

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ILLINOIS

IN RE:)	IN PROCEEDINGS
)	UNDER CHAPTER 11
HISTORIC TIMBER & PLANK, INC.,)	
)	BK 16-31007
DEBTOR.)	

FINAL ORDER REGARDING USE OF CASH COLLATERAL
PURSUANT TO 11 U.S.C. § 363 AND GRANTING ADEQUATE PROTECTION

Upon the Motion filed July 1, 2016 by Historic Timber & Plan, Inc., Debtor and Debtor-in-possession (“Debtor”) seeking authorization for the use of cash collateral (“Motion”); no interested party having objected to the proposed use of cash collateral and the United States Department of Treasury, Internal Revenue Service (“IRS”), Bank of Springfield (“BOS”) and Debtor having agreed to the entry of this Order providing for the use of cash collateral pursuant to 11 U.S.C. § 363 and Federal Rule of Bankruptcy Procedure 4001 under the terms and conditions stated herein,

IT IS FOUND AND ORDERED that:

- A. This court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334.
- B. This matter is a core proceeding under 28 U.S.C. §157(b)(2)(D).
- C. On June 28, 2016 (“Petition Date”), Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (“Bankruptcy Code”). Since the Petition Date, Debtor continues to operate its business as a debtor-in-possession.
- D. IRS is a secured creditor of Debtor by reason of certain federal tax liens filed in the amount of \$186,579.00. IRS asserts a first-position lien against the accounts receivable of Debtor pursuant to 18 U.S.C. § 6321. IRS perfected its lien against Debtor by filing its lien with the Illinois Secretary of State on October 13, 2015.

E. BOS is Debtor's primary secured lender. As of the Petition Date, Debtor is indebted to BOS in a sum of at least \$776,000.00 ("Pre-petition Indebtedness").

F. To secure repayment of the Pre-petition Indebtedness, BOS asserts that Debtor granted to BOS a first priority security interest and lien on substantially all of Debtor's assets, including but not limited to all of Debtor's inventory, accounts, equipment and general intangibles and the proceeds therefrom (collectively, the "Pre-petition Collateral"), pursuant to a commercial security agreement(s) (the "Security Documents").

G. BOS properly perfected its interest in the Pre-petition Collateral by filing financing statements with the Secretary of State of Illinois (the "Perfection Documents").

H. Debtor acknowledges and agrees that BOS has a first priority and perfected lien upon the Pre-petition Collateral.

I. Each of Debtor, BOS and IRS agree that it is in the best interest of the creditors of the bankruptcy estate that cash collateral be used to continue the business operations of Debtor, in order to realize the value of Debtors' assets to their fullest potential recovery.

J. IRS and BOS are willing to consent to the use of the Cash Collateral by Debtor, even though an Order for relief has been entered, under the terms and conditions contained in this Order so long as it is assured that such actions and forbearance shall not waive or otherwise prejudice the rights of IRS and BOS.

K. The parties intend that the provisions of this Order become effective concurrently with the entry of an order approving Debtor's motion to obtain post-petition financing from BOS.

L. To operate its business, Debtor needs to utilize funds that are IRS' and/or BOS' cash collateral (the "Cash Collateral") in order to pay for materials, supplies, payroll and

administrative expenses.

M. Good cause has been shown for entry of this Order. Entry of this Order will be in the best interest of Debtor, its creditors and the estate. The terms of the use of Cash Collateral authorized hereby are fair and reasonable under the circumstances.

WHEREFORE, it is hereby ordered:

1. The factual findings set forth in the preamble to this Order are incorporated herein by reference thereto and Debtor, IRS and BOS consent and stipulate thereto.

2. The term of this Order shall commence upon entry of a Court Order approving Debtor's Motion for Order Authorizing Debtor to Obtain Post-Petition Financing pursuant to 11 U.S.C. § 364 [Doc. 72] and will continue through and including the earlier to occur of: (a) the entry of an Order confirming a plan of reorganization in this case; (b) the termination of the right to use Cash Collateral pursuant to this Order; or (c) the entry of an Order authorizing the sale of all or substantially all of Debtor's assets ("Cash Collateral Period").

3. Debtor is hereby authorized to use Cash Collateral solely in accordance with and pursuant to the terms and provisions of this Order.

4. For so long as this Order remains in effect, Debtor is authorized to use Cash Collateral in accordance with the terms of this interim Order, in an amount not to exceed the estimated total expenditures set forth on Exhibit A attached to this Order. The failure of any interested party to object to expenditures believed to be unreasonable shall be deemed a waiver of such right to object to the actual payment of same for any expenditure incurred or paid prior to the date any interested party files a formal objection to such expenditure.

5. Debtor is authorized to execute, deliver and perform all acts that are required or contemplated by or in connection with this Order.

6. As adequate protection for the use of cash collateral on an interim basis, IRS and BOS are granted a lien upon and security interest in Debtor's post-petition accounts receivable and inventory and proceeds therefrom ("Post-Petition Cash Collateral") to the extent of cash collateral used by Debtor (the "Replacement Lien"), superior to all other security interests in and liens upon such property except for liens granted to BOS as security for post-petition financing as authorized by this Court (the "DIP Financing Liens"). The Replacement Lien shall extend to all of the Post-Petition Cash Collateral, whether owned or existing at the Petition Date, or acquired or arising subsequent thereto for such time as this Order remains in effect, and in an amount equal to the amount of Cash Collateral used hereunder (but not in excess of Lender's outstanding claim).

7. Neither BOS nor the IRS shall be required to file financing statements or other documents in any jurisdiction or take any action in order to validate or perfect the Replacement Lien.

8. The provisions of this Order shall be binding upon and inure to the benefit of BOS, the IRS, Debtor, and their respective successors and assigns, including any Trustee appointed in this case or in any subsequent Chapter 7 proceeding, upon any reorganized and post-confirmation debtor, and receivers or similar custodians and caretakers appointed in any subsequent state and/or federal proceeding.

9. The occurrence of any one or more of the following events shall be an event of default under this Order ("Event of Default"):

- a. The occurrence of any event of default under the Post-Petition Loan Document executed in conjunction with any Order approving same;

- b. The entry of an order: (i) converting this case to a case under Chapter 7 of the Bankruptcy Code; or (ii) appointing a Trustee in this bankruptcy case; or (iii) dismissing this case; or (iv) granting BOS or the IRS relief from the automatic stay; or (v) that specifically terminates this Order;
- c. Debtor's violation of a provision of this Order.

10. Upon the occurrence of an Event of Default, either BOS or the IRS shall issue a written notice of the default to Debtor and Debtor's counsel. Debtor shall have ten (10) days to cure said default to prevent a termination of its authority to use Cash Collateral. Upon termination of Debtor's authority to use Cash Collateral, Debtor may petition the Court to use the Cash Collateral and to provide adequate protection.

11. Without limiting more specific provisions of this Order, the automatic stay provisions of Section 362 of the Bankruptcy Code are hereby modified as to BOS and IRS to the extent necessary to implement the provisions of this Order.

12. Nothing herein shall prejudice the rights of any party which may claim an interest in cash collateral from requesting adequate protection of that interest.

Counsel for the moving party shall serve a copy of this Order by mail to all interested parties who were not served electronically.

ENTERED: September 30, 2016

/s/ William V. Altenberger

UNITED STATES BANKRUPTCY JUDGE/3

Agreed as to form and content:

/s/ Mary E. Lopinot
Attorney for Historic Timber & Plank, Inc.

/s/ Stephen A. Tagge
Attorney for Bank of Springfield

/s/ Gerald M. Burke
Assistant United States Attorney

HISTORIC TIMBER & PLANK INC.
PRO-FORMA CASH FLOW/INCOME STATEMENT
REVISED 9-16-16

	3 MONTHS	3 MONTHS	6 MONTHS	
	10/1/16 -	1/1/2017 -	8/1/16 -	
	12/31/16	3/31/2017	3/31/17	
REVENUE				
Sales - Export *	\$ 463,227	\$ 527,700	\$ 990,927	
Sales - Domestic	\$ 867,184	\$ 548,000	\$ 1,415,184	
Total Gross sales	\$ 1,330,411	\$ 1,075,700	\$ 2,406,111	
Freight charges	\$ 106,433	\$ 86,056	\$ 192,489	
TOTAL REVENUES	\$ 1,436,844	\$ 1,161,756	\$ 2,598,600	100.0%
COST OF SALES				
Material purchases	\$ 346,874	\$ 219,200	\$ 566,074	
Material purchases - export**	\$ 231,614	\$ 263,850	\$ 495,464	
Direct labor/variable salaries	\$ 199,562	\$ 161,355	\$ 360,917	
Payroll taxes	\$ 29,934	\$ 24,203	\$ 54,137	
Freight & delivery	\$ 106,433	\$ 86,056	\$ 192,489	
Factory supplies	\$ 26,608	\$ 21,514	\$ 48,122	
Equipment repairs	\$ 53,216	\$ 43,028	\$ 96,244	
Utilities	\$ 13,304	\$ 10,757	\$ 24,061	
TOTAL COST OF SALES	\$ 1,007,545	\$ 829,963	\$ 1,837,508	70.7%
GROSS PROFIT	\$ 429,299	\$ 331,793	\$ 761,092	29.3%
OPERATING & ADMINISTRATIVE				
Officer salaries	\$ 20,500	\$ 20,500	\$ 41,000	
Admn salaries	\$ 6,000	\$ 6,000	\$ 12,000	
Payroll taxes	\$ 3,975	\$ 3,975	\$ 7,950	
Advertising	\$ 10,083	\$ 10,083	\$ 20,166	
Auto	\$ 2,511	\$ 2,511	\$ 5,022	
Rent	\$ 13,500	\$ 13,500	\$ 27,000	
Repairs & maintenance	\$ 1,500	\$ 1,500	\$ 3,000	
Insurance	\$ 19,440	\$ 19,440	\$ 38,880	
Property taxes	\$ 1,667	\$ 1,667	\$ 3,333	
Meals & entertainment	\$ 1,950	\$ 1,950	\$ 3,900	
Travel	\$ 5,250	\$ 5,250	\$ 10,500	
Bank charges	\$ 2,790	\$ 2,790	\$ 5,580	
License & permits	\$ 375	\$ 375	\$ 750	
Office & computer	\$ 3,162	\$ 3,162	\$ 6,324	
Professional fees	\$ 6,750	\$ 6,750	\$ 13,500	
Telephone/internet	\$ 1,980	\$ 1,980	\$ 3,960	

TOTAL OPERATING EXPENSE	<u>\$ 101,433</u>	<u>\$ 101,433</u>	<u>\$ 202,865</u>	7.8%
CASH AVAILABLE FOR DEBT SERVICE	<u>\$ 327,867</u>	<u>\$ 230,360</u>	<u>\$ 558,227</u>	
DIP FINANCING DEBT SERVICE	\$ (282,048)	\$ (321,304)	\$ (603,352)	
DIP FINANCING ADVANCES (60% export)	<u>\$ 277,936</u>	<u>\$ 316,620</u>	<u>\$ 594,556</u>	
DIP Financing interest	\$ (4,112)	\$ (4,684)	\$ (8,796)	
ADEQUATE ASSURANCE PAYMENTS:				
Bank of Springfield	\$ (25,500)	\$ (25,500)	\$ (51,000)	
Internal Revenue Service	\$ (8,500)	\$ (8,500)	\$ (17,000)	
Equipment lease finance	<u>\$ (12,222)</u>	<u>\$ (12,222)</u>	<u>\$ (24,444)</u>	
Total adequate assurance	<u>\$ (46,222)</u>	<u>\$ (46,222)</u>	<u>\$ (92,444)</u>	
Net Cash Flows	<u><u>\$ 277,533</u></u>	<u><u>\$ 179,454</u></u>	<u><u>\$ 456,986</u></u>	

*NOTE: Collections on export sales lag 30-60 days behind production

**NOTE: Debtor will require DIP financing to finance material & production costs for export sales