



CLERK, U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS

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THE DATE OF ENTRY IS ON
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed November 14, 2016

United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:

KLN STEEL PRODUCTS
COMPANY, LLC,

DEBTOR.

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CASE NO. 16-34323

CHAPTER 11

JUDGE STACEY G. C. JERNIGAN

**EMERGENCY INTERIM ORDER FOR USE OF CASH COLLATERAL PURSUANT
TO SECTION 363 OF THE BANKRUPTCY CODE AND PROVIDING ADEQUATE
PROTECTION AND GRANTING LIENS, SECURITY INTERESTS**

On the 8th day of November, 2016, the Court having considered the Emergency Motion For Interim And Final Orders Authorizing Use Of Cash Collateral Pursuant To Section 363(C) and (B) Scheduling a Final Hearing Pursuant To Bankruptcy Rule 4001 as to Use of Cash Collateral (the "Motion") filed by KLN Steel Products Company, LLC ("Debtor") pursuant to Sections 105, 361, 363 and 364 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code") and Federal Rule of Bankruptcy Procedure 4001 with respect to the emergency interim use of cash collateral of Frost Bank (the "Bank") in accordance with the

terms of this Order; and the Court having considered the pleadings, the evidence and the arguments of counsel; and the Court having found that the Motion should be granted as provided herein,

THE COURT HEREBY FINDS:

1. On November 2, 2016, (the "**Petition Date**"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor is now operating its business and managing its property as a debtor in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner and no official committee has been appointed.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

3. An immediate and critical need exists for the Debtor to obtain funds in order to continue the operation of its business. The nature of the Debtor's business is manufacturing of wood and metal beds with its primary customer being the Federal Government under GSA contracts facilitated by the United States General Services Administration. Without immediate access to such funds, the Debtor will not be able to pay its operating expenses and obtain services needed to carry on its manufacturing business through KLN Manufacturing, LLC ("**Manufacturing**") during this sensitive period in a manner that will avoid irreparable harm to the Debtor's estate. At this time, the Debtor's ability to use Cash Collateral is vital to the confidence of the Debtor's and Manufacturing's vendors and providers of the goods and services, and to the preservation and maintenance of the ongoing concern value of the Debtor's estate.

4. Substantially all of the Debtor's and Manufacturing's assets are subject to the pre-petition liens of the Bank including liens on accounts, general intangibles, instruments, monies, payments and other rights arising out of their respective GSA contracts.

5. The Debtor has requested immediate entry of this Order pursuant to Bankruptcy Rule 4001(b)(2) and (c)(2). The permission granted herein to allow the Debtor to obtain use Cash Collateral is necessary to avoid immediate and irreparable harm to the Debtor. This Court concludes that entry of this Order is in the best interests of the Debtor, its estate and creditors, as its implementation will, among other things, allow for the continued uninterrupted operation of the Debtor's existing business.

THEREFORE, IT IS HEREBY ORDERED AND ADJUDGED THAT:

1. The Debtor be, and hereby is, authorized to use Cash Collateral subject to the protections and consideration described in this Order in the amounts and for the expenses set forth on the Emergency Interim budget attached hereto as **Exhibit "1"** not to exceed 110% of the aggregate amount thereof.

2. As partial adequate protection for any diminutions in the aggregate value of Bank's pre-petition interests in its pre-petition collateral and Cash Collateral permitted to be used hereunder by the Debtor, the Bank is hereby granted valid, binding, enforceable, and perfected replacement liens (the "**Post-petition Liens**") coextensive as to types of collateral and of the same priority with the Bank's pre-petition liens in all currently owned or hereafter acquired property and assets of the Debtor, of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds and products, including, without limitation production, general intangibles, and deposit accounts.

3. To the extent such adequate protection is insufficient to adequately protect any diminution in value of Bank's pre-petition interests in the pre-petition collateral and Cash Collateral, Bank is hereby granted a super-priority administrative expense claim, and all other benefits and protections allowable under Bankruptcy Code § 507(b).

4. Notwithstanding anything to the contrary herein, this Order is without prejudice to, and shall not limit, the right of any party to contest the extent, validity, or priority of the pre-petition indebtedness owed to Bank and any liens securing such indebtedness.

5. The provisions of this Order shall be binding upon and inure to the benefit of the Bank and the Debtor. However, nothing herein shall prevent the Debtor or the Bank from seeking any form of relief under the Bankruptcy Code.

6. The Final Hearing on the Motion is set for **November 28, 2016 at 1:30 p.m.** in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. By no later than two business days after entry of this Emergency Interim Order, notice of the date and time of the Final Hearing shall be mailed by Debtor to (i) the Office of the United States Trustee for the Northern District of Texas, (ii) Frost Bank, directly or through their counsel, if any, (iii) any statutory committees of unsecured creditors appointed in the Debtor's Chapter 11 case or, if no such committees have been appointed, each of the Debtor's twenty (20) largest unsecured creditors, and (iv) those parties that have filed a notice of appearance requesting notice.

IT IS SO ORDERED.

End of Order

SUBMITTED BY:

Frank J. Wright
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PROPOSED ATTORNEYS FOR THE DEBTOR

**KLN STEEL PRODUCTS CO, LLC AND
KLN MANUFACTURING, LLC
4 WEEK BUDGET**

	4-Nov	11-Nov	18-Nov	25-Nov
Current Balance	43,941	26,893	111,698	8,387
Estimated Deposits from Revenue	143,417	258,646	96,689	413,292
Balance	187,358	285,539	208,387	421,679
Corporate	-			
Payroll	-	-	100,000	-
Utilities	-	-	-	31,000
CPA Firm	-	-	-	10,000
Rent	-	85,802	-	-
Corporate Housing	-	-	-	-
Insurance	-			
Health	-	-	-	50,905
Worker's Comp	-	8,000	-	-
IT Tech Services	-	5,039	-	-
Subcontract Manf	-	-	100,000	94,549
Installation Services	9,750	-	-	47,848
Logistics	43,897	-	-	-
Ancillary	106,818	75,000	-	85,556
Consumables	-	-	-	-
TOTAL PAYMENTS	160,465	173,841	200,000	319,859
REMAINING BALANCE	26,893	111,698	8,387	101,821

