

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:

**The Harrington & King Perforating
Co., Inc., and Harrington & King
South, Inc.,**

Debtors.

Chapter 11

Bankruptcy No. 16-bk-15650
(Jointly administered)

Honorable Deborah L. Thorne

**AGREED SEVENTH INTERIM ORDER (A) AUTHORIZING
DEBTORS TO USE CASH COLLATERAL, AND (B) GRANTING
ADEQUATE PROTECTION AND PROVIDING SECURITY AND
OTHER RELIEF TO INLAND BANK AND TRUST**

This matter came before this Court on the continued motion (the "Motion") of Harrington & King Perforating, Inc. (the "H&K") and Harrington & King South, Inc. ("Affiliate", and collectively Affiliate and Debtor are referred to as the "Debtors") requesting that this Court enter an order (a) authorizing the Debtors to use certain Cash Collateral; and (b) granting adequate protection and providing security and other relief to Inland Bank and Trust ("Lender"). Unless otherwise indicated, all capitalized terms used as defined terms herein have the meanings ascribed thereto in Exhibit A attached hereto and by this reference are made a part hereof.

This Order shall constitute findings of fact and conclusions of law pursuant to Fed. R. Bankr. P. 7052.

Having examined the Motion, being fully advised of the relevant facts and circumstances surrounding the Motion, and having completed a hearing pursuant to Code § 363 and Fed. R. Bankr. P. 4001(b) and (d), and objections, if any, having been withdrawn, resolved or overruled by the Court, **THE COURT FINDS THAT:**

A. On the Filing Date, the Debtors filed a voluntary petition for relief under chapter 11 of the Code. The Debtors have retained possession of their

property and continue to operate their businesses as debtors in possession pursuant to Code §§ 1107 and 1108.

B. The Court has jurisdiction over the Case and this proceeding pursuant to 28 U.S.C. § 1334. Determination of the Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue over this Motion is proper under 28 U.S.C. § 1409(a).

AND THE PARTIES STIPULATE AS FOLLOWS:

A. The Debtors admit, stipulate and agree that:

1. The Prepetition Documents evidence and govern the Prepetition Debt, the Prepetition Liens and the prepetition financing relationship among Debtors and Lender;

2. The Prepetition Debt constitutes the legal, valid and binding obligation of the Debtors, enforceable in accordance with the terms of the Prepetition Documents;

3. As of the Filing Date, the Debtors are liable for payment of the Prepetition Debt, and the Prepetition Debt shall be an allowed claim in an amount of not more than \$4,057,787.59 (which amount includes the letter of credit availability), exclusive of accrued and accruing Allowable 506(b) Amounts, and should be an allowed secured claim in an amount of not more than \$4,057,787.59, subject to reduction to the extent there is no draw or only a partial draw of the letter of credit prior to confirmation of a plan;

4. No offsets, defenses or counterclaims to the Prepetition Debt exist, and no portion of the Prepetition Debt is subject to contest, objection, recoupment, defense, counterclaim, offset, avoidance, recharacterization, subordination or other claim, cause of action or challenge of any nature under the Code, under applicable non-bankruptcy law or otherwise;

5. The Prepetition Liens are Priority Liens, subject to Permitted Priority Liens and secure payment of all of the Prepetition Debt; and

6. Upon the entry of this Order, Lender's interests in the Prepetition Collateral will be adequately protected; provided, however, that nothing herein shall prejudice Lender's right to later: (i) assert that its interests in the Prepetition Collateral lack adequate protection; and (ii) seek a higher valuation of the Prepetition Collateral.

B. Lender has consented to the terms of this Order and is entitled to adequate protection as set forth herein pursuant to Code §§ 361, 362 and 363 for any decrease in the value of such interests in the Prepetition Collateral from and after the Filing Date.

C. The Debtors need to use Cash Collateral as provided herein through the Termination Date, in order to prevent immediate and irreparable harm to the estate. Entry of this Order will also enhance the possibility of maximizing the value of Debtor's business and assets.

D. The terms of this Order have been negotiated at arm's length and in good faith.

E. Under the circumstances of this Case, this Order is a fair and reasonable response to the Debtors' request for Lender's consent to the use of Cash Collateral, and the entry of this Order is in the best interest of the Debtors' estates and their creditors.

F. The notice provided by the Debtors of the Motion, the hearing on the Motion, and the entry of this Order satisfy the requirements of Fed. R. Bankr. P. 2002, 4001(b) and (d) and 9014 and Code §§ 102(1) and 363 and were otherwise sufficient and appropriate under the circumstances.

WHEREFORE, IT IS HEREBY ORDERED THAT THE MOTION IS GRANTED ON AN INTERIM BASIS, AND THAT:

1. Authorization to Use Cash Collateral. The Debtors are authorized to use Cash Collateral through the Termination Date solely (a) in accordance with the terms and provisions of this Order or a subsequent order of this Court, (b) to the extent required to pay, when due, those expenses enumerated in the Budget, or such additional expenses Lender approves in advance, including the Carveout, subject to the Permitted Variance and (c) to pay Allowable 506(b) Amounts.

2. Procedure for Use of Cash Collateral.

(a) Delivery of Cash Collateral to Postpetition Lender. The Debtors shall deposit all Cash Collateral now or hereafter in its possession or control into one of the three Blocked Accounts (or otherwise deliver such Cash Collateral to Lender in a manner satisfactory to Lender) promptly upon receipt thereof.

(b) Cash Collateral in Lender's Possession. Lender is authorized to collect upon, convert to cash and enforce checks, drafts, instruments and other forms of payment on behalf and for the benefit of the bankruptcy estate, now or hereafter coming into Lender's possession or control that constitute Aggregate Collateral or proceeds thereof. Prior to the Termination Date, Lender will remit to the Debtors all Cash Collateral as and when necessary to pay (but in no event to prepay) the expenses set forth in the Budget and Allowable 506(b) Amounts in accordance with the terms of this Order. On Friday of each week, to the extent that the Cash Collateral held by the Debtors exceeds (i) a \$150,000 cash reserve, (ii) the disbursements set forth in the Budget for the following week, and (iii) any budgeted items not paid in the prior weeks, but still payable by the Debtors, the Debtors will remit any such excess Cash Collateral to Lender for application in

accordance with Section 2(c) of this Order. In addition to all other reporting requirements under the Prepetition Documents, on or before Tuesday of each week, the Debtors will provide to Lender, in form and detail reasonably acceptable to Lender, a report with respect to (i) the Debtors' collections and disbursements, and (ii) the Debtors' compliance with the Budget on a line-item-by-line-item basis, in each case for the week ending the prior Friday and on a cumulative basis since the Filing Date.

(c) Application of Cash Collateral. Lender, at its election, is authorized to apply all Cash Collateral received in excess of expenses set forth in the Budget and the \$150,000 reserve now or hereafter in its possession or control as follows: (i) first, to the payment of Prepetition Debt other than Allowable 506(b) amounts that have accrued after the Filing Date; and (ii) second, to the payment of the Allowable 506(b) Amounts. All such applications to Prepetition Debt are final.

(d) Prohibition Against Use of Cash Collateral. Except as provided for in this Order or a subsequent order of this Court, prior to the Termination Date, the Debtors will not use any Cash Collateral, unless, in addition to the satisfaction of all requirements of Code § 363, Lender has consented to such use.

3. Extension of Inland Bank Documents. The Debtors are hereby authorized to (a) extend the term of any Inland Bank Document that has reached maturity prior to entry of this Order for an additional six months from the date of this Order, and (b) execute any documents and take any actions necessary to effectuate any such extension. The extension of any Inland Bank Document pursuant to this paragraph shall not change any term of the Inland Bank Document or increase the amount owed by the Debtors under the Inland Bank Document. Further, the extension of any Inland Bank Document pursuant to this paragraph

shall not entitle Lender to an administrative expense claim of any sort in the Debtors' cases that does not exist as a result of another provision of this Order.

4. Adequate Protection of Interests of Prepetition Lender in the Prepetition Collateral and the Prepetition Liens. Lender has consented to the terms of this Order and is entitled to adequate protection as set forth herein and to the extent required under Code §§ 361, 362 or 363 (including for any decrease in the value of such interests in the Prepetition Collateral from and after the Filing Date).

(a) Priority of Prepetition Liens/Allowance of Lender's Claim. Subject to the Stipulation that will be entered as noted in Paragraph 7 and Southern Heritage Bank's lien on certain of the equipment of the Affiliate: (i) the Prepetition Liens are Priority Liens; (ii) the Prepetition Debt constitutes the legal, valid and binding obligation of the Debtors, enforceable in accordance with the terms of the Prepetition Documents; (iii) no offsets, defenses or counterclaims to the Prepetition Debt exist, and no portion of the Prepetition Debt is subject to avoidance, re-characterization or subordination pursuant to the Code or applicable non-bankruptcy law; (iv) the Prepetition Documents are valid and enforceable in all respects; and (v) Lender's claim with respect to the Prepetition Debt shall for all purposes constitute an allowed claim within the meaning of Code § 506 in an amount not more than \$4,057,787.59, exclusive of accrued and accruing Allowable 506(b) Amounts.

(b) Replacement Liens. Lender is hereby granted the Replacement Liens as security for payment of the Prepetition Debt. The Replacement Liens: (i) are and shall be in addition to the Prepetition Liens; (ii) are and shall be properly perfected, valid and enforceable liens without any further action by the Debtors or Lender and without the execution, filing or recordation of any financing statements, security agreements, control agreements, mortgages or other documents or instruments; and (iii) shall remain in full force and effect notwithstanding any subsequent conversion or dismissal of the Case.

Notwithstanding the foregoing, the Debtors are authorized to and shall execute and deliver to Lender such financing statements, mortgages, control agreements, instruments and other documents as Lender may request from time to time in respect of the Replacement Liens and the cash in the Blocked Accounts.

(c) 507(b) Claim. If and to the extent the adequate protection of the interests of Lender in the Prepetition Collateral granted pursuant to this Order proves insufficient, Lender shall have an allowed claim under Code § 507(b), subject to the Carveout, in the amount of any such insufficiency, with priority over: (i) all other claims allowable under Code § 507(a)(2); and (ii) the claims of any other party in interest under Code § 507(b).

5. Termination Date; Rights and Remedies.

(a) Effect of Termination Date. Upon the Termination Date and unless extended by the Court upon the written agreement of Lender or the Court enters a further order authorizing the Debtors to use cash collateral, (i) the Debtors' authorization to use Cash Collateral hereunder will automatically terminate and (ii) Lender shall be entitled to apply any Cash Collateral coming into its possession or control to the Prepetition Debt absent further Order of the Court in accordance with Paragraph 2(c) of this Order. Subject to Paragraph 18 below, upon the Termination Date, the Debtors or a Trustee shall have the right to make additional requests of the Court to use Cash Collateral pursuant to § 363 of the Code.

(b) Rights and Remedies. On two days' notice to the Debtors, the Committee, and the UST, Lender may apply for expedited relief from the automatic stay with respect to the Aggregate Collateral (without regard to the passage of time provided for in Fed. R. Bank. P. 4001(a)(3)), in order to exercise all rights and remedies available to it under the Prepetition Documents and applicable nonbankruptcy law.

6. Carveout.

(a) Carveout Terms. The Carveout with respect to each Carveout Professional: (i) shall equal an aggregate amount not to exceed the lesser of (I) the aggregate amount provided in the Budget (and any subsequent approved budgets) for such Carveout Professional for the period commencing on the Filing Date, it being understood that Lender's approval of any additional budgeted amounts for this item is subject to Lender's absolute discretion, and ending on the Termination Date and (II) the aggregate amount of allowed fees and expenses that accrue during the period commencing on the Filing Date and ending thirty (30) days after the Termination Date; (ii) shall be reduced dollar-for-dollar by any payments of fees and expenses to such Carveout Professional; and (iii) shall be paid out of any prepetition retainer or property of the estate (other than property subject to an unavoidable lien in favor of Lender) before such payments are made from proceeds of the Aggregate Collateral. It is understood and agreed that the Carveout and its usage shall not diminish Lender's Aggregate Collateral for the purposes of determining whether Lender is oversecured.

(b) Carveout Usage. No portion of the Carveout and no Aggregate Collateral may be used to pay any fees or expenses incurred by any entity, including the Debtors, the Official Unsecured Creditors Committee or the Carveout Professionals, in connection with claims or causes of action adverse to Lender's interests in the Aggregate Collateral, including: (i) preventing, hindering or delaying Lender's enforcement or realization upon any of the Aggregate Collateral once an Event of Default has occurred; (ii) using or seeking to use Cash Collateral or incurring indebtedness in violation of the terms hereof, or selling any Aggregate Collateral without Lender's consent; or (iii) objecting to or contesting in any manner, or in raising any defenses to, the validity, extent, amount, perfection, priority or enforceability of the Prepetition Debt or any mortgages, liens or security interests with respect thereto or any other rights or interests of Lender, or in asserting any claims or causes of action, including, without limitation, any actions

under chapter 5 of the Code, against Lender; provided, however, that the foregoing shall not apply to costs and expenses, in an amount not to exceed \$15,000, incurred by the Committee's professionals in connection with the investigation of a potential Challenge; provided, further, however, that the Carveout may be used to pay fees and expenses incurred by the Carveout Professionals in connection with the negotiation, preparation and entry of this Order or any extension, amendment or further order allowing the Debtors' use of Cash Collateral consented to by Lender.

(c) Carveout Procedure. The Debtors shall periodically, upon the request of Lender, provide to Lender a written report (the "Carveout Report"), in which the Debtors disclose their then-current estimate of (i) the aggregate amount of unpaid professional fees, costs and expenses accrued or incurred by the Debtor's Carveout Professionals, through the date of the Carveout Report, and (ii) projected fees, costs and expenses of the Debtors' Carveout Professionals for the 30-day period following the date of such Carveout Report. Nothing herein shall be construed as consent by Lender to the allowance of any fees or expenses of the Carveout Professionals or shall affect the right of Lender to object to the allowance and payment of such fees, costs or expenses, or the right of Lender to the return of any portion of the Carveout that is funded with respect to fees and expenses for a Carveout Professional that are approved on an interim basis that are later denied on a final basis. For the avoidance of doubt, no Carveout Professional shall be entitled to any portion of the Carveout allocated for any other Carveout Professional in the Budget.

7. Bar of Challenges and Claims. The stipulations and representations contained in this Order, shall be binding on all Challenge Parties. The Committee has completed its investigation regarding the validity, extent, perfection, and priority of the liens and security interests asserted by Lender in the real and personal property assets of the Debtors, and any claims, defenses, and Challenges, and in connection therewith, and in lieu of the Committee asserting a

Challenge, the Parties are entering into a stipulation (the "Stipulation"). Except as set forth in the Stipulation: (i) the claims, liens and security interests of Lender are allowed for all purposes in this Case and shall not be subject to challenge by any party in interest as to extent, validity, priority or otherwise; and (ii) the Debtors and their estates shall be deemed to have waived, released and discharged Lender and its officers, directors, principals, attorneys, consultants, predecessors in interest, and successors and assigns of and from any and all claims and causes of action, indebtedness, and obligations, of every type, which occurred on or prior to the date of entry of this Order with respect to or in connection with the Prepetition Debt, the Prepetition Liens, and the Prepetition Documents.

8. Allowance of 506(b) Amounts. Upon receipt by the Debtors of Lender's periodic summary invoices for interest at the non-default rate under the Prepetition Documents, and the Debtors are authorized and directed to pay such interest amounts immediately as Allowable 506(b) Amounts. Lender shall provide copies of such invoices to the U.S. Trustee and the Committee, redacted for privileged or confidential information, for informational purposes only. Once every six months, Lender may file an application for allowance and payment of its fees and costs payable under the Prepetition Documents and section 506(c) of the Bankruptcy Code and shall attach to such application invoices for any fees sought, redacted to protect privileged or confidential information. The Debtor, the Committee, and the U.S. Trustee may object to such applications with respect to the reasonableness of the fees and costs sought. Absent a timely objection, the Court may grant such application and award such fees and costs as Allowable 506(b) Amounts, provided, however, that should the Court later determine that Lender is not fully secured, all (a) payments for Lender's fees and costs and (b) interest payments received which are not adequate protection payments for the use of depreciating equipment, shall be applied by Lender to principal under the Prepetition Debt.

9. Waiver of Right to Return/Consent to Setoff. The Debtors hereby waive their rights: (a) to return any of the Aggregate Collateral pursuant to Code § 546(h) without the written consent of Lender; (b) to consent to any order permitting any claims pursuant to Code § 503(b)(9) without the written consent of Lender or without prior notice to and consultation with Lender; and (c) to consent to setoff pursuant to Code § 553.

10. Indemnification. The Debtors shall indemnify and hold harmless Lender in accordance with the Prepetition Credit Documents.

11. No Marshaling. Neither Lender nor any of the Aggregate Collateral shall be subject to the doctrine of marshaling.

12. Force and Effect of Prepetition Documents. Except as modified herein and subject to the other provisions of this Order and the Code, the Prepetition Documents shall remain in full force and effect with respect to the Prepetition Debt. To the extent there exists any conflict among the terms of the Motion, the Prepetition Documents and this Order, this Order shall govern and control.

13. Modification of Stay. The automatic stay of Code § 362 is hereby modified with respect to Lender to the extent necessary to effectuate the provisions of this Order.

14. No Waiver. Lender shall not be deemed to have suspended or waived any of its rights or remedies under this Order, the Prepetition Documents, or applicable nonbankruptcy law unless such suspension or waiver is in writing, signed by a duly authorized officer of Lender and directed to the Debtors. No failure of Lender to require strict performance by the Debtors (or by any Trustee) of any provision of this Order shall waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith, and no delay on the part of Lender in the exercise of any right or remedy under this Order, the Prepetition

Documents or applicable nonbankruptcy law shall preclude the exercise of any right or remedy. Further, this Order shall not constitute a waiver by Lender of any of its rights under the Prepetition Documents, the Code or applicable nonbankruptcy law, including, without limitation its right to later assert: (a) that any of its interests in the Aggregate Collateral lack adequate protection within the meaning of Code §§ 362(d) or 363(e) or any other provision thereof; or (b) a claim under Code § 507(b).

15. “Responsible Person.” By taking any actions pursuant to this Order, Lender shall not: (a) be deemed to be in control of the operations or liquidation of the Debtors; or (b) be deemed to be acting as a “responsible person” with respect to the operation, management or liquidation of Debtor. The foregoing provision shall not be effective until entry of the Final Order.

16. Release. Upon the date that the Prepetition Debt is paid in full in cash, and as a condition to the release of the Prepetition Liens, the Debtors shall execute and deliver to Lender a general release of any and all claims and causes of action that could have been asserted or raised under or in connection with the Prepetition Documents.

17. Amendments. The Debtors and Lender may enter into amendments or modifications of the Prepetition Documents or the Budget without further notice and hearing or order of this Court; provided, that (a) such modifications or amendments do not materially and adversely affect the rights of any creditor or other party-in-interest and (b) notice of any such amendment or modification is filed with this Court.

18. Binding Effect. This Order shall be binding on all parties in interest in the Case and their respective successors and assigns, including any Trustee, except that any Trustee shall have the right to terminate this Order after notice and a hearing. If this Order does not become a final nonappealable order, if the Debtors or a Trustee terminate this Order, or if any of the provisions of the Order are hereafter modified, amended, vacated or stayed by subsequent order of

this Court or any other court, such termination or subsequent order shall not affect: (a) the stipulations, representations, and findings contained in this Order and the relief granted by and the releases contained in this Order; and (b) the priority, validity, enforceability or effectiveness of any lien, security interest or other benefit or claim authorized hereby with respect to Cash Collateral used prior to the effective date of such termination or subsequent order. All such liens, security interests, claims and other benefits shall be governed in all respects by the original provisions of this Order, and Lender shall be entitled to all the rights, remedies, privileges and benefits granted hereto, including the liens and priorities granted herein. Except as otherwise explicitly set forth in this Order, no third party is intended to be, or shall be deemed to be, a third party beneficiary of this Order,

19. Survival. The provisions of this Order, and any actions taken pursuant to or in reliance upon the terms hereof, shall survive entry of, and govern in the event of any conflict with, any order which may be entered in the Case: (a) confirming any chapter 11 plan; (b) convening any Case to a case under chapter 7 of the Code, (c) dismissing any Case, (d) withdrawing of the reference of any Case from this Court; or (e) providing for abstention from handling or retaining of jurisdiction of the Case in this Court. The terms and provisions of this Order shall continue in full force and effect until all of the Prepetition Debt is indefeasibly paid in full in cash and discharged.

20. Further Hearing. A further hearing on the Debtors' Motion is scheduled for 2/7/17, 2017, at 10:00 a.m., and may be continued from time to time without further notice other than that given in open court. The Debtors are directed to immediately serve a copy of this Order by first class mail, postage prepaid, on counsel for Lender, the Debtors' other secured creditors, each of the Debtors' twenty (20) largest unsecured creditors, and the United States Trustee, which service shall constitute adequate and proper notice of the subsequent hearing.

Dated: **22 NOV 2016**

Enter:



United States Bankruptcy Judge

EXHIBIT A

DEFINED TERMS

1. *Aggregate Collateral.* Collectively, the Prepetition Collateral and the Postpetition Collateral.

2. *Allowable 506(b) Amounts.* To the extent allowable under Code § 506(b), interest at the default rate of interest as set forth in the Prepetition Credit Agreement, all fees, costs, expenses, and other charges due or coming due under the Prepetition Documents or in connection with the Prepetition Debt (regardless of whether such fees, costs, interest and other charges are included in the Budget), and all costs and expenses at any time incurred by Lender in connection with: (a) the negotiation, preparation and submission of this Order and any other order or document related hereto, and (b) the representation of Lender in the Case, including in defending any Challenge.

3. *Blocked Accounts.* Account Nos. xx9264, xx9266, xx9268 and xxx8300 at Inland Bank and Trust; Southern Heritage Bank Account No. xxx1344; or Account No xxxxxx6109 at MB Financial Bank. Upon the entry of this Order, Lender shall be deemed to have a perfected first lien on all Blocked Accounts.

4. *Budget.* The budget attached to this Order, as extended, amended, modified or supplemented from time to time, as was or may be agreed to in writing by Lender.

5. *Carveout.* Collectively, (a) all fees required to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a), and (b) with respect to each Carveout Professional, the allowed fees and disbursements of as may be awarded to such Carveout Professional from time to time pursuant to Code § 330, in the aggregate amount set forth in Paragraph 6 of this Order.

6. *Carveout Professionals.* The Law Offices of William J. Factor, Beacon Management Advisors, LLC, Ulmer & Berne LLP, and any other professional retained by the Debtor for whom Lender agrees to a Carveout, and the United States Trustee, or any other professional retained by the Committee for whom Lender agrees to a Carveout.

7. *Case.* The chapter 11 cases or any superseding chapter 7 cases of Debtors.

8. *Cash Collateral.* All “cash collateral,” as that term is defined in Code § 363(a), in which Lender has an interest, all deposits subject to setoff rights in favor of Lender, and all cash arising from the collection or other conversion to cash of the Aggregate Collateral, including from the sale of inventory and the collection of accounts receivable.

9. *Challenge.* A claim or cause of action challenging the extent, validity, perfection, priority or enforceability of the Prepetition Debt, the Prepetition Liens or any other claims or causes of action against Lender, which the Debtors, the Committee, or another party-in-interest may bring.

10. *Challenge Party.* The Debtors, the Committee, any Trustee, or other party-in-interest with the requisite standing.

11. *Code.* The United States Bankruptcy Code (11 U.S.C. § 101 *et seq.*), as amended, and any successor statute. Unless otherwise indicated, all statutory section references in this Order are to the Code.

12. *Committee.* The official creditors' committee appointed to represent unsecured creditors in this Case pursuant to Code § 1102.

13. *Event of Default.* At Lender's election, (a) the failure of the Debtors to comply with any of its covenants or obligations under and in strict accordance with the terms of this Order; (b) the filing by the Debtors, without the

consent of Lender, of a motion to incur debt secured by a lien with priority equal to or superior to the Prepetition Liens or Replacement Liens or which is given superpriority administrative expense status under Code § 364(c); (e) entry of any order authorizing any party in interest to reclaim any of the Aggregate Collateral, granting any party in interest relief from the automatic stay with respect to the Aggregate Collateral, or requiring that the Debtors turnover any of the Aggregate Collateral, in each case prior to full, final and indefeasible repayment of all Prepetition Debt; (f) any material representation or warranty made by the Debtors in any certificate, report or financial statement delivered to Lender is, after the Filing Date, discovered or disclosed to Lender to have been false or misleading in any material respect as of the time when made or given (including by omission of material information necessary to make such representation, warranty or statement not misleading); (g) the conversion of either Case to a case under chapter 7 of the Code; (h) the appointment or election of a Trustee in any Case, or the appointment of an examiner with the power to operate the Debtors' businesses in either Case; (i) commencement of an adversary proceeding or contested matter by the Debtors objecting to the extent, validity or priority of the Prepetition Debt and/or the Prepetition Liens; or (j) this Order, or any other order of this Court is modified, amended, vacated or stayed in any manner not consented to in writing by Lender.

14. *Filing Date.* May 7, 2016.

15. *Filing Hearing.* The final hearing on the Motion conducted in accordance with Fed. R. Bankr. P. 4001.

16. *Final Order.* A final order authorizing the Debtors to use Cash Collateral and incur Postpetition Debt entered at or in connection with the Final Hearing.

17. *Guarantor.* Andrew Lovaas.

18. *Guaranty.* That continuing Unconditional Guaranty of Andrew Lovaas dated March 24, 2014.

19. *Investigation Period.* The period from the Filing Date until August 24, 2016.

20. *Inland Bank.* Inland Bank and Trust.

21. *Inland Bank Documents.* All loan agreements, promissory notes, mortgages, deeds of trust, guaranties and other instruments, documents and agreements executed and/or delivered *in* connection with any indebtedness or other obligations of Borrower and/or certain Guarantors to Inland Bank.

22. *Permitted Variance.* Beginning with the second week set forth in the Budget, with respect to collections, sales and expenses as set forth in the Budget, an amount equal to 90% of the amount set forth in the Budget with respect to each of collections and sales and 105% with respect to expenses, tested on a cumulative and rolling 3-week basis; provided, however, irrespective of the foregoing, the Debtors shall be entitled to maintain at all times a cash reserve not to exceed \$150,000.

23. *Postpetition Collateral.* Except as set forth in the Stipulation, all of the real and personal property of Debtors of any description whatsoever, wherever located and whenever arising or acquired, including all cash, accounts, inventory, equipment, fixtures, chattel paper, general intangibles (excluding claims and proceeds under Code §§ 544, 547, 548, 549, 550 and 553), all leaseholds, all commercial torts, all other “Collateral” (as that term is defined in the Prepetition Credit Agreement), and all proceeds, rents, issues, profits and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any of the foregoing.

24. *Prepetition Collateral.* Except as set forth in the Stipulation, all of the “Collateral” (as that term is defined in the Prepetition Credit Agreement) existing as of the Filing Date, and all proceeds, rents, issues, profits and products thereof.

25. *Prepetition Credit Agreement.* Those credit and security agreements collectively defined as “Loan Documents” in that certain Sixth Forbearance Agreement and Modification to Loan Documents, dated as of February 5, 2016, by and between the Debtors and Lender, as amended, modified and supplemented from time to time.

26. *Prepetition Debt.* (a) All indebtedness or obligations under the Prepetition Documents as of the Filing Date, including all “Obligations” (as defined in the Prepetition Credit Agreement), and all fees, costs, interest, and expenses as and when due and payable pursuant to the Prepetition Documents, plus (b) all Allowable 506(b) Amounts.

27. *Prepetition Documents.* The Prepetition Credit Agreement and the Loan Documents (as that term is defined in the Prepetition Credit Agreement).

28. *Prepetition Liens.* Lender's asserted security interests in the Prepetition Collateral under the Prepetition Documents, subject only to Priority Liens.

29. *Priority Liens.* Liens which are first priority, properly perfected, valid and enforceable security interests, which are not subject to any claims, counterclaims, defenses, setoff, recoupment or deduction, and which are otherwise unavoidable and not subject to recharacterization or subordination pursuant to any provision of the Code, any agreement, or applicable nonbankruptcy law.

30. *Replacement Liens.* Pursuant to and to the extent authorized by § 361(2) of the Code, liens in the Postpetition Collateral granted to Lender pursuant to this Order to the same extent of Lender's priority in the Prepetition Collateral.

31. *Termination Date.* At Lender's election, the earliest to occur of: (a) the date on which Lender provides, via facsimile or overnight mail, written notice to counsel for the Debtors and counsel for the Committee of the occurrence and continuance of an Event of Default; (b) the date on which the Prepetition Debt is indefeasibly paid in full in cash; and (c) the last day of the final week identified in the Budget.

32. *Trustee.* Any trustee appointed or elected in the Case.

EXHIBIT B

BUDGET

HARRINGTON & KING COMBINED WEEKLY CHICAGO & TENNESSEE CASH FOREC	1	2	3	4	5	6	7	8	9	10	11	12	13	Total Weeks 29 thru 41	Total Weeks 1 thru 41
	29	30	31	32	33	34	35	36	37	38	39	40	41		
Date - WE	11/25/2016	12/2/2016	12/9/2016	12/16/2016	12/23/2016	12/30/2016	1/6/2017	1/13/2017	1/20/2017	1/27/2017	2/3/2017	2/10/2017	2/17/2017	2/17/2017	2/17/2017
Budget/Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget

SHIPMENTS

Customer shipments	105,000	200,000	170,000	170,000	136,000	84,000	144,000	190,000	190,000	190,000	200,000	210,000	210,000	2,199,000	7,073,000
Scrap	-	15,000	-	-	-	15,000	-	-	-	-	15,000	-	-	45,000	185,800
Sales Allowances	(750)	(1,500)	(1,350)	(1,350)	(1,080)	(540)	(1,200)	(1,500)	(1,500)	(1,500)	(1,500)	(1,650)	(1,650)	(17,070)	(58,140)

NET SALES	104,250	213,500	168,650	168,650	134,920	98,460	142,800	188,500	188,500	188,500	213,500	208,350	208,350	2,226,930	7,200,660
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CASH FLOW

RECEIPTS

A/R Cash															
A/R	148,375	161,422	204,198	180,000	180,000	104,250	213,500	168,650	168,650	164,920	133,460	177,800	188,500	2,193,725	7,111,225
New Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A/R Collections	148,375	161,422	204,198	180,000	180,000	104,250	213,500	168,650	168,650	164,920	133,460	177,800	188,500	2,193,725	7,111,225
Non A/R Cash															
Scrap Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103,118
Preference Settlement	-	-	-	-	-	118,400	-	-	-	-	-	-	-	-	118,400
Total Non-A/R Cash	-	-	-	-	-	118,400	-	-	-	-	-	-	-	118,400	221,518
RECEIPTS	148,375	161,422	204,198	180,000	180,000	222,650	213,500	168,650	168,650	164,920	133,460	177,800	188,500	2,312,125	7,332,743

DISBURSEMENTS

Inventory															
Material Purchases	51,000	51,500	51,500	47,500	47,500	49,500	57,000	57,000	57,000	61,500	62,000	61,500	62,000	716,500	2,373,500
Plant Overhead Spending - Pinches, Oil & Lun	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	172,250	469,409
Inventory Purchases	64,250	64,750	64,750	60,750	60,750	62,750	70,250	70,250	70,250	74,750	75,250	74,750	75,250	888,750	2,842,909
Payroll & Benefits															
Payroll Processing Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shop	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Payroll - Weekly	40,580	40,580	40,580	40,580	40,580	40,580	41,349	41,349	41,349	41,349	41,349	41,349	41,349	532,922	1,773,816
401-k	650	650	650	650	650	650	650	650	650	650	650	650	650	8,450	26,412
Fringe Benefits (Taxes, Benefits)	3,706	3,706	3,706	3,706	3,706	3,706	3,775	3,775	3,775	3,775	3,775	3,775	3,775	48,659	155,468
Contract Employees	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	45,500	145,750
Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Payroll - Chief Restructuring Officer	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	50,000	157,690
Gross Payroll - Bi monthly	16,050	16,050	17,589	17,589	17,589	17,589	17,589	16,589	16,589	16,589	16,589	16,589	16,589	219,577	538,245
Gross Payroll - Monthly	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
401-k	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office temp	8,440	8,440	5,380	5,380	3,000	3,000	-	-	-	-	-	-	-	33,640	182,240

HARRINGTON & KING
 COMBINED WEEKLY CHICAGO & TENNESSEE CASH FOREC

	1	2	3	4	5	6	7	8	9	10	11	12	13	Total Weeks 29 thru 41	Total Weeks 1 thru 41
	29	30	31	32	33	34	35	36	37	38	39	40	41		
Date - W/E	11/25/2016	12/2/2016	12/9/2016	12/16/2016	12/23/2016	12/30/2016	1/6/2017	1/13/2017	1/20/2017	1/27/2017	2/3/2017	2/10/2017	2/17/2017	2/17/2017	2/17/2017
Budget/Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget

Other															
Professional Fees	-	5,000	-	-	-	-	-	-	11,375	-	-	-	-	11,375	237,375
Debt Service															
Inland Bank - Note 1	-	-	20,750	-	-	-	-	20,750	-	-	-	20,750	-	62,250	186,810
Inland Bank - Note 2	-	-	6,450	-	-	-	-	6,450	-	-	-	6,450	-	19,350	59,700
Inland Bank - Real Estate Tax escrow	-	-	4,500	-	-	-	-	4,500	-	-	-	4,500	-	13,500	40,440
Inland (new) line of credit	-	-	625	-	-	-	-	1,250	-	-	-	1,250	-	3,125	3,125
Southern Heritage - Note 1	-	-	6,600	-	-	-	6,600	-	-	-	6,600	-	-	19,800	72,600
Southern Heritage - Note 2	-	-	-	-	22,200	-	-	-	22,200	-	-	-	22,200	66,600	231,500
Aily Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	38,925	-	22,200	-	6,600	32,950	22,200	-	6,600	32,950	22,200	184,625	594,175

DISBURSEMENTS	161,063	156,427	198,350	183,023	176,325	144,170	168,427	224,617	205,398	153,018	163,037	206,048	215,737	2,350,638	7,661,196
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NET OPERATING CASH FLOW	(12,688)	4,995	5,848	(3,023)	3,675	78,480	45,073	(55,967)	(36,748)	11,902	(29,577)	(28,248)	(27,237)	(38,513)	(328,453)
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Line of Credit Activity															
Borrowing on Inland Line of Credit	80,000	45,000	25,000	-	-	-	80,000	45,000	25,000	-	-	-	80,000	380,000	380,000
Repayment of Inland Line of Credit	-	-	-	-	-	-	(80,000)	(45,000)	(25,000)	-	-	-	(80,000)	(230,000)	(230,000)
Line of Credit	80,000	45,000	25,000	-	-	-	-	-	-	-	-	-	-	150,000	150,000

Beginning Cash	90,000	157,312	207,308	238,156	235,133	238,808	317,288	362,361	306,395	269,647	281,548	251,971	223,723	90,000	350,812
NET CF (Weekly)	67,312	49,995	30,848	(3,023)	3,675	78,480	45,073	(55,967)	(36,748)	11,902	(29,577)	(28,248)	(27,237)	111,487	(178,453)
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122,697
Ending Cash	157,312	207,308	238,156	235,133	238,808	317,288	362,361	306,395	269,647	281,548	251,971	223,723	196,487	201,487	295,056

PROFESSIONAL FEE CARVEOUT

Debtor Bankruptcy Counsel	-	-	-	-	-	-	-	30,000	-	-	-	-	-	30,000	60,000	190,000
Debtor Employment Counsel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000
Debtor Financial Advisor	-	-	-	-	-	-	-	15,000	-	-	-	-	-	15,000	30,000	135,000
Committee Professionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Total Professional Fee Carveout	-	-	-	-	-	-	-	45,000	-	-	-	-	-	45,000	90,000	380,000

ROLLFORWARDS

Accounts Receivable															
Beginning Balance	1,070,000	1,025,875	1,077,953	1,042,405	1,031,055	985,975	980,185	909,485	929,335	949,185	972,765	1,052,805	1,083,355	-	-
Net Sales	104,250	213,500	168,650	168,650	134,920	98,460	142,800	188,500	188,500	188,500	213,500	208,350	208,350	-	-
A/R Receipts	(148,375)	(161,422)	(204,198)	(180,000)	(180,000)	(104,250)	(213,500)	(168,650)	(168,650)	(164,920)	(133,460)	(177,800)	(188,500)	-	-
Adjustments/Reclass	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	1,025,875	1,077,953	1,042,405	1,031,055	985,975	980,185	909,485	929,335	949,185	972,765	1,052,805	1,083,355	1,103,205		