

Below is the Order of the Court.



Brian D. Lynch
U.S. Bankruptcy Judge
(Dated as of Entered on Docket date above)

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IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re:) Case No. 16-44188-BDL
NORTH FORK COMPOSITES LLC,) ORDER AUTHORIZING INTERIM
Debtor.) USE OF CASH COLLATERAL

This matter comes before the Court pursuant to North Fork Composites LLC's ("Debtor") Motion for Authorization to Use Cash Collateral on an Interim and Final Basis (the "Motion"). Upon the record before the Court, and it appearing that there is good and sufficient cause therefor, it is hereby

FOUND AND DETERMINED THAT:

A. This Court has jurisdiction over this matter pursuant to 28 USC §§ 157 and 1334. This matter is a core proceeding pursuant to 28 USC § 157(b)(2)(M). The notice which Debtor has provided of the hearing on entry of this Order was sufficient and appropriate under the circumstances of this case, and satisfies the requirements of Federal Rules of Bankruptcy Procedure 4001(b) and Local Bankruptcy Rule 4001-3.

**ORDER AUTHORIZING INTERIM USE OF CASH
COLLATERAL - Page 1**

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ATTORNEYS AT LAW
1000 SW BROADWAY, SUITE 1400
PORTLAND, OREGON 97205-3089
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1 B. On October 7, 2016 (the “Petition Date”), the Debtor filed a voluntary
2 petition under Chapter 11 of the Bankruptcy Code. As of the date hereof, no trustee or
3 examiner has been requested or appointed and no official committee of creditors has
4 been appointed.

5 C. The Debtor is a Washington limited liability company headquartered in
6 Woodland, Washington, that is engaged in the design, manufacture, and sale of
7 composite products for the outdoor sports market, including fishing rod blanks and golf
8 club shafts.

9 D. Debtor and Columbia Bank (“Columbia”) are parties to various loan
10 agreements, security agreements, financing statements, and other documents, and all
11 amendments thereto (collectively, the “Loan Documents”), pursuant to which Columbia
12 asserts that it holds security interests and liens (the “Existing Liens”) in various items of
13 personal property of the Debtor as described in the Loan Documents, including, without
14 limitation, all inventory, accounts, equipment, and general intangibles (the “Pre-Petition
15 Collateral”).

16 E. The term “cash collateral” means cash collateral as defined in
17 Section 363(a) of the Code and includes, without limitation, all checks, receipts,
18 payments, proceeds, products, offspring, rents, or profits arising from the prepetition or
19 postpetition use, lease, sale, or disposition of the Pre-Petition Collateral.

20 F. The Debtor requires the use of Columbia’s cash collateral, including
21 proceeds from the sale of inventory and collection of accounts receivable, to preserve
22 the value of Debtor’s business as a going concern and to preserve and maintain the
23 assets of the bankruptcy estate. Without use of such cash collateral, the Debtor will
24 lack sufficient funds to maintain its continuing operations.

25 G. The entry of this Order will minimize disruption of the Debtor’s business
26 operations, preserve the going concern value of the Debtor’s business, and is in the

1 best interest of the Debtor's estate.

2 H. Columbia has consented to use of its cash collateral for the period
3 commencing on the date of hearing on the Motion and continuing until the final hearing
4 on the Debtor's Motion now set for November 1, 2016 at 9:00 a.m. (such period the
5 "Interim Period").

6 I. To the extent any provision of the Code, Federal Rules of Bankruptcy
7 Procedure, Local Bankruptcy Rules, or applicable law requires a finding of "cause" for
8 entry of any provision of this Order, such cause exists.

9 NOW THEREFORE, THE COURT BEING FULLY ADVISED IN THE
10 PREMISES, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS FOLLOWS:

11 1. **Authorization to Use Cash Collateral.**

12 (a) The Debtor is authorized to use Columbia's cash collateral in
13 accordance with the terms and conditions set forth herein.

14 (b) Columbia's cash collateral shall be used only for the purposes and
15 up to the amounts listed in the budget attached as Exhibit 1 (the "Budget") as the
16 Budget may be amended with the written consent of Columbia; provided, however, that
17 so long as the Debtor's total expenditures do not exceed the aggregate budgeted
18 amount by more than fifteen percent (15%), the Debtor's expenditures for any line item
19 may exceed the amount budgeted for that line item by no more than twenty percent
20 (20%). The Debtor may not make any payments on any pre-petition obligations, except
21 those to the Bank, without approval from the Court.

22 (c) The Debtor may not make any payments unidentified in the budget
23 without the prior consent of the Columbia. In the event that Columbia does not consent
24 to the additional expenditures requested by the Debtor, the Court will consider and hear
25 the Debtor's request for additional expenditures following five (5) business days' notice
26 by phone, letter, email, or facsimile to Columbia's counsel of Debtor's request for such

1 hearing.

2 (d) All rents, products, issues, charges, and proceeds of all accounts
3 receivable, general intangibles, rights to payment, and retainages, either generated pre-
4 petition or post-petition (the "Proceeds"), shall be deposited in the Debtor's Debtor in
5 Possession account (the "Account") at Columbia. The Debtor shall issue checks on
6 such Account only to pay items permitted by the provisions of this Order. If the Debtor
7 tenders any check to Columbia pursuant to this Order and Columbia is unable to obtain
8 payment on said check due to insufficient funds in the Account or for other reasons,
9 Columbia shall notify the Debtor or its attorney by telephone, email, or facsimile
10 transmission of such Account deficit (the "Deficit Notice"), and the Debtor shall repay
11 such Account deficit to Columbia within three (3) business days after the Debtor's
12 receipt of the Deficit Notice, or Debtor shall be deemed in default under this Order.

13 DEBTOR ACKNOWLEDGES THAT COLUMBIA DOES NOT AGREE TO LEND
14 ANY ADDITIONAL FUNDS TO THE DEBTOR.

15 2. **Grant of Security Interest.** As adequate protection for the use of
16 Columbia's cash collateral pursuant to Sections 361(2), and 363(c)(1) and (2) of the
17 Code, Columbia is hereby granted liens and security interests (as the case may be), on
18 the Debtor's postpetition inventory, equipment, accounts, receipts, and other income
19 generated from operation of its business, with the same priority as existed in Columbia's
20 prepetition liens and security interests in such property. The property securing the use
21 of Columbia's cash collateral includes, but is not limited to, all existing and after-
22 acquired inventory, equipment, and accounts of Debtor's estate, whether now existing
23 or hereafter arising, whether any such property is now owned or hereafter acquired or
24 existing, and all records (including computer software) pertaining to the foregoing, and
25 all substitutions for, all proceeds, and all products of all of the foregoing, to the fullest
26 extent permitted by law, including, without limitation, all insurance policies insuring

1 property of Debtor, or any part thereof, and proceeds of said insurance, including
2 unearned premiums (all of the above described property is hereafter referred to
3 collectively as the "Adequate Protection Collateral"). Except for any currently existing
4 senior perfected liens or security interests in the Adequate Protection Collateral
5 (including the liens of Columbia), or as may otherwise be provided in this Order, the
6 liens and security interests granted to Columbia herein shall be first and prior perfected
7 liens in the Adequate Protection Collateral.

8 3. **Adequate Protection Payments.** As further adequate protection
9 for Columbia's secured interest in cash collateral, the Debtor shall pay to Columbia a
10 portion of the accrued interest on the outstanding principal balance of the loan on or
11 before the 4th day of each month, commencing on November 4, 2016. These monthly
12 payments shall be **\$800.00**. Said payments shall be directed to Ms. Kristine Crawford,
13 a Vice President and Special Credits Officer at Columbia, whose contact information is
14 as follows: 2228 South 78th Street, MS 6115, Tacoma, Washington 98409,
15 KCrawford@columbiabank.com. These payments shall be applied by Columbia in
16 accordance with the Loan Documents and/or this Stipulation.

17 4. **Order is Security Agreement.** This Order shall be deemed to be
18 and shall constitute a security agreement under the applicable provisions of the Uniform
19 Commercial Code ("UCC") in effect from time to time in the states in which the Debtor
20 (a) is domiciled, (b) operates its business, and (c) maintains its principal place of
21 business. The Debtor is hereby authorized and directed to execute any trust deeds,
22 UCC-1 financing statements, and supporting documents as may be reasonably
23 requested by Columbia to perfect any adequate protection liens provided and permitted
24 by this Order; provided, however, that the existing financing statements of Columbia
25 filed in respect of the Pre-petition Collateral shall also perfect Columbia's liens and
26 security interests in the Adequate Protection Collateral. The Debtor shall cooperate

1 with Columbia in executing such other documentation as Columbia deems reasonably
2 necessary to effectuate the terms of this Order.

3 5. **Administrative Expense Claim.** To the extent the adequate
4 protection provided to Columbia in the form of the security interest and liens granted
5 pursuant to this Order proves to be inadequate, Columbia shall, pursuant to Section
6 507(b) of the Code, be entitled to an administrative expense claim under Sections
7 503(b) and 507(a)(2) of the Code.

8 6. **Survival.** The provisions of this Order shall be binding upon and inure to
9 the benefit of the Debtor and Columbia, and their respective successors and assigns.

10 7. **Insurance and Audits.** The Debtor shall insure the Pre-Petition
11 Collateral and the Adequate Protection Collateral for the full insurable replacement
12 value thereof with insurance companies acceptable to Columbia. The Debtor will
13 provide Columbia with certificates of insurance evidencing the Debtor's compliance with
14 the insurance requirements herein provided and Columbia may purchase said
15 insurance and charge the expense thereof to the Debtor if it fails to obtain and maintain
16 the insurance as herein provided.

17 8. **Additional Duties of Debtor.** The Debtor is hereby directed to deliver to
18 Columbia such financial and other information concerning the business and affairs of
19 the Debtor and any of the Pre-Petition Collateral and Adequate Protection Collateral as
20 Columbia shall reasonably request from time to time.

21 9. **Events of Default.** Each of the following shall be an Event of Default
22 under this Order: (a) spending other than as allowed in the Budget and in this Order
23 unless agreed by Columbia in writing, (b) failure to comply with any of the obligations
24 imposed by this Order, (c) conversion of this case to a case under Chapter 7 of the
25 Code, (d) the appointment of a trustee in this proceeding, (e) the cessation of the
26 Debtor's normal and operating business, and/or (f) dismissal of this case.

1 In the event of a default as defined herein, and upon five (5) days'
2 notice to Debtor's counsel, without further notice or order of the Court, Columbia may
3 declare that the Debtor's rights under this Order are terminated, and Columbia may i)
4 reject all further checks written by the Debtor on the Account or any other account, ii)
5 put all account receivable debtors on notice to continue or commence to pay the
6 proceeds of accounts receivable to an account established by Columbia at Columbia, in
7 Columbia's sole discretion, and iii) Columbia may exercise its rights under the pre-
8 petition Loan Documents after Columbia obtains an order granting it relief from stay.
9 Columbia shall not apply any funds received from account receivable debtors until it
10 obtains relief from stay. Upon default as defined herein, the Debtor's right to use cash
11 collateral shall immediately cease.

12 10. **Termination Date.** Unless terminated earlier, the Debtor's authority to
13 use Cash Collateral hereunder shall continue until November 1, 2016.

14 11. **Validity of Liens.** All liens and priorities granted to Columbia hereunder
15 shall be valid and enforceable obligations of the Debtor against any subsequent
16 Chapter 11 or Chapter 7 trustee. The obligations and rights of the Debtor and Columbia
17 under this Order, and any documents executed pursuant to paragraph 3 hereof, and the
18 priorities, liens, and security interests granted herein, shall remain unimpaired and
19 unaffected by any modification, reversal, or vacation of this Order on appeal, or by any
20 termination or any curtailment of the use of cash collateral hereunder. Nothing
21 contained herein, however, shall serve to adjudicate the validity, perfection, attachment,
22 priority, or enforceability, or improve the position of, any of Columbia's rights and claims
23 under the Loan Documents or the Existing Liens.

24 12. **Amendments.** Nothing herein shall prohibit the Debtor and Columbia
25 from amending the terms of the use of cash collateral authorized hereby by mutual
26 agreement and further order of the Court after notice and hearing if and as required.

13. **Miscellaneous Provisions.**

1 (a) **Modification of Stay**. The automatic stay of Section 362 of the
2 Bankruptcy Code is hereby modified with respect to Columbia to the extent necessary
3 to effectuate the provisions of this Order.

4 (b) **Financial Information; Insurance**. The Debtor is directed to allow
5 Columbia access to the Pre-Petition Collateral and Adequate Protection Collateral for
6 the purpose of enabling it to inspect and audit the collateral and the books and records
7 of the Debtor. Such access for such purpose shall be permitted during normal business
8 hours and upon reasonable notice.

9 (c) **No Waiver**. Nothing contained in this Order shall constitute a
10 waiver by Columbia of any of its rights under the Loan Documents, the Bankruptcy
11 Code, or other applicable law, including, without limitation: (1) its rights to later assert
12 that, notwithstanding the terms and provisions of this Order, any of their interests in the
13 Pre-Petition Collateral or the Adequate Protection Collateral lacks adequate protection
14 within the meaning of Sections 362(d) or 363(e) of the Code; or (2) its rights, if any, to
15 assert claims under Sections 503 and 507 of the Code. Columbia's failure, at any time
16 or times hereafter, to require strict performance by the Debtor (or by any Trustee) of any
17 provision of this Order shall not waive, affect, or diminish any right of Columbia to
18 demand strict compliance and performance therewith. No delay on the part of Columbia
19 in the exercise of any right or remedy under this Order shall preclude any other or
20 further exercise of any such right or remedy or the exercise of any other right or remedy.
21 None of the rights or remedies of Columbia under this Order shall be deemed to have
22 been suspended or waived by Columbia unless such suspension or waiver is in writing,
23 and directed to the Debtor specifying such suspension or waiver. Likewise, nothing
24 contained in this Order shall constitute a waiver by the Debtor, or any subsequent
25 Chapter 11 or Chapter 7 trustee, of any of their respective rights under the Loan
26 Documents, the Code, or other applicable law, at law or in equity, including, without

1 limitation, the right to assert any claim, demand, or cause of action, whether in contract,
2 tort, or otherwise, that they had as of the Petition Date, or that the Debtor or such
3 trustee now has, or in the future may have, against Columbia. The Debtor's or a
4 trustee's failure, at any time or times hereafter, to require strict performance by
5 Columbia of any provision of this Order shall not waive, affect, or diminish any right of
6 the Debtor or the trustee to demand strict compliance and performance therewith. No
7 delay on the part of the Debtor or the trustee in the exercise of any right or remedy
8 under this Order shall preclude any other or further exercise of any such right or remedy
9 or the exercise of any other right or remedy. None of the rights or remedies of the
10 Debtor or the trustee under this Order shall be deemed to have been suspended or
11 waived by the Debtor or the trustee unless such suspension or waiver is in writing,
12 signed by the Debtor or the trustee, as the case may be, directed to Columbia
13 specifying such suspension or waiver, and approved by the Court.

14 Nothing contained in this Order or in the Debtor's or Columbia' agreement to the
15 terms hereof shall (1) be deemed to be a consent by Columbia to any extension of the
16 term of this Order or the entry of a final order authorizing the use of cash collateral; or
17 (2) waive any of the Debtor's, a trustee's, or Columbia' rights or remedies in this case or
18 any superseding case under the Code, including the right to seek conversion or
19 dismissal; or (3) impose on the Debtor, a trustee, or Columbia any liability or
20 responsibility to any third party.

21 (d) **Order**. This Order shall be binding on all parties in interest in this
22 case and their respective successors and assigns, including, without limitation, any
23 Chapter 11 or 7 trustee. If any or all of the provisions of this Order are hereafter
24 modified, vacated, or stayed by subsequent order, such action shall not affect the
25 priority, validity, enforceability or effectiveness of any lien, security interest, or priority
26 authorized hereby with respect to the use of cash collateral prior to the effective date of

1 such subsequent order (and all such liens, security interests, priorities, and other
2 benefits shall be governed in all respects by the original provisions of this Order).
3 Except as otherwise explicitly set forth in this Order, no third parties are intended to be
4 or shall be deemed to be third party beneficiaries of this Order.

5 (e) Any costs and expenses incurred by Columbia that arise from or
6 relate to this bankruptcy proceeding, including attorney's fees, filing fees, recording
7 costs, and/or other costs shall be an obligation of the Debtor secured by the secured
8 interest granted hereunder in the cash collateral to the extent permitted under the Loan
9 Documents and/or applicable law.

10 (f) The Debtor shall not use any of the cash collateral for any purposes
11 not permitted by the United States Bankruptcy Code.

12 ### END OF ORDER ###

13 PRESENTED BY:

14 SUSSMAN SHANK LLP

15 /s/ Thomas W. Stilley

16 By: _____
17 Thomas W. Stilley, WSBA #21718
18 Proposed Attorneys for Debtor

19 c: ECF Participants

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22 *23775-002\ORDER AUTHORIZING USE OF CASH COLLATERAL (02416569);1

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NORTH FORK COMPOSITES LLC
 13 WEEK BUDGET
 AS OF 10/10/2016

	WEEK Pre-Petition 10/7/2016	WEEK 1 10/14/2016	WEEK 2 10/21/2016	WEEK 3 10/28/2016	WEEK 4 11/4/2016	WEEK 5 11/11/2016	WEEK 6 11/18/2016	WEEK 7 11/25/2016	WEEK 8 12/2/2016	WEEK 9 12/9/2016	WEEK 10 12/16/2016	WEEK 11 12/23/2016	WEEK 12 12/30/2016	WEEK 13 1/6/2017
BEGINNING CASH	41,591.00	41,591.00	62,441.00	47,787.25	65,387.25	42,003.50	58,603.50	45,649.75	63,249.75	40,366.00	57,966.00	45,012.25	62,612.25	33,978.50
DEPOSITS	-	28,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00
PAYROLL	-	-	\$23,723	-	\$23,723	-	\$23,723	-	\$23,723	-	\$23,723	-	\$23,723	-
PAYROLL TAXES	-	3,750.00	5,930.75	-	5,930.75	-	5,930.75	-	5,930.75	-	5,930.75	-	5,930.75	-
UTILITIES	-	-	-	-	2,000.00	-	-	-	2,000.00	-	-	-	2,000.00	-
RENT	-	-	-	-	5,000.00	-	-	-	5,000.00	-	-	-	5,000.00	-
ACCOUNTS PAYABLE	-	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00
TRAVEL EXPENSES	-	-	-	-	1,500.00	-	-	-	-	-	-	-	-	-
LEGAL - BIAL CASE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSULTING/ACCOUNTING	-	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
US TRUSTEE FEES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTILITY DEPOSITS	-	-	1,700.00	-	-	-	-	-	-	-	-	-	-	-
EMPLOYEE BENEFITS	-	-	900.00	-	900.00	-	900.00	-	900.00	-	900.00	-	900.00	-
SALES TAX	-	-	-	-	1,000.00	-	-	-	1,000.00	-	-	-	1,000.00	-
INSURANCE - GEN. LIABILITY	-	-	-	-	-	1,000.00	-	-	1,000.00	-	-	-	1,000.00	-
OREGON PAYROLL TAX	-	-	-	-	130.00	-	-	-	130.00	-	-	-	130.00	-
OREGON UNEMPLOYMENT	-	-	-	-	-	-	-	-	-	-	-	-	250.00	-
WASHINGTON L&I	-	-	-	-	-	-	-	-	-	-	-	-	3,500.00	-
WASHINGTON ESD	-	-	-	-	-	-	-	-	-	-	-	-	2,000.00	-
COLUMBIA BANK - OPERATING LINE INTEREST	-	-	-	-	800.00	-	-	-	800.00	-	-	-	800.00	-
TOTAL EXPENSES	-	7,650.00	36,153.75	3,900.00	44,883.75	4,900.00	34,453.75	3,900.00	44,383.75	3,900.00	34,453.75	3,900.00	50,133.75	3,900.00
ENDING CASH	41,591.00	62,441.00	47,787.25	65,387.25	42,003.50	58,603.50	45,649.75	63,249.75	40,366.00	57,966.00	45,012.25	62,612.25	33,978.50	51,578.50
BEGINNING ACCOUNTS RECEIVABLE		\$55,000	55,000.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00
SALES		28,500.00	24,000.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00	21,500.00
COLLECTIONS/DEPOSITS		(28,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)	(21,500.00)
ENDING ACCOUNTS RECEIVABLE		55,000.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00	57,500.00

Case 16-44188-BDL Doc 30 Filed 10/19/16 Ent. 10/19/16 14:37:40 Pg. 11 of 11