

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re:

HEI, Inc.,

Debtor.

BKY. 15-40009

Chapter 11 Case

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**ORDER AUTHORIZING INTERIM USE OF CASH COLLATERAL**

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This case is before the court on the debtor's Motion for (I) Expedited Relief and (II) Interim and Final Orders Authorizing the Use of Cash Collateral.

For reasons stated orally and recorded in open court,

IT IS ORDERED:

1. The debtor's request for expedited relief is granted.
2. The debtor is authorized to use cash, including cash collateral, that may be subject to liens in favor of Wells Fargo Bank, National Association (the "Prepetition Lender"), through the end of the week beginning January 19, 2015, consistent with the following budget (the "Budget"):

NOTICE OF ELECTRONIC ENTRY AND FILING ORDER OR JUDGMENT Filed and Docket Entry made on <i>01/08/2015</i> Lori Vosejka, Clerk, by LH
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	Projected	Projected	Projected	Interim	
	Week Begin	Week Begin	Week Begin	Total	
	1/5/2015	1/12/2015	1/19/2015	1/5-1/25/15	
2					
3					
4					
5	<b>CASH RECEIPTS</b>				
6	Accounts Receivable Collections	266,293	270,324	232,324	768,940
7	Sale Leaseback Income				-
8	Liquidation of Inventory	-			-
9	Sale of Equipment	-			-
10	Phillips Receipts for Tempe	292,852	77,259	205,259	575,370
11	Sale of Real Estate				-
12	Recovery of Utility Deposits				-
13	Recovery of Other Assets				-
14	Bond Redemption	-	-	-	-
15	<b>Total Cash Inflows</b>	<b>559,145</b>	<b>347,583</b>	<b>437,583</b>	<b>1,344,310</b>
16					
17	<b>CASH DISBURSEMENTS</b>				
18	Inventory and supply Payments	7,500	7,500	7,500	22,500
19	Equipment Rent and Lease Payments	13,000	-	-	13,000
20	Payroll, Taxes, 401k	174,454	-	142,287	316,741
21	Severance/retention bonuses	-			-
22	BCBS - Health Insurance claims	-	25,000	-	25,000
23	BCBS - Health Insurance premiums	20,000		-	20,000
24	Delta Dental premiums	9,000			9,000
25	Temporary Help				-
26	Trash Removal - Boulder & Victoria		1,593		1,593
27	Utilities -Victoria	-	-		-
28	Utilities-Tempe	40,000	-		40,000
29	Utility Deposits		75,000		75,000
30	Utilities-Boulder		-		-
31	Shipping (Fedex, UPS)	5,000	-		5,000
32	Janitorial	1,697	-	1,697	3,394
33	Telephone	-	-	10,000	10,000
34	Cell Phone	-	-	2,100	2,100
35	Life Insurance - Guardian	3,000	-	-	3,000
36	Business Insurance - Commercial	5,545			5,545
37	Alliance Weekly Fees				-
38	Alliance Retainer				-
39	Alliance Sales Fee	-	-	-	-
40	Fredrikson Weekly Fees (BK Counsel)	-		-	-
41	Fredrikson Retainer (BK Counsel)				-

42	Debtor Counsel (M&A Counsel)	-	-	-	-
43	Debtor Retainer (M&A Counsel)				-
44	Creditors Committee				-
45	Shareholder Notice Costs	-	35,000		35,000
46	US Trustee Fees				-
47	Tempe Consultants (in payroll go forward)	-	-		-
48	Tempe Rent Payments	6,615			6,615
49	Travel	5,000	5,000	5,000	15,000
50	Tempe Maintenance	5,000	5,000	5,000	15,000
51	Operating Leases - Tempe	13,000			13,000
52	Equipment Lease - ESI Laser - Tempe	13,215			13,215
53	Equipment Lease - AOI - Tempe	8,690			8,690
54	Equipment Lease-Lauffer Press - Tempe	4,792			4,792
55	Equipment Lease-Die bonder	-	-		-
56	Equipment Lease-Plasma Etch - Tempe	1,894	-		1,894
57	Equipment Lease-My data		-	-	-
58	Environmental Clean Up				-
59	Moving Expenses from Boulder	-	20,000		20,000
60	Prior Week's Outstandings that Cleared	-			-
61	Current Week's Outstandings				-
62	Misc./Other	5,000	5,000	5,000	15,000
63	<b>Total Operating Disbursements</b>	<b>342,402</b>	<b>179,093</b>	<b>178,584</b>	<b>700,079</b>
64	Timing Differences				
65	<b>Net Cash Flow before Bank Payments</b>	<b>216,743</b>	<b>168,490</b>	<b>258,999</b>	<b>644,231</b>
66	Wells Fargo Mo. Principal and Int, Payments				-
67	WF Client Service Charge	-	-		-
68	Principal Payments		-		-
69	Miscellaneous Wells Fargo Fees	-			-
70	<b>Net Cash Flow Including Bank Payments</b>	<b>216,743</b>	<b>168,490</b>	<b>258,999</b>	<b>644,231</b>
71	<b>Cash</b>				
72	Beginning Cash Balance	-	216,743	385,233	-
73	Inc/(decr) Cash	216,743	168,490	258,999	644,231
74	<b>Ending Cash Balance</b>	<b>216,743</b>	<b>385,233</b>	<b>644,231</b>	<b>644,231</b>
75	<b>Beginning Combined Revolver Balance</b>	<b>2,424,039</b>	<b>2,424,039</b>	<b>2,424,039</b>	<b>2,424,039</b>
76	Inc/(decr) revolver	-	-	-	-
77	<b>Ending Combined Revolver Balance/(Cash)</b>	<b>2,424,039</b>	<b>2,424,039</b>	<b>2,424,039</b>	<b>2,424,039</b>
78	<b>Mortgage Balance</b>	<b>862,500</b>	<b>862,500</b>	<b>862,500</b>	<b>862,500</b>
79	<b>Total Wells Fargo Debt</b>	<b>3,286,539</b>	<b>3,286,539</b>	<b>3,286,539</b>	<b>3,286,539</b>

3. For purposes of adequate protection, and to the extent of the use of prepetition cash collateral in which the Prepetition Lender has a perfected security interest, the debtor is

authorized to grant to the Prepetition Lender a replacement lien, pursuant to 11 U.S.C. § 552, in the debtor's postpetition assets of the same priority, dignity and effect as the prepetition lien, if any, on the prepetition property of the debtor.

4. The debtor anticipates entering into an arrangement related to further operations at the debtor's Boulder facility to supply parts to an existing customer which is the subsidiary of a major medical supply company (the "Existing Customer"). If the debtor enters into any arrangements, either with the Existing Customer or other customers, that require additional expenditures not currently reflected in the Budget, the debtor is not authorized to make such additional expenditures without the consent of the Prepetition Lender or a further court order.

5. The replacement lien in favor of the Prepetition Lender described in paragraph three shall not extend to any inventory or other materials purchased after the filing of this bankruptcy case with funds paid by Philips Ultrasound, Inc., a division of Philips Electronics North America Corporation or by the Existing Customer.

6. As and for additional adequate protection, the debtor shall continue to utilize bank accounts maintained at Wells Fargo, including one or more prepetition bank accounts to the extent authorized by this court's order regarding the debtor's motion seeking authorization to maintain existing bank accounts.

7. As and for additional adequate protection, the debtor shall comply with reporting and inspection requests made by the Prepetition Lender in accordance with the Prepetition Lender's rights under its loan documents, which includes providing the Prepetition Lender with: (i) daily collateral reports together with all supporting documents attached thereto, due by end of business the following day; and (ii) weekly cash flow statements due by the end of business on

Tuesday of the following week. The debtor shall further provide the Prepetition Lender with a copy of all reports provided to the United States Trustee.

Dated: *January 8, 2015*

/e/ Kathleen H. Sanberg

Kathleen H. Sanberg

United States Bankruptcy Judge

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