NEW_026948_PLEX			
51	17892		ELEMENT ASSY FINAL_026530_PLEX			
52	17892		FEEDTHRU ASEM_026943_026944_PLEX			
53	17892		HARNESS PA-INDUCTR-MTG PLT			
54	17892		HEADMASS ASSY-026947_PLEX			
55	17892		OLD-HARNESS_023688			
56	17892		PISTON- ASSEM-NEW_026945_PLEX			
57	17892		TAILMASS ASSEMBLY_026946_PLEX			
58	17892		Copy of T-5441B FEEDTHRU PULL TEST	MISC & REWORK		
59	17892		T-5440B ARRAY BOOTING REWORK -NEW	MISC & REWORK		
60	17892		T-5441A ARRAY BOOTING REWORK -NEW	MISC & REWORK		
61	17892		T-5441B ARRAY - BOOT - RMA REBUILD SN 001	MISC & REWORK		
62	17892		T-5441B ARRAY - BOOTING-old	MISC & REWORK		
63	17892		T-5441B ARRAY BOOTING REWORK -NEW	MISC & REWORK		
64	17892		T-5441B ARRAY - POST FAT REPL PISTON	MISC & REWORK		
65	17892		T-5441B ARRAY REMOVE BOOT - EVAL	MISC & REWORK		
66	17892		T-5441B ARRAY - REPL ELEMENT	MISC & REWORK		
67	17892		T-5441B ARRAY - REWORK-REPL ELEMNTS	MISC & REWORK		
68	17892		T-5441B ARRAY - RMA Hipot Failure Analysis	MISC & REWORK		
69	17892		T-5441B ARRAY - RMA REPL PISTON 16 SN009	MISC & REWORK		

70	17892			T-5441B ARRAY - WIRING - RMA SN 001	MISC & REWORK			
71	17892			T-5441B ARRAY - WIRING-FINAL ASSEM	MISC & REWORK			
72	17892			T-5441B ARRAY BOOTING - NEW	MISC & REWORK			
73	17892			T-5441B ARRAY BOOTING - OLD	MISC & REWORK			
74	17892			T-5441B ARRAY -REPL BOOT	MISC & REWORK			
75	17892			T-5441B ARRAY -REWORK REPL ELEMETS	MISC & REWORK			
76	17892			T-5441B ELEMENT - 1ST ARTICLE	MISC & REWORK			
77	17892			T-5441B ELEMENT ASSY - DESTRUCTIVE PRESSURE TEST (1 per project)	MISC & REWORK			
78	17892			T-5441B ELEMENT ASSY - FINAL WIRE WITH PISTON-FEEDTHRU-OLD	MISC & REWORK			
79	17892			T-5441B ELEMENT ASSY - STACKING - NEW_026947_PLEX	MISC & REWORK			
80	17892			T-5441B ELEMENT ASSY - STACKING - NEW_026949_PLEX	MISC & REWORK			
81	17892			T-5441B ELEMENT ASSY FINAL	MISC & REWORK			
82	17892			T-5441B ELEMENT ASSY REWORK- FINAL WIRE - NEW	MISC & REWORK			
83	17892			T-5441B ELEMENT ASSY REWORK	MISC & REWORK			
84	17892			T-5441B ELEMENT REWORK MASONITE	MISC & REWORK			
85	17892			T-5441B ELMT ASSY - LESS PISTON-FEEDTHRU STEPS-OLD	MISC & REWORK			
86	17892			T-5441B END OF REWORK BOOT TRAVELER	MISC & REWORK			
87	17892			T-5441B FEEDTHRU ASSEM	MISC & REWORK			
88	17892			T-5441B FEEDTHRU PULL TEST	MISC & REWORK			
89	17892			T-5441B HARNESS	MISC & REWORK			
90	17892			T-5441B HARNESS_023680_PLEX	MISC & REWORK			

91	17892			T-5441B PAMS HRS EST ARRAY BOOTING	MISC & REWORK			
92	17892			T-5441B PAMS HRS EST ARRAY WIRING	MISC & REWORK			
93	17892			T-5441B PAMS HRS EST ELEMENT ASSY	MISC & REWORK			
94	17892			T-5441B PISTON- ASSEM-NEW	MISC & REWORK			
95	17892			T-5441B PISTON-FEEDTHRU ASSY	MISC & REWORK			

Test Data

Test Data will be provided for all Delivered units: ITC 5540A, ITC 5540B, ITC 5541A, and ITC 5441B.

BAE OTAA Data

Additional IP documents and files per "BAE OTAA Data IP Documents and Files 20 Dec 2016"

WIP and Other Material Documentation

Documentation for all Personal Property Work in Progress (WIP) and individual parts to include: a) Certificates of Conformance documents, incoming inspection records, and purchase order information (supplier name, order number, date, part number, quantity, received date), and b) manufacturing routers for each WIP item with electronic records documenting the completed manufacturing and inspection steps identified on the router.

The electronic records shall be provided via a Microsoft Access format database created from the CTG Plex Database which provides access to electronic records for all completed manufacturing router steps. The database shall include manufacturing router data for each WIP item in the inventory list of Exhibit A. The list of part numbers, serial numbers and quantities is the primary "Index". The Access Database shall allow traceability of the purchased material in WIP based on the Job and Job BOM back to a received purchase order. The database shall allow the user to verify all completed operations for each of the inventory items in the Index based on the router. Accessible data shall also include all of the relevant start dates, completed dates and produced quantities by operation. Two copies of the database shall be provided via two separate computer hard drives (one as backup).

Exhibit "C" - "Subsequent Delivery Assets"

The Subsequent Delivery Assets will be:

- 1) Digitized Certifications of Conformance from CTG receiving inspection files. Two copies will be provided.
- 2) The Microsoft Access Database as called out in Exhibit B.

Exhibit "D" - "Closing Delivery Assets"

- Letter from CTG to AMES transferring Boot molds to BAE
- Letter from CTG to Meridian transferring housing material to BAE
- All Property listed in Exhibit A
- All IP Items per Exhibit B excluding those items specifically called out as subsequent delivery assets in Exhibit C

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

14 **UNITED STATES BANKRUPTCY COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA**
16 **NORTHERN DIVISION**

17 In re:
18 CHANNEL TECHNOLOGIES GROUP,
19 LLC,¹
20 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 TO
BAE SYSTEMS INFORMATION AND
ELECTRONIC SYSTEMS INTEGRATION,
INC.**

Hearing
Date: [____], 2017
Time: 10:00 a.m.
Place: Courtroom "201"
1415 State Street
Santa Barbara, CA 93101

Judge: Hon. Peter H. Carroll

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 to BAE Systems Information and Electronic Systems Integration, Inc.*
25 [Dkt. No. ____] (the "Motion"), filed on January [____], 2017.² The Court having considered the
26

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

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

1 Motion and the Declaration of David Tiffany in support thereof, and finding that notice of the
2 Motion was appropriate and sufficient and that no other notice need be given, after due deliberation
3 and sufficient cause appearing therefor

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

5 A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
6 §§ 157 and 1334.

7 B. Venue of this case in this district is proper pursuant to 28 U.S.C. §§ 1408 and
8 1409(a).

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

11 D. The statutory predicates for the relief requested herein are section 363 of the
12 Bankruptcy Code and Bankruptcy Rules 2002 and 6004.

13 E. Proper, timely, adequate and sufficient notice of the Motion has been provided in
14 accordance with Sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002 and
15 6004 and no other or further notice of the Motion is required.

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

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

26 H. The transfer of the Property to the Buyer pursuant to the APA is a valid, legal and

27 _____
28 ³ As used herein, "APA" shall mean that certain Bill of Sale and Purchase Agreement dated [____], 2017,
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 effective transfer of the Property to BAE Systems Information and Electronic Systems Integration,
2 Inc. (the "Buyer"), free and clear of all liens, claims, interests and encumbrances whatsoever (other
3 than the lien of current taxes not yet payable with respect to any Property) (collectively, "Interests")
4 under section 363(f) of the Bankruptcy Code.

5 I. The Debtor may sell the Property free and clear of all Interests because, in each case,
6 one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been
7 satisfied. Those holders of Interests who did not object, or who withdrew their objections, to the
8 Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Those
9 holders of Interests who did object are adequately protected by having their Interests, if any, attach
10 to the proceeds of the sale, with the same validity and priority as existed prior to the sale.

11 J. The APA is necessary to effectuate the transfer of the Property to the Buyer and the
12 other transactions contemplated in the APA and is enforceable pursuant to its terms and applicable
13 law.

14 K. The Debtor has demonstrated that approval of the APA and consummation of the Sale
15 at this time is in the best interests of the Debtor, the estate and its creditors. The Debtor has
16 advanced good and sufficient business justification supporting the sale of the Property to the Buyer
17 pursuant to section 363(b) of the Bankruptcy Code and outside of a plan of reorganization, as set
18 forth in the Motion and at the Hearing, and it is a reasonable exercise of the Debtor's business
19 judgment to consummate a sale of the Property on the terms and conditions set forth in the APA, and
20 to execute, deliver and perform its obligations thereunder.

21 L. The Debtor has full corporate power and authority to execute and deliver the APA,
22 and documents contemplated thereby and to perform the transactions contemplated thereby; no
23 consents or approvals, other than those expressly provided for in the APA, are required for the
24 Debtor to consummate the Sale.

25 M. The consideration to be paid by the Buyer under the APA constitutes reasonably
26 equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United
27 States, and any state, territory or possession of the United States or the District of Columbia.

28 N. The APA was negotiated, proposed and entered into in a non-collusive, good faith,

1 “arm’s-length” manner by the Debtor and the Buyer. The transaction proposed in the APA
2 constitutes the highest or otherwise best offer for the Property received by the Debtor. Buyer is a
3 good faith Buyer of the Property. The Buyer is entitled to the protections of a good faith purchaser
4 pursuant to section 363(m) of the Bankruptcy Code with respect to the transactions approved hereby.

5 O. Authorizing the Sale as a private sale is justified by the exigent circumstances,
6 including the Debtor’s marketing efforts, the lengthy arm’s length negotiations between the parties
7 each represented by counsel and the Debtor’s anticipated cessation of operations as part of its
8 contemplated sales and wind down.

9 P. The Buyer would not have entered into the APA and would not consummate the
10 transactions contemplated thereby, thus adversely affecting the Debtor, its estate and its creditors, if
11 the sale of the Property to the Buyer was not free and clear of all Interests of any kind or nature
12 whatsoever, or if the Buyer would, or in the future could, be liable for any of the Interests.

13 Q. The Debtor does not have any interest in the Buyer or any party affiliated with the
14 Buyer.

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

17 S. Time is of the essence in consummating the sale. In order to maximize the value of
18 the Property and preserve the viability of the business as a going concern, it is essential that the sale
19 of the Property occur immediately. Accordingly, there is cause to determine inapplicable the stay
20 contemplated by Bankruptcy Rule 6004(h).

21 T. Approval of the APA and consummation of the Sale at this time are in the best
22 interests of the Debtor, its creditors, its estate and other parties in interest.

23 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS**
24 **FOLLOWS:**

- 25 1. The Motion is granted and approved in all respects.
26 2. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C.
27 § 1334.
28 3. As evidenced by the declarations of service previously filed with this Court, proper,

1 timely, adequate and sufficient notice of the Motion, the Hearing and the Sale has been provided in
2 accordance with sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002 and
3 6004, and no other or further notice of the Motion, the Hearing or of the entry of this order is
4 required.

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

6 5. Where appropriate herein, findings of fact shall be deemed conclusions of law and
7 conclusions of law shall be deemed findings of fact.

8 6. Each and every term and provision of this Order shall be binding in all respects upon
9 the Buyer, the Debtor, the Debtor's bankruptcy estate, any trustee who may be appointed after entry
10 of this Order, its creditors, and all individuals or entities holding an interest in the Debtor, including,
11 without limitation, any entity purporting to hold an Interest in the Buyer.

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

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

1 contemplated thereby and hereby.

2 9. As and to the extent provided for in the APA, upon the Closing Date, all right, title
3 and interest in and to the Property shall be immediately vested in the Buyer pursuant to section
4 363(b) and (f) of the Bankruptcy Code free and clear of Interests.

5 10. Effective upon the Closing Date, any Interests against the Property shall attach to the
6 proceeds of the APA with the same extent, validity, priority and effect, if any, as the Interests
7 formerly had against the Property, subject to the Debtor's ability to challenge the extent, validity,
8 priority and effect of the Interests (except to the extent such ability is limited by any financing
9 order).

10 11. This Order is and shall be effective as a determination that all Interests existing as to
11 the Property conveyed to the Buyer have, effective as of the Closing Date, been and hereby are
12 terminated and declared to be unconditionally released, discharged and terminated, and such
13 determination shall be binding upon and govern the acts of all entities, including all filing agents,
14 filing officers, administrative agencies or units, governmental departments or units, secretaries of
15 state, federal, state and local officials and all other persons and entities who may be required by
16 operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or
17 release any documents or instruments, or who may be required to report or insure any title or state of
18 title in or to the Property conveyed to the Buyer. Each of the Buyer and the Debtor may take such
19 further steps and execute such further documents, assignments, instruments and papers to implement
20 and effectuate the transactions contemplated in this paragraph. All Interests of record as of the date
21 of this Order and the Closing Date shall be forthwith removed and stricken as against the Property.

22 12. The Buyer shall not be liable for any claims against the Debtor, its predecessors or
23 affiliates, and the Buyer shall have no successor or vicarious liabilities of any kind or character
24 whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed
25 or contingent, with respect to the Debtor. Under no circumstance will the Buyer be deemed a
26 successor of or to the Debtor for any Interest against the Debtor or the Property, and the Buyer shall
27 have no liability as a successor to the Debtor. The sale, transfer, assignment and delivery of the
28 Property shall not be subject to any Interests.

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

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

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

17 16. The APA may be modified, amended, or supplemented by the parties thereto, in a
18 writing signed by the parties in accordance with the terms thereof without further order of the Court,
19 provided that any such modification, amendment, or supplement is immaterial, and the Debtor is
20 authorized to execute any additional documents reasonably necessary to consummate the
21 transactions set forth in the APA.

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

28 18. No bulk sales law, or similar law of any state or other jurisdiction shall apply in any

1 way to the transactions contemplated by the APA, the Motion or this Order.

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

7 20. This Court retains jurisdiction to:

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

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

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

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

17 21. Notwithstanding Bankruptcy Rules 6004 and 7062, this Order shall be effective and
18 enforceable immediately upon entry and its provisions shall be self-executing, and the Motion or
19 notice thereof shall be deemed to provide sufficient notice of the Debtors' request for waiver of the
20 otherwise applicable stay of the order. This Order shall be effective immediately upon entry
21 pursuant to Rule 7062 and 9014 of the Federal Rules of Bankruptcy Procedure.

22
23
24 ###

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*) **January 27, 2017**, 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 **January 27, 2017**, 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.

BAE Systems
Attn: John C. Jameson
65 Spit Brook Road
Nashua, NH 03060

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*) **January 27, 2017**, 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.

January 27, 2017
Date

Nancy H. Brown
Printed Name

/s/ Nancy H. Brown
Signature

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

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

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- Alan J Watson alan.watson@hklaw.com, gloria.hoshiko@hklaw.com

2. SERVED BY UNITED STATES MAIL:

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

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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

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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

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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

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65 River Road
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Burr Ridge, IL 60527

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PRECISION SCREW MACHINE
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