

**EXHIBIT A**  
**DIP CREDIT AGREEMENT**

**DEBTOR IN POSSESSION CREDIT AGREEMENT**

**between**

**STATES INDUSTRIES, INC.,  
debtor and debtor in possession,  
Borrower**

**and**

**RENWOOD STATES LENDING, LLC,  
Lender**

**AUGUST \_\_, 2010**

## CONTENTS

ARTICLE I.	DEFINITIONS .....	1
1.1	DEFINED TERMS.....	1
1.2	HEADINGS.....	7
1.3	GENERAL DEFINITIONAL PROVISIONS.....	7
ARTICLE II.	THE CREDITS.....	8
2.1	THE LOAN.....	8
2.2	INTEREST; FEES; PAYMENTS .....	8
2.3	AUTHORIZED REPRESENTATIVES.....	9
2.4	LETTER OF CREDIT.....	9
ARTICLE III.	SECURITY .....	10
3.1	GRANT OF SECURITY INTEREST.....	10
3.2	PERFECTION; DUTY OF CARE.....	10
3.3	REAL PROPERTY COLLATERAL.....	11
ARTICLE IV.	REPRESENTATIONS AND WARRANTIES .....	11
4.1	DUE AUTHORIZATION; NO VIOLATION .....	11
4.2	COMPLIANCE WITH LAW .....	12
4.3	VALIDITY; ENFORCEABILITY.....	12
4.4	INSURANCE .....	12
4.5	ABSENCE OF LABOR DISPUTES .....	12
4.6	FORCE MAJEURE.....	12
4.7	INTELLECTUAL PROPERTY .....	12
ARTICLE V.	CONDITIONS.....	13
5.1	CONDITIONS OF INITIAL EXTENSION OF CREDIT .....	13
5.2	CONDITIONS OF EACH EXTENSION OF CREDIT.....	14
ARTICLE VI.	AFFIRMATIVE COVENANTS .....	14
6.1	PAYMENTS .....	14
6.2	ACCOUNTING RECORDS .....	14
6.3	INFORMATION AND REPORTS.....	15
6.4	COMPLIANCE.....	15
6.5	MAINTENANCE OF PROPERTIES .....	15

6.6	INSURANCE .....	15
6.7	MAINTAIN CASH MANAGEMENT SYSTEM .....	15
6.8	ACCESS .....	16
6.9	NOTICE TO LENDER .....	16
6.10	USE OF PROCEEDS .....	16
6.11	FURTHER ASSURANCES .....	16
ARTICLE VII.	NEGATIVE COVENANTS .....	16
7.1	CASH EXPENDITURES .....	16
7.2	CONSOLIDATIONS, MERGERS AND SALES OF ASSETS .....	16
7.3	PURCHASE OF ASSETS .....	17
7.4	EMPLOYMENT AGREEMENTS .....	17
7.5	CHANGE IN NATURE OF BUSINESS .....	17
7.6	TRANSACTIONS WITH AFFILIATES .....	17
ARTICLE VIII.	EVENTS OF DEFAULT .....	17
8.1	EVENTS OF DEFAULT .....	17
8.2	REMEDIES .....	20
ARTICLE IX.	MISCELLANEOUS .....	21
9.1	NOTICES .....	21
9.2	COSTS, EXPENSES, ATTORNEYS' FEES .....	22
9.3	WAIVER; INDEMNIFICATION .....	22
9.4	SUCCESSORS AND ASSIGNS .....	23
9.5	NO WAIVER; CUMULATIVE REMEDIES .....	23
9.6	AMENDMENT; INTEGRATION; EFFECTIVENESS .....	23
9.7	NO THIRD PARTY BENEFICIARIES .....	24
9.8	TIME .....	24
9.9	SEVERABILITY OF PROVISIONS .....	24
9.10	COUNTERPARTS .....	24
9.11	ATTORNEYS' FEES .....	24
9.12	GOVERNING LAW .....	25
9.13	WAIVER OF JURY TRIAL .....	25

**EXHIBITS**

- A Promissory Note Form
- B Notice of Borrowing
- C Notice of Authorized Representatives
- D Form of Interim Financing Order

## DEBTOR IN POSSESSION CREDIT AGREEMENT

THIS DEBTOR IN POSSESSION CREDIT AGREEMENT is entered into as of August \_\_, 2010 by and between STATES INDUSTRIES, INC., debtor and debtor in possession ("**Borrower**"), and RENWOOD STATES LENDING, LLC., a Delaware limited liability company ("**Lender**").

### RECITALS

WHEREAS on August \_\_, 2010 (the "**Petition Date**") Borrower filed a voluntary petition for relief (the "**Bankruptcy Case**") under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Oregon (the "**Bankruptcy Court**");

WHEREAS Borrower is continuing to operate its business and manage its property as debtor and debtor in possession under Sections 1107 and 1108 of the Bankruptcy Code;

WHEREAS Borrower is currently indebted to Lender pursuant to the terms of the Prepetition Loan Agreement (defined below);

WHEREAS Borrower has requested that Lender provide a secured super-priority credit facility of up to \$1,500,000 in order to, among other purposes, fund the continued operation of its business; and

WHEREAS Lender is willing to make credit available to Borrower upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties contained herein, Borrower and Lender hereby agree as follows:

### ARTICLE I. DEFINITIONS

#### 1.1 DEFINED TERMS

All terms defined above shall have the meanings set forth above. The following terms shall have the meanings set forth below:

"**363 Sale**" means the proposed sale of substantially all of the assets of Borrower to Lender (or any higher bidder) pursuant to the terms of the Bid Procedures and the Sale Motion.

"**Advance**" has the meaning set forth in Section 2.1(a).

"**Agreement**" means this Debtor in Possession Credit Agreement as amended, modified or supplemented from time to time.

**"Applicable Rate"** means 15% per annum, provided that at all times during the continuation of an Event of Default, the Applicable Rate shall be 17% per annum.

**"Asset Purchase Agreement"** means the Asset Purchase Agreement to be entered into between Borrower and Lender pursuant to which Lender will purchase substantially all of the assets of Borrower.

**"Authorized Representative"** means a person designated as such by Borrower in a Notice of Authorized Representatives delivered to Lender.

**"Available Cash"** means, at any time, (a) Borrower's cash and cash equivalents that are free of Liens of any party plus (b) cash collateral that Borrower is authorized by order of the Bankruptcy Court to use, but (c) excluding cash being held for the purpose of providing for payment of taxes, government charges and employee-related taxes and charges.

**"Available Credit"** means, with respect to any week, the lesser of (a) the amount by which the Commitment exceeds the then outstanding Loan balance, or (b) an amount equal to the Cash Needs for such week, less the Available Cash as of the close of business of the immediately preceding week.

**"Bankruptcy Code"** means the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time, including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

**"Bid Procedures Order"** means that certain order approving certain bid procedures for the sale of Borrower's assets, in a form reasonable satisfactory to Lender.

**"Borrower Milestones"** means the occurrence of the following events, each on or before the date set forth below:

(i) August 31, 2010 – the filing of the Sale Motion, in a form reasonably acceptable to Lender;

(ii) September 15, 2010 – entry of the Bid Procedures Order, in a form reasonably acceptable to Lender;

(iii) September 15, 2010 – execution of the Asset Purchase Agreement for the sale of substantially all of Borrower's assets;

(iv) October 20, 2010 – entry of the Sale Order, in a form reasonably acceptable to Lender;

(v) October 27, 2010 – closing of the sale contemplated by the Asset Purchase Agreement.

**"Business Day"** means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to be closed in New York, New York.

**"Carve-Out"** means an amount equal to all amounts payable pursuant to 28 U.S.C. § 1930(a)(6) and any fees payable to the clerk of the Bankruptcy Court and (b) the Professional Fee Cap.

**"Cash Budget"** means a rolling 10-week detailed cash forecast for Borrower acceptable to Lender that is updated weekly and that includes reports that show the Borrower's sources and uses of cash from the prior week, and material variances associated therewith.

**"Cash Needs"** means, for any period, 110% of Borrower's projected cash needs set forth in the Cash Budget for such period.

**"Collateral"** means (a) all of Borrower's personal property and rights in and to property, including the Real Property and all Prepetition Collateral, accounts, instruments, chattel paper, deposit accounts, documents, general intangibles, goods (including inventory, equipment and fixtures), money, letter of credit rights, supporting obligations, investment property, commercial tort claims and records; (b) all products, proceeds, rents and profits of the foregoing; and (c) all of the foregoing, whether now owned or existing or hereafter acquired or arising or in which Borrower now has or hereafter acquires any rights; provided, however, "Collateral" shall not include the Excluded Assets.

**"Commitment"** means Lender's obligation to advance credit hereunder in an amount up to a total of \$1,500,000.

**"Default"** means (i) an Event of Default, or (ii) an event or condition that with the giving of notice or the passage of time, or both, would constitute an Event of Default.

**"Disclosure Schedule"** means Schedule I attached hereto.

**"Effective Date"** means the date on which the conditions specified in Section 5.1 are satisfied.

**"Event of Default"** has the meaning set forth in Section 8.1 hereof.

**"Excluded Assets"** means (i) any retainers paid or deposited before the Petition Date by Borrower to or with its professionals for professional services and expense reimbursement in connection with the Bankruptcy Case; provided, however, that if such retainers are not fully consumed and are returned to Debtor for any reason, they shall be included in the definition of Collateral, and (ii) "Avoidance Actions" (as defined in the Interim Financing Order) to the extent the Interim Financing Order does not provide a Lien therein for the benefit of Lender to secure the Obligations.

**"Final Financing Order"** means an order of the Bankruptcy Court, in form and substance acceptable to Lender, which (a) contains substantially the same provisions as the Interim Financing Order (including reaffirming (x) that the Lender is extending credit to the Borrower in good faith (within the meaning of Section 364(e) of the Bankruptcy Code) under



this Agreement and (y) the granting of Liens and priority position provided in connection with the Interim Financing Order), (b) contains such additional provisions as required by the Lender, (c) is not subject to vacatur, amendment, modification, reversal or stay without the prior written consent of the Lender, and (d) reaffirms the grant of protections to be accorded to the Lender described herein.

**"Financing Order"** means the Interim Financing Order or the Final Financing Order.

**"GAAP"** means generally accepted accounting principles as in effect in the United States from time to time, consistently applied.

**"Governmental Authority"** means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

**"Governmental Rule"** means any applicable law, rule, regulation, treaty ordinance, order, code interpretation, judgment, decree, directive, guideline, policy or similar form of decision of any Governmental Authority.

**"Indemnified Party"** has the meaning set forth in Section 9.3 hereof.

**"Interim Financing Order"** means an order of the Bankruptcy Court in the form attached hereto as Exhibit D or otherwise acceptable to Lender.

**"Letter of Credit"** means letter of credit number 68029523/S528121 issued by Bank of America, N.A. to secure amounts which may be owing from time to time by Borrower to Safety National Casualty Corp., and all amendments and modifications thereof and letters of credit issued in replacement thereof, but in any only so long as Lender has any reimbursement obligation with respect thereto.

**"Lien"** means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including any conditional sale or other title retention agreement and the interest of a lessor under a capital lease.

**"Loan"** means the aggregate outstanding principal balance of all Advances and all amounts added to such principal balance in accordance with the provisions of this Agreement.

**"Loan Documents"** means this Agreement, the Note and each other agreement, note, notice, document, contract or instrument to which Borrower now or hereafter is a party and that is required by Lender in connection with this Agreement or the credit extended

hereunder, including without limitation the Interim Financing Order and the Final Financing Order.

**"Material Adverse Effect"** means a material adverse effect on (a) the prospects for consummation of the 363 Sale, (b) the legality, validity, binding effect or enforceability against Borrower of any Loan Document to which it is a party or of the Financing Order, or (c) Lender's rights and remedies under any of the Loan Documents and the Financing Order.

**"Maturity Date"** means the first to occur of (a) October 29, 2010, (b) the effective date of a plan of reorganization or liquidation for Borrower, (c) the date that is 30 days after entry of the Interim Financing Order if the Final Financing Order has not been entered by that date, (d) the sale of a material portion of the Borrower's assets in one or more transactions under Section 363 of the Bankruptcy Code, or (e) the due date determined pursuant to Section 8.2.

**"Note"** means the promissory note executed by Borrower in favor of Lender evidencing the Loan, in the form attached as Exhibit A hereto.

**"Notice of Authorized Representatives"** has the meaning set forth in Section 2.4 hereof.

**"Notice of Borrowing"** has the meaning set forth in Section 2.1(c) hereof.

**"Obligations"** means all of Borrower's obligations under the Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Permit"** means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under a Governmental Rule.

**"Permitted Liens"** means (a) Liens arising by operation of law (other than Liens imposed under ERISA or any Lien securing liability under any environmental Governmental Rule) for taxes, assessments or governmental charges not yet due; (b) statutory Liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials arising in the ordinary course of business for which payment is not past due; (c) nonconsensual Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (d) Liens granted in the Loan Documents; (e) zoning restrictions, easements, rights of way, survey exceptions, encroachments, covenants, licenses, reservations, leasehold interests, restrictions on the use of real property or minor irregularities incident thereto which do not in the aggregate materially detract from the value or use of the property or assets of Borrower or impair, in any material manner, the use of such property for the purposes for which such property is held by Borrower; (f) valid and perfected prepetition Liens of creditors; and (g) Liens granted in the Financing Order.

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

**"Prepetition Collateral"** shall mean, collectively, (i) all "Collateral" as such term is defined in the Prepetition Loan Agreement, (ii) all other security for the Prepetition Obligations as provided in the Prepetition Loan Documents immediately prior to the Petition Date.

**"Prepetition Loan Agreement"** shall mean the Loan and Security Agreement dated as of May 3, 1999, by and between States Industries, Inc. and LaSalle Business Credit, the predecessor to Lender, as such agreement has been amended and modified from time to time.

**"Prepetition Loan Documents"** shall mean the Prepetition Loan Agreement, any and all promissory notes delivered by Borrower pursuant to the Prepetition Loan Agreement, all trust deeds and assignments of rent, guaranty agreements, security agreements, or other agreements executed by Borrower or affiliates of Borrower in connection with or relating to the Prepetition Loan Agreement.

**"Prepetition Obligations"** shall mean all loans and other loans, advances, letter of credit accommodations, debts, obligations, liabilities, indebtedness, covenants and duties of Borrower to Lender of every kind and description, however evidenced, whether direct or indirect, absolute or contingent, joint or several, secured or unsecured, due or not due, primary or secondary, liquidated or unliquidated, arising before the Petition Date and whether arising under or related to the Prepetition Loan Agreement and the Prepetition Loan Documents, by operation of law or otherwise and whether incurred by Borrower as principal, surety, endorser, guarantor or otherwise and including, without limitation, all principal, interest, financing charges, letter of credit fees, unused line fees, servicing fees, line increase fees, early termination fees, other fees, commissions, costs, expenses and attorneys', accountants' and consultants' fees and expenses incurred in connection with any of the foregoing.

**"Professionals"** means any attorneys, accountants, and other professionals retained in the Bankruptcy Case by Borrower or any official committee appointed by the United States Trustee pursuant to sections 327, 328 and 1103 of the Bankruptcy Code.

**"Professional Fee Cap"** means all allowed, unpaid postpetition fees and expenses of the Professionals not to exceed \$300,000.00 without the prior written consent of the Lender.

**"Real Property"** means that certain real property subject to the following agreements: (a) Trust Deed, Assignment of Rents, Security Agreement, and Fixture Filing (Line of Credit Instrument) dated November 6, 2006, and recorded on November 22, 2006, in the Records of Lane County, Oregon, as Fee No. 2006-084207; (b) Trust Deed, Assignment of Rents, Security Agreement, and Fixture Filing (Line of Credit Instrument) dated June 30, 2004, and recorded on July 23, 2004 in the Records of Lane County, Oregon as Fee No. 2004-058309, as amended by that First Amendment to Trust Deed, Assignment of Rents, Security Agreement, and Fixture Filing (Line of Credit Instrument) dated September

2, 2004 and recorded on September 16, 2004 in the Records of Lane County, Oregon as Fee No. 2004-072270, and further amended by the Second Amendment to Trust Deed, Assignment of Rents, Security Agreement, and Fixture Filing (Line of Credit Instrument) dated November 6, 2006 and recorded on November 22, 2006 in the Records of Lane County, Oregon as Fee No. 2006-084203; and (c) Mortgage, Security Agreement and Financing Statement recorded on October 14, 2008, in the Bureau of Conveyances of the State of Hawaii, Document Number 2008-158556 given in favor of Assignor, as Mortgagee by Diane J. Montoya, wife of John Flynn, as Tenant in Severalty, as Mortgagor.

"**Sale Motion**" means that certain motion seeking approval of (i) certain bid procedures, (ii) the sale of substantially all of Borrower's assets to Lender or other purchaser and (iii) assumption and assignment of certain executory contracts and unexpired leases.

"**UCC**" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

## **1.2 HEADINGS**

Headings in this Agreement and each of the other Loan Documents are for convenience of reference only and are not part of the substance hereof or thereof.

## **1.3 GENERAL DEFINITIONAL PROVISIONS**

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) unless otherwise specified, all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

## ARTICLE II. THE CREDITS

### 2.1 THE LOAN

(a) On the terms and subject to the conditions contained in this Agreement, Lender agrees to make loans (each an "Advance") to Borrower from time to time until the Maturity Date in an aggregate amount outstanding at any time not to exceed the Commitment. No Advance shall exceed the Available Credit for the week in which the Advance is made.

(b) Each Advance shall be made only on the first Business Day of a week. Borrower may request only one Advance in any week, and shall make a request only by giving Lender irrevocable written notice, in the form of Exhibit B attached hereto (each, a "Notice of Borrowing"), which specifies, among other things:

- (i) the aggregate principal amount of the requested Advance;
- (ii) the calculation of Available Credit for the week in which the Advance is to be made; and
- (iii) by reference to the current Cash Budget, the Cash Needs to be met with such Advance.

Each such Notice of Borrowing must be received by Lender not later than 4:00 p.m. (Central time) on the last Business Day prior to the week in which the Advance is to be made.

(c) From time to time on any Business Day, Borrower may make a voluntary prepayment, in whole or in part, of the outstanding principal amount of the Loan without penalty or premium. Any amount prepaid may be reborrowed in accordance with the provisions of this Section 2.1.

### 2.2 INTEREST; FEES; PAYMENTS

(a) **Interest.** The outstanding principal balance of the Loan shall bear interest at the Applicable Rate. All fees, expenses and other amounts not paid when due shall bear interest (from the date due until paid) at the Applicable rate.

(b) **Commitment Fee.** On the Effective Date, Borrower shall pay Lender a commitment fee of \$50,000.00.

(c) **Computation and Payment.** Interest and per annum fees shall be computed on the basis of a 360-day year, actual days elapsed and shall be payable monthly, in arrears, on the first Business Day of each month and on the Maturity Date.

(d) **Place and Manner.** All amounts due under the Loan Documents shall be payable to such account as Lender may designate from time to time. Borrower shall make all payments in same day or immediately available funds not later than 11:00 a.m. (Central time)

on the date due. All payments received on a Business Day shall be applied on such Business Day if received on or before 11:00 a.m. (Central time) or on the next Business Day if received after 11:00 a.m. (Central time), in either event subject to collection thereof in good funds. Borrower shall make all payments due hereunder free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Lender. Borrower hereby indemnifies and holds Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 2.2(e) shall remain effective notwithstanding any contrary action that may be taken by Lender in reliance upon such payment or proceeds, and shall survive the payment in full and performance of all of Borrower's other Obligations.

(e) **Application of Payments.** All payments under the Loan Documents (including prepayments and proceeds of Collateral) shall be applied first to unpaid fees, costs and expenses, second to accrued interest then due and payable under the Loan Documents and finally to reduce the principal amount of the Loan, provided, however, during the continuation of an Event of Default, payments shall be applied in such order as Lender shall determine.

### 2.3 AUTHORIZED REPRESENTATIVES

On the Effective Date, and from time to time subsequent thereto at Borrower's option, Borrower shall deliver to Lender a notice in the form of Exhibit C attached hereto, which designates by name each of Borrower's Authorized Representatives and includes each of their respective specimen signatures (each, a "Notice of Authorized Representatives"). Lender shall be entitled to rely conclusively on the authority of each person designated as an Authorized Representative in the most current Notice of Authorized Representatives delivered by Borrower to Lender, to request borrowings and to give to Lender such other notices as are permitted hereunder, until such time as Lender has actual receipt of, a new Notice of Authorized Representatives. Lender shall have no duty or obligation to Borrower to verify the authenticity of any signature appearing on any Notice of Borrowing or any other notice from an Authorized Representative.

### 2.4 LETTER OF CREDIT

Borrower shall indemnify and hold Lender harmless from and against any and all expenses, losses, claims, damages, and liabilities (including reasonable legal fees and other expenses) arising out of or in any way relating to the Letter of Credit or any reimbursement obligation of Lender with respect to the Letter of Credit. If the issuer of the Letter of Credit has honored any full or partial drawing request under the Letter of Credit, Lender, in its discretion, may make an Advance to reimburse such issuer. If on the Maturity Date the Letter of Credit remains outstanding and partially or wholly undrawn, Borrower shall, upon

Lender's request, provide cash collateral to Lender equal to 105% of the undrawn amount of the Letter of Credit, which cash collateral shall be part of the Collateral and shall continue to secure Borrower's indemnity obligations under this Section 2.4. Borrower shall provide the required cash collateral either by delivering cash to be held by Lender as Collateral or by granting Lender a first priority security interest, in form and substance acceptable to Lender in its discretion, in a deposit account containing the required amount of funds.

### **ARTICLE III. SECURITY**

#### **3.1 GRANT OF SECURITY INTEREST**

Borrower hereby grants to Lender a security interest in all of the Collateral as security for the full and prompt payment in cash and performance of the Obligations. If requested by Lender, Borrower shall cause its wholly-owned subsidiary SI Properties, Inc., which is a borrower and guarantor of the Prepetition Obligation, to execute a guaranty, security agreement and second deed of trust to secure Borrower's obligations hereunder.

#### **3.2 PERFECTION; DUTY OF CARE**

(a) Until all the Obligations have been paid in full and Lender's obligation to advance credit to Borrower terminated, Borrower shall perform all steps requested by Lender to perfect, maintain and protect Lender's security interest in the Collateral, including delivering to Lender all Collateral in which Lender's security interest may be perfected by possession together with such endorsements as Lender may request.

(b) Borrower shall pay or cause to be paid all taxes, assessments and governmental charges levied or assessed or imposed upon or with respect to the Collateral or any part thereof; provided, however, Borrower shall not be required to pay any tax if the validity and/or amount thereof is being contested in good faith and by appropriate and lawful proceedings promptly initiated and diligently conducted of which Borrower have given prior notice to Lender and for which appropriate reserves have been established and so long as levy and execution have been and continue to be stayed. If Borrower fail to pay or so contest and reserve for such taxes, assessments and governmental charges, Lender may (but shall not be required to) pay the same and add the amount of such payment to the principal of the Loan.

(c) In order to protect or perfect the security interest granted under the Loan Documents, Lender may discharge any Lien that is not a Permitted Lien that under the Financing Order does not have a status superior to or *pari passu* with Lender's Lien in the Collateral or bond the same, pay for any insurance that Borrower fail to maintain as required by this Agreement, maintain guards, pay any service bureau, or obtain any record and add the same to the principal of the Loan.

(d) Lender shall have no duty of care with respect to the Collateral, except to exercise reasonable care with respect to the Collateral in its custody, but shall be deemed to have exercised reasonable care if such property is accorded treatment substantially equal to

that which it accords its own property. Lender's failure to take steps to preserve rights against any parties or property shall not be deemed to be a failure to exercise reasonable care with respect to the Collateral in its custody.

### **3.3 REAL PROPERTY COLLATERAL**

Borrower hereby grants to Lender a security interest in the Real Property as security for the full and prompt payment in cash and performance of the Obligations.

### **3.4 CARVE-OUT**

Notwithstanding anything in this Agreement or the Financing Orders to the contrary, any security interests granted to Lender and any administrative expense claims (superpriority or otherwise) granted or created pursuant to the operation of this Agreement or the Financing Orders shall be subordinate and subject only to the Carve-Out. The Cash Budget includes budgeted amounts for payment of such fees and expenses of professionals. Each week, Borrower shall deposit the budgeted amount of such payments into a separate bank account (the "Carve-Out Account"). The Carve-Out Account shall not be subject the Lender's claims, including any security interests or administrative expense claims granted to Lender, except to the extent there are funds left in the Carve-Out Account after payment of the Carve-Out; provided, however, that any payments actually made to the Professionals, whether under sections 330 and 331 of the Bankruptcy Code or otherwise, shall reduce the Professional Expense Cap on a dollar-for-dollar basis, irrespective of whether such payment was made pre-Event of Default or post-Event of Default, it being expressly understood that any prepetition retainers held by Professionals shall not count against, and shall not reduce, the Professional Expense Cap. Notwithstanding anything to the contrary, the Carve-Out cannot be used for the payment or reimbursement of any fees or disbursements of Debtor incurred in connection with the assertion or joinder in any claim, counter-claim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief invalidating, setting aside, avoiding, subordinating, in whole or in part, the Obligations or the Prepetition Obligation or lien and security interest securing the Obligations or the Prepetition Obligation; provided that the Carve-Out may be used by the Committee to investigate the Prepetition Obligation and the validity and perfection of the liens and security interests securing the Prepetition Obligation.

## **ARTICLE IV. REPRESENTATIONS AND WARRANTIES**

Borrower makes the following representations and warranties to Lender as of the Effective Date and as of the date of each extension of credit hereunder:

### **4.1 DUE AUTHORIZATION; NO VIOLATION**

Subject to the entry by the Bankruptcy Court of the Interim Financing Order (or the Final Financing Order, when applicable), Borrower's execution, delivery and performance of the Loan Documents are within its powers, have been duly authorized by all necessary



action, and do not (a) contravene its articles of incorporation or bylaws, (b) contravene any contractual restriction or Governmental Rule binding on or affecting it, or (c) result in, or require the creation or imposition of, any Lien on its property, except Liens for the benefit of Lender.

#### **4.2 COMPLIANCE WITH LAW**

Borrower is in compliance with all Governmental Rules, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

#### **4.3 VALIDITY; ENFORCEABILITY**

Upon entry by the Bankruptcy Court of the Interim Financing Order (or the Final Financing Order, when applicable), the Loan Documents constitute, the legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

#### **4.4 INSURANCE**

All current policies of insurance of any kind or nature owned by or issued to Borrower, including policies of fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, directors' and officers' liability, workers' compensation and employee health and welfare insurance, are in full force and effect and are of a nature and provide such coverage as is sufficient and as is customarily carried by businesses owning or operating properties similar to Borrower's properties. Borrower has no reason to believe that it will be unable to comply with Sections 6.5 and 6.6.

#### **4.5 ABSENCE OF LABOR DISPUTES**

No strikes, boycotts, work stoppages or labor disputes with Borrower's employees exist or, to Borrower's knowledge, are imminent or would reasonably be expected to occur that would reasonably be expected to have a Material Adverse Effect.

#### **4.6 FORCE MAJEURE**

None of Borrower's business or properties is suffering from the effects of any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), other than those the consequences of which in the aggregate would not reasonably be expected to have a Material Adverse Effect.

#### **4.7 INTELLECTUAL PROPERTY**

Borrower owns or licenses or otherwise has the right to use all material licenses, Permits, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, copyright applications, franchises, authorizations and other intellectual property rights and general intangibles that are necessary for the operation of its

businesses, without infringement upon or conflict with the rights of any other Person with respect thereto, including all trade names, which infringement or conflict would reasonably be expected to have a Material Adverse Effect. No slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Borrower infringes upon or conflicts with any rights owned by any other Person, which infringement or conflict would reasonably be expected to have a Material Adverse Effect, and no claim or litigation regarding any of the foregoing is pending or, to its knowledge, threatened, the existence of which would reasonably be expected to have a Material Adverse Effect.

## ARTICLE V. CONDITIONS

### 5.1 CONDITIONS OF INITIAL EXTENSION OF CREDIT

Lender's obligation to make the initial extension of credit contemplated by this Agreement is subject to the fulfillment to Lender's satisfaction of all of the following conditions:

(a) **Documentation.** Lender shall have received each of the following duly executed:

(i) this Agreement, the Note, a Notice of Authorized Representatives, a Notice of Borrowing, and a Cash Budget, the first week of which includes the Effective Date;

(ii) from Borrower, a certificate of its secretary or assistant secretary dated as of the date of this Agreement as to: (A) resolutions of its board of directors then in full force and effect authorizing the execution, delivery and performance of each Loan Document to be executed by it; (B) its bylaws, a copy of which is attached; and (C) the incumbency and signatures of those of its officers authorized to act with respect to the Loan Documents to be executed by it; and

(iii) evidence of insurance coverage, including loss payable endorsements, acceptable to Lender.

(b) **Interim Financing Order.** The Interim Financing Order shall be in full force and effect and shall not have been vacated, stayed, reversed, modified or amended in any respect that Lender deems to be materially adverse to its interest; and, if the Interim Financing Order is the subject of a pending appeal in any respect, neither the making of the Loan, the granting of the security interest in the Collateral, nor the performance of Borrower under the Loan Documents shall be subject to a presently effective stay pending appeal.

(c) **Fees and Expenses.** Borrower shall have paid all fees and invoiced costs and expenses then due pursuant to the terms of this Agreement, which fees, costs and expenses shall be paid out of the proceeds of the initial Advance.

## **5.2 CONDITIONS OF EACH EXTENSION OF CREDIT**

Lender's obligation to make any credit available under the Loan Documents (including any Advance to be made on the Effective Date) shall be subject to the further conditions precedent that:

(a) the following statements shall be true on the date such credit is advanced, both before and after giving effect thereto and to the application of the proceeds therefrom, and the acceptance by Borrower of the proceeds of such credit shall constitute a representation and warranty by Borrower that on the date such credit is advanced such statements are true:

(i) Borrower's representations and warranties contained in the Loan Documents are correct in all material respects on and as of such date as though made on and as of such date or, as to those representations and warranties limited by their terms to a specified date, were correct in all material respects on and as of such date; and

(ii) no Default is continuing or would result from the credit being advanced;

(b) advancing the requested credit on such date does not violate any Governmental Rule and is not enjoined, temporarily, preliminarily or permanently;

(c) Lender shall have received a Notice of Borrowing with respect to the requested Advance; and

(d) no event or circumstance exists that can reasonably be expected to have a Material Adverse Effect.

## **ARTICLE VI. AFFIRMATIVE COVENANTS**

Borrower covenants that until performance and payment in full of all Obligations and termination of Lender's obligation to advance credit to Borrower, Borrower shall:

### **6.1 PAYMENTS**

Pay all principal, interest, fees and other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

### **6.2 ACCOUNTING RECORDS**

Keep accurate books and records of its financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with GAAP.

### **6.3 INFORMATION AND REPORTS**

Deliver to Lender on the Friday of each week, a revised Cash Budget for the period beginning on the first day of the following week and from time to time such other reports, analysis, documents and information as Lender may reasonably request, including those set forth on Exhibit E.

### **6.4 COMPLIANCE**

Except as otherwise permitted by Lender, preserve and maintain all licenses, Permits, governmental approvals, rights, privileges, franchises and general intangibles necessary for the conduct of its business and comply in all material respects with all Governmental Rules, other than such failure to do so the consequences of which in the aggregate would not reasonably be expected to have a Material Adverse Effect.

### **6.5 MAINTENANCE OF PROPERTIES**

(a) Maintain all properties used or useful in the conduct of its business in good condition, repair and working order and supply such properties with all necessary equipment and make all necessary repairs, renewals, replacements, betterments and improvements thereto, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 6.5(a) shall prevent Borrower from discontinuing the operation and maintenance of any such properties if such discontinuance is implemented with the consent of Lender.

(b) Except to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect, maintain all properties and operate its business in such a manner that the representations in Sections 4.5 and 4.7 continue to be true and correct at all times.

### **6.6 INSURANCE**

Insure and keep insured, with reputable, financially sound insurance companies, its properties, business and operations in such amounts, with such deductibles and covering such risks as are insured against and carried in accordance with applicable law and prudent industry practice by businesses owning or operating similar properties, and providing for not less than thirty days' prior notice to Lender of termination, lapse or cancellation of such insurance.

### **6.7 MAINTAIN CASH MANAGEMENT SYSTEM**

Except to the extent the Financing Orders or Bankruptcy Court requires otherwise maintain Borrower's current cash management system and accounts.

#### **6.8 ACCESS**

Permit Lender and any of its agents, advisors, auditors and employees (i) full and reasonable access to Borrower's books, records and places of business to verify the existence, condition and location of property in which Lender has a Lien, and (ii) with reasonable access during normal business hours to all places of business, officers, consultants and employees of Borrower.

#### **6.9 NOTICE TO LENDER**

Promptly (but in no event more than one Business Day after Borrower has knowledge of the occurrence of each such event or matter) give notice to Lender in reasonable detail of: (i) the occurrence of any Default; (ii) any termination or cancellation of any insurance policy which Borrower are required to maintain, unless such policy is replaced without any break in coverage with an equivalent or better policy; (iii) the commencement of any labor controversy; or (iv) the occurrence of any event that would reasonably be expected to have a Material Adverse Effect.

#### **6.10 USE OF PROCEEDS**

Use the proceeds of the Advances solely to fund Cash Needs in accordance with the Financing Order.

#### **6.11 FURTHER ASSURANCES**

At Lender's request at any time and from time to time, duly execute and deliver such further agreements, documents and instruments, and do or cause to be done such further acts as may reasonably be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of the Loan Documents, at Borrower's expense.

### **ARTICLE VII. NEGATIVE COVENANTS**

Borrower covenants that until performance and payment in full of all Obligations and termination of Lender's obligations to advance credit to Borrower, Borrower shall not, without Lender's consent:

#### **7.1 CASH EXPENDITURES**

Make any expenditure (including any capital expenditure) other than those set forth in the Cash Budget, subject only (with respect to non-capital expenditures) to variances therefrom not exceeding 10% in the aggregate since the Effective Date;

#### **7.2 CONSOLIDATIONS, MERGERS AND SALES OF ASSETS**

(a) Except as contemplated by the 363 Sale, consolidate or merge with or into any Person, or sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its

property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions), or

(b) Make any sale, lease or other disposition of any asset, except (i) sales of goods and services in the ordinary course of business, (ii) the sale, lease or other disposition of worn out, obsolete and surplus assets, (iii) the sale, lease, abandonment, return, or other disposition of assets that are not intended to be used in continuing operations following consummation of the 363 Sale, and (iv) the use of cash and cash equivalents to make expenditures contemplated by the Cash Budget.

### **7.3 PURCHASE OF ASSETS**

Acquire any assets other than in the ordinary course of business or acquire or create any subsidiary.

### **7.4 EMPLOYMENT AGREEMENTS**

Enter into an employment agreement with any member of Borrower's management.

### **7.5 CHANGE IN NATURE OF BUSINESS**

Directly or indirectly engage in any business activity other than its current business activity.

### **7.6 TRANSACTIONS WITH AFFILIATES**

Enter into any transaction directly or indirectly with or for any affiliate except in the ordinary course of business on a basis no less favorable to such affiliate than would be obtained in a comparable arm's length transaction with a Person not an affiliate.

## **ARTICLE VIII. EVENTS OF DEFAULT**

### **8.1 EVENTS OF DEFAULT**

The occurrence of any of the following shall constitute an "Event of Default":

(a) Payment. Borrower fails to pay any payment Obligation when due;

(b) Certain Covenants. Borrower fails to observe or perform any covenant contained in Sections 6.6, 6.7, 6.8, 6.9 (provided that if the event that was required to be the subject of any such notice is waived or cured to the satisfaction of Lender, the failure to have given the required notice shall thereafter not be a continuing Event of Default), 6.10, and Article VII;

(c) Other Covenants. Borrower fails to observe or perform any covenant or agreement contained in the Loan Documents (other than those covered by Sections

8.1(a) and (b)) for three days after notice thereof has been given to Borrower by the Lender;

(d) Representations. Any representation, warranty, certification or statement made by Borrower in any Loan Document or in any certificate, financial statement or other document delivered pursuant to the Loan Documents is false or misleading in any respect (or in any material respect if such representation, warranty, certification or statement is not by its terms already qualified as to materiality) when made (or deemed made);

(e) Weekly Sales. Borrower's weekly sales figures shall be less than those projected in the Budget by more than 10% for any one week or more 15% in the aggregate.

(f) Liens. The Lien created by any of the Loan Documents and Financing Orders ("DIP Liens") shall at any time fail to constitute a valid and perfected Lien on all of the Collateral purported to be secured thereby, subject to no prior or equal Lien except those Permitted Liens, if any, that have a priority superior to the DIP Liens under the Financing Order, or Borrower shall so assert in writing;

(g) Conduct of Business. Borrower shall be prohibited or otherwise materially restrained from conducting the business currently conducted by it by virtue of any determination, ruling, decision, decree or order of any court or regulatory authority of competent jurisdiction and such determination, ruling, decision, decree or order remains unstayed and in effect for any period of 10 days, or Borrower shall cease the business currently conducted by it;

(h) Loan Documents. Any of the Loan Documents shall for any reason fail to constitute the valid and binding agreement of Borrower, or Borrower shall so assert in any pleading filed in any court;

(i) Dismissal or Conversion of Bankruptcy Case. The Bankruptcy Court shall enter an order dismissing the Bankruptcy Case or converting it to a case under Chapter 7 of the Bankruptcy Code, or appointing a trustee, responsible officer (other than John Davidson as Chief Restructuring Officer) or an examiner with enlarged powers relating to the operation of Borrower's business (beyond those set forth in Section 1106(a)(3) or (4) of the Bankruptcy Code) under Bankruptcy Code Section 1106(b), and the order appointing such trustee, responsible officer or examiner shall not be reversed or vacated within three days after the entry thereof;

(j) Relief From Stay. Entry of an order granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to the holder of any claim against Borrower, which order enables the holder of such claim to exercise any right or remedy against any of Borrower's property that Lender determines is material to the 363 Sale;

(k) Modification of Financing Orders. Without Lender's consent, entry of an order in the Bankruptcy Case amending, supplementing, staying for a period in excess of three days, vacating or otherwise modifying any Financing Order;

(l) Contest of Claims. Borrower shall support (in any such case by way of any motion or other pleading filed with the court or any other writing to another party-in-interest executed by or on behalf of Borrower) any other Person's opposition to, any motion made by Lender seeking confirmation of the amount of Lender's claim or the validity and enforceability of the Liens in favor of Lender;

(m) Disallowance of Claims. Borrower shall seek to, or shall support (in any such case by way of motion or other pleading filed with the court or any other writing to another party-in-interest executed by or on behalf of Borrower) any other Person's motion to, disallow, or challenge in any fashion the validity and enforceability of the Liens in favor of Lender;

(n) Interim Financing Order. From and after the date of entry thereof, the Interim Financing Order shall cease to be in full force and effect (or shall have been vacated, stayed for a period in excess of three days, reversed, modified or amended), in each case without Lender's consent, and the Final Financing Order shall not have been entered prior to such cessation (or vacatur, stay, reversal, modification or amendment);

(o) Final Financing Order. The Final Financing Order shall not have been entered by the Bankruptcy Court on or before the date that is 30 days after entry of the Interim Financing Order, or from and after the date of entry thereof, the Final Financing Order shall cease to be in full force and effect (or shall have been vacated, stayed for a period in excess of three days, reversed, modified or amended), in each case without the consent of Lender;

(p) Failure to Comply with Financing Orders. Borrower fail to comply with the terms of any Financing Order;

(q) Borrower Milestones. Any Borrower Milestone is not completed or achieved on the dated specified for such milestone;

(r) Material Adverse Effect. The occurrence of event(s) or circumstances having a Material Adverse Effect;

(s) Superpriority. The entry of an order granting any other claim superpriority status or a Lien equal or superior to that granted to Lender, other than as provided in the Financing Order or consented to by Lender;

(t) Impairment. Borrower files any motion or proceeding that would reasonably be expected to result in material impairment of the Lender's rights under this Agreement, or a final determination by any other court of competent jurisdiction



with respect to any motion or proceeding brought by any other party that results in any material impairment of the Lender's rights under any Loan Document; or

(u) Unacceptable Section 363 Sale. Without Lender's consent, Borrower enters into or purports to enter into an agreement pursuant to which Borrower would sell assets, except sales of goods and services in the ordinary course of business or as otherwise permitted in Section 7.2

## **8.2 REMEDIES**

(a) During the continuance of an Event of Default, Lender may, notwithstanding the provisions of Section 362 of the Bankruptcy Code, but subject to the provisions of the Financing Orders, without any application, motion or notice to, or order from, the Bankruptcy Court:

(i) terminate or suspend its obligation to advance credit hereunder, and/or declare the Obligations to be due and payable, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which Borrower expressly waives; and/or

(ii) the automatic stay imposed by Section 362(a) of the Bankruptcy Code shall be lifted with respect to the Lender at 5:00 p.m. Prevailing Pacific time on the third business day after written notice by the Lender to the Borrower, the United States Trustee and any committee, so that the Lender may exercise any or all of the following rights and remedies: (A) all the rights and remedies of a secured party under the UCC and all other applicable law, all of which rights and remedies shall be cumulative and nonexclusive to the extent permitted by law; (B) all of the rights and remedies provided for in the Loan Documents; and (C) without notice, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as Lender deems commercially reasonable. Lender shall be entitled to apply the proceeds of the Prepetition Collateral and the Collateral in accordance with the provisions of this Agreement.

(b) Upon Lender's request during the continuance of an Event of Default, and notwithstanding the provisions of Section 362 of the Bankruptcy Code, but subject to the provisions of the Financing Orders, without any application, motion or notice to, or order from, the Bankruptcy Court, the Borrower shall:

(i) assemble and make available to Lender the Collateral and all records relating thereto at any place or places specified by Lender; and

(ii) permit Lender and Lender's representatives to enter any premises where any of the Collateral, or books and records relating thereto, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral.

(c) Lender may comply with any Governmental Rule in connection with the disposition of the Collateral and such compliance shall not be considered to adversely affect the commercial reasonableness of any sale or other disposition of the Collateral.

(d) Borrower hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to Borrower in accordance with Section 9.1, at least ten days prior to (i) the date of any such public sale, or (ii) the time after which any such private sale or other disposition may be made. Lender shall have no obligation to clean-up or otherwise prepare the Collateral for sale.

(e) During the continuance of an Event of Default, Lender shall be entitled to occupy and use any premises owned or leased by Borrower where any of the Collateral or any records relating to the Collateral are located until the Obligations are paid in full or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Borrower for such use and occupancy.

(f) Lender is hereby granted a license and right to use, without charge upon the occurrence and during the continuance of an Event of Default and until the Obligations are fully paid and Lender's obligation to advance credit hereunder terminated, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, advertising material, general intangibles or any property of a similar nature in completing the production, advertising for sale and sale or other disposition of any Collateral.

(f) Lender shall have no obligation (i) to preserve any rights to the Collateral against any Person, (ii) to make any demand upon or pursue or exhaust any rights or remedies against Borrower or others with respect to payment of the Obligations, (iii) to pursue or exhaust any rights or remedies with respect to any of the Collateral or any other security for the Obligations, or (iv) to marshal any assets in favor of Borrower or any other Person against or in payment of any or all of the Obligations.

## **ARTICLE IX. MISCELLANEOUS**

### **9.1 NOTICES**

Any notice required or permitted to be given hereunder will be in writing, will be addressed to the party to be notified at the address set forth below, or at such other address as each party may designate for itself from time to time by notice hereunder, and will be deemed to have been validly given (i) five days following deposit in the United States mail, with proper first-class postage prepaid, (ii) the next Business Day after notice was delivered to a regularly scheduled overnight delivery carrier, or (iii) upon receipt of notice given by fax or personal delivery:

To Borrower: States Industries, Inc.  
29545 East Enid Road  
Eugene, Oregon 97401  
Attn: John Davidson, Chief Restructuring Officer  
Fax No.: (541) 689-7490  
Email: jdavidson.states@invernessgroupllc.com

With a copy to: Brad T. Summers  
Ball Janik LLP  
One Main Place  
101 SW Main St, Suite 1100  
Portland, OR 97204  
Fax No: (503) 295-1058  
Email: tsummers@balljanik.com

To Lender: Renwood States Lending, LLC  
One Park Plaza  
Suite 600  
Irvine, CA 92614  
Attn: Mark Barbeau  
Fax No.: (714) 464-4799  
Email: mark.barbeau@renovocap.com

With a copy to: Jeanette L. Thomas  
Perkins Coie LLP  
1120 NW Couch Street, 10th Floor  
Portland, OR 97209  
Fax No: (503) 727-2000  
Email: jthomas@perkinscoie.com

## **9.2 COSTS, EXPENSES, ATTORNEYS' FEES**

Borrower shall pay immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with (a) the negotiation and preparation of the Loan Documents, (b) the enforcement, preservation or protection (or attempted enforcement, preservation or protection) of Lender's rights, including periodic collateral examinations, and/or the collection of any amounts which become due under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including any action for declaratory relief.

## **9.3 WAIVER; INDEMNIFICATION**

(a) Borrower hereby waives any and all claims and causes of action against Lender and its agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or

advisors, directly related to the Obligations, any Financing Order or the negotiation of the terms hereof or of any Financing Order.

(b) Borrower shall indemnify and hold harmless the Lender and its directors, officers, employees, agents, advisors, controlling persons, and affiliates (each an "Indemnified Party") from and against any and all expenses, losses, claims, damages, and liabilities (including reasonable legal fees and other expenses) incurred by such Indemnified Party arising out of claims made by any Person in any way relating to the transactions contemplated hereby or the use of the proceeds of extensions of credit hereunder, but excluding therefrom all expenses, losses, claims, damages and liabilities to the extent that they are determined by the final judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party. No Indemnified Party shall be liable for any special, indirect, consequential or punitive damages in connection with this Agreement, the other Loan Documents, agreements or the transaction contemplated hereby or thereby.

(c) Borrower's obligations under this Section 9.3 shall survive the termination of this Agreement and the satisfaction of the other Obligations.

#### **9.4 SUCCESSORS AND ASSIGNS**

(a) The Loan Documents shall be binding upon and inure to the benefit of the successors and assigns of the parties; provided, however, that Borrower may not assign or otherwise transfer its interest or obligations hereunder. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Lender's rights and benefits under each of the Loan Documents.

(b) Without limitation, Lender may disclose any financial or other information relating to Borrower, to its affiliates, auditors and legal counsel, to any potential participant or assignee and to any Governmental Authority.

#### **9.5 NO WAIVER; CUMULATIVE REMEDIES**

No failure on the part of Lender to exercise, and no delay in exercising, any right, power, privilege or remedy under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. The rights and remedies under the Loan Documents are cumulative and not exclusive of any rights, powers, privileges and remedies that may otherwise be available to Lender.

#### **9.6 AMENDMENT; INTEGRATION; EFFECTIVENESS**

No amendment or waiver of any provision of any Loan Document shall be effective unless in writing and signed by the party against whom enforcement is sought. Lender's failure to insist upon the strict performance of any provision of any Loan Document, or to

exercise any right or remedy consequent upon a breach thereof, shall not constitute a waiver of any such breach or of any subsequent breach of the same or any other provision. No waiver of any provision of any Loan Document shall be deemed a waiver of any other provision of any Loan Document or a waiver of such provision with respect to any subsequent breach, unless expressly provided in writing

#### **9.7 NO THIRD PARTY BENEFICIARIES**

This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

#### **9.8 TIME**

Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

#### **9.9 SEVERABILITY OF PROVISIONS**

If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

#### **9.10 COUNTERPARTS**

To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of each party appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages. Delivery of an executed counterpart of a signature page of this Agreement by fax or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

#### **9.11 ATTORNEYS' FEES**

References in the Loan Documents to fees and expenses of attorneys or counsel shall include all such reasonable fees and expenses, whether incurred at the trial or appellate level, in an arbitration or administrative proceeding, in bankruptcy (including, without limitation, any adversary proceeding, contested matter or motion) or otherwise incurred.

**9.12 GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to the conflict of laws provisions thereof.

**9.13 WAIVER OF JURY TRIAL**


BORROWER AND LENDER EACH, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM OR OTHER LITIGATION IN ANY WAY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS OR EVENTS REFERENCED HEREIN OR THEREIN OR CONTEMPLATED HEREBY OR THEREBY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND/OR ANY OTHER OF THE LOAN DOCUMENTS. A COPY OF THIS SECTION MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE WAIVER OF THE RIGHT TO TRIAL BY JURY AND THE CONSENT TO TRIAL BY COURT.

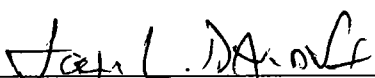
**UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY LENDER TO BE ENFORCEABLE.**

IN WITNESS WHEREOF, this Debtor in Possession Credit Agreement has been duly executed as of the date first written above.

RENWOOD STATES LENDING, LLC

STATES INDUSTRIES, INC., debtor and  
debtor in possession

By:   
Title: Manager

By:   
Title: CHIEF RESTRUCTURING OFFICER

**EXHIBIT A  
TO  
DEBTOR IN POSSESSION CREDIT AGREEMENT**

**Promissory Note**

\$1,500,000

August \_\_, 2010

FOR VALUE RECEIVED, the undersigned, States Industries, Inc., debtor and debtor in possession ("Borrower"), hereby promises to pay to the order of Renwood States Lending, LLC, a Delaware limited liability company ("Lender"), on the Maturity Date, or at such earlier time as is provided in that certain Debtor in Possession Credit Agreement between Borrower and Lender of even date herewith, (as amended, modified or supplemented from time to time, the "Credit Agreement"), the principal sum of One Million Five Hundred Dollars (\$1,500,000), or such lesser amount as shall equal the aggregate outstanding principal balance of the Loan made by Lender to Borrower pursuant to the Credit Agreement.

This promissory note is subject to the terms of, the Credit Agreement. Capitalized terms used herein shall have the respective meanings assigned to them in the Credit Agreement.

Borrower further promises to pay interest on the outstanding principal balance hereof at the interest rates, and payable on the dates, set forth in the Credit Agreement. All payments of principal and interest hereunder shall be made to Lender in lawful money of the United States and in same day or immediately available funds.

Lender is authorized but not required to record the date and amount of each Advance, the date and amount of each payment of principal and interest hereunder, and the resulting unpaid principal balance hereof, in Lender's internal records, and any such recordation shall be prima facie evidence of the accuracy of the information so recorded; provided however, that Lender's failure to so record such amounts shall not limit or otherwise affect Borrower's obligations hereunder and under the Credit Agreement to repay the principal hereof and interest hereon.

Borrower shall pay all costs of collection, including reasonable attorneys' fees, whether incurred at the trial or appellate level, in an arbitration or administrative proceeding, in bankruptcy (including, without limitation, any adversary proceeding, contested matter or motion) or otherwise incurred. No delay or failure on the part of Lender to exercise any of its rights hereunder shall be deemed a waiver of such rights or any other right of Lender nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of such rights or any other right on any future occasion. Borrower and every surety, indorser

and guarantor of this Note waive presentment, demand, protest, notice of intention to accelerate, notice of acceleration, notice of nonpayment and all other notices of every kind, and agree that their liability under this Note shall not be affected by any renewal, postponement or extension in the time of payment hereof, by any indulgence granted by any holder hereof with respect hereto, or by any release or change in any security for the payment of this Note, and they hereby consent to any and all renewals, extensions, indulgences, releases or changes, regardless of the number of such renewals, extensions, indulgences, releases or changes.

The Credit Agreement provides, among other things, for acceleration of the maturity hereof upon the occurrence of certain stated events, in each case without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower.

Borrower's obligations evidenced by this promissory note are secured by the collateral described in the Loan Documents. The Loan Documents describe the rights of Lender and any other holder hereof with respect to the collateral.

In the event of any conflict between the terms of this promissory note and the terms of the Credit Agreement, the terms of the Credit Agreement shall control.

This promissory note shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to the conflict of laws provisions thereof.

STATES INDUSTRIES, INC., debtor and  
debtor in possession

By: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT B  
TO  
DEBTOR IN POSSESSION CREDIT AGREEMENT**

**Notice of Borrowing**

Renwood States Lending, LLC  
One Park Plaza  
Suite 600  
Irvine, CA 92614  
Attn: Mark Barbeau

Reference is made to that certain Debtor in Possession Credit Agreement States Industries, Inc., debtor and debtor in possession and Renwood States Lending, LLC, a Delaware corporation, dated as of August \_\_, 2010, (as amended, modified or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein shall have the respective meanings assigned to them in the Credit Agreement.

1. Pursuant to Section 2.1 of the Credit Agreement, Borrower hereby requests an Advance upon the following terms:

- (a) The aggregate principal amount is to be \$\_\_\_\_\_.
- (b) The date of borrowing is to be \_\_\_\_\_.
- (c) The Cash Needs to be met by such Advance are listed on the attached Schedule A.

2. Borrower hereby certifies to Lender that, on the date of this Notice of Borrowing and after giving effect to the requested Advance (including the use of the proceeds thereof):

- (a) the representations and warranties of Borrower contained in the Loan Documents are correct in all material respects on and as of such date as though made on and as of such date or, as to those representations and warranties limited by their terms to a specified date, were correct in all material respects on and as of such date; and
- (b) no Default is continuing or would result from the requested Advance being made; and
- (c) no event or circumstance exists that can reasonably be expected to have a Material Adverse Effect.

The party signing below is an Authorized Representative and has caused this Notice of Borrowing to be duly executed on behalf of Borrower as of \_\_\_\_\_, 2010.

STATES INDUSTRIES, INC., debtor and debtor in possession

By: \_\_\_\_\_

\_\_\_\_\_  
Authorized Representative

Printed Name: \_\_\_\_\_

**EXHIBIT C  
TO  
DEBTOR IN POSSESSION CREDIT AGREEMENT**

**Notice of Authorized Representatives**

Renwood States Lending, LLC  
One Park Plaza  
Suite 600  
Irvine, CA 92614  
Attn: Mark Barbeau

Reference is made to that certain Debtor in Possession Credit Agreement States Industries, Inc., debtor and debtor in possession and Renwood States Lending, LLC, a Delaware corporation, dated as of August \_\_, 2010, (as amended, modified or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein shall have the respective meanings assigned to them in the Credit Agreement.

Borrower hereby represents to Lender that the following persons are the Authorized Representatives, as defined in the Credit Agreement, and that the signatures opposite their names are their true signatures:

Name and Office

Signature

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Lender is authorized to rely on this Notice of Authorized Representatives until such time, if any, as Borrower has delivered to Lender, and Lender has received, a duly executed Notice of Authorized Representatives in substitution hereof. This Notice of Authorized Representatives cancels and supersedes any Notice of Authorized Representatives at any time prior to the date hereof delivered by Borrower to Lender.

IN WITNESS WHEREOF, Borrower hereby confirms that it has caused this Notice of Authorized Representatives to be duly executed as of \_\_\_\_\_, 2010.

STATES INDUSTRIES, INC., debtor and  
debtor in possession

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D  
TO  
DEBTOR IN POSSESSION CREDIT AGREEMENT**

**Form of Interim Financing Order**

**EXHIBIT E  
TO  
DEBTOR IN POSSESSION CREDIT AGREEMENT**

**Reporting Obligations**

A. Daily reports required:

- 1) Bank account activity
  - a. Daily roll-forward of depository account
    - i. Beginning balance (including amount of collected funds)
    - ii. Collections
    - iii. Transfer from depository account to disbursement account
    - iv. Ending balance
  - b. Daily roll-forward of disbursement account (book balance)
    - i. Beginning balance
    - ii. Transfers in from depository account and RSL
    - iii. Checks/wires issued
    - iv. Ending balance
- 2) Accounts receivable roll-forward
  - a. Beginning balance
  - b. Billing
  - c. Collections
  - d. Credit memos/adjustments
  - e. Ending balance

B. Weekly reports required:

- 3) DIP budget actual versus projected by line item both weekly and cumulative since petition date
- 4) Weekly versions of items (1) and (2) above
- 5) Inventory roll-forward
  - a. Beginning balance
  - b. Purchases
  - c. COGS
  - d. Adjustments
  - e. Ending balance
- 6) Borrowing base certificate

C. Monthly reports required:

- 7) Financial statements

**EXHIBIT B**

**BUDGET**



STATES INDUSTRIES INC.  
Pet. No. 10-65148-fra11  
8/24/10

# DEBTOR IN POSSESSION

10-Week Operating Cash Budget  
Aug 24 - Oct 29, 2010

Ch 11 - DIP Cash Budget  
8/24/10

Ch 11 Post-Petition (24-Aug)

Week Ended:

24-Aug to 27-Aug	3-Sep	10-Sep	17-Sep	24-Sep	1-Oct	8-Oct	15-Oct	22-Oct	29-Oct	(Ch 11) 10 Weeks Ended 10/29/10
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## OPERATING CASHFLOW (PROJECTED)

TOTAL GROSS SALES	934,476	1,081,570	1,081,570	1,081,570	1,081,570	1,255,579	1,255,579	1,255,579	1,255,579	11,476,856
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## CASH RECEIPTS:

Gross Accounts Receivable Collections	515,911	822,188	876,470	922,982	1,081,570	1,081,570	1,081,570	1,081,570	1,255,579	9,800,981
Less: Projected Discounts Taken	3.0%	(25,796)	(30,832)	(29,216)	(30,796)	(32,447)	(32,447)	(32,447)	(32,447)	(316,512)
Other Cash Receipts	-	92,200	-	-	-	-	-	-	-	92,200

## TOTAL CASH RECEIPTS

	490,115	883,556	847,255	892,216	1,049,123	1,049,123	1,049,123	1,049,123	1,217,912	9,576,669
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## CASH DISBURSEMENTS:

### Purchases:

Total Raw Materials	415,207	480,564	480,564	480,564	558,404	558,404	558,404	558,404	529,697	5,149,910
Total Supplies	62,613	72,469	72,469	72,469	83,923	83,923	83,923	83,923	80,477	776,658
Total Transportation	55,858	64,650	64,650	64,650	69,145	75,420	75,420	75,420	73,643	692,498
Total Purchases	533,678	617,683	617,683	617,683	711,473	717,748	717,748	717,748	683,817	6,619,076

## Operating Expenses - End & Components:

Payroll - BiWeekly Hourly (incl 15% burden)	24,863	235,812	24,863	235,812	24,863	235,812	24,863	235,812	24,863	1,179,061
Payroll - Senior Management Salary (Sched A)	140,137	-	140,137	-	140,137	-	140,137	-	140,137	700,683
Payroll - SemiMonthly Salary (incl 15% burden)	500	500	500	500	500	500	500	500	500	5,000
Payroll Related - Other Taxes & Fees & Withholdings	6,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	73,500
Workers Comp Settlement Payments	-	-	-	-	-	-	-	-	-	-
Benefit Plan Payments	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
Insurance	-	10,000	-	11,700	-	10,000	-	11,700	-	63,400
Tools & Supplies	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	15,000
Supplies	200	250	200	250	250	250	250	250	250	2,400
Project Hardwoods Supplies	300	300	300	300	300	300	300	300	300	3,000
PT to PT Tooling Expense	200	200	200	200	200	200	200	200	200	2,000
Quality Equipment & Training	20	20	20	20	20	20	20	20	20	200
PC Equip & Supplies	20	20	20	20	20	20	20	20	20	200
R & M Materials	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	35,000
R & M Outside Services	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
R & M Tires	-	-	-	-	-	-	-	-	-	-
Rolls Maintenance	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	12,000
Office Supplies	-	400	-	400	-	400	-	400	-	4,000
Safety Supplies	400	400	400	400	400	400	400	400	400	4,000
Electricity & Water (incl Ch 11 Dep - Week 1)	90,000	-	15,000	70,000	-	15,000	-	70,000	-	260,000
Natural Gas (incl Ch 11 Dep - Week 1)	27,000	-	-	27,000	-	-	-	27,000	-	81,000
Diesel/Propane (incl Ch 11 Dep - Week 1)	28,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	154,000
Telephone	-	6,000	-	-	-	6,000	-	-	-	18,000
Postage	-	850	-	850	-	850	-	850	-	5,950
Waste Disposal	-	-	-	-	-	-	-	-	-	10,000
Freight	400	400	400	400	400	400	400	400	400	4,000
Equipment Rental	15,000	17,000	-	-	17,000	-	-	-	-	34,000
Outside Services (incl Ch 11 Dep - Week 1)	11,384	2,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	42,000
Licenses/UC Fees (incl Ch 11 Dep - Week 1)	15,000	10,000	5,000	2,500	2,500	2,500	2,500	2,500	2,500	33,884
Sales / Marketing / Customer Advertising Support	20,000	25,000	20,000	25,000	25,000	25,000	25,000	25,000	25,000	240,000
Other	393,524	348,352	248,240	421,552	235,790	340,852	250,540	420,052	235,540	322,352
Total Operating Expenses - End & Components										3,216,995

STATES DIP CASH BUDGET-FINAL AUG24-7 35 PM  
EXHB DIP CASH BGT SMRY AU24





STATES INDUSTRIES INC.  
Pet. No. 10-65148-fra11  
8/24/10

# DEBTOR IN POSSESSION

10-Week Operating Cash Budget  
Aug 24 - Oct 29, 2010

Ch 11 - DIP Cash Budget  
8/24/10

## Ch 11 Post-Petition (24-Aug)

Week Ended

24-Aug to 27-Aug	3-Sep	10-Sep	17-Sep	24-Sep	1-Oct	8-Oct	15-Oct	22-Oct	29-Oct	(Ch 11) 10 Weeks Ended 10/29/10
Aug										

## Chapter 11 Administrative Expenses (Subject to Fee Applications, as appropriate) - Schedule A

LOC	11.3%
Term Loans (3)	14.3%
DIP Financing	15.0%

## TOTAL CASH DISBURSEMENTS NET CASH INFLOW(OUTFLOW)

42,550	38,350	32,350	47,350	32,350	32,350	32,350	80,100	35,100	64,850	437,700
969,852	1,004,385	898,273	1,086,585	979,613	1,270,378	1,000,638	1,217,900	954,457	1,251,184	10,633,284
(479,736)	(120,829)	(51,018)	(194,369)	69,510	(221,255)	48,485	(168,777)	94,666	(33,272)	(1,056,595)

## DIP Financing / LOC Activity and Collateral Summary

### ACCOUNTS RECEIVABLE:

2,681,094	3,089,659	3,359,041	3,564,141	3,722,728	3,722,728	3,896,737	4,070,747	4,244,766	4,418,766	2,681,094
934,476	1,081,570	1,081,570	1,081,570	1,081,570	1,255,579	1,255,579	1,255,579	1,193,782	1,193,782	11,476,856
(25,796)	(30,832)	(29,216)	(30,766)	(32,447)	(32,447)	(32,447)	(32,447)	(32,447)	(32,447)	(3,484,582)
(490,115)	(791,356)	(847,255)	(892,216)	(1,049,123)	(1,049,123)	(1,049,123)	(1,049,123)	(1,049,123)	(1,049,123)	(9,484,582)
3,089,659	3,359,041	3,564,141	3,722,728	3,722,728	3,896,737	4,070,747	4,244,766	4,418,766	4,366,968	4,366,968
(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(156,875)	(1,568,750)
2,942,784	3,202,166	3,407,266	3,565,853	3,565,853	3,736,862	3,913,872	4,087,881	4,261,891	4,200,093	4,200,093
85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
2,501,367	2,721,841	2,896,176	3,030,975	3,030,975	3,178,883	3,326,791	3,474,699	3,622,607	3,570,079	3,570,079

### INVENTORY:

7,283,117	7,392,052	7,392,052	7,392,052	7,392,052	7,501,600	7,501,600	7,501,600	7,501,600	7,462,087	7,283,117
417,821	553,033	553,033	553,033	642,328	642,328	642,328	642,328	610,174	610,174	5,926,578
22,652	26,217	26,217	26,217	30,473	30,473	30,473	28,885	28,885	28,885	280,966
85,581	99,052	99,052	99,052	115,049	115,049	115,049	115,049	109,279	109,279	1,061,490

Less: Projected Inventory Relieved  
Projected Ending Inventory Balance  
Less: Ineligible & Faldown Reserve  
Eligible Inventory Collateral  
Advance Rate 62%

(427,118)	(678,302)	(678,302)	(678,302)	(678,302)	(787,850)	(787,850)	(787,850)	(787,850)	(748,337)	(7,090,064)
7,392,052	7,392,052	7,392,052	7,392,052	7,501,600	7,501,600	7,501,600	7,501,600	7,462,087	7,462,087	7,462,087
(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(422,571)	(4,222,571)
6,969,481	6,969,481	6,969,481	6,969,481	7,079,029	7,079,029	7,079,029	7,079,029	7,039,516	7,039,516	7,039,516
62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%
4,321,078	4,321,078	4,321,078	4,321,078	4,338,998	4,338,998	4,338,998	4,338,998	4,364,500	4,364,500	4,364,500

TOTAL AVAILABILITY BEFORE RESERVES  
Less: Reserve - Term Loan  
Less: Reserve - Credit Cards  
Less: Reserve - Inventory  
Less: Reserve - Letter of Credit  
TOTAL AVAILABILITY NET OF RESERVES

6,822,445	7,042,919	7,217,254	7,352,053	7,419,973	7,567,881	7,715,789	7,863,697	7,987,107	7,934,579	7,934,579
(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)	(230,000)
(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)
(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
5,944,445	6,164,919	6,339,254	6,419,053	6,541,973	6,689,881	6,837,789	6,985,697	7,109,107	7,056,579	7,056,579

STATES INDUSTRIES INC.  
Pat. No. 10-65148-fra11  
8/24/10

# DEBTOR IN POSSESSION

10-Week Operating Cash Budget  
Aug 24 - Oct 29, 2010

Ch 11 - DIP Cash Budget  
8/24/10

Ch 11 Post-Petition (24-Aug)

Week End:

24-Aug to 27-Aug	3-Sep	10-Sep	17-Sep	24-Sep	1-Oct	8-Oct	15-Oct	22-Oct	29-Oct	(Ch 11) 10 Weeks Ended 10/29/10
<b>REVOLVER LOAN BALANCE:</b>										
Projected Beginning Revolver Balance	7,775,370	8,330,107	8,543,136	8,594,154	8,788,523	8,719,013	8,990,268	8,941,783	9,110,560	7,775,370
Less: Cash Collections	(490,115)	(791,356)	(847,255)	(892,216)	(1,049,123)	(1,049,123)	(1,049,123)	(1,049,123)	(1,049,123)	(948,469)
Plus: Advances Per Clearings	969,852	1,004,385	898,273	1,096,585	979,613	1,270,378	1,000,638	1,217,900	954,457	1,251,184
Plus: DIP Fees and Lender Legal Fees	75,000	-	-	-	-	50,000	-	-	-	125,000
Projected Ending Revolver Balance	8,330,107	8,543,136	8,594,154	8,788,523	8,719,013	8,990,268	8,941,783	9,110,560	9,015,894	9,049,165
<b>AVAILABILITY/OVER ADVANCE</b>										
	(2,385,652)	(2,378,217)	(2,254,900)	(2,314,470)	(2,177,040)	(2,300,387)	(2,103,994)	(2,124,863)	(1,906,787)	(1,992,586)
<b>TERM LOAN BALANCES (COMBINED A + B + C):</b>										
Projected Beginning Term Loan Balances	7,676,911	7,676,911	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,676,911
Less: Term Loan Principal Payments	-	(92,200)	-	-	-	-	-	-	-	(92,200)
Projected Ending Term Loan Balances	7,676,911	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711	7,584,711
<b>LETTER OF CREDIT (incl in LOC Balance)</b>										
	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVOLVER + TERM LOANS + LC</b>	<b>16,007,018</b>	<b>16,127,847</b>	<b>16,178,866</b>	<b>16,373,235</b>	<b>16,303,724</b>	<b>16,574,979</b>	<b>16,526,494</b>	<b>16,695,271</b>	<b>16,600,605</b>	<b>16,633,877</b>
<b>Ending Cash Balances</b>										
BdA - Depository (Control Act)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
BdA - States Disbursement Act	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Key Bank - Payroll/PR Tax Act	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Carve-out Account (Fee Payment per Procedure)	42,550	38,350	32,350	47,350	32,350	32,350	32,350	42,350	42,350	300,000
<b>Total Ending Cash Balance (Projected)</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

STATES DIP CASH BUDGET-FINAL AUG24-7 35 PM  
EXHB DIP CASH BGT SMRY AU24