

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:) Chapter 11
) Case No. 10-28882
SK HAND TOOL CORPORATION,) Hon. Eugene R. Wedoff
et al.,¹) (Jointly Administered)
Debtors.)
) Hearing: Friday, July 30, 2010 at 7:30 a.m.

**FINAL FINANCING ORDER AUTHORIZING BORROWING
WITH PRIORITY OVER ADMINISTRATIVE EXPENSES
AND SECURED BY LIENS ON PROPERTY OF THE ESTATE
PURSUANT TO SECTION 364(C) OF THE BANKRUPTCY CODE**

WHEREAS, on June 29, 2010 (the "Petition Date"), SK Hand Tool Corporation ("SK"), MCC Business, Inc. ("MCC"); and Triat Industries, Inc. ("Triat"), as Debtors and debtors-in-possession (collectively, the "Debtors" or the "Borrowers") filed voluntary petitions for reorganization pursuant to chapter 11 of Title 11, United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Illinois (the "Court"); and

WHEREAS, the Debtors have moved the Court (the "Motion") for authorization, pursuant to Bankruptcy Code §§ 105(a), 363 and § 364(c), to ratify, reaffirm and adopt, as modified and supplemented by this Order, its pre-petition secured financing arrangement with, and obtain debtor-in-possession financing from, Webster Business Credit Corporation, ("Lender"), pursuant to the terms and conditions of (a) certain pre-petition agreements, including, without limitation, (i) Credit and Security Agreement, dated as of April 20, 2005, among the Borrowers and Lender individually and as agent for each other Lender Party, together with Exhibits and Schedules thereto, all as amended from time to time (collectively, the "Credit

¹ The Debtors consist of SK Hand Tool Corporation (FEIN 36-3255336); MCC Business, Inc. (FEIN 20-4481772); and Triat Industries, Inc. (FEIN 13-3514526).

and Security Agreement”); (ii) Master Letter of Credit Agreement, dated as of April 20, 2005, made by Borrowers in favor of Lender; (iii) Mortgage and Security Agreement, dated April 20, 2005, in the amount of \$14,932,000 between the Borrowers and Lender; (iv) Open-End Mortgage, Security Agreement, Assignment of Rents and Fixture Filing, dated April 20, 2005, between the Borrowers and Lender; (v) Trademark Security Agreement, dated as of April 20, 2005, made by the Borrowers in favor of Lender; and (vi) various other and further agreements in supplement thereto (collectively, the “Pre-Petition Agreements”), copies of which are annexed as Group Exhibit “A”², pursuant to which, among other things, the Debtors granted to Lender liens, mortgages and security interests in substantially all assets of the Debtors (the “Pre-Petition Collateral”), (b) the budget annexed as Exhibit “B” hereto (the “Budget”) and (c) this Order (collectively, the Pre-Petition Agreements, the Budget and this Order shall be referred to hereinafter as the “Financing Arrangement”); and

WHEREAS, an interim hearing with respect to the Application was held by the Court on July 1, 2010, at which hearing the Court entered an interim Order with respect to the Motion (the “Interim Order”);

WHEREAS, a final hearing with respect to the Motion was held by the Court on July 29, 2010 at which all Objections to the relief requested by the Motion were either withdrawn or overruled (the “Final Hearing”).

THE COURT HEREBY FINDS AND DETERMINES THAT:

(a) The Court has jurisdiction over this proceeding and the parties to the Application under §§ 157(b) and 1334 of title 28 of the United States Code. Consideration of the Application constitutes a core proceeding under 28 U.S.C. § 157(b)(2). The statutory predicates

² The Pre-Petition Agreements are voluminous and were served with the Motion For Interim Financing. Additional copies are available by contacting the Debtors' counsel or by accessing the Court's website.

for the relief sought herein are sections 105, 361, 362, 363, 364 and 552 of the Bankruptcy Code and Rules 4001(c)(1) and (c)(2) of the Federal Rules of Bankruptcy Procedure. Venue of the Debtors' cases and the Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

(b) Need exists for the Debtors to obtain funds in order to continue operation of their businesses in the ordinary course. Without such funds the Debtors will not be able to pay their employees and other critical operating expenses. If the Debtors do not have emergency borrowing authority and are unable to make payments, when due, to their employees, vendors and suppliers, or meet the demands of their customers, the abrupt cessation of the Debtors' businesses would be required causing irreparable harm to the Debtors' estates. The ability of the Debtors to finance their operations by borrowing to meet working capital and liquidity needs is essential to maintaining the Debtors' going concern value and to preserving and protecting the confidence of their employees, vendors, suppliers and customers.

(c) Lender is willing to advance monies to the Debtors only upon the conditions contained in this Order.

(d) The Debtors submit that they have attempted, but have been unable, to obtain sufficient levels of unsecured credit allowable under Bankruptcy Code § 503(b)(1) as an administrative expense pursuant to § 364(a) or (b) of the Bankruptcy Code necessary to maintain and conduct its business.

(e) The Debtors are unable to obtain secured credit allowable only under Bankruptcy Code § 364(c)(1) and (c)(2), except under the terms and conditions provided in this Order;

(f) It is in the best interest of the Debtors' estates that they be allowed to finance their operations under the terms and conditions set forth herein, as such financing is necessary to prevent a disruption of its business and to permit the Debtors to attempt to achieve a successful reorganization or going concern sale of their assets.

(g) The Debtors admit, without prejudice to the rights of any Official Committee of Unsecured Creditors (the "Committee") and third parties to challenge same to the extent set forth below, that as of the Petition Date, in accordance with the Pre-Petition Agreements, (1) the Debtors were indebted to Lender, without defense, counterclaim, recoupment or offset of any kind, in the aggregate amount of approximately \$9.1 million in respect of loans, advances and other financial accommodations made by Lender to the Debtors in accordance with the Pre-Petition Agreements (the "Pre-Petition Obligations"), (2) prior to the Petition Date, the Debtors were in default under the terms of the Pre-Petition Agreements; and (3) the Pre-Petition Obligations were secured by valid, enforceable and properly perfected first priority liens on and security interests in the Pre-Petition Collateral.

(h) In addition to Lender's secured claim, the Debtors' Motion has identified secured claims asserted by (a) Timothy T. Herrick, Leonard D. O'Connell and Scott Anderson (collectively, the "Junior Lenders") for \$50,000 each, and (b) the Pension Benefit Guaranty Corporation ("PBGC").

AND THE COURT HEREBY FINDS AND DETERMINES THAT

(i) The credit and financial accommodations to be extended under the Financing Arrangement have been negotiated in good faith and at arm's length between the Debtors and Lender. Any credit extended, loans made and other financial accommodations extended to the Debtors by Lender shall be deemed to have been extended or made, as the case

may be, in good faith within the meaning of § 364(e) of the Bankruptcy Code. As a result, Lender is entitled to the protection of Bankruptcy Code § 364(e).

(j) Notice of the relief sought by the Application and the hearings with respect thereto, believed by the Debtors to be the best available notice under the circumstances, has been given pursuant to Bankruptcy Rule 4001(c) to counsel to the Committee, the Office of the U.S. Trustee, Lender, Junior Lenders, the District Director of Internal Revenue, the United States Attorney and the PBGC, and no further notice of, or hearing on, the interim relief sought in the Application is required.

(k) Good and sufficient cause exists for the issuance of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Debtors are hereby authorized and deemed to ratify and adopt, on an interim basis, the Pre-Petition Agreements, including the validity and enforceability of the Pre-Petition Obligations to Lender incurred thereunder and the liens and security interests granted to Lender thereunder, subject to the rights of the Committee and third parties to challenge same to the extent set forth below.

2. The Debtors are hereby authorized to borrow funds from and incur debt to Lender pursuant to the terms and conditions of the Financing Arrangement, and use Lender's cash collateral, as such term is defined in Bankruptcy Code § 363(a) ("Cash Collateral"), in accordance with the Budget, but subject in all respects to the provisions of the Credit and Security Agreement, including, without limitation with respect to "Maximum Revolving Amount," "Total Credit Facility" and "Borrowing Base" (as such terms are defined in the Loan Agreement), from and after the date of this Order and to grant to Lender the liens and security interests provided for under this Order. The Financing Arrangement is approved in all respects.

Lender and the Debtors, in consultation with the Committee, may amend, modify, supplement and/or waive any provision of the Financing Arrangement and/or extend the term of the Financing Arrangement, without further order of the Court provided that (a) such amendments, modifications, supplements and/or waivers do not materially alter the provisions of the Financing Arrangement, and (b) the Debtors file with the Court prior written notice of such amendments, modifications, supplements, waivers and/or extensions, and serves such written notice upon the Noticed Parties (as such term is defined below), reasonably (but not more than three (3) business days) prior to the proposed effective date thereof.

3. As adequate protection for any post-petition diminution in value of Lender's interests in the Pre-Petition Collateral, including without limitation that caused by the Debtors' use of the Pre-Petition Collateral and/or Cash Collateral, including without limitation for purposes of the "Carve-Out" (as such term is defined below), Lender is hereby granted a post-petition claim (the "Adequate Protection Claim") against the Debtors' estates.

4. Any and all Liabilities, as such term is defined in the Pre-Petition Agreements, arising subsequent to the Petition Date (the "Post-Petition Obligations"), and the Adequate Protection Claim (collectively with the Post-Petition Obligations, referred to herein as, the "Post-Petition Claim") shall have priority in payment over any other obligations now in existence or incurred hereafter by the Debtors, and over any and all administrative expenses or charges against property arising in the Debtors' bankruptcy cases, including without limitation those specified in Bankruptcy Code §§ 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114.

5. Pursuant to Bankruptcy Code §§ 362, 363(e) and 364(c), as security for the Post-Petition Claim, the Debtors are hereby authorized to and does grant to Lender a valid, binding, enforceable and automatically perfected first priority lien and/or security interest, subject only to

liens existing as of the Petition Date that are valid, enforceable and not subject to avoidance by a trustee under the Bankruptcy Code, in all of the Debtors' presently owned or hereafter acquired property and assets, whether such property and assets were acquired by the Debtors before or after the Petition Date, of any kind or nature, whether real or personal, tangible or intangible, wherever located, and the proceeds and products thereof (collectively, the "Collateral") (to the extent acquired after the Petition Date, the "Post-Petition Collateral"), including without limitation (as such terms are defined in the Pre-Petition Agreements) (i) Accounts; (ii) Certificated Securities; (iii) Chattel Paper, (iv) Commercial Tort Claims; (v) Computer Hardware and Software and all rights with respect thereto, including, any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing; (vi) contract rights; (vii) Deposit Accounts; (viii) Documents; (ix) Equipment; (x) Financial Assets; (xi) Fixtures; (xii) General Intangibles (including without limitation claims and causes of action against affiliates, subsidiaries, insiders and third parties and recoveries upon such claims and causes of action); (xiii) Goods (including without limitation all Equipment, Fixtures and Inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor; (xiv) Instruments; (xv) Intellectual Property, including all archives and drawings; (xvi) Inventory; (xvii) Investment Property; (xviii) money (of every jurisdiction whatsoever); (xix) Letter-of-Credit Rights; (xx) Leasehold Interests; (xxi) Payment Intangibles; (xxii) Real Property; (xxiii) Security Entitlements; (xxiv) Software; (xxv) Supporting Obligations; (xxvi) Uncertificated Securities; (xxvii) Customer Lists; (xxviii) all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or

evidencing, embodying, incorporating or referring to any of the foregoing; (xxix) any equity of the Debtors in the Pre-Petition Collateral; (xxx) proceeds and products of any of the foregoing; and (xxxi) claims, causes of action and recoveries pursuant to Bankruptcy Code §§ 544-550 and § 553.

6. Notwithstanding the liens, mortgages and security interests of Lender under the Financing Arrangement, the Collateral may be used by the Debtors, if sufficient unencumbered funds are not available from the Debtors' estates, to pay (collectively, the "Carve-Out"):

(a) the statutory fees of the United States Trustee pursuant to 28 U.S.C. § 1930(a) and any unpaid fees due and owing to the Clerk of the Court;

(b) the allowed and allowable fees and expenses of professionals retained and approved pursuant to final orders of the Court, by the Debtors in an aggregate amount not to exceed \$115,500, exclusive of pre-petition retainers; and

(c) the allowed and allowable fees and expenses of Professionals of the Official Committee of Unsecured Creditors (the "Committee"), and the reasonable expenses of members of the Committee (other than the fees and expenses of professionals employed by members of the Committee), in aggregate amount not to exceed \$40,000;

Lender shall have no Carve-Out obligations with respect to fees and expenses incurred in connection with any challenge to (and with respect to the Debtors' Professionals, challenge to and investigation of) the validity, extent, priority, perfection and enforceability of the liens, mortgages and security interests granted to Lender by the Debtors prior to the Petition Date. Lender may in its sole and absolute discretion establish a reserve under the Financing Arrangement with respect to the Carve-Out obligations under this paragraph. All payments received by Professionals with respect to fees and expenses within the scope of the Carve-Out

(exclusive of pre-petition retainers) shall reduce the respective Carve-Out on a dollar-for-dollar basis.

7. The liens, mortgages and security interests granted to Lender hereunder to secure the Post-Petition Claim shall not be subject to any lien, mortgage or security interest or any other interest which is avoided and which would otherwise be preserved for the benefit of the Debtors' estates under Bankruptcy Code § 551, and the liens, mortgages and security interests granted to Lender hereunder shall encumber and constitute a prior lien, mortgage and security interest in and to any lien, mortgage, security interest or interest which is avoided and which would otherwise be so preserved for the benefit of the Debtors' estates. Lender shall not be subject to the equitable doctrine of "marshaling" or any similar doctrine with respect to any Collateral securing any of the Post-Petition Claim.

8. The Debtors waive irrevocably all rights, if any, it might otherwise assert against the Collateral pursuant to Bankruptcy Code §§ 506(c) or 552(b).

9. Except from and pursuant to the terms of the Carve-Out, no entity in the course of this bankruptcy cases (whether Chapter 11 or subsequent Chapter 7), shall be permitted to recover from the Collateral (whether directly or through grant of derivative and/or equitable standing in the name of the Debtors and/or the Debtors' estates) any cost or expense of preservation or disposition of the Collateral, including, without limitation, expenses and charges as provided in Bankruptcy Code §§ 506(c) or 552(b) without the prior written consent of Lender. Except for the obligation to fund the Carve-Out, no entity shall be permitted to recover from the Collateral, or assert against Lender, any claim with respect to any unpaid administrative expense of the Debtors' bankruptcy cases, whether or not the Debtors' payment of such administrative claim was contemplated by or included in the Budget.

10. The Debtors shall not use Cash Collateral other than in accordance with the provisions of paragraph "2" of this Order. So long as there are any Pre-Petition Obligations or Post-Petition Obligations (collectively, the "Obligations") outstanding to Lender, unless Lender shall have given its prior written consent, or the Court enters an order, upon proper notice to Lender and after a hearing, requiring that all of the Debtors' Obligations to Lender be immediately satisfied in full, there shall not at any time be entered in the Debtors' Chapter 11 cases any further orders which authorize: (a) under Bankruptcy Code § 363, the use of Cash Collateral in which Lender has an interest, or the sale, use, or lease, other than in the ordinary course of business, of property of the Debtors in which Lender has an interest; (b) the obtaining of credit or the incurring of indebtedness pursuant to Bankruptcy Code § 364(c) or § 364(d), or any other grant of rights against the Debtors and/or its estates, secured by a lien, mortgage or security interest in the Collateral held by Lender or entitled to priority administrative status which is equal or superior to that granted to Lender herein; or (c) the return of goods by the Debtors pursuant to Bankruptcy Code § 546(h).

11. Subject to Section 506(b), in addition to the fees, costs, charges and expenses authorized under the Pre-Petition Agreements, Lender shall be entitled to charge the Debtors' account or receive reimbursement thereof, in either case as Post-Petition Obligations, on ten (10) days written notice to the Noticed Parties (as such term is defined below) (the "Fee Notice"), but without application to the Court, for all of Lender's reasonable attorneys' and other professionals' fees arising from or related to (a) the Financing Arrangement, including without limitation the negotiating, closing, documenting and obtaining of Court approval thereof, (b) all proceedings in connection with any Disposition (as such term is defined below), (c) all proceedings in connection with the interpretation, amendment, modification, enforcement,

enforceability, validity or carrying out of the Pre-Petition Agreements or this Order at any time, (d) all other matters and proceedings arising in or related to the Debtors' bankruptcy cases, and (e) all reasonable expenses, costs and charges in any way or respect arising in connection therewith or related thereto. The Fee Notice shall be accompanied by copies of such professionals' invoices to Lender, subject to redaction against disclosure of privileged and/or confidential information, and such invoices shall be charged to the Debtors' account as provided for herein unless, prior to the expiration of the ten (10) day period, appropriate pleadings objecting thereto are filed with the Court and served upon Lender by any of the Noticed Parties.

12. The Debtors, at their expense, shall continue to keep the Collateral fully insured against all loss, peril and hazard and make Lender loss payee as its interests appear under such policies. The Debtors shall pay any and all undisputed post-petition taxes, assessments and governmental charges with respect to such collateral all as provided under the Pre-Petition Agreements. The Debtors shall provide Lender with proof of the foregoing within three (3) business days of written demand and will give Lender access to its records in this regard.

13. The automatic stay provisions of Bankruptcy Code § 362 are hereby modified to permit (a) the Debtors to implement and perform the terms of the Financing Arrangement, and (b) the Debtors to create, and Lender to perfect, any and all post-petition liens, mortgages and security interests granted hereunder. Lender shall not be required to file UCC financing statements or other instruments with any other filing authority to perfect any post-petition lien, mortgage or security interest granted by this Order or take any other action to perfect such post-petition liens, mortgages and security interests, which shall be deemed automatically perfected by the docket entry of this Order by the Clerk of the Court. If, however, Lender shall, in its sole and absolute discretion, elect for any reason to file, record or serve any such financing statements

or other documents with respect to such post-petition liens and security interests, the Debtors shall execute same upon request and the filing, recording or service thereof (as the case may be) shall be deemed to have been made at the time and on the date of the commencement of the Debtors' Chapter 11 cases on the Petition Date.

14. The time of payment of any and all Obligations of the Debtors to Lender arising out of or incurred pursuant to the Financing Arrangement shall not be altered, extended or impaired by any plan or plans of reorganization that may hereafter be accepted or confirmed or any further orders of the Court which may hereafter be entered.

15. Each of the following shall constitute an "Event of Default" under this Order:

(a) the Debtors' Chapter 11 cases is either dismissed or converted to a Chapter 7 cases;

(b) a trustee or an examiner with expanded powers is appointed in the Debtors' Chapter 11 cases;

(c) any plan of reorganization of the Debtors is confirmed which does not provide for payment in full of the Obligations upon the effective date of the plan, unless otherwise agreed by Lender in its sole and absolute discretion;

(d) the Court enters an order authorizing the sale of all or substantially all assets of the Debtors that does not provide for the payment in full of the Obligations in cash upon the closing of the sale, unless otherwise agreed by Lender in its sole and absolute discretion;

(e) the Debtors ceases operations of their present businesses or takes any material action for the purpose of effecting the foregoing without the prior written consent of Lender;

(f) the Debtors expend any funds or monies for any purpose other than those set forth on the Budget, provided that for the cumulative Budget periods which have occurred, the Debtors' actual cash disbursements may be up to \$25,000 more than the cumulative budgeted amount for cash disbursements through the conclusion of such Budget periods, without such expenditures constituting an Event of Default;

(g) the Pre-Petition Obligations and Post-Petition Obligations outstanding shall exceed \$9,250,000;

(h) this Order is reversed, vacated, stayed, amended, supplemented or otherwise modified in a manner which shall, in the reasonable exercise of Lender's discretion, materially and adversely affect the rights of Lender hereunder or shall materially and adversely affect the priority of any or all of Lender's claims, liens or security interests;

(i) the occurrence subsequent to the Petition Date of an Event of Default under the Pre-Petition Agreements, other than any Event of Default occurring and/or existing solely because of (1) the commencement of the Bankruptcy Cases on the Petition Date or the Debtors' compliance with this Order; (2) the breach of any financial covenant set forth in the Pre-Petition Agreements; and/or (3) ; failure to meet any deadline set forth in forbearance agreements entered into between Lender and the Borrowers.

(j) the occurrence of a material adverse change, in each case as determined by Lender's reasonable exercise of its discretion, in (1) the condition (financial or otherwise), operations, assets, business or business prospects of the Debtors, (2) the Debtors' ability to pay the Obligations in accordance with the terms of the Financing Arrangement, or (3) the value of the Collateral;

(k) non-compliance or default by the Debtors with any of the terms and provisions of this Order; provided, however, that said non-compliance or default shall not be deemed an Event of Default if curable and cured by the Debtors within five (5) business days after notice of such non-compliance or default is given to the Debtors by Lender;

(l) the Debtors fail to retain or continue retention of Blackman Kallick (“BK”) as the Debtors’ chief restructuring/financial advisor during the Debtors’ Chapter 11 cases, or in the event that BK’s retention is not approved by the Court or BK withdraws from the Debtors’ Chapter 11 cases, the Debtors’ fail to retain a chief restructuring/financial advisor acceptable to Lender in its reasonable discretion;

(m) a hearing with respect to a sale under Section 363 of the Bankruptcy Code in accordance with a letter of intent acceptable to Lender (“Letter of Intent”) shall not have taken place on or before July 30, 2010 or such date as soon thereafter the Court may schedule;

(n) a closing with respect to a sale under Section 363 of the Bankruptcy Code in accordance with the Letter of Intent shall not have taken place by the later of August 2, 2010 or two (2) business days following the entry of an order of this Court approving the Section 363 sale.

16. Upon the occurrence of an Event of Default and the giving of written notice thereof by facsimile or e-mail (the “Default Notice”) by Lender to the Debtors’, the Committee’s and the United States Trustee’s respective counsel (the “Noticed Parties”), or upon the occurrence of the Expiration Date (as such term is defined below):

(a) Lender shall have no further obligation to make loans, advances, and/or other financial accommodations to the Debtors;

(b) Lender shall have the right, free of the restrictions of Bankruptcy Code § 362 or under any other section of the Bankruptcy Code or applicable law or rule, to take immediate reasonable action to protect the Collateral from harm, theft and/or dissipation;

(c) the Debtors shall immediately segregate all of Lender's Collateral, including without limitation cash collateral, and shall not be permitted to use such Collateral absent Lender's prior written consent;

(d) with respect to the Events of Default other than those specified in subparagraphs "(a)" through "(e)" of the preceding paragraph of this Order, the Noticed Parties shall have five (5) business days from the receipt of the Default Notice to cure the default (if curable) or obtain an order of the Court on notice to Lender enjoining or restraining Lender from exercising its rights and remedies based upon the Event of Default specified in the Default Notice, provided that the sole grounds on which any of the Noticed Parties may seek a Restraint on Remedies shall be to allege either non-occurrence or timely cure of the Event of Default specified in the Default Notice;

(e) payment of any and all Obligations of the Debtors to Lender arising out of or incurred pursuant to the Financing Arrangement shall be due and payable, and Lender shall have the rights as set forth more fully herein to exercise its rights and remedies pursuant to the Financing Arrangement and/or applicable law as to all or such part of the Collateral as Lender, in its sole and absolute discretion, shall elect: (1) with respect to the Events of Default specified in subparagraphs "(a)" through "(e)" of the preceding paragraph of this Order, immediately upon the giving of the Default Notice; or (2) with respect to Events of Default other than those specified in subparagraphs "(a)" through "(e)" of the preceding paragraph of this Order, immediately upon expiration of the Remedy Notice Period unless a Restraint on Remedies has

timely been obtained from the Court; or (3) upon the occurrence of the Expiration Date, immediately.

17. The Debtors shall provide Lender with such written reports, certified by an officer of the Debtors acceptable to Lender to be accurate to the best of such officer's knowledge, information and belief, as are required under the Financing Arrangement, and such additional written reports as Lender, in its reasonable discretion, shall require, including without limitation a report, no later than Tuesday of each week, showing the Debtors' actual cash receipts and disbursements for the prior week and the variances between such actual amounts and the amounts set forth in the Budget for such Budget period.

18. Lender shall have the right at any time during the Debtors' normal business hours, to inspect, audit, examine, check, make copies of or extracts from the books, accounts, checks, orders, invoices, bills of lading, correspondence and other records of the Debtors, and to inspect, audit and monitor all or any part of the Collateral, and the Debtors shall make all of same available to Lender and its respective representatives, for such purposes. Lender's representatives may make recommendations to Debtors regarding cost-cutting measures and the implementation thereof as contemplated by the Budget, and to discuss any of the foregoing with Debtors' officers, retained professionals or employees, all without Lender being deemed to be in control of, or a fiduciary for, any of Debtors.

19. The pre-petition clearing, dominion, lockbox and similar accounts maintained by or on behalf of the Debtors pursuant to the Pre-Petition Agreements at certain banking institutions for the collection of the proceeds of Lender's Collateral (including without limitation receivables and other proceeds arising from the Debtors' sales of Inventory and/or performance of services) in the ordinary course of the Debtors' businesses, and the payment procedures under

which such accounts are administered (collectively, the "Collection Accounts and Procedures"), shall continue in full force and effect unless otherwise directed by Lender. Without limitation of the foregoing, from and after the date of this Order, the Debtors shall remit to Lender such cash, cash equivalents and checks as are proceeds of Lender's Collateral obtained in the ordinary course of the Debtors' business to Lender, and/or shall cause customers and account Debtors of the Debtors to remit such cash, cash equivalent and checks as are proceeds of Lenders' Collateral, in accordance with the Collection Accounts and Procedures and in accordance with the terms and conditions of the Pre-Petition Agreements.

20. To the extent that as of the date of this Order, the Debtors maintains custody and/or control of any cash, cash equivalents or checks, whether in its possession, in bank accounts, in lockbox accounts or otherwise, and such cash, cash equivalents or checks are proceeds of Lender's Collateral, upon entry of this Order the Debtors shall deliver such cash, cash equivalents or checks, and the proceeds thereof, to Lender.

21. The Debtors and any successor to the Debtors, including without limitation any successor trustee or trustees, shall (a) assign or direct to Lender any and all payments, proceeds or other consideration ("Proceeds") realized upon the sale, liquidation, collection or disposition of the Collateral other than in the ordinary course of the Debtors' businesses (a "Disposition"), including without limitation the proceeds of sales authorized pursuant to Bankruptcy Code § 363 or any plan of reorganization, and (b) immediately deliver any and all Proceeds which come into their possession to Lender in the form received. In furtherance of the foregoing, subject to the provisions of paragraph 25 of this Order, neither the Debtors nor the Committee shall seek to cause the escrow of, enjoin Lender's receipt of, or otherwise withhold from Lender any Proceeds

of any Disposition, and any order of the Court authorizing a Disposition shall provide for Lender's receipt of Proceeds in accordance with the provisions of this paragraph.

22. Lender is authorized to accrue interest and charge the Debtors' account therefor, and to apply remittances from the Debtors against interest, all as set forth pursuant to the Financing Arrangement, (a) on the outstanding balance of the Post-Petition Obligations, and (b) on the outstanding balance of the Pre-Petition Obligations to the extent permitted by the Bankruptcy Code.

23. Lender is authorized, notwithstanding the provisions of Bankruptcy Code § 362, (a) to retain and apply the Proceeds of the Collateral to the repayment of the Post-Petition Claim, and (b) to retain and apply the Proceeds of the Pre-Petition Collateral to the repayment of the Pre-Petition Obligations. Such applications of the Proceeds shall be free and clear of any claim, charge, assessment or other liability including, without limitation, any such claim or charge arising out of or based on, directly or indirectly, Bankruptcy Code §§ 506(c) or 552(b).

24. Without prejudice to the rights of third parties to the extent set forth in the following paragraph of this Order, the validity, extent, priority, perfection and enforceability of Lender's pre-petition claims, liens, mortgages and security interests in the Debtors' assets shall not be subject to challenge by the Debtors, and in furtherance thereof the Debtors hereby release, waive and affirmatively agree not to allege or otherwise pursue any or all defenses, affirmative defenses, counterclaims, claims, causes of action, recoupments, setoffs or other rights that it may have to contest (a) any Defaults or Events of Default (as defined in the Pre-Petition Agreements) which were or could have been declared by Lender as of the Petition Date, (b) any provisions of the Pre-Petition Agreements, (c) the amount of the Debtors' indebtedness to Lender as of the Petition Date, or (d) the conduct of Lender in administering the pre-petition business relationship

between the Debtors and Lender, including without limitation “lender liability” and/or “deepening insolvency” claims and causes of action.

25. Notwithstanding the Debtors’ release and waiver set forth in the preceding paragraph of this Order, (a) the Committee shall have through and until September 7, 2010 to commence an adversary proceeding against Lender for the purpose of challenging the validity, extent, priority, perfection and enforceability of Lender’s pre-petition liens, mortgages and security interests in the Debtors’ assets. Any such person or entity, including without limitation the Committee, that fails to commence such an adversary proceeding or file such a motion, respectively, within the applicable time period shall be barred forever from doing so.

26. Lender shall be entitled to the benefits and protections of this Order, including the protections afforded pursuant to Bankruptcy Code § 364(e), with respect to all loans, advances and/or financial accommodations made by Lender to or for the benefit of the Debtors pursuant to this Order. Pursuant to the provisions of Bankruptcy Code § 364(e), the liens, mortgages and security interests granted under or ratified by this Order shall be binding on the Debtors or any successor trustee or trustees even if this Order is reversed or modified on appeal.

27. The terms and conditions of this Order shall be: (a) immediately enforceable pursuant to Bankruptcy Rule 8005; and (b) not be stayed absent (1) an application by a party in interest for such stay in conformance with such Bankruptcy Rule 8005, and (2) a hearing upon notice to the Debtors, Lender and the Committee, once formed.

28. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any orders which may be entered confirming any plan of reorganization or which may be entered converting these cases from Chapter 11 to Chapter 7 of the Bankruptcy Code. The terms and provisions of this Order, as well as the claims, liens, mortgages and security interests

granted by this Order, shall continue in this or any superseding case under the Bankruptcy Code and shall continue notwithstanding any dismissal of the Debtors' bankruptcy cases (and any such order of dismissal shall so provide), and such claims, liens, mortgages and security interests shall maintain their priority as provided by this Order until the Debtors' Obligations to Lender are satisfied in full.

29. The Financing Arrangement shall be in effect for the period commencing with the Petition Date through and including July 31, 2010 (the "Expiration Date") unless otherwise extended from time to time pursuant to a mutually acceptable Budget for such extension periods: (a) as may be agreed to by Lender, Debtors and the Committee, without further order of the Court, or (b) as may be agreed to by Lender and Debtors, and authorized by further order of the Court.

30. To the extent that any of the provisions of this Order shall conflict with any of the provisions of the Pre-Petition Agreements, this Order is deemed to control and shall supersede the conflicting provision(s) in said agreement(s).

Dated: Chicago, Illinois
July ____, 2010

Hon. Eugene R. Wedoff

EXHIBIT 1



Proposed DIP Budget
Assumed Filing Date: June 29, 2010

SK Hand Tool Corporation Affiliates Proposed DIP Budget
CONFIDENTIAL/PRELIMINARY AND TENTATIVE DRAFT SUBJECT TO REVISION

	Cash Receipts												
	Forecast 2-Jul	Forecast 9-Jul	Forecast 16-Jul	Forecast 23-Jul	Forecast 30-Jul	Forecast 6-Aug	Forecast 13-Aug	Forecast 20-Aug	Forecast 27-Aug	Forecast 3-Aug	Forecast 10-Aug	Forecast 17-Aug	Forecast 24-Aug
ARF net collections	31,394	29,322	53,075	37,405	42,500	20,000	10,000	223,356					
Proceeds from 353 sale					3,250,000			3,250,000					
Total Collections	31,394	29,322	53,075	37,405	3,292,500	20,000	10,000	3,473,356					
Payroll Related Disbursements													
Payroll (gross)	8,766	9,778	8,362	8,362	4,181	-	-	39,459					
Payroll-related (gross)	41,780	-	41,780	-	41,780	-	-	125,340					
Union health & welfare fund contributions	6,250	-	-	-	-	-	-	6,250					
Total Payroll Related Disbursements	56,797	9,778	50,143	8,362	45,961	-	-	170,014					
Production/Inventory Disbursements													
Raw material	-	12,000	-	-	-	-	-	12,000					
Components & packaging	-	4,600	8,000	-	-	-	-	12,600					
Finished goods	21,600	10,000	15,900	-	-	-	-	46,500					
Freight & customs	-	3,950	3,500	-	-	-	-	7,450					
Total Production Disbursements	21,600	30,550	27,400	3,500	3,500	3,500	3,500	89,000					
Operating Disbursements													
Repair, maintenance & fuel	1,250	-	-	-	-	-	-	1,250					
Operating supplies & office supplies	1,500	-	500	-	-	-	-	3,000					
Employee T&E	1,000	1,000	-	-	-	-	-	3,000					
Utilities	-	-	-	-	-	-	-	-					
Chicago, IL	-	-	-	-	-	-	-	-					
Defiance, OH	-	-	-	-	-	-	-	-					
Insurance	30,518	-	-	-	-	-	-	30,518					
Security	1,250	1,250	1,250	1,250	1,250	1,250	1,250	8,750					
Environmental costs	33,082	-	5,000	-	33,082	-	-	66,164					
Miscellaneous	5,000	5,000	5,000	5,000	5,000	5,000	5,000	35,000					
Total Operating Disbursements	73,600	7,250	6,750	6,250	42,989	36,733	6,250	178,792					
Total Production and Operating Disbursements	94,600	37,350	34,150	9,750	46,489	39,203	6,250	267,792					
Debt Service Disbursements													
Equipment leases	-	-	3,200	-	-	3,200	-	6,400					
Bank fees	-	-	-	-	35,000	-	-	35,000					
Bank equate protection fees	-	-	-	-	35,000	-	-	35,000					
Total Debt Service Disbursements	-	-	3,200	-	70,000	3,200	-	70,000					
Restructuring Disbursements													
Legal counsel-SK	-	-	-	-	20,000	-	-	20,000					
Financial advisors-SK	-	-	-	-	25,000	-	-	25,000					
Investment bankers	-	-	-	-	162,000	-	-	162,000					
Creditor committee	-	-	40,000	-	-	-	-	40,000					
Utility deposits	13,300	-	-	-	-	-	-	13,300					
Freight deposit	5,000	-	-	-	-	-	-	5,000					
WBCC DIP fees	-	-	40,000	-	45,000	-	-	85,000					
Total Restructuring Disbursements	18,300	-	40,000	-	162,000	-	-	335,300					
Total Disbursements	199,696	46,129	127,452	69,112	299,450	42,403	76,250	614,532					
Net Change In Cash	\$ (138,103)	\$ (17,309)	\$ (74,418)	\$ (28,709)	\$ 3,003,050	\$ (22,403)	\$ (66,250)	\$ 2,628,863					
Pre-Petition Revolving Line of Credit													
Beginning Loan Balance	\$ 8,997,440	\$ 8,135,543	\$ 9,152,848	\$ 9,227,266	\$ 9,262,974	\$ 9,249,824	\$ 9,272,327	8,997,440					
Net Collections	(31,694)	(26,822)	(53,075)	(37,405)	(3,292,500)	(20,000)	(10,000)	(3,443,396)					
Borrowings-Total Disbursements	(189,696)	(46,129)	(127,452)	(69,112)	(299,450)	(42,403)	(76,250)	(699,679)					
Ending loan balance	\$ 9,135,543	\$ 9,152,848	\$ 9,227,266	\$ 9,262,974	\$ 9,249,824	\$ 9,272,327	\$ 9,272,327	8,249,824					

Notes

Significant discount to ARF face value due to ongoing collection issues related to customers taking larger warranty claims. Current expectation is that the bankruptcy filing will result in either pay by customers until they know if the SK brand will continue. An additional recent issue impacting ARF is customers are taking volume discounts even when not fully earned. Assumed based on total COI

Assumes all hourly employees are terminated or transferred to buyer as of the sale. Assumes no reductions in salary employees until sale and payment of pre-petition wages. Assumes paying only July union health & welfare contributions and no pre-petition amounts.

Represents COO steel purchases that can be converted to finished goods during DIP period. Assumes COO payment terms. Assumes COO payment terms. Post-petition services only paid 1 week in arrears.

Fuel purchase expected to cover the length of DIP period. Budget for travel to OH as needed to complete closure of facility. Post-petition services only, required deposits forecasted under Restructuring Disbursements. July installment on premium finance contract.

Removal of all waste and securing Defiance, OH facilities to comply with OH EPA requirements.

Assumes buyer pays cure amounts and post-petition claims. Assumes monthly interest payment, as adequate protection payment.

\$75,000 pre-petition retainer paid. First half of June \$15,000 paid pre-petition. Monthly per agreement, additional fees assumed outside of DIP period. Assumes \$50,000 retainer paid pre-petition. Expense reimbursement and estimated fees to be paid from sale proceeds. Additional fees assumed outside of DIP period. Required deposits to utility companies. UPS Deposit.

Cumulative