

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION**

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In re:	:	CHAPTER 11
	:	
JHK INVESTMENTS, LLC	:	CASE NO. 12-51608 (AHWS)
	:	
Debtor	:	
	:	
JHK INVESTMENTS, LLC	:	
	:	
Movant	:	
	:	
v.	:	
	:	
BAY CITY CAPITAL FUND V LP and	:	
BAY CITY CAPITAL FUND V CO.	:	
INVESTMENT FUND LP	:	
	:	
Respondents	:	
	:	

**STIPULATION AND ORDER AUTHORIZING PRELIMINARY USE OF CASH
COLLATERAL AND PROVIDING ADEQUATE PROTECTION**

THIS MATTER came before the Court for hearing on October 7, 2014 at 10:00 a.m. pursuant to prior Order of this Court (the "Hearing"), and pursuant to JHK Investment LLC's ("JHK") Emergency Motion For Authority To Use Cash Collateral and To Provide Adequate Protection (the "Motion") and the Court having considered the relief requested in the Motion, and having considered the agreements of counsel expressed herein and all interested parties present before the Court and the record of the Hearing, and there being due and sufficient notice of the hearing on the Motion, it is found:

1. On August 29, 2012 (the "Petition Date"), JHK filed a voluntary petition for the relief afforded by Chapter 11, Title 11, U.S.C. §§1101 et seq., (the "Code"). In accordance with

§§1107 and 1108 of the Code, JHK continues in possession of its properties and to operate and manage its business as an alleged debtor-in-possession.

2. As of the Petition Date, Bay City Capital Fund V, L.P. and Bay City Capital Fund V Co. Investment Fund L.P., (the "Bay City") alleges a first priority secured claim against all of JHK's assets, including JHK's cash and accounts receivable.

3. JHK alleges that it is essential to JHK's business and operations, and the preservation of the value of its assets, that it obtain a preliminary order authorizing it to use cash receipts to pay business expenses necessary to avoid irreparable harm to the estate. Without the use of its cash collateral, JHK further alleges that it will suffer irreparable harm and the value of its assets will greatly diminish or be destroyed.

4. Based on the agreements of the undersigned counsel for the parties hereto and the representations of counsel made on the record at the Hearing, the Court hereby authorizes the continued preliminary use by JHK of cash collateral on the following terms and conditions which are hereby approved,

ORDERED that:

a. Pursuant to 11 U.S.C. § 363(c)(2)(B), JHK is hereby authorized to use cash collateral, including proceeds from JHK's accounts receivable, which cash collateral may be subject to the liens of Bay City. JHK may use any cash collateral in accordance with the budget annexed hereto as **Exhibit "A"** (the "Budget") with a variance of 10% permitted for the period from October 1, 2014 through October 31, 2014.

b. In exchange for the preliminary use of cash collateral by JHK, and as adequate protection for Bay City's interests therein, Bay City is hereby granted replacement and/or substitute liens (subject only to the carve-out in paragraph (j) of this Order) as provided in Code § 361(2) in all post-petition assets of JHK and proceeds thereof, excluding any bankruptcy

avoidance causes of action, and such replacement liens shall have the same validity, extent, and priority that Bay City possessed as to said liens on the Petition Date. In addition, JHK will make an adequate protection payment on behalf of Bay City in the total amount of \$22,486.00 during the month of October, and other adequate payments subject to receipt of the I.T. funds identified on the attached Budget, Exhibit A. The adequate protection payment will be to support/protect collateral of Bay City which is not property of the JHK estate, but is collateral for the JHK obligation to Bay City.

c. It is the purpose and intent of this Order to allow JHK to use accounts receivable which may constitute cash collateral of Bay City on a revolving basis and to provide Bay City with liens upon post-petition assets to the extent that Bay City held valid liens as of the Petition Date, so that their interests therein will not be diminished during the pendency of this Chapter 11 case. The secured position of Bay City that existed on the Petition Date may not improve by virtue of the granting of the replacement liens as set forth herein.

d. The term for use of cash collateral shall be for the period October 1, 2014, through and including October 31, 2014.

e. JHK and its officers and agents are authorized and directed to execute, file, and record any security agreements, financing statements, instruments, or other documents as may be reasonably requested by Bay City to evidence and/or perfect the liens and/or security interests granted herein. Bay City is hereby authorized to file and/or record any such documents, and the automatic stay pursuant to Code § 362 is hereby modified to allow Bay City to file and record such documents as are necessary to evidence and perfect the replacement liens granted herein.

f. Notwithstanding any provision of this Order, nothing herein shall be deemed to be an adjudication or a declaration by the Court of (a) rights with respect to the existence, validity, enforceability, subordination or priority of, or any causes of action relating to the liens or

security interests granted by JHK or possessed by Bay City prior to the Petition Date, (b) the propriety of JHK's chapter 11 petition and whether the filing of such petition to commence this case was properly authorized, and (c) the findings or other bases upon which the Court granted JHK any provisional relief in connection with such petition, including the temporary restraining order, dated August 29, 2012, as amended, modified or continued. This Order does not provide for cross collateralization. This Order is without prejudice to any party-in-interest challenging the validity of liens of Bay City.

g. Nothing herein shall be deemed to prevent Bay City from seeking to terminate the use of cash collateral upon 2 business days' written notice for any breach by JHK of the terms hereof or to obtain relief from the automatic stay or to assert any other rights, claims, remedies, or defenses available to them.

h. JHK shall provide to Bay City weekly statements reflecting the financial activity of JHK, and such additional information, statements, and reports concerning JHK's financial condition and its assets at the reasonable request of Bay City.

i. The liens of Bay City and any replacement thereof pursuant to this Order, and any priority to which Bay City may be entitled or become entitled under § 507(b) of the Bankruptcy Code, shall be subject and subordinate to a carve-out of such liens for amounts payable by JHK for (i) fees of the United States trustee under § 1930(a)(6) of Title 28 of the United States Code; (ii) accrued and unpaid invoices for High Mountain Ranch for its employees solely for work performed on behalf of JHK and its subsidiaries in an amount not to exceed \$2,500.00 in the aggregate, and (iii) the allowed reasonable fees of counsel for JHK arising and incurred by counsel after April 1, 2013 in an amount not to exceed \$50,000.00, for legal services directly related to the implementation of a sale of any asset of JHK or the assets of any JHK subsidiary in accordance with the orders of the Court, including the Stipulated Order Regarding JHK

Investments, LLC's Application for Preliminary Injunction dated February 27, 2013.

j. A final hearing on the Motion has been scheduled for October 28, 2014, at 10:00 a.m. at the U.S. Bankruptcy Court, 915 Lafayette Boulevard, Room 123, Bridgeport, Connecticut.

ELEUTHERA ADMINISTRATIVE
COMPANY, LLC, AS ADMINISTRATIVE
AGENT FOR BAY CITY CAPITAL FUND
V, L.P., AND BAY CITY CAPITAL FUND V
CO-INVESTMENT FUND, L.P.

JHK INVESTMENTS, LLC

ALLEN & OVERY LLP

ZEISLER & ZEISLER, P.C.

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Dated: Bridgeport, Connecticut
October 10, 2014

By the Court

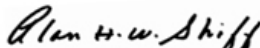

Alan H. W. Shiff
United States Bankruptcy Judge

Exhibit A
JHK Investments LLC
October 2014 Budget

INCOME FROM ALC	\$35,000.00
IT PARTIAL LOAN REPAYMENT	<u>\$50,598.94</u> ¹
	\$85,598.94
JHK's EXPENSES	
Utilities(in lieu of rent)	\$2,300.00
Comp&Servers backup, Copier Rental	\$632.94
Phones;Internet; FedEx & Misc.Office	\$320.00
Cleaning Service	\$250.00
Business insurance	\$250.00
Part-Time Office Employee	\$3,000.00
Health & Dental Insurance	\$5,315.00
JHK ANNUAL AUDIT-CBIZ	<u>\$12,000.00</u> ²
TOTAL JHK	\$24,067.94
IT EXPENSES	
IT TRADE MARK RENEWAL	\$980.00 ³
IT FDA-CONSULTING A.A RANKIS	\$4,500.00 ³
IT FDA-RESPONSES SUPPORT STD	\$8,500.00 ³
IT ANNUAL AUDIT-CBIZ	<u>\$10,670.00</u> ³
IT TOTAL	\$24,650.00
ALC & GE	
ALC & GORHAM ENTERPRISES' ANNUAL REPORT-CBIZ	\$7,400.00 ³
*TOTAL ADEQUATE PROTECTION PAYMENT	\$29,481.00
TOTAL OCTOBER BUDGET	\$85,598.94
*ADEQUATE PROTECTION PAYMENT	
QUIET LAKE OCT MAINTANACE	\$22,486.00
QUIET LAKE PROPERTY INSURANCE	<u>\$6,995.00</u> ³
TOTAL QUIET LAKE BUDGET	\$29,481.00

FOOTNOTES:

1. Receipt Contingent on Global Settlement with Bay City
2. Payment Subject to Bankruptcy Court Approval and Global Settlement with Bay City
3. Payment Subject to Receipt of I.T. Funds and Global Settlement with Bay City