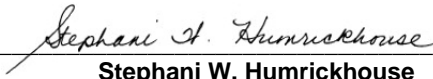




SO ORDERED.

SIGNED this 29 day of October, 2013.

  
Stephani W. Humrickhouse  
United States Bankruptcy Judge

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UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION

In re:

SURTRONICS, INC.

Case No: 13-05672-8-SWH  
Chapter 11 case

Debtor.

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**SECOND INTERIM ORDER GRANTING EMERGENCY MOTION  
FOR ORDER ALLOWING USE OF CASH COLLATERAL (DOC. 19)**

THIS CASE came before this Court for continued hearing on October 28, 2013 on the Emergency Motion for Order Allowing Use of Cash Collateral (the "Motion"), filed by the Debtor, Surtronics, Inc. (the "Debtor"). The Court considered the Motion, its prior Interim Order Granting the Motion (Doc. 55) ("First Interim Order"), and the agreement of First Citizens Bank & Trust Co. ("First Citizens") and the Debtor to the relief set forth herein. Being otherwise fully advised of the premises, it is **ORDERED**:

1. The Motion is hereby GRANTED on an interim basis, as set forth herein.
2. First Citizens shall have a lien post-petition on the Debtor's cash collateral, including insurance proceeds, to the same extent, validity, and priority as existed pre-petition.
3. The Debtor is hereby authorized to use cash collateral, on an interim basis, subject to First Citizens' lien rights for the period commencing on November 1, 2013 and ending on

December 31, 2013, subject to the adequate protection requirements set forth herein and in the First Interim Order.

4. The Debtor shall have use of the cash collateral solely for its ordinary course operating expenses, as generally set forth in the approved budget attached hereto as **Exhibit 1** (the "Budget"), and such other expenses outside the ordinary course of the Debtor's business as may be approved by the Court. The Debtor may spend no more than the Budget, with a ten percent (10%) variance allowance, without (i) advance consent of First Citizens, or (ii) further order of this Court.

5. Unless otherwise stated herein, all obligations, requirements, procedures, and other provisions of the First Interim Order are incorporated herein and remain in effect.

6. The Court shall hold a further hearing on the Motion on **December 19, 2013 at 2:00 PM** at United States Bankruptcy Court, 300 Fayetteville Street, Second Floor, Raleigh, N.C., 27601-1799 to consider further approval of the use of cash collateral for October and November 2013.

7. Notwithstanding the possible applicability of Bankruptcy Rules 6003, 6004(h), 7062 and 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

8. This court retains jurisdiction with respect to all matters arising from or related to the interpretation and enforcement of this Order.

**\*\*End of Document\*\***

**EXHIBIT 1**

Surtronics, Inc.  
2013 Monthly  
Budget

		2013 Historical Monthly Avg. 2013	Actual Sept 9-30 2013	Budget Oct. 31 2013	Budget Nov. 30 2013	Budget Dec. 31 2013
<b>SALES</b>						
Sales - Processing	4010	\$396,569.69	\$315,525.46	\$425,000.00	\$395,000.00	\$350,000.00
Environmental Surcharge	4012	20,872.09	13233.92	22,100.00	20,540.00	18,200.00
Terms Discount Taken & Available	4015	(1,151.91)	(958.36)	(1,152.00)	(1,152.00)	(1,152.00)
Sales Returns and Allowances	4020	(4,147.47)	0.00	(4,000.00)	(4,000.00)	2,000.00
Write-Offs	4025	(661.46)	0.00	(600.00)	(600.00)	(600.00)
Sale-Scrap Metal	4030	2,423.23	0.00	0.00	0.00	0.00
<b>NET SALES</b>		<b>413,904.18</b>	<b>327,801.02</b>	<b>441,348.00</b>	<b>409,788.00</b>	<b>368,448.00</b>
<b>DIRECT COSTS</b>						
<b>Purchases</b>						
Precious Metals-Gold	5010	11,564.34	0.00	15,000.00	10,000.00	8,000.00
Precious Metals-Silver	5011	28,119.29	2,245.94	15,000.00	5,000.00	10,000.00
Chemicals	5030	20,310.33	14,060.42	20,000.00	20,000.00	15,000.00
Non-Precious Metals	(5015...	1,239.22	0.00	2,000.00	1,200.00	1,000.00
Production Supplies	5020	5,308.24	5,648.02	6,000.00	4,000.00	3,500.00
Lab Supplies	5025	1,010.24	532.46	2,500.00	1,000.00	1,000.00
Safety Supplies	5080	1,408.85	514.08	1,400.00	1,400.00	1,000.00
<b>Subtotal Purchasing Expenses</b>		<b>68,960.50</b>	<b>23,000.92</b>	<b>61,900.00</b>	<b>42,600.00</b>	<b>39,500.00</b>
<b>Labor Expenses</b>						
Direct Labor	5040	106,245.91	94,341.11	128,000.00	118,000.00	100,000.00
Direct FICA	5050	7,954.78	6958.42	9,472.00	8,732.00	7,400.00
Direct SUI and FUTA	5055 ...	4,293.89	1564.25	5,120.00	4,720.00	4,000.00
IRA Match	5058	316.99	0	371.20	342.20	290.00
<b>Subtotal Labor Expense</b>		<b>118,811.58</b>	<b>102,863.78</b>	<b>142,963.20</b>	<b>131,794.20</b>	<b>111,690.00</b>
<b>Other Direct Costs</b>						
Freight	5060	1,509.55	990.34	1,500.00	1,500.00	1,200.00
Production Outside Services	5065	178.57	0.00	1,000.00	1,000.00	1,000.00
<b>Subtotal Other Direct Costs</b>		<b>1,688.12</b>	<b>990.34</b>	<b>2,500.00</b>	<b>2,500.00</b>	<b>2,200.00</b>
<b>TOTAL DIRECT COSTS</b>		<b>189,460.20</b>	<b>126,855.04</b>	<b>207,363.20</b>	<b>176,894.20</b>	<b>153,390.00</b>
<b>GROSS PROFITS</b>		<b>224,443.98</b>	<b>200,945.98</b>	<b>233,984.80</b>	<b>232,893.80</b>	<b>215,058.00</b>
<b>OPERATING EXPENSES</b>						
<b>Leasing Expenses</b>						
Building	6010	12,415.16	0.00	12,846.19	12,846.19	12,846.19
Rent-Office Equipment	6020	23.68	0.00	0.00	0.00	0.00
Equipment Lease	6035	36.26	0.00	0.00	0.00	0.00
<b>Total Leasing Expenses</b>		<b>12,475.10</b>	<b>0.00</b>	<b>12,846.19</b>	<b>12,846.19</b>	<b>12,846.19</b>
<b>Personnel Expenses</b>						
Officers' Bonus	6101	204.52	0.00	0.00	0.00	0.00
Administrative Salaries	6110	46,621.24	0.00	46,621.24	46,621.24	46,621.24
Administrative FICA	6120	3,197.08	0	3,197.08	3,197.08	3,197.08
Administrative FUTA	6122	87.98	0	87.98	87.98	87.98
Administrative SUI	6125	806.98	0	806.98	806.98	806.98
IRA Match	6128	1,395.01	258.06	1,395.01	1,395.01	1,395.01
Employee Benefits	6130	924.52	104.44	924.52	924.52	924.52
Employee Bonuses	6132	1,114.70	0.00	0.00	2,000.00	800.00
Insur.-Grp.Med. (Employees)	6140	26,811.64	-1765.5	26,811.64	26,811.64	26,811.64
Insur.-Grp.Med. (Officers)	6150	(51.61)	0	(51.61)	(51.61)	(51.61)
Insurance-Group Dental	6155	2,071.36	-399.81	2,071.36	2,071.36	2,071.36
Insur.-Grp.Life (Employees)	6160	1,400.72	-169.23	1,400.72	1,400.72	1,400.72
Insur.-Key Employee Life	6180	44.45	0	44.45	44.45	44.45
Uniform Rental	6210	2,059.03	1,279.14	2,000.00	2,000.00	2,000.00
<b>Subtotal Personnel Expenses</b>		<b>86,687.63</b>	<b>(692.90)</b>	<b>85,309.38</b>	<b>87,309.38</b>	<b>86,109.38</b>

		2013 Historical Monthly Avg. 2013	Actual Sept 9-30 2013	Budget Oct. 31 2013	Budget Nov. 30 2013	Budget Dec. 31 2013
<b>OTHER OPERATING EXPENSES</b>						
Non-Production Supplies	6205	2,981.18	1,501.13	3,000.00	3,000.00	3,000.00
Non-Production Outside Services	5067	1,238.43	587.74	1,250.00	1,250.00	1,250.00
Total		4,219.62	2,088.87	4,250.00	4,250.00	4,250.00
Professional Services						
Payroll Company Service Fees	6340	2,790.79	0	2,790.79	2,000.00	2,000.00
Legal Fees	6435	0.00	0	0.00	0.00	0.00
Consulting	6250	358.30	123.75	358.30	358.30	358.30
Accounting	6300	1,412.84	0.00	0.00	0.00	0.00
Subtotal Professional Services		4,963.75	123.75	3,149.09	2,358.30	2,358.30
Advertising						
Advertising	6310	196.71	0.00	200.00	200.00	200.00
Auto and Truck Expense	6320	284.30	35.20	300.00	300.00	300.00
Bad Debts	6330	418.77	0.00	500.00	500.00	500.00
Bank Fees	6345	374.18	226.04	500.00	500.00	500.00
Business Gifts	6350	153.79	0.00	0.00	0.00	400.00
Business Meals	6360	473.68	383.14	500.00	500.00	500.00
Business Meetings and Seminars	6370	1,181.25	0.00	2,000.00	2,000.00	1,000.00
Trade Shows	6375	0.00	0.00	0.00	0.00	0.00
Contributions	6380	358.13	0.00	400.00	400.00	400.00
First Citizens Loan Payment		27,175.00	0.00	27,175.00	27,175.00	27,175.00
Bank of America		6,662.54	0.00	6,663.00	6,663.00	6,663.00
Dues and Subscriptions	6410	110.91	0.00	125.00	125.00	125.00
Insur.-Property and Liability	6430	1,169.79	0.00	1,169.79	1,169.79	1,169.79
Insur.Workers Comp	6432	1,334.06	0.00	1,334.06	1,334.06	1,334.06
Office Supplies and Expense	6440	1,429.90	221.24	1,429.90	1,429.90	1,429.90
Computers and Peripherals	6442	2,656.07	1,737.50	2,800.00	2,000.00	2,000.00
ISO 9000 Tech Assist Program	6445	802.02	0.00	0.00	0.00	0.00
Fraudulent Expenses	6447	0.00	0.00	0.00	0.00	0.00
Outside Services	6450	29.09	0.00	0.00	0.00	0.00
Postage	6470	160.59	8.57	250.00	200.00	200.00
Telephone	6475	1,406.92	0.00	1,200.00	1,200.00	1,200.00
Total		46,377.69	2,611.69	46,546.74	45,696.74	45,096.74
Repairs						
Rep. & Maint.-Bldg & Grounds	6490	2,404.14	848.68	2,500.00	2,500.00	2,000.00
Rep. & Maint.-Office Equipment	6500	40.91	253.50	50.00	50.00	50.00
Rep. & Maint.-Shop Equipment	6510	9,460.18	6,879.38	10,000.00	9,500.00	7,000.00
Subtotal Repairs		11,905.22	7,981.56	12,550.00	12,050.00	9,050.00
Sales Tax						
Sales Tax	6520	77.85	0.00	0.00	800.00	800.00
Taxes and Licenses-Other	6530	3,814.33	0.00	2,500.00	2,500.00	1,000.00
Trash Coll. and Waste Removal	6540	405.76	1,155.28	450.00	450.00	450.00
Travel	6550	2,880.00	0.00	3,000.00	3,000.00	2,000.00
Total		7,177.94	1,155.28	5,950.00	6,750.00	4,250.00
Utilities						
Utilities-Electric	6560	23,612.89	0.00	28,000.00	28,000.00	25,000.00
Utilities-Gas	6561	4,833.00	0.00	3,000.00	4,000.00	4,000.00
Utilities-Water	6562	14,553.21	0.00	15,750.00	15,750.00	15,750.00
Total Utilities Expense		42,999.10	0.00	46,750.00	47,750.00	44,750.00
Environmental Expenses						
Waste Water - Chemicals	6568	764.47	0.00	4,000.00	4,000.00	2,000.00
Environmental Costs	6570	6,060.69	687.55	3,500.00	3,500.00	3,500.00
Total Environmental Expenses		6,825.16	687.55	7,500.00	7,500.00	5,500.00
TOTAL OTHER OPERATING EXP.		97,640.48	14,648.70	126,695.83	126,355.04	115,255.04
TOTAL OPERATING EXPENSES		196,803.21	13,955.80	224,851.41	226,510.61	214,210.61
NET OPERATING INCOME (LOSS)		27,640.78	186,990.18	9,133.39	6,383.19	847.39