

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Aerospace Holdings, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 17-10635 (____)

(Joint Administration Requested)

**DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS
PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363, 364, 507 AND 522
(I) AUTHORIZING THE DEBTORS TO OBTAIN SECURED
POSTPETITION FINANCING, (II) AUTHORIZING USE OF CASH
COLLATERAL, (III) GRANTING LIENS AND PROVIDING SUPERPRIORITY
ADMINISTRATIVE EXPENSE STATUS, (IV) GRANTING ADEQUATE
PROTECTION, (V) MODIFYING THE AUTOMATIC STAY, (VI) SCHEDULING A
FINAL HEARING, AND (VII) GRANTING RELATED RELIEF**

Aerospace Holdings, Inc. and its chapter 11 affiliates, the debtors and debtors-in-possession (collectively, the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Cases**”), hereby move this Court (the “**Motion**”) for entry of an interim order, substantially in the form attached hereto as **Exhibit A** (the “**Interim Order**”), and following a final hearing to be set by the Court, entry of a final order² (the “**Final Order**” and, together with the Interim Order, the “**DIP Orders**”), pursuant to sections 105, 361, 362, 363(c), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507 and 522 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and the Local Rules of Bankruptcy Practice and Procedure of the United States

¹ The Debtors in these Chapter 11 Cases, along with the business addresses and the last four (4) digits of each Debtor’s federal tax identification number are: Aerospace Holdings, Inc., 366 Madison Avenue, 9th Floor, New York, NY 10017 (4318); Valley Tool & Manufacturing, Inc., 22 Prindle Hill Rd., P.O. Box 564, Orange, CT 06477 (8614); NC Dynamics Incorporated, 6925 Downey Avenue, Long Beach, CA 90805 (3219); NCDI Mexico, Inc., 2771 Centerville Road, Suite 400, Wilmington, DE 19808 (5905); and GroupAero Seattle, Inc., 7020 S. 238th Street, Kent, WA 98032 (7033).

² A proposed Final Order, which order shall be in form and substance and on terms satisfactory in all respects to the Borrowers and the DIP Lender, will be submitted to the Court in advance of the Final Hearing (as defined below).

Bankruptcy Court for the District of Delaware (the “**Local Rules**”): (i) authorizing the Debtors, among other things, to obtain senior secured post-petition financing (the “**DIP Facility**”) and, pursuant to the provisions of the DIP Orders, use cash collateral on an interim and final basis pursuant to the terms and conditions set forth in the Loan and Security Agreement, substantially in the form attached to the proposed Interim Order as **Exhibit A** (as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, the “**DIP Loan Agreement**”, and together with all agreements, documents, instruments and certificates executed, delivered or filed in connection therewith, as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, collectively, the “**DIP Loan Documents**”).

In support of this Motion, the Debtors rely on the *Declaration of Matthew Sedigh in Support of the Debtors’ Chapter 11 Petitions and Requests for First Day Relief* (the “**First Day Declaration**”), which is filed separately. In further support of this Motion, the Debtors respectfully represent as follows:

Preliminary Statement

1. The Debtors have an urgent and immediate need to obtain postpetition financing. The Debtors do not have sufficient funds on hand or generated from their business to fund operations. Without the postpetition financing and the use of cash collateral that will be provided under the DIP Loan Agreement and the proposed DIP Orders, the Debtors would not be able to maintain operations pending the outcome of an orderly sale process that will maximize value for all constituents.

2. As described in more detail in this Motion, the Debtors have filed these Cases to implement a sale of substantially all of their assets. To that end, the Debtors have entered into an asset purchase agreement with their senior lender, Harlow Aerostructures LLC (“**Harlow**”), a

competing supplier and manufacturer of products for the commercial aerospace and defense markets, to purchase substantially all of the Debtors' assets. Subject to higher and better bids and pending approval of a sale of substantially all of their assets by this Court, the Debtors require immediate access to postpetition financing and cash collateral to continue their orderly sale efforts.

3. Without the proposed credit facility and access to cash collateral, the Debtors will not have any liquidity to, among other things, operate their business, fund their ordinary course expenditures, including paying their employees, or pay the expenses necessary to administer these Cases. Absent adequate funding, the Debtors would be required to close their facilities prematurely, otherwise cease operations, and liquidate on a piecemeal basis, causing irreparable harm to the Debtors and their estates. Through proceeds from the DIP Facility, the Debtors will have access to the necessary funding to: (a) continue the day-to-day operation of their businesses and pay necessary lease obligations in the ordinary course; (b) fund the expenses necessary to preserve the going concern value of their manufacturing assets; (c) pay adequate protection payments; and (d) provide additional standby liquidity to signal to the Debtors' vendors, suppliers, customers and employees that the Debtors will continue to meet their commitments during these Cases. Approximately \$92,000 of the DIP Facility will be used to fund payroll and operations of a non-Debtor affiliate for the limited purposes of the completion of work on certain of the Debtors' goods that are in the possession of the non-Debtor subsidiary as of the Petition Date and the return of any such finished goods back to the Debtors. The value of the parts in the possession of the non-Debtor affiliate as of the Petition Date exceeds \$92,000.

4. Hence, the Debtors have determined, in the exercise of their sound business judgment, that they require financing under the terms of the DIP Loan Agreement and, subject to

the provisions of the proposed DIP Orders, the use of cash collateral and hereby request authority to obtain such financing and use of cash collateral. The relief requested by this Motion is a necessary step to both preserving the Debtors' operations as well as a bridge to a restructuring that maximizes value for the Debtors' estates and all of their stakeholders. On this record, and as the Debtors are prepared to demonstrate at the hearing on this Motion, the relief requested herein represents a sound exercise of business judgment and should be approved.

Status of the Case

5. On the date hereof (the "**Petition Date**"), the Debtors commenced these Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "**Court**").

6. The Debtors have continued in possession of their properties and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7. No request has been made for the appointment of a trustee or examiner and a creditors' committee has not yet been appointed in these Cases.

Jurisdiction and Venue

8. The Court has jurisdiction over these Cases and the Motion pursuant to 28 U.S.C. §§ 157 and 1334, and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of these Cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

9. The statutory bases for the relief requested herein are Bankruptcy Code sections 105, 361, 362, 363(c), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507 and 522, Bankruptcy Rules 2002, 4001 and 9014 and the Local Rules.

Background

10. The Debtors design and manufacture a wide variety of products, including machined parts, fabricated components, and tooling for the commercial aerospace and defense markets. Collectively, the Debtors encompass a full spectrum of precision manufacturing capabilities for any scale, from individual prototypes to large lot production.

11. Valley Tool & Manufacturing, Inc. (“**Valley**”) was formed in 2006 from the merger of Mauer Metalcraft, Inc. and New England Manufacturing Group, Inc., which allowed Valley to combine customer vendor codes and allowed Valley’s expansion of the products offered to the commercial aerospace and defense industry. Valley operates a facility in Orange, Connecticut and primarily focuses on the machining and fabrication of sheet metal parts, such as door frames, dash boards and hinges, as well as small machined components for military and commercial rotary wing aircrafts. Valley also possesses tube bending capabilities (up to 40 mm in diameter) that are used in the manufacturing of nozzles and tubing. Valley has developed a reputation as a “build to design” manufacturer and excels at developing the capability to adapt each product to fit a specific customer’s needs. Due to Valley’s flexibility and commitment to its products, Valley has engrained itself as a key supplier of parts to a number of high-priority military and commercial programs.

12. NC Dynamics Incorporated (“**NCDI**”) was founded in 1979 and engineers, manufactures and assembles sophisticated metallic machined structures for the commercial aerospace and defense industry. NCDI specializes in monolithic components and assemblies manufactured from “hard metals” such as titanium, stainless steel alloys and high strength aluminum. NCDI offers multi-axis machining along with precision component assembly. NCDI operates its business from a 118,000 square foot facility in Long Beach, California.

13. A detailed factual background of the Debtors' business and operations, as well as the events precipitating the commencement of these Cases, is more fully set forth in the First Day Declaration, filed contemporaneously herewith and incorporated herein by reference.

Prepetition Capital Structure and Secured Indebtedness

14. As of the Petition Date, the Debtors have outstanding debt obligations in the aggregate principal amount of approximately \$92.8 million, consisting primarily of (a) approximately \$38.6 million of secured debt under the Prepetition Credit Agreement (as defined below) (b) approximately \$27.1 million under a subordinated credit facility, (c) approximately \$21.6 million under various subordinated promissory notes and (d) approximately \$5.5 million owed to vendors, landlords and other unsecured creditors.

A. The Prepetition Credit Agreement

15. On March 5, 2012, certain of the Debtors, in their capacity as borrowers (the "**Prepetition Borrowers**"),³ entered into that certain Second Amended and Restated Revolving Credit and Term Loan Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "**Prepetition Credit Agreement**") with the lenders party thereto from time to time (the "**Prepetition Lenders**") and Harlow, as successor to Comerica Bank, as administrative agent (in such capacity, together with its successors and permitted assigns, the "**Prepetition Agent**"), which provided the Debtors with (i) a revolving line of credit facility (the "**Revolver**"), (ii) a term loan facility (the "**Term Loan**"), (iii) a swing line facility (the "**Swing Line**"), and (iv) a Capex loan facility (the "**Capex Facility**" and, collectively with the Revolver, the Term Loan, and the Swing Line, the "**Bank Debt**").

³ NCDI Mexico, Inc. is not a party to the Prepetition Credit Agreement and GroupAero Seattle was joined in December 2012 after it was acquired by Aerospace.

16. As of the Petition Date, the Revolver had an outstanding balance of approximately \$11.1 million, consisting of principal of approximately \$10.2 million, accrued and unpaid interest of approximately \$1.0 million, and prepetition fees and expenses (collectively, the “**Prepetition Revolver Obligations**”). As of the Petition Date, the Term Loan had an outstanding balance of approximately \$24.7 million, consisting of principal of approximately \$22.2 million, accrued and unpaid interest of approximately \$2.5 million, and prepetition fees and expenses (collectively, the “**Prepetition Term Loan Obligations**”). As of the Petition Date, the Capex Facility had an outstanding balance of approximately \$2.8 million, consisting of principal of \$2.5 million, accrued and unpaid interest of approximately \$0.3 million, and prepetition fees and expenses (collectively, with the Prepetition Revolver Obligations and the Prepetition Term Loan Obligations, the “**Prepetition Obligations**”).⁴ The Prepetition Obligations continue to accrue interest from and after the Petition Date at the default rate provided for in the prepetition loan documents, as well as fees and expenses after the Petition Date (such obligations, including postpetition default interest, together with the Prepetition Obligations, the “**Bank Debt Obligations**”).

17. Pursuant to that certain Second Amended and Restated Security Agreement dated as of March 5, 2012 (the “**Security Agreement**”) by and among the Prepetition Borrowers and the Prepetition Agent, the Bank Debt Obligations are secured by valid, properly perfected and unavoidable first priority security interests in and liens on (the “**Prepetition Liens**”) all of the Prepetition Borrowers’ right, title and interest in and to the following, whether now owned or hereafter acquired and wherever located: all accounts; chattel paper; general intangibles; equipment; inventory; documents; instruments; deposit accounts and other cash collateral,

⁴ As of the Petition Date, no amounts were due on the Swing Line.

deposit or investment accounts, including all cash collateral, deposit or investment accounts established or maintained pursuant to the terms of the Security Agreement or the other prepetition loan documents; all computer records and software, whether relating to any of the Prepetition Collateral (as defined below) or otherwise, subject to the rights of any non-affiliated licensee of software; investment property; and proceeds, in cash or otherwise, of the property described in this sentence, and all liens, security, rights, remedies and claims of each Debtor with respect thereto (collectively, the “**Prepetition Collateral**”); provided, however, that the Prepetition Collateral does not include any Restricted Assets (as defined in the Security Agreement), but does include any proceeds of the Restricted Assets.

18. The Debtors believe that the Prepetition Liens on the Prepetition Collateral (i) are valid, binding, perfected, and enforceable first priority liens on and security interests in the Prepetition Collateral, and (ii) are not subject, pursuant to the Bankruptcy Code or other applicable law, to avoidance, recharacterization or subordination. The Debtors believe that the Bank Debt Obligations (i) are legal, valid, binding and non-avoidable obligations of the Prepetition Borrowers that, except for the stay of enforcement arising from section 362 of the Bankruptcy Code and otherwise as provided for in the DIP Orders, are enforceable in accordance with the terms of the prepetition loan documents; (ii) no offsets, defenses, challenges, claims, or counterclaims of any kind or nature to any of the Bank Debt Obligations exist; and (iii) no portion of the Bank Debt Obligations is subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law. The Debtors have no offsets, defenses, claims, objections, challenges, causes of action, and/or choses in action, including, without limitation, any causes of action under Chapter 5 of the Bankruptcy Code against the Prepetition Agent or the Prepetition Lenders.

19. Subject to paragraph 40 of the Interim Order, the Debtors agree to forever waive and release any and all claims, counterclaims, causes of action, defenses, recoupment rights, or setoff rights against the Prepetition Agent and the Prepetition Lenders and any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees, arising prior to the Petition Date, whether arising at law or in equity, including without limitation any claim arising under or pursuant to Section 105 or Chapter 5 of the Bankruptcy Code or similar provisions of applicable non-bankruptcy law, in each case arising from or relating to the Prepetition Credit Agreement, the Prepetition Loan Documents and the Bank Debt Obligations.

B. The Subordinated Credit Agreement

20. On March 5, 2012, the Debtors entered into that certain Second Amended and Restated Subordinated Term Loan Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “**Subordinated Credit Agreement**”) with the lenders party thereto from time to time (the “**Subordinated Lenders**”) and Brookside Mezzanine Agent, LLC, as administrative agent. As of the Petition Date, approximately \$27.1 million was outstanding under the Subordinated Credit Agreement. The obligations evidenced by the Subordinated Credit Agreement are unsecured and the exercise of any right or remedy with respect to the Subordinated Credit Agreement and the rights of the Subordinated Lenders are subject to the provisions of that certain Amended and Restated Subordination Agreement (as amended, restated, supplemented, or otherwise modified from time to time) dated as of March 5, 2012, by and among the Prepetition Agent, the Subordinated Lenders and acknowledged by the Debtors (the “**Subordination Agreement**”).

C. The Subordinated Notes

21. The Debtors are also party to a number of unsecured subordinated promissory notes with certain of the Debtors’ equity holders and the former owners of certain of the Debtors’

businesses (collectively, the “**Promissory Notes**”). The Promissory Notes are subject to the Subordination Agreement. As of the Petition Date, approximately \$21.6 million was outstanding under the Promissory Notes.

D. Other Unsecured Debt

22. As of the Petition Date, the Debtors estimate that they have approximately \$5.5 million in unsecured debt consisting primarily of \$5.3 million of trade debt owed to hundreds of vendors and approximately \$0.2 million owed to landlords.

Events Leading Up to the DIP Facility

A. The Debtors’ Liquidity Needs

23. As further described in the First Day Declaration, these Cases are the result of the Debtors’ liquidity constraints caused by the unexpected cancellation of two long term projects and reduced defense spending, which significantly impacted the Debtors’ balance sheet, impaired their ability to grow through acquisition, hampered their ability to improve existing customer relationships, caused significant turnover in management and limited the Debtors’ opportunities to successfully refinance or restructure their indebtedness. Due to these challenges the Debtors were unable to refinance or otherwise pay the Prepetition Obligations when they matured.

24. Without the financing proposed by this Motion, the Debtors will not have the funds necessary to continue their operations or conduct a reasonable sales process. The Debtors’ ability to continue their operations, to conduct a reasonable sales process, to maintain business relationships, to make payroll, to pay the costs of administration of their estates and to satisfy other working capital and operational needs, depends on obtaining access to the DIP Facility and the continued use of cash collateral. The access of the Debtors to sufficient working capital and liquidity through the use of cash collateral, incurrence of new indebtedness for borrowed money

and other financial accommodations is vital for preserving and maintaining the going concern values of the Debtors for the benefit of their estates. Failure to obtain the relief requested in this Motion will harm (a) the Debtors, their estates, creditors and equity holders, and (b) the possibility of a near-term value-maximizing transaction.

B. The Debtors' Efforts to Obtain Postpetition Financing

25. The Debtors were unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense, and could not obtain secured credit under sections 364(c) or 364(d) of the Bankruptcy Code on equal or more favorable terms than those offered by the DIP Lender under the DIP Facility. Ultimately, the Debtors determined they could not have obtained any viable DIP financing under the circumstances of the type and magnitude required on a more favorable economic basis than the economic terms of the DIP Facility taking into account the Debtors' circumstances, financial condition and projections.

Relief Requested

26. For the reasons set forth herein, the Debtors seek entry of DIP Orders providing, among other things:

- a. authorization for the Debtors to obtain the DIP Facility pursuant to the terms and conditions of the DIP Orders and the DIP Loan Agreement;
- b. authorization for the Debtors to execute, deliver to Harlow (the "**DIP Lender**"), and perform under the DIP Loan Agreement and the other DIP Documents;
- c. authorization for the Debtors to draw on the DIP Facility and to use the proceeds of the DIP Facility and cash collateral to pay for, among other things, working capital and general corporate purposes of the Debtors and the administration of the Cases, in accordance with the DIP Documents and the budget (the "**Approved Budget**");
- d. adequate protection for the Prepetition Agent and Prepetition Lenders on account of the Prepetition Liens being primed, on account of the automatic stay, and on account of the use of their collateral to the extent of any diminution in the value of such collateral;

- e. authorization for the Debtors to use any cash collateral in which the Prepetition Agent and Prepetition Lenders may have an interest and the granting of adequate protection to the Prepetition Agent and Prepetition Lenders with respect to the use of any such cash collateral;
- f. the granting of allowed superpriority administrative expense claim status in the Cases to all obligations of the Debtors to the DIP Lender arising under the DIP Facility (collectively, the “**DIP Obligations**”);
- g. the granting to the DIP Lender of automatically perfected first-priority security interests in and liens on all of the Collateral (as defined in the Interim Order) to secure all DIP Obligations, which liens and security interest shall be subject to Permitted Liens (as defined in the Interim Order) and the Carve-Out (as defined in the Interim Order);
- h. modification of the automatic stay imposed by Section 362 of the Bankruptcy Code solely to the extent necessary to provide the DIP Lender with the relief necessary to implement and effectuate the terms and provisions of the DIP Documents;
- i. pursuant to Bankruptcy Rule 4001, an interim hearing on this Motion (the “**Interim Hearing**”) before this Court to consider entry of an interim order granting this Motion; and
- j. a final hearing (the “**Final Hearing**”) to consider entry of a the Final Order authorizing the balance of the credit available under the DIP Facility, all as set forth in the DIP Documents, and any requested relief not granted under any interim orders on a final basis.

Summary of Principal Terms of DIP Financing⁵

27. In accordance with Bankruptcy Rule 4001 and Local Rule 4001-2, the following is a concise statement and summary of the proposed material terms of the DIP Financing, as specified in the DIP Loan Agreement and the Interim Order:

Material Provision	Summary Description of Material Provision
DIP Loan Agreement Parties	<ul style="list-style-type: none"> • <u>Borrowers</u>: Valley Tool & Manufacturing, Inc. (“Valley”), NC Dynamics Incorporated (“NCDI”), GroupAero Seattle, Inc. (formerly Aerospace Multiaxis Machining, Inc.) (“GAS”), NCDI Mexico, Inc.

⁵ For reference, capitalized terms in this section, unless otherwise defined herein, have the meaning ascribed to them in the DIP Loan Agreement or the proposed DIP Orders, as applicable. All summaries and discussions of the various terms of the DIP Facility and the proposed DIP Orders are qualified in their entirety by the actual provisions set forth in the DIP Facility and the proposed DIP Orders.

Material Provision	Summary Description of Material Provision
Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement Preamble	(“ NCDIM ”) and Aerospace Holdings, Inc. (“ AHI ”), jointly and severally, as debtors-in-possession and borrowers (AHI, together with Valley, NCDI, NCDIM and GAS, individually, a “ Borrower ” and collectively, the “ Borrowers ”). <ul style="list-style-type: none"> • <u>Lender</u>: Harlow Aerostructures LLC (the “DIP Lender”).
Amount Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement Background Interim Order, ¶ 11(b)	\$1.534 million
Availability Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement Background; §2.1, §2.2, §2.3 Interim Order, ¶ 11(b)	<ul style="list-style-type: none"> • The DIP Lender will agree to provide to the Borrowers a multiple draw term loan facility of up to \$1.534 million (the “Loan Amount”). • The DIP Lender will make Advances to Borrowers, jointly and severally, in accordance with the Approved Budget. • The DIP Lender may, in its sole discretion, increase the Loan Amount. • To obtain an Advance, the Borrowers must give the DIP Lender written notice by 1:00 p.m. (prevailing eastern time) on the day which is two (2) Business Days prior to the date an Advance is to be borrowed (or such later date or time consented to by the DIP Lender). The written notice must specify (i) the date of the proposed borrowing (which must be a Business Day), and (ii) the amount of the Advance to be borrowed. • All Advances will be disbursed by the DIP Lender and made available to the Borrowers within two (2) Business Days after the date such Advance is requested.
Use of Proceeds Fed. R. Bankr. P. 4001(b)(1)(B)(ii) and (c)(1)(B) DIP Loan Agreement § 4.1 Interim Order, ¶¶	<ul style="list-style-type: none"> • Each Borrower shall apply the proceeds of Advances and the proceeds of Collateral solely as set forth in the Approved Budget and the Interim Order and/or Final Order. • Proceeds of any Advance made under the DIP Facility shall be used exclusively to pay certain costs relating to the administration of the Cases and otherwise in a manner consistent with the terms of the DIP Facility and the Approved Budget, including for ordinary and necessary operating costs and expenses arising after the Petition Date or other payments as may be agreed to by the DIP Lender. No portion of the

Material Provision	Summary Description of Material Provision
6(d), 11(a)	<p>proceeds of any Advance made under the DIP Facility shall be used, directly or indirectly, to make any payment or prepayment that is prohibited under the DIP Facility or the Approved Budget, subject to subsequent order of the Court.</p> <ul style="list-style-type: none"> From and after the Petition Date, the Debtors shall use Advances under the DIP Facility and Cash Collateral only for the purposes specifically set forth in this Order and the other DIP Documents, and in compliance with the Approved Budget, including to pay Professional Fees (as herein defined) in compliance with the Approved Budget and the Carve-Out (as herein defined).
<p>DIP Financing Termination Date</p> <p>Fed. R. Bankr. P. 4001(b)(1)(B)(ii) and (c)(1)(B)</p> <p>DIP Loan Agreement, §1.1, §11.1</p>	<ul style="list-style-type: none"> The Term of the Agreement is from the Closing Date through the Maturity Date, subject to acceleration upon the occurrence of an Event of Default or other termination hereunder. <ul style="list-style-type: none"> As used herein, the “Maturity Date” means the earlier to occur of: (a) May 9, 2017; (b) the date the Term expires due to the occurrence of an Event of Default; or (c) the closing date of the sale of the Debtors’ assets that is contemplated by that certain Asset Purchase Agreement among the Debtors, as Sellers, and DIP Lender, as Buyer. Any obligation of DIP Lender to make Advances and extend its financial accommodations under this Agreement or any Credit Document shall continue in full force and effect until the expiration of the Term. The Termination Date is the date on which all Obligations (other than contingent indemnification obligations for which no claim has yet been made) under this Agreement are indefeasibly paid in full, in cash or satisfied through a credit bid by DIP Lender pursuant to section 363(k) of the Bankruptcy Code.
<p>Interest Rate</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p> <p>DIP Loan Agreement §1.1, §5.1</p>	<ul style="list-style-type: none"> Subject to an Event of Default, Borrowers are to pay interest on the unpaid principal balance of the Loan for each day it is outstanding, at the Contract Rate. <ul style="list-style-type: none"> The Contract Rate is equal to 7% per annum. Upon the occurrence of any Event of Default and for so long as any Event of Default shall be continuing, the Contract Rate shall automatically be increased to the Default Rate, and all outstanding Obligations, including unpaid interest, shall continue to accrue interest from the date of such Event of Default at the Default Rate applicable to such Obligations. <ul style="list-style-type: none"> The Default Rate is equal to 10% (the sum of the Contract Rate

Material Provision	Summary Description of Material Provision
	and 3%).
Prepayments DIP Loan Agreement §3.2	<ul style="list-style-type: none"> Upon a Borrower's receipt of cash proceeds of any asset disposition, such Borrower shall prepay the DIP Loan in an amount equal to all such proceeds, net of (A) commissions and reasonable and customary transaction costs, fees and expenses for such transaction, payable by such Borrower (to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of senior Liens on such asset (to the extent such Liens constitute Permitted Liens), if any, and (D) a reserve for income taxes in accordance with GAAP in connection therewith. Any prepayment will be applied first to accrued and unpaid interest and then to principal.
Events of Default Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement §12.1 Interim Order ¶¶11(e), 23, 36	<p>The DIP Credit Agreement contains customary events of default (the “Events of Default”) (subject to certain cure periods, exceptions, qualifications and thresholds), including the following:</p> <ul style="list-style-type: none"> Nonpayment of principal, interest, or fees Breach of representations and warranties Noncompliance with covenants Any lien created under the DIP Credit Agreement is not a valid and perfected lien having a first priority interest Invalidity of any material provision of the DIP Credit Agreement or any other loan document Action or payment in violation of the Subordination Agreement Termination of Asset Purchase Agreement Entry of an order modifying the Credit Documents without DIP Lender's prior written consent The Final Order is not entered at least two (2) business days before the scheduled auction in connection with the Asset Purchase Agreement Material Adverse Effect Customary bankruptcy defaults Variances from the Approved Budget in excess of the Permitted Variances Failure to timely satisfy any sale Milestones Seeking/seeking approval of additional post-petition financing without the DIP Lender's prior written consent
Liens, Priorities and Adequate Protection Fed. R. Bankr. P. 4001(b)(1)(B)(iv) and (c)(1)(B)(i), (ii), (iii), (xi)	<p><u>DIP Liens</u></p> <ul style="list-style-type: none"> After entry of and pursuant to the Interim Order, the Obligations will be secured by a valid and perfected first priority Lien (subject to Permitted Liens) on all of the Collateral. For the avoidance of doubt, the DIP Lender shall be entitled to a second priority Lien on any Collateral subject to a Permitted Lien. As collateral security for the payment and performance of the

Material Provision	Summary Description of Material Provision
<p>DIP Loan Agreement §7.13(c), §10.1(a)</p> <p>Interim Order, ¶¶ 12, 13(a), (b), (c); 17(a), (b), (c); 19(c)</p>	<p>Obligations, each Borrower grants to the DIP Lender a Lien upon all of its real and personal property and assets other than the Excluded Collateral, whether now owned or hereafter acquired, in which it now has or at any time in the future may acquire any right, title, or interest, including: all leasehold interests, real property interests, and fixtures relating to the Real Property; all Accounts; all Deposit Accounts and all funds on deposit therein; all cash and cash equivalents; all commodity contracts; all investments, Stock and Investment Property; all Inventory; all Equipment; all Goods; all Chattel Paper; all Documents; all Instruments; all Books and Records; all General Intangibles; all Supporting Obligations; all Letter-of-Credit Rights; claims and causes of action including all commercial tort claims; all Intellectual Property, including all copyrights, tradenames, trademarks and patents, all software programs, all content or product licenses (whether Borrower is licensee or licensor thereunder), all development agreements, all distribution or publishing agreements, all franchise agreements, all other intellectual property, and to the extent not otherwise included, all Proceeds and products of all and any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing (all of the foregoing, together with any other pledged collateral pursuant to any other Credit Document, collectively, the “Collateral”).</p> <p><u>Priority of DIP Liens</u></p> <ul style="list-style-type: none"> • Subject to the Carve-Out, as security for the DIP Obligations, effective and perfected upon the date of this Order, the following security interests and liens are hereby granted to the DIP Lender (the “DIP Liens”): <ul style="list-style-type: none"> • pursuant to Section 364(c)(2) of the Bankruptcy Code, a perfected first-priority security interest in and lien on all Collateral to the extent that such Collateral is not subject to valid, perfected and non-avoidable liens as of the Petition Date that constitute Excluded Collateral. • pursuant to Section 364(c)(3) of the Bankruptcy Code, a perfected security interest in and lien on all Collateral, subject only to valid, perfected and non-avoidable liens in favor of third parties and in existence as of the Petition Date, or to valid and non-avoidable liens in favor of third parties and in existence at the Petition Date that are subsequently perfected (other than the Prepetition Liens) • pursuant to Section 364(d) of the Bankruptcy Code, a perfected first-priority security interest in and lien on all Collateral to the extent such Collateral is subject to the Prepetition Liens, which Prepetition Liens shall be primed by the DIP Liens. • For the avoidance of doubt, the Carve-Out shall be senior to all liens and claims (including, without limitation, administrative and superpriority claims) securing the DIP Obligations and the Prepetition Obligations,

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	<p>including the Adequate Protection Liens and any and all other forms of adequate protection, liens, security interests and other claims granted herein to the Prepetition Agent, the Prepetition Lender, or the DIP Lender.</p> <p><u>Superpriority DIP Claim</u></p> <ul style="list-style-type: none"> Pursuant to Section 364(c)(1) of the Bankruptcy Code, but subject to the Carve-Out, all of the DIP Obligations shall constitute allowed superpriority administrative expense claims against each of the Debtors (the “DIP Superpriority Claims”) with priority over any and all administrative expense claims, adequate protection claims, diminution claims, and all other claims against the Debtors or their estates in the Cases, at any time existing or arising, of any kind or nature whatsoever, and which claims shall at all times be senior to the rights of the Debtors and their estates, any successor trustee or other estate representative and any creditor or other party in interest to the extent permitted by law. <p><u>Adequate Protection</u></p> <p>For the use of the Prepetition Collateral, including the Cash Collateral, from and after the Petition Date, and also as protection against the effect of the priming described above herein and the imposition of the automatic stay, the Prepetition Agent, for itself and the Prepetition Lenders, collectively shall receive the following adequate protection (collectively, the “Prepetition Lender Adequate Protection”):</p> <ul style="list-style-type: none"> <u>Replacement Liens.</u> To the extent of any diminution in value of the respective interests of the Prepetition Agent and Prepetition Lenders in the Prepetition Collateral, from and after the Petition Date, whether due to the use of Cash Collateral, the priming of the Prepetition Liens, or the imposition of the automatic stay, the Prepetition Agent, for itself and the Prepetition Lenders, is granted, pursuant to Sections 361, 363 and 364 of the Bankruptcy Code, (i) replacement liens and security interests in and upon all property of the Debtors constituting Prepetition Collateral (whether created or coming into existence prepetition or postpetition) and (ii) liens and security interests in and upon all Collateral (all of the foregoing collateral collectively referred to as the “Adequate Protection Collateral” and such adequate protection liens and security interests, the “Adequate Protection Liens”). The Adequate Protection Liens on such Adequate Protection Collateral shall be subject and subordinate in priority and right of payment only to the Carve-Out and the DIP Liens. <u>Super-Priority Claims.</u> To the extent of any diminution in value of the pre-petition interests of the Prepetition Agent and Prepetition Lenders in the Prepetition Collateral for any reason, the Prepetition Agent, for itself and the Prepetition Lenders, is hereby granted allowed super-priority

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	<p>administrative claims (such adequate protection super-priority claims, the “Adequate Protection Super-Priority Claims”), pursuant to Section 507(b) of the Bankruptcy Code, which shall have priority over all administrative expenses of the kind specified in, or ordered pursuant to, any provision of the Bankruptcy Code, including, without limitation, those specified in, or ordered pursuant to, Sections 105, 326, 327, 328, 330, 503(b), 506(c), 507(a) and (b), 546(c), 726, 1113 and 1114 of the Bankruptcy Code or otherwise. The Adequate Protection Super-Priority Claims shall be subject and subordinate in priority and right of payment only to the Carve-Out and the DIP Superpriority Claims.</p> <ul style="list-style-type: none"> • <u>Fees and Expenses</u>. Subject to the Carve-Out, the Debtors are authorized and directed to pay all reasonable and documented fees, expenses and other obligations owing to the Prepetition Agent and the Prepetition Lenders under the Prepetition Loan Documents and incurred after the Petition Date, (the “Fees and Expenses”) in accordance with the Approved Budget. The Prepetition Agent will provide invoices for the Fees and Expenses on a monthly basis to the Debtors, the Office of the United States Trustee and the Committee, if any, and such invoices shall be paid promptly and irrevocably by the Debtors at the times and in the amounts not greater than those contemplated in the Budget if none of the foregoing parties objects in writing to the payment of any invoice within ten days of service thereof (the “Fee Challenge Period”). In the event any of the parties objects to the payment of any invoice provided to such party during the Fee Challenge Period, all Fees and Expenses to which no objection has been raised shall be paid promptly and irrevocably by the Debtors at the times and in the amounts not greater than those contemplated in the Budget, and the objecting party and the Prepetition Agent and Prepetition Lenders (as applicable) shall negotiate in good faith in an effort to resolve consensually the objection to the remaining Fees and Expenses. To the extent an objection cannot be resolved consensually within ten days from the date on which such objection is first raised with the Prepetition Agent or Prepetition Lenders (as applicable), or such longer period as may be agreed upon in writing between the objecting party and the Prepetition Agent or Prepetition Lenders (the “Fee Dispute Period”), the objecting party shall promptly seek relief from the Court to determine whether the Fees and Expenses subject to an objection should be paid, and the Court shall determine any such dispute using a reasonableness standard. Failure to seek such relief from the Court by the objecting party within three (3) days from the expiration of the Fee Dispute Period shall result in the waiver of such party’s objection to the payment of the disputed Fees and Expenses.
§506(c) Waiver and §552(b) Exception	<u>Limitation on Charging Expenses Against Collateral and the Equities of the Case Doctrine</u> . Subject to entry of the Final Order, except to the extent of the Carve-

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<p>Fed. R. Bankr. P. 4001(c)(1)(B)(vii) and 4001(c)(1)(B)(x)</p> <p>Interim Order, ¶15</p>	<p>Out, no costs or expenses of administration of the Cases or any future proceeding that may result, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Collateral or the Cash Collateral pursuant to Section 506(c) of the Bankruptcy Code or any similar principle of law without the prior written consent of the DIP Lender or the Prepetition Agent. Moreover, in light of the subordination of their DIP Liens, Prepetition Liens and super-priority administrative expense claims to (i) the Carve-Out in the case of the DIP Lender, and (ii) the Carve-Out and the DIP Liens and DIP Super-Priority Claims in the case of the Prepetition Agent and Prepetition Lender, each of the DIP Lender, the Prepetition Lender and the Prepetition Agent are entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and subject to entry of the Final Order, the “equities of the case” exception shall not apply.</p>
<p>Representations, Warranties and Affirmative Covenants:</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p> <p>DIP Loan Agreement Article 7</p>	<p>The DIP Credit Agreement contains customary representations, warranties and affirmative covenants (subject to certain exceptions, qualifications and carveouts), including the following:</p> <ul style="list-style-type: none"> • Due authorization • Licenses and Permits • Formation and qualification • Entity Names • Real Property Interests • Compliance with laws • Intellectual Property Matters • Disclosure • Preservation and maintenance of existence, business and properties • Execution of supplemental instruments or documents relating to the Credit Documents and/or Collateral • Financing Order and Bankruptcy Matters
<p>Negative Covenants</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p> <p>DIP Loan Agreement Article 9</p>	<p>Negative Covenants: The DIP Credit Agreement contains customary negative covenants (subject to certain exceptions, qualifications and carveouts), including the following:</p> <ul style="list-style-type: none"> • No creation of new subsidiaries • No mergers, consolidations, acquisitions of assets or stock • No investments, loans or advances • No creation, incurrence or assumption of Indebtedness • No transactions with employees, directors or Affiliates • No liens • No change in legal entity, jurisdiction, or organization • No changes in the CEO, corporate offices, location of Collateral or records concerning Collateral • No restricted payments

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Financial Covenant Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement §4.2	The DIP Credit Agreement contains only the following financial covenant: Compliance with the variance test, as further described under the Section “Budget” below.
Other Reporting Requirements Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement §8.1, §8.2, §9(e) Interim Order ¶11(c)	The DIP Credit Agreement contains customary reporting requirements, including, without limitation, the following: <ul style="list-style-type: none"> • <u>Variance Reports</u>. By 5:00 p.m. (New York time) on each Tuesday after the Petition Date (or, if such day is not a Business Day, the Business Day immediately following such day), the Borrowers shall deliver to DIP Lender, a report setting forth for the immediately preceding week (ending on the Sunday immediately preceding the applicable Tuesday reporting deadline) and for the cumulative period from the Petition Date through the immediately preceding Sunday, the actual and budgeted results for such week and cumulative post-Petition Date time period by line item in the Approved Budget, together with a reasonably detailed written explanation of all material variances. • <u>Collateral Updates and Notices of Events of Default</u>. The Borrowers shall advise DIP Lender of: (a) any Lien, other than Permitted Liens, attaching to or asserted against any of the Collateral or any occurrence causing a material loss or decline in value of any Collateral and the estimated (or actual, if available) amount of such loss or decline; (b) any material change in the composition of the Collateral; and (c) the occurrence of any Default, Event of Default or other event which has had or could reasonably be expected to have a Material Adverse Effect. Each Borrower shall, upon request of DIP Lender, furnish to DIP Lender such other reports and information in connection with its affairs, business, financial condition, operations, prospects or management or the Collateral as DIP Lender may reasonably request, all in reasonable detail. • <u>Change Notifications</u>. The Borrowers shall provide notices to the DIP Lender as to any name changes, and any changes to its address, organization, chief executive officer, corporate offices, warehouses, Collateral locations, location of records concerning Collateral, or acquisition, lease or use of any real estate after the Closing Date.
Budget Fed. R. Bankr. P. 4001(c)(1)(B)	<ul style="list-style-type: none"> • Proceeds of the DIP Loan Agreement may be used to operate the business of the Borrowers to the extent permitted by the Approved Budget and the Interim Order and/or Final Order (subject to permitted variances and other agreed upon variances).

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<p>DIP Loan Agreement §2.1, §4.1</p> <p>Interim Order ¶¶6(d), ¶¶11, 17(c), 19(a)</p>	<ul style="list-style-type: none"> • Delivery of variance reports are as set forth in the DIP Loan Agreement and Interim Order.
<p>Conditions Precedent to Closing</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p> <p>DIP Loan Agreement Schedule II</p>	<p>The availability of the financing under the DIP Loan Agreement is subject to the satisfaction of customary conditions for DIP financings, including, but not limited to the following conditions precedent:</p> <ul style="list-style-type: none"> • <u>Loan Agreement</u>. Execution and delivery to DIP Lender of the DIP Loan Agreement. • <u>Note</u>. Execution and delivery to DIP Lender of the Note by each Borrower. • <u>Entry of Interim Order</u>: Not later than three (3) days after the Petition Date, DIP Lender to receive evidence of the entry by the Bankruptcy Court of the Interim Order, among other things, (x) approving the transactions contemplated by the DIP Loan Agreement, (y) granting a first priority perfected security interest in the Collateral subject to Permitted Liens and any applicable carve-out contained in the Interim Order, and (z) modifying the automatic stay to permit the creation and perfection of DIP Lender's Liens; the Interim Order shall be in full force and effect and shall not have been stayed, reversed, vacated, rescinded, modified or amended (except to the extent superseded by the Final Order) in any respect (other than modifications acceptable to DIP Lender), and if such order is the subject of a pending appeal, neither the making of the DIP Loan, or any Advance under the DIP Loan Agreement, nor the performance by any Borrower of any of its Obligations under any of the Credit Documents or any other document referred to in the DIP Loan Agreement shall be the subject of a stay or a request for a stay pending appeal. • <u>Other Documents</u>: DIP Lender's receipt of (i) copies of financing statements (Form UCC-1) duly filed under the UCC in all jurisdictions as may be necessary or desired by DIP Lender to perfect DIP Lender's Lien on the Collateral; (ii) executed and notarized short term mortgage of copyright and/or patent or trademark security agreements (if requested by DIP Lender); (iii) each Borrower's (a) charter and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of incorporation and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or

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	<p>the conduct of its business requires such qualification, each dated a recent date prior to the Closing Date and certified by the applicable Secretary of State or other authorized Governmental Authority; (iv) an officer's certificate for each Borrower together with copies of: (a) each Borrower's articles of incorporation and bylaws, together with all amendments thereto and (b) resolutions of each Borrower's Board of Directors approving and authorizing the execution, delivery and performance of the Credit Documents and the transactions to be consummated in connection therewith, each certified as of the Closing Date by each Borrower's corporate secretary or an assistant secretary as being in full force and effect without any modification or amendment; (v) signature and incumbency certificates of the officers of each Person executing any of the Credit Documents, certified as of the Closing Date by each Borrower's corporate secretary or an assistant secretary as being true, accurate, correct and complete; and (vi) any other certificates, documents and agreements as requested by DIP Lender.</p>
<p>Conditions Precedent to Borrowings</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p> <p>DIP Loan Agreement §6.2</p>	<p>The agreement of the DIP Lender to make any Advance requested to be made on any date (including the Initial Advance), is subject to the satisfaction of customary conditions for DIP financings, including, but not limited to the following conditions precedent:</p> <ul style="list-style-type: none"> • <u>Notice of Borrowing.</u> The DIP Lender shall have received written notice requesting an Advance no later than 1:00 p.m. (prevailing eastern time) on the day which is two (2) Business Days prior to the date such Advance is to be borrowed (or such later date or time as consented to by DIP Lender), specifying (i) the date of the proposed borrowing (which shall be a Business Day), and (ii) the amount of such Advance to be borrowed. • <u>Representations and Warranties.</u> Each of the representations and warranties made by any Borrower in the DIP Loan Agreement and the other Credit Documents shall be true and correct in all material respects on and as of the date of the making of each such Advance with the same effect as though made on and as of such date, except to the extent that any such representation or warranty is expressly stated to relate to a specific earlier date, in which case, such representation and warranty shall be true and correct in all material respects as of such earlier date • <u>No Default.</u> No Event of Default or Default shall have occurred and be continuing.
<p>Expenses:</p> <p>Fed. R. Bankr. P. 4001(c)(1)(B)</p>	<p>The Borrowers, jointly and severally, agree to pay or reimburse the DIP Lender for all costs and expenses (including the reasonable fees and expenses of all counsel, advisors, consultants and auditors) incurred by DIP Lender in connection with: (i) the enforcement of the DIP Loan Agreement and the other</p>

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DIP Loan Agreement §13.3	Credit Documents; and (ii) the enforcement of DIP Lender's rights in connection with the DIP Loan Agreement and the other Credit Documents.
Assignments and Participations: Fed. R. Bankr. P. 4001(c)(1)(B) DIP Loan Agreement §13.5	The rights and obligations of each Borrower under the DIP Loan Agreement shall not be assigned or delegated without the prior written consent of DIP Lender, and any purported assignment or delegation without such consent shall be null and void. DIP Lender reserves the right at any time to create and sell participations in the DIP Loan and the DIP Loan Documents and to sell, transfer or assign any or all of its rights in the DIP Loan and under the DIP Loan Documents.

Basis for Relief Requested

28. Section 364 of the Bankruptcy Code distinguishes among (a) obtaining unsecured credit in the ordinary course of business, (b) obtaining unsecured credit out of the ordinary course of business, and (c) obtaining credit with specialized priority or with security. If a debtor in possession cannot obtain postpetition credit on an unsecured basis, pursuant to section 364(c) of the Bankruptcy Code, a court may authorize the obtaining of credit or the incurring of debt, repayment of which is entitled to superpriority administrative expense status or is secured by a senior lien on unencumbered property or a junior lien on encumbered property, or a combination of the foregoing. Because the Debtors propose to obtain financing under the DIP Facility that primes the Prepetition Lenders and the Prepetition Agent, the approval of the DIP Financing is governed by sections 364(c) and 364(d) of the Bankruptcy Code as to those parties.

A. Financing Under Section 364(c)

29. Section 364 of the Bankruptcy Code authorizes a debtor to obtain, in certain circumstances, postpetition financing on a secured or superpriority basis, or both. Specifically, section 364(c) of the Bankruptcy Code provides, in pertinent part, that the Court, after notice and a hearing, may authorize a debtor that is unable to obtain credit allowable as an administrative expense under section 503(b)(1) of the Bankruptcy Code to obtain credit or incur debt:

- with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of the Bankruptcy Code;
- secured by a lien on property of the estate that is not otherwise subject to a lien; or
- secured by a junior lien on property of the estate that is subject to a lien.

11 U.S.C. § 364(c). Thus, pursuant to section 364(c) of the Bankruptcy Code, a debtor may, in the exercise of its business judgment, incur secured debt if the debtor has been unable to obtain adequate unsecured credit, and the proposed borrowing is in the best interests of its estate. *See, e.g., Richmond Leasing Co. v. Capital Bank, NA.*, 762 F.2d 1303, 1311 (5th Cir. 1985) (Indeed, “more exacting scrutiny [of the debtor’s business decisions] would slow the administration of the debtor’s estate and increase its cost, interfere with the Bankruptcy Code’s provision for private control of administration of the estate, and threaten the court’s ability to control a case impartially”); *In re Ames Dept. Stores*, 115 B.R. 34, 38 (Bankr. S.D.N.Y. 1990) (with respect to postpetition credit, courts “permit debtors in possession to exercise their basic business judgment consistent with their fiduciary duties”); *see also* 3 Collier on Bankruptcy ¶ 364.03 (Alan N. Resnick & Henry J. Sommer eds. 16th ed.).

30. The statutory requirement for obtaining postpetition credit under section 364(c) of the Bankruptcy Code is a finding, made after notice and hearing, that the debtor in possession is “unable to obtain unsecured credit allowable under § 503(b)(1) of [the Bankruptcy Code] as an administrative expense.” *See Ames Dep’t Stores*, 115 B.R. at 37–39 (a debtor must show it has made a reasonable effort to seek other sources of financing under Bankruptcy Code §§ 364(a) and (b)); *In re Crouse Group, Inc.*, 71 B.R. 544, 549 (Bankr. E.D. Pa. 1987), *modified on other grounds*, 75 B.R. 553 (Bankr. E.D. Pa. 1987) (debtor seeking secured credit under Bankruptcy

Code § 364(c) must prove it was unable to obtain unsecured credit pursuant to Bankruptcy Code § 364(b)).

31. Courts have articulated a three-part test to determine whether a debtor may obtain financing under section 364(c):

- the debtor is unable to obtain unsecured credit solely under section 364(b) (*i.e.*, by granting a lender administrative expense priority);
- the credit transaction is necessary to preserve the assets of the estate; and
- the terms of the transaction are fair, reasonable, and adequate, given the circumstances of the debtor-borrower and the proposed lender.

See, e.g., In re Los Angeles Dodgers LLC, 457 B.R. 308, 312 (Bankr. D. Del. 2011); *In re Aqua Assocs.*, 123 B.R. 192, 195-96 (Bankr. E.D. Pa. 1991) (applying the above test and holding that “[o]btaining credit should be permitted not only because it is not available elsewhere, which could suggest the unsoundness of the basis for the use of the funds generated by credit, but also because the credit acquired is of significant benefit to the debtor’s estate and the terms of the proposed loan are within the bounds of reason, irrespective of the inability of the debtor to obtain comparable credit elsewhere”); *Ames Dep’t Stores*, 115 B.R. at 37-39.

32. To show financing required is not obtainable on an unsecured basis, a debtor need only demonstrate “by a good faith effort that credit was not available without” the protections of section 364(c). *Bray v. Shenandoah Fed. Savs. & Loan Ass’n (In re Snowshoe Co.)*, 789 F.2d 1085, 1088 (4th Cir. 1986) (“The statute imposes no duty to seek credit from every possible lender before concluding that such credit is unavailable.”). When few lenders are likely to be able and willing to extend the necessary credit to a debtor, “it would be unrealistic and unnecessary to require [the debtor] to conduct such an exhaustive search for financing.” *In re Sky Valley, Inc.*, 100 B.R. 107, 113 (Bankr. N.D. Ga. 1988), *aff’d sub nom., Anchor Savs. Bank*

FSB v. Sky Valley, Inc., 99 B.R. 117, 120 n.4 (N.D. Ga. 1989); *see also Ames Dep't Stores*, 115 B.R. at 40 (approving financing facility and holding the debtor made reasonable efforts to satisfy the standards of section 364(c) where it approached four lending institutions, was rejected by two, and selected the most favorable of the two offers it received).

33. The Debtors attempted to secure financing on more favorable terms, but given the Debtors' asset base and balance sheet, they were unable to do so. The Debtors have been unable to obtain (a) adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense; (b) credit for money borrowed secured solely by a lien on property of the estate that is not otherwise subject to a lien; or (c) credit for money borrowed secured by a junior lien on property of the estate which is subject to a lien, in each case, on more favorable terms and conditions than those provided in the DIP Financing. Therefore, the Debtors believe entering a DIP Financing with superpriority administrative claims, priming liens on encumbered property, and first priority liens on the Debtors' unencumbered property is appropriate under the circumstances of these Cases.

34. For these reasons, the Debtors submit entry into the DIP Financing is in the best interest of the Debtors' estates, is necessary to preserve the value of estate assets and is an exercise of the Debtors' sound and reasonable business judgment. The Debtors respectfully request the Court to authorize the Debtors to provide the DIP Lender a superpriority administrative expense status for any obligations arising under the DIP Credit Agreement as provided for in section 364(c)(1) of the Bankruptcy Code.

B. Financing and Adequate Protection Under Section 364(d)(1)

35. In addition to authorizing financing under section 364(c) of the Bankruptcy Code, courts also may authorize a debtor to obtain postpetition credit secured by a lien that is senior or equal in priority to existing liens on the encumbered property, without the consent of the existing

lien holders, if the debtor cannot otherwise obtain such credit and the interests of existing lien holders are adequately protected. *See* 11 U.S.C. § 364(d)(1). The Debtors seek approval of the DIP Financing under section 364(d)(1) of the Bankruptcy Code.

36. When determining whether to authorize a debtor to obtain credit secured by a “priming” lien as authorized by section 364(d) of the Bankruptcy Code, courts focus on whether the transaction will enhance the value of the debtor’s assets. Courts consider a number of factors, including, without limitation:

- whether the party subject to a priming lien has consented to such treatment;
- whether alternative financing is available on any other basis (i.e., whether any better offers, bids or timely proposals are before the court);
- whether the proposed financing is necessary to preserve estate assets and is necessary, essential, and appropriate for continued operation of the debtor’s business;
- whether the terms of the proposed financing are reasonable and adequate given the circumstances of both the debtor and proposed lender(s); and
- whether the proposed financing agreement was negotiated in good faith and at arm’s length and entry therein is an exercise of sound and reasonable business judgment and in the best interest of the debtor’s estate and its creditors.

See, e.g., In re Ames Dep’t Stores, Inc., 115 B.R. 34, 37-39 (Bankr. S.D.N.Y. 1990); *see also* 3 Collier on Bankruptcy ¶ 364.05 (Alan N. Resnick & Henry J. Sommer eds. 16th ed.). The Debtors respectfully submit the DIP Financing is appropriate under this analysis and the facts of these Cases.

37. First, the Debtors and their advisors determined the DIP Lender provided the best option for obtaining the postpetition financing the Debtors require. The Debtors and the DIP Lender negotiated the DIP Financing in good faith and at arm’s length, and the DIP Financing reflects the most favorable terms on which the DIP Lender was willing to offer financing.

38. Second, the Debtors require access to the DIP Financing to provide adequate liquidity for the operation and maintenance of the Debtors' assets and to preserve and enhance the value of their estates for the benefit of all creditors and other parties in interest. Absent the DIP Financing, the Debtors will suffer material and irreparable harm and a liquidity crisis. Accordingly, value will be lost and the Debtors' ability to effectuate a sale of their assets will be significantly threatened. Conversely, the Debtors' access to liquidity will benefit all stakeholders by facilitating the Debtors' sale efforts.

39. Third, the DIP Financing will provide access to short-term liquidity, which the Debtors have determined is sufficient and necessary to allow the Debtors to maintain their operations notwithstanding the commencement of these Cases and to pursue a sale of all or substantially all of their assets to maximize the value of their assets. Accordingly, the terms of the DIP Financing are reasonable and adequate to support the Debtors' operations and activities through the pendency of these Cases.

40. Fourth, and as discussed more fully below, the Debtors will provide adequate protection to the Prepetition Lenders and the Prepetition Agent.

(i) Requirement under Section 364(d) of Providing Adequate Protection

41. A debtor may obtain postpetition credit "secured by a senior or equal lien on property of the estate that is subject to a lien only if "the debtor, among other things, provides "adequate protection" to those parties whose liens are primed. *See* 11 U.S.C. § 364(d)(1)(B). What constitutes adequate protection is decided on a case-by-case basis, and adequate protection may be provided in various forms, including payment of adequate protection fees, payment of interest, or granting of replacement liens or administrative claims. *See, e.g., In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996) ("The determination of adequate protection is a fact-specific inquiry . . . left to the vagaries of each case . . ."); *In re Realty Sw. Assocs.*, 140 B.R.

360 (Bankr. S.D.N.Y. 1992); *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986) (the application of adequate protection “is left to the vagaries of each case, but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process” (citations omitted)).

42. The DIP Financing will provide adequate protection to the Prepetition Lenders and the Prepetition Agent. Specifically, the Debtors will provide adequate protection to the Prepetition Agent and the Prepetition Lenders for any diminution in value of their interests in the Prepetition Collateral, including Cash Collateral, in the form of replacement liens and allowed super-priority administrative claims.

43. Additionally, the DIP Financing requires certain reporting requirements for the benefit of the DIP Lender. The Debtors submit the foregoing adequate protection satisfies the requirements of section 362 of the Bankruptcy Code, and the Court should approve the DIP Financing as a sound and reasonable exercise of the Debtors’ business judgment.

(ii) The DIP Financing is Necessary to Preserve the Assets of the Estates

44. It is essential for the Debtors to obtain financing necessary to continue, among other things, the orderly operation of the Debtors’ businesses and the Cases, and to otherwise satisfy their working capital requirements. The DIP Financing will allow continued operation the Debtors’ manufacturing operations. Without immediate approval of a new source of future liquidity, the Debtors’ business operations and the Cases in general would be seriously jeopardized. The new liquidity offered by the proposed DIP Financing will ensure the Debtors can maintain the value of their assets as they pursue a sale of the same and administer the Cases through the bankruptcy process. Thus, approval of the DIP Financing is crucial to maximizing the value of the Debtors’ estates.

(iii) *The Terms of the DIP Financing Are Fair, Reasonable, and Appropriate*

45. The proposed DIP Financing provides generally that the security interests and superpriority administrative expense claims granted to the DIP Lender are subject to the payment of all fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under 28 U.S.C. § 1930(a) as well as all accrued and unpaid fees and expenses incurred by professionals retained by (x) the Debtors, including the claims and noticing agent, and (y) one official committee of creditors, to the extent allowed at any time by the Bankruptcy Court and subject to the Approved Budget. In *Ames Department Stores*, the bankruptcy court found that such “carve-outs” are not only reasonable, but are necessary to ensure the debtors’ estates are adequately assisted by counsel and other professionals. *Ames*, 115 B.R. at 40.

46. Likewise, the Debtors believe the fees and other charges required by the DIP Lender under the DIP Financing are reasonable and appropriate under the circumstances. The proposed fees under the DIP Financing are within the parameters of market fee structures for similar postpetition financing. Indeed, courts routinely authorize similar lender incentives beyond the explicit liens and other rights specified in section 364 of the Bankruptcy Code. *See In re Korea Chosun Daily Times, Inc.*, 337 B.R. 773, 783 (Bankr. E.D.N.Y. 2005) (postpetition financing arrangements under 364 “may include the payment of a loan commitment fee and reimbursement of reasonable fees and expenses in the event that the financing arrangement is not consummated.”).

47. The Debtors are unable to obtain alternate credit sources, the terms of the DIP Financing have been negotiated at arm’s length and are not principally for the benefit of a creditor to the detriment of other parties in interest, and the Debtors believe, in their business judgment, that the DIP Financing is in the best interest of all parties involved. The terms of the

DIP Financing are in the realm of the incentives contemplated by section 364 to induce potential lenders to undertake the risks involved in providing postpetition financing to a bankruptcy estate, and should be approved.

(iv) Application of the Business Judgment Standard

48. Section 364 of the Bankruptcy Code authorizes a debtor to obtain secured or superpriority financing under the circumstances specified therein. Provided that an agreement to obtain secured credit does not undermine the policies underlying the Bankruptcy Code, courts grant a debtor considerable deference in the exercise of its sound business judgment in obtaining such credit. *See, e.g., In re Ames Dept. Stores, Inc.*, 115 B.R. at 40 (“[C]ases consistently reflect that the court’s discretion under section 364 [of the Bankruptcy Code] is to be utilized on grounds that permit [a debtor’s] reasonable business judgment to be exercised so long as the financing agreement does not contain terms that leverage the bankruptcy process and powers or its purpose is not so much to benefit the estate as it is to benefit a party-in-interest.”); *Trans World Airlines, Inc. v. Travelers Int’l AG (In re Trans World Airlines, Inc.)*, 163 B.R. 964, 974 (Bankr. D. Del. 1994) (approving postpetition loan and receivables facility because such facility “reflect[ed] sound and prudent business judgment”). Thus, the “normal function in reviewing requests for post-petition financing is to defer to a debtor’s own business judgment so long as a request for financing does not leverage the bankruptcy process and unfairly cede control of the reorganization to one party in interest.” *In re Barbara K Enters., Inc.*, No. 08-11474, 2008 WL 2439649, at *14 (Bankr. S.D.N.Y. June 16, 2008).

49. To determine whether this standard is met, the Court is “required to examine whether a reasonable business person would make a similar decision under similar circumstances.” *In re Exide Techs.*, 340 B.R. 222, 239 (Bankr. D. Del. 2006); *see also In re Curlew Valley Assocs.*, 14 B.R. 506, 513-14 (Bankr. D. Utah 1981) (noting courts should not

second guess a debtor's business decision when the decision involves "a business judgment made in good faith, upon a reasonable basis, and within the scope of [the debtor's] authority under the [Bankruptcy] Code") (internal citation omitted).

50. And, in exercising its business judgment, courts recognize a debtor is entitled (if not required) to consider non-economic benefits offered by a proposed postpetition facility:

Although all parties, including the Debtors and the Committee, are naturally motivated to obtain financing on the best possible terms, a business decision to obtain credit from a particular lender is almost never based purely on economic terms. Relevant features of the financing must be evaluated, including noneconomic elements such as the timing and certainty of closing, the impact on creditor constituencies and the likelihood of a successful reorganization.

In re ION Media Networks, Inc., No. 09-13125, 2009 WL 2902568, at *4 (Bankr. S.D.N.Y. Jul. 6, 2009).

51. As described above, after appropriate analysis, the Debtors have concluded the DIP Financing provides the best option available under the circumstances of these Cases. Bankruptcy courts routinely defer to a debtor's business judgment on most business decisions, including the decision to borrow money, unless such decision is arbitrary and capricious. *See In re Trans World Airlines, Inc.*, 163 B.R. 964, 974 (Bankr. D. Del. 1994) (noting the interim loan, receivables facility, and asset-based facility were approved because they "reflect[ed] sound and prudent business judgment on the part of TWA . . . [were] reasonable under the circumstances and in the best interest of TWA and its creditors"). In fact, "[m]ore exacting scrutiny would slow the administration of the Debtor's estate and increase its costs, interfere with the Bankruptcy Code's provision for private control of administration of the estate, and threaten the court's ability to control a case impartially." *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985).

52. The Debtors' determination to move forward with the DIP Financing is an exercise of their sound business judgment and should be approved. Specifically, the Debtors and their advisors undertook an analysis of the Debtors' projected financing needs and determined the Debtors would require postpetition financing to support their operational activities and restructuring goals. Accordingly, the Debtors negotiated the DIP Loan Agreement with the DIP Lender in good faith, at arm's length, and with the assistance of their advisors. The DIP Financing provides the Debtors with the capital necessary to meet their working capital needs to fund the budgeted costs of these Cases. This determination reflects the quintessential exercise of business judgment and is entitled to deference from the Court. *See In re Trans World Airlines, Inc.*, 163 B.R. at 974 (finding the debtor's entry into the financing that served as the "framework" and "cornerstone" for the debtor's plan of reorganization reflected exercise of the debtor's "sound and prudent business judgment").

53. Indeed, the Debtors negotiated the DIP Financing in conjunction with their overall efforts to determine a path forward for these Cases. There can be no reasonable dispute that the DIP Financing is an important step toward achieving this goal: the DIP Financing will support not only the Debtors' near term liquidity needs, but will also provide the funding necessary for the Debtors to effectuate a sale of all or substantially all of their assets, and maximize value for the benefit of all of the Debtors' estates. Accordingly, the DIP Financing reflects an exercise of sound business judgment that should be approved. *See ION Media*, 2009 WL 2902568, at *4 ("[C]ooperation and establishing alliances with creditor groups can be a vital part of building support for a restructuring that ultimately may lead to a confirmable reorganization plan.").

C. The Scope of the Carve-Out is Appropriate

54. The proposed DIP Financing subjects the security interests and administrative expense claims of the DIP Lender to the Carve-Out. Carve-outs for professional fees have been

found to be reasonable and necessary to ensure that a debtor's estate and any statutory committee can obtain appropriate assistance from counsel and other professionals. *See, e.g., Ames*, 115 B.R. at 40; *In re United Retail*, Case No. 12-10405 (Bankr. S.D.N.Y. Feb. 1, 2012); *In re Eastman Kodak Co.*, Case No. 12-10202 (Bankr. S.D.N.Y. Jan. 19, 2012); *In re Gen. Maritime Corp.*, Case No. 11-15285 (Bankr. S.D.N.Y. Nov. 17, 2011). The Carve-Out protects against administrative insolvency during the course of these Cases by ensuring assets remain for the payment of U.S. Trustee fees and professional fees notwithstanding the grant of superpriority and administrative liens and claims under the DIP Financing.

D. The DIP Lender Should Be Deemed a Good Faith Lender Under Section 364(e)

55. Section 364(e) of the Bankruptcy Code protects a good faith lender's right to collect on loans extended to a debtor, and its rights in any lien or security interest securing those loans, even if the authority of the debtor to obtain such loans or grant such liens is later reversed or modified on appeal. Section 364(e) provides as follows:

The reversal or modification on appeal of an authorization under this Section [364 of the Bankruptcy Code] to obtain credit or incur debt, or of a grant under this Section of a priority or a lien, does not affect the validity of any debt so incurred, or any priority or lien so granted, to an entity that extended such credit in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and the incurring of such debt, or the granting of such priority or lien, were stayed pending appeal.

11 U.S.C. § 364(e).

56. As explained in detail herein, the DIP Financing is the result of the Debtors' reasonable and informed determination that the DIP Lender offered the most favorable terms on which to obtain needed postpetition financing, and of extended, arm's length, good faith negotiations between and among the Debtors and the DIP Lender. The terms and conditions of the DIP Financing are fair and reasonable, and the proceeds of the DIP Financing will be used

only for purposes that are permissible under the Bankruptcy Code and pursuant to the Approved Budget. Further, no consideration is being provided to any party to the DIP Financing other than as described herein. Accordingly, the Court should find the DIP Lender is a “good faith” lender within the meaning of section 364(e) of the Bankruptcy Code, and is entitled to all of the protections afforded thereby.

E. Request for Modification of the Automatic Stay

57. Bankruptcy Code section 362 provides for an automatic stay upon the filing of a bankruptcy petition. The proposed Interim Order contemplates the modification of the automatic stay (to the extent applicable) to the extent necessary to implement the terms of the Interim Order. Stay modification provisions of this sort are ordinary and usual features of DIP Financing facilities and, in the Debtors’ business judgment, are reasonable under the present circumstances. Accordingly, the Debtors respectfully request the Court to authorize the modification of the automatic stay in accordance with the terms set forth in the Interim Order and DIP Loan Agreement.

F. The Debtors Should Be Authorized to Use Cash Collateral

58. In connection with their need for DIP Financing, the Debtors also require the use of Cash Collateral. Pursuant to section 363(c)(2) of the Bankruptcy Code, a debtor may use cash collateral as long as “(A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.” 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides for adequate protection of interests in property when a debtor uses cash collateral. Further, section 362(d)(1) of the Bankruptcy Code provides for adequate protection of interests in property due to the imposition of the automatic stay. *See In re Cont’l Airlines*, 91 F.3d 553, 556 (3d Cir. 1996).

59. The Debtors have satisfied the requirements of sections 363(c)(2) and (e), and should be authorized to use the Cash Collateral. Pursuant to the Interim Order, the Debtors provide the Prepetition Lenders and the Prepetition Agent adequate protection for use of the Cash Collateral. As described above, the Debtors are providing such creditors with replacement liens and super-priority administrative expense claims, which is fair and reasonable and adequately protects such creditors' interests in the Prepetition Collateral from diminution of value. Accordingly, the Court should authorize the Debtors to use the Cash Collateral under section 363(c)(2) and (e) of the Bankruptcy Code.

Request For Final Hearing

60. Pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2), the Debtors request the Court set a date for the Final Hearing as soon as practicable and fix the date and time prior to the Final Hearing for parties to file objections to the relief requested by this Motion.

Waiver of Bankruptcy Rules Regarding Notice of Stay of an Order

61. To implement the foregoing successfully, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and any stay of an order granting the relief requested herein pursuant to Bankruptcy Rule 6004(h), 7062, 9014 or otherwise for all of the reasons described above.

Consent to Jurisdiction

62. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court lacks adjudicatory authority under Article III of the United States Constitution to enter such final order or judgment absent consent of the parties.

Notice

63. Notice of this Motion has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee for the District of Delaware; (b) creditors holding the twenty (20) largest general unsecured claims against the Debtors (on a consolidated basis); (c) Harlow Aerostructures LLC, as (i) Agent and Lender under the Prepetition Credit Agreement and (ii) DIP Lender under the proposed DIP Loan Agreement; (d) the Securities and Exchange Commission; (e) the Office of the United States Attorney for the District of Delaware; (f) the Internal Revenue Service; (g) all parties known to the Debtors who hold any liens or security interests in the Debtors' assets who have filed UCC-1 financing statements against the Debtors, or who, to the Debtors' knowledge, have asserted any liens on any of the Debtors' assets; (h) all landlords of the Debtors; and (i) any other party entitled to notice pursuant to Local Rule 9013-1(m). As the Motion is seeking "first day" relief, within two (2) business days of the hearing on the Motion, the Debtors will serve copies of the Motion and any order entered with respect to the Motion in accordance with the Local Rules. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

64. No prior motion for the relief requested herein has been made to this or any other court.

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WHEREFORE, the Debtors respectfully request entry of the DIP Orders granting the relief requested herein and granting such other relief as is just and proper.

Dated: March 28, 2017

GREENBERG TRAURIG, LLP

/s/ Dennis A. Meloro

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

Exhibit A

Proposed Interim Order

Exhibit A

Proposed Interim Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Aerospace Holdings, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 17-10635 (____)

(Joint Administration Requested)

Ref. Docket No. ____

**INTERIM ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362,
363, 364 AND 507 AUTHORIZING POST-PETITION FINANCING,
(B) AUTHORIZING USE OF CASH COLLATERAL, (C) GRANTING
ADEQUATE PROTECTION AND (D) GRANTING RELATED RELIEF**

This matter coming before the Court on the motion (the “**Motion**”),² filed by the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) seeking, pursuant to sections 105, 361, 362, 363, 364(c), 364(d), 507 and 522 of title 11 of the United States Code (as amended, the “**Bankruptcy Code**”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and the Local Bankruptcy Rules for the District of Delaware (the “**Local Rules**”), the entry of an interim and final order, among other things:

(i) authorization for the Debtors to obtain secured post-petition financing (the “**DIP Facility**”) pursuant to the terms and conditions of this Order and that certain Loan and Security Agreement attached to this Order as Exhibit A (as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, the “**DIP Loan Agreement**”, and together with all agreements, documents, instruments and certificates executed, delivered or filed in connection therewith, as amended, supplemented, restated or otherwise modified from

¹ The Debtors in these Chapter 11 Cases, along with the business addresses and the last four (4) digits of each Debtor’s federal tax identification number are: Aerospace Holdings, Inc., 366 Madison Avenue, 9th Floor, New York, NY 10017 (4318); Valley Tool & Manufacturing, Inc., 22 Prindle Hill Rd., P.O. Box 564, Orange, CT 06477 (8614); NC Dynamics Incorporated, 6925 Downey Avenue, Long Beach, CA 90805 (3219); NCDI Mexico, Inc., 2771 Centerville Road, Suite 400, Wilmington, DE 19808 (5905); and GroupAero Seattle, Inc., 7020 S. 238th Street, Kent, WA 98032 (7033).

² Capitalized terms not otherwise defined in this Order shall have the meanings given to them in the Motion or the DIP Loan Agreement, as applicable.

time to time in accordance with the terms thereof, collectively, the “**DIP Loan Documents**”) by and among each of the above captioned debtors and debtors-in-possession on a joint and several basis (collectively, the “**Borrowers**”) and Harlow Aerostructures LLC (in such capacity, the “**DIP Lender**”), providing for, *inter alia*, a new money secured multiple-draw term loan facility, providing for the borrowing of term loans in accordance with the Approved Budget (as defined below) in an aggregate maximum principal amount not to exceed \$1.2 million (on an interim basis).

(ii) authorization for the Debtors to execute and deliver all final documentation for the DIP Facility and any associated security documents (the “**DIP Documents**”) in form and substance satisfactory to the DIP Lender and to perform such other and further acts as may be required in furtherance of the DIP Facility and the DIP Documents;

(iii) authorization for the Debtors to draw on the DIP Facility, subject to the conditions precedent set forth in the DIP Documents, and to use the proceeds of the DIP Facility and Cash Collateral (as defined herein) to pay for, among other things, working capital and general corporate purposes of the Debtors and the administration of the Cases, in accordance with the DIP Documents and the budget (the “**Approved Budget**”), a copy of which is attached hereto as Exhibit B (or any subsequent Approved Budget permitted by the terms of this Order);

(iv) adequate protection for the Prepetition Agent and Prepetition Lenders (as defined herein) on account of the Prepetition Liens (as defined herein) being primed, on account of the imposition of the automatic stay, and on account of the use of their collateral to the extent of any diminution in the value of such collateral;

(v) authorization for the Debtors to use any cash collateral (as defined in the Bankruptcy Code) in which the Prepetition Agent and Prepetition Lenders may have an interest (the “**Cash Collateral**”) and the granting of adequate protection to the Prepetition Agent and Prepetition Lenders with respect to the use of any such cash collateral;

(vi) the granting of allowed superpriority administrative expense claim status in the Cases to all obligations of the Debtors to the DIP Lender arising under the DIP Facility (collectively, the “**DIP Obligations**”);

(vii) the granting to the DIP Lender of automatically perfected first-priority security interests in and liens on all of the Collateral (as defined herein) to secure all DIP Obligations, which liens and security interest shall be subject to Permitted Liens and the Carve-Out (as defined below);

(viii) modification of the automatic stay imposed by Section 362 of the Bankruptcy Code solely to the extent necessary to provide the DIP Lender with the relief necessary to implement and effectuate the terms and provisions of the DIP Documents;

(ix) pursuant to Bankruptcy Rule 4001, an interim hearing on the DIP Motion (the “**Interim Hearing**”) before this Court to consider entry of an interim order granting the DIP Motion; and

(x) a final hearing (the “**Final Hearing**”) to consider entry of a final order (the “**Final Order**”) authorizing the balance of the credit available under the DIP Facility, all as set forth in the DIP Documents, and any requested relief not granted under any interim orders on a final basis, all as set forth in the DIP Motion;

and the Court having considered the DIP Motion and supporting declaration, the First Day Declaration, the exhibits attached thereto, the DIP Documents, the evidence submitted at the Interim Hearing held before this Court on March __, 2017; and due and appropriate notice of the DIP Motion, the relief requested therein and the Interim Hearing having been given in accordance with Bankruptcy Rules 2002, 4001 and 9014; and all objections, if any, to the interim relief requested in the DIP Motion having been withdrawn, resolved or overruled by the Court; and the relief requested being fair and reasonable and in the best interests of the Debtors, their estates, their creditors and equity holders, and essential for a reasonable sales process and the continued operation of the Debtors’ businesses through the period covered by the current Approved Budget (or any subsequent Approved Budget); and it further appearing that the Debtors are unable to obtain unsecured credit for money borrowed allowable as an administrative expense under Section 503(b)(1) of the Bankruptcy Code or to obtain credit secured solely by the Debtors’ unencumbered assets or by junior liens on previously-encumbered assets; and upon the record before the Court with respect to the DIP Motion; and after due deliberation and consideration, and for good and sufficient cause appearing therefor;

IT IS HEREBY FOUND, DETERMINED, ORDERED AND ADJUDGED, that:

1. Financing Approved. The DIP Motion is granted in accordance with the terms of this Order. The Debtors are authorized to obtain advances in an aggregate amount not to exceed \$_____ (the “**Interim Advances**”) from the DIP Lender pursuant to the DIP Documents and this Order. All objections to the DIP Motion, to the extent not withdrawn or resolved, and all reservations of rights included therein, are hereby overruled.

2. Jurisdiction. This Court has core jurisdiction over the Cases, the DIP Motion, and the persons and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. Notice. The notice given by the Debtors of the DIP Motion, the Interim Hearing, the proposed Order and the DIP Documents constitutes appropriate, due and sufficient notice thereof and complies with the Bankruptcy Rules and Local Rules, and no further notice of the relief sought at the Interim Hearing and the relief granted herein is necessary or required.

4. No Claims Against DIP Lender. Subject to paragraph 27 hereof, each of the Debtors hereby forever waives and releases any and all claims, counterclaims, causes of action, defenses, recoupment rights, or setoff rights against the DIP Lender (which, for the avoidance of doubt, includes the DIP Lender in its capacity as Prepetition Agent and Prepetition Lender) and any of its affiliates, agents, attorneys, advisors, professionals, officers, directors and employees (collectively the “**Released Parties**”), arising prior to the Petition Date, whether arising at law or in equity, including without limitation any claim arising under or pursuant to Section 105 or Chapter 5 of the Bankruptcy Code or similar provisions of applicable non-bankruptcy law, in each case relating to or arising from the DIP Facility or the negotiation and implementation of the DIP Documents.

5. Debtors’ Stipulations Regarding the Bank Debt Obligations. Subject only to paragraph 40 hereof, the Debtors admit, stipulate, acknowledge and agree, and the Court hereby finds and determines, the following, without prejudice to the rights of any official committee of unsecured creditors (the “**Creditors’ Committee**”) and the rights of other parties in interest to challenge such admissions, stipulations, acknowledgments or agreements only as and to the extent set forth in paragraph 40 of this Order:

(a) Bank Debt. The bank debt outstanding as of the Petition Date consists of (i) a revolving line of credit facility (the “**Revolver**”), (ii) a term loan facility (the “**Term Loan**”) and (iii) a Capex loan facility (the “**Capex Facility**” and, collectively with the Revolver and the Term Loan, the “**Bank Debt**”). The Bank Debt was provided pursuant to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement dated as of March 5, 2012 (as amended, restated or otherwise modified from time to time, the “**Prepetition Credit Agreement**”) by and among Valley, NCDI, AHI and GSI (collectively, the “**Prepetition Borrowers**”) as borrowers, the lenders party thereto from time to time (the “**Prepetition Lenders**”) and Harlow as successor to Comerica Bank as administrative agent (the “**Prepetition Agent**”) and documents and instruments executed therewith (collectively with the Prepetition Credit Agreement and as amended, restated, or otherwise modified from time to time, the “**Prepetition Loan Documents**”).

(b) As of the Petition Date, the Revolver had an outstanding balance of approximately \$11.1 million, consisting of principal of approximately \$10.2 million, accrued and unpaid interest of approximately \$1 million, and prepetition fees and expenses (collectively, the “**Prepetition Revolver Obligations**”). As of the Petition Date, the Term Loan had an outstanding balance of approximately \$24.7 million, consisting of principal of approximately \$22.2 million, accrued and unpaid interest of approximately \$2.5 million, and prepetition fees and expenses (collectively, the “**Prepetition Term Loan Obligations**”). As of the Petition Date, the Capex Facility had an outstanding balance of approximately \$2.8 million, consisting of principal of \$2.5 million, accrued and unpaid interest of approximately \$.3 million, and prepetition fees and expenses (collectively, with the Prepetition Revolver Obligations and the Prepetition Term Loan Obligations, the “**Prepetition Obligations**”). The Prepetition

Obligations continue to accrue interest from and after the Petition Date at the default rate provided for in the Prepetition Loan Documents, as well as fees and expenses after the Petition Date (such obligations, including postpetition default interest, together with the Prepetition Obligations, the “**Bank Debt Obligations**”).

(c) Pursuant to that certain Second Amended and Restated Security Agreement dated as of March 5, 2012 (the “**Security Agreement**”) by and among the Prepetition Borrowers and the Prepetition Agent, the Bank Debt Obligations are secured by valid, properly perfected and unavoidable first priority security interests in and liens on (the “**Prepetition Liens**”) all of the Prepetition Borrowers’ right, title and interest in and to the following, whether now owned or hereafter acquired and wherever located: all accounts; chattel paper; general intangibles; equipment; inventory; documents; instruments; deposit accounts and other cash collateral, deposit or investment accounts, including all cash collateral, deposit or investment accounts established or maintained pursuant to the terms of the Security Agreement or the other prepetition loan documents; all computer records and software, whether relating to any of the Prepetition Collateral or otherwise, subject to the rights of any non-affiliated licensee of software; investment property; and proceeds, in cash or otherwise of the property described in this sentence, and all liens, security, rights, remedies and claims of each Debtor with respect thereto (collectively, the “**Prepetition Collateral**”); provided, however, that the Prepetition Collateral does not include and Restricted Assets (as defined in the Security Agreement) but does include any proceeds of the Restricted Assets.

(d) The Prepetition Agent properly perfected the Prepetition Liens on the Prepetition Collateral prior to the Petition Date by, among other things, timely filing financing statements under the Uniform Commercial Code (the “**UCC**”). Additionally, (i) the Prepetition Liens

constitute a valid, properly perfected first priority security interest in and lien on the Prepetition Collateral and are not subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (2) the Bank Debt Obligations constitute legal, valid, binding and non-avoidable obligations of the Prepetition Borrowers that, except for the stay of enforcement arising from section 362 of the Bankruptcy Code and otherwise as provided for herein, are enforceable in accordance with the terms of the Loan Documents; (c) no offsets, defenses, challenges, claims, or counterclaims of any kind or nature to any of the Bank Debt Obligations exist, and no portion of the Bank Debt Obligations is subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (d) that the Debtors have no offsets, defenses, claims, objections, challenges, causes of action, and/or choses in action, including, without limitation, any causes of action under Chapter 5 of the Bankruptcy Code against the Prepetition Agent or the Prepetition Lenders.

(e) Subject to paragraph 40 hereof, each of the Debtors hereby forever waives and releases any and all claims, counterclaims, causes of action, defenses, recoupment rights, or setoff rights against the Prepetition Agent and the Prepetition Lenders and any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees, arising prior to the Petition Date, whether arising at law or in equity, including without limitation any claim arising under or pursuant to Section 105 or Chapter 5 of the Bankruptcy Code or similar provisions of applicable non-bankruptcy law, including, in each case without limitation, for lender liability or pursuant to section 105, 510, 544, 547, 548, 550, or 552 of the Bankruptcy Code, applicable non-bankruptcy law or otherwise; in each case arising from or relating to the Prepetition Credit Agreement, the Prepetition Loan Documents and the Bank Debt Obligations.

(f) Allowance of Prepetition Lenders' Claims. All claims of the Prepetition Lenders (and the Prepetition Agent on its own behalf and on behalf of the Prepetition Lenders) consistent with the acknowledgements, stipulations and admissions set forth in this paragraph 5 of this Order shall be deemed allowed pursuant to Section 502(a) of the Bankruptcy Code, and such claims shall be secured claims pursuant to and to the fullest extent permitted by Section 506 of the Bankruptcy Code to the extent of the value of the respective Debtor's interest in the collateral described above. Neither the Prepetition Agent nor the Prepetition Lenders shall be required to file proofs of claim in the Debtors' Cases in connection with the claims identified in this paragraph 5 of this Order. Nothing contained in this subparagraph (f) shall limit or impair any right of any party with standing to commence a Challenge pursuant to paragraph 40 of this Order.

6. Findings Regarding the Post-Petition Financing and Use of Cash Collateral.

(a) *Cause.* Good cause has been shown for entry of this Order.

(b) *Need for Post-Petition Financing and Use of Cash Collateral.* Without the financing proposed by the DIP Motion, the Debtors do not have the funds necessary to continue their operations through the period set forth in the Approved Budget (or any subsequent Approved Budget as contemplated by the terms of this Order) or conduct a reasonable sales process. The Debtors' ability to continue their operations, to conduct a reasonable sales process, to maintain business relationships, to make payroll, to pay the costs of administration of their estates and to satisfy other working capital and operational needs, depends on obtaining access to the DIP Facility and the continued use of Cash Collateral. The access of the Debtors to sufficient working capital and liquidity through the use of Cash Collateral, incurrence of new indebtedness for borrowed money and other financial accommodations is vital for preserving and maintaining

the going concern values of the Debtors for the benefit of their estates. Failure to obtain the relief requested in the DIP Motion will harm (a) the Debtors, their estates, creditors and equity holders, and (b) the possibility of a near-term value-maximizing transaction.

(c) *No Credit Available on More Favorable Terms.* The Debtors are unable to obtain financing on terms more favorable than those offered by the DIP Lender under the DIP Facility and are unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors also are unable to obtain secured credit under Sections 364(c) or 364(d) of the Bankruptcy Code on equal or more favorable terms than those offered by the DIP Lender under the DIP Facility. The Debtors have made an adequate showing of their efforts to obtain financing on more favorable terms for the purposes of the relief granted herein. A credit facility in the amount and on the terms provided by the DIP Facility is not available from the DIP Lender without the Debtors granting to the DIP Lender (i) the DIP Liens (as defined herein) and the DIP Superpriority Claims (as defined herein), and (ii) the other protections set forth in this Order.

(d) *Use of Proceeds of the DIP Facility.* As a condition to the extension of credit under the DIP Facility, the DIP Lender and the Debtors have agreed that proceeds of any advance made under the DIP Facility (each an “**Advance**”) shall be used exclusively to pay certain costs relating to the administration of the Cases and otherwise in a manner consistent with the terms of the DIP Facility and the Approved Budget, including for ordinary and necessary operating costs and expenses arising after the Petition Date or other payments as may be agreed to by the DIP Lender. No portion of the proceeds of any Advance under the DIP Facility shall be used, directly or indirectly, to make any payment or prepayment that is

prohibited under the DIP Facility or the Approved Budget, subject to subsequent order of the Court.

(e) *Business Judgment and Good Faith Pursuant to Section 364(e).* The terms and conditions of the DIP Facility and the DIP Documents are fair, reasonable, and the best available to the Debtors under the circumstances, reflect the exercise of prudent business judgment by the Debtors consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration. The DIP Facility was negotiated without collusion, in good faith and at arms' length between and among the Debtors and the DIP Lender. Use of credit to be extended under the DIP Facility shall be deemed to have been so allowed, advanced, made, used or extended in good faith, within the meaning of Section 364(e) of the Bankruptcy Code and in express reliance on the protections offered by Section 364(e) of the Bankruptcy Code, and the DIP Lender is therefore entitled to the full protection and benefits of Section 364(e) of the Bankruptcy Code in the event that this Order or any provision hereof is vacated, reversed, or modified, on appeal or otherwise.

(f) *Interim Relief.* Absent the relief provided by this Order, the Debtors, their estates, and their creditors will be harmed. Consummation of the DIP Facility in accordance with the DIP Documents is therefore in the best interests of the Debtors and their estates and is consistent with their fiduciary duties.

7. Authorization of the DIP Facility. The Debtors are expressly and immediately authorized to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Order and the DIP Documents, which are expressly approved and incorporated herein by reference. The DIP Obligations shall represent valid and binding obligations of the Debtors, enforceable against the Debtors and their estates in accordance with their terms.

Notwithstanding (a) any other provision of this Order which may appear to the contrary or (b) any provision of the DIP Documents, to the extent of any conflict between any of the DIP Documents and any provision of this Order, this Order shall control and govern.

8. Authorization to Perform Under DIP Documents. Subject to the terms of this Order, the Debtors are hereby authorized to execute, enter into, and deliver the DIP Documents and all instruments and documents which may be required or reasonably necessary for the performance by the Debtors under the DIP Facility and the creation and perfection of the DIP Liens as described in and provided for by this Order and the DIP Documents, and the DIP Documents are hereby approved. This Order and the DIP Documents shall evidence the validity and binding effect of the DIP Obligations and shall govern the financial accommodations to be provided to the Debtors by the DIP Lender. The Debtors and the DIP Lender may make nonmaterial modifications to the DIP Documents without the necessity of further Court approval.

9. Authorization to Borrow. Subject to the terms, conditions, limitations on availability set forth in the DIP Documents and this Order, the Debtors are hereby authorized to request, within three days of the date hereof, and obtain one or more advances under the DIP Facility in an aggregate maximum amount equal to the Interim Advances.

10. No Obligation to Extend Credit. The DIP Lender shall have no obligation to make any loan or advance under the DIP Documents or this Order, unless all of the conditions precedent to the making of such extension of credit under the DIP Documents and this Order have been satisfied in full or have been waived by the DIP Lender in its sole and absolute discretion.

11. Use of DIP Facility Proceeds; Budget Covenants.

(a) From and after the Petition Date, the Debtors shall use Advances under the DIP Facility and Cash Collateral only for the purposes specifically set forth in this Order and the other DIP Documents, and in compliance with the Approved Budget, including to pay Professional Fees (as herein defined) in compliance with the Approved Budget and the Carve-Out (as herein defined). Notwithstanding anything to the contrary in this Order or the other DIP Documents, in no event shall any proceeds of the DIP Facility or any Cash Collateral be used (A) for any purpose that is not permitted under this Order or the DIP Documents; (B) in a manner not consistent with the Approved Budget; (C) for any investigation or analysis of any claim or cause of action against any of the DIP Lender, the Prepetition Lender, the Prepetition Agent or any of their affiliates and predecessors; and (D) for any preparation or prosecution of any claim or cause of action against the DIP Lender, the Prepetition Lender, the Prepetition Agent or any of their affiliates and predecessors.

(b) *Advances of the DIP Loan.* Subject to the terms and conditions set forth in the DIP Loan Agreement and the terms of this Order, the DIP Lender will make Advances to Debtors, jointly and severally, in accordance with the Approved Budget; *provided, however*, that the DIP Lender shall have no obligation to make any Advance under the DIP Loan Agreement to the extent that, after giving effect to the requested Advance, the outstanding principal balance of the Advances under the DIP Loan Agreement exceeds (i) \$696,000 as of the end of “Week 1” and “Week 2” reflected on the Approved Budget, \$1,168,000 as of the ends of “Week 3” and “Week 4” reflected on the Approved Budget, and \$1,529,000 (the “**Loan Amount**”) as of the ends of “Week 5”, “Week 6” and “Week 7” reflected on the Approved Budget; or (ii) the Loan Amount; *provided* that the DIP Lender may increase the Loan Amount as it may determine in its sole discretion.

(c) *Variance Reporting.* by 5:00 p.m. prevailing eastern time on each Tuesday after the Petition Date (or, if such day is not a Business Day, the Business Day immediately following such day), the Borrowers shall deliver to DIP Lender, a report, in form and substance reasonably satisfactory to DIP Lender, setting forth for the immediately preceding week (ending on the Sunday immediately preceding the applicable Tuesday reporting deadline) and for the cumulative period from the Petition Date through the immediately preceding Sunday, the actual and budgeted results for such week and cumulative post-Petition Date time period by line item in the Approved Budget, together with a reasonably detailed written explanation of all material variances.

(d) *Permitted Variances.*

(i) *Line Item Variances.* Each week, commencing with the first full week after the Petition Date, the Debtors shall ensure that at no time shall (x) the total actual cash disbursements of the Debtors as designated in the then Approved Budget in the line items titled (1) Raw Materials, Outside Processing, Mfg O/H, (2) Insurance (3) Other and (4) Utilities, exceed 110% of the amount budgeted for each such line item in the Approved Budget for the period commencing on any Monday through the end of the week preceding the applicable Tuesday testing date; (y) the total actual cash disbursements of the Debtors as designated in the then Approved Budget in the line item titled Payroll and Related, exceed 105% of the amount budgeted for such line item in the Approved Budget for the period commencing on any Monday through the end of the week preceding the applicable Tuesday testing date; and (z) the total actual cash disbursements of the Debtors as designated in the then Approved Budget in each other line item not addressed in subparagraphs (x) and (y) of this paragraph 11(d)(i) exceed the amount budgeted for each such line item in the Approved Budget for the period commencing on any Monday through the end of the week preceding the applicable Tuesday testing date; provided, however, that any amounts subject to subparagraphs 11(d)(i)(x) through 11(d)(i)(z) which are not used during the applicable testing period may be carried forward on a line item per line item basis and used instead in subsequent weeks covered by the Approved Budget.

(ii) *Permitted Variances.* Notwithstanding the variances permitted in the immediately preceding paragraph, commencing with the first full week after the Petition Date, the Debtors shall ensure that on no testing date

shall the sum of their actual total operating disbursements (including without limitation for this purpose their actual disbursements for restructuring and related professional fees, for capital expenditures and for capital leases, hereinafter referred to collectively as “**Aggregate Actual Disbursements**”) for the testing period commencing on any Monday and continuing through the end of the week preceding the applicable Tuesday testing date exceed the sum of the line items labeled “Total Operating Disbursements,” “Restructuring Related Professional Fees,” “Capital Expenditures” and “Capital Leases” on the Approved Budget for the week corresponding to such testing period (hereinafter referred to collectively as “**Aggregate Budgeted Disbursements**”); provided, however, that any amount by which their Aggregate Actual Disbursements for a testing period is less than the “Aggregate Budgeted Disbursements” for such testing period may be carried forward by the Debtors to the next testing period. The variances set forth in paragraphs 11(d)(i) and 11(d)(ii) are hereinafter referred to as the “**Permitted Variances**”.

(e) *Approval Required for Variances.* Variances (other than the Permitted Variances), if any, from the Approved Budget shall be subject to written agreement by the Debtors and the DIP Lender. Any incurrence or payment by any of the Debtors of expenses (x) other than as set forth in the Approved Budget (subject to Permitted Variances) and (y) in excess of the Permitted Variances shall constitute an Event of Default under and as defined in the DIP Loan Agreement.

(f) *Payment of Professional Fees.* Notwithstanding anything to the contrary herein, the Debtors shall ensure that, for the period from and after the Petition Date (but prior to the occurrence of a Maturity Date), the Debtors shall not make payments to the Retained Professionals (defined below) for any fees and expenses incurred by the Retained Professionals in excess of the line item amounts corresponding to each of the respective Retained Professionals’ identified in the then applicable Approved Budget (or a schedule thereto) (the “**Professional Fee Schedule**”), as applicable; provided, however, that line item amounts for a particular Retained Professional may be used and carried on a cumulative basis from the Petition

Date so long as all payments made to a Retained Professional do not exceed the aggregate amount budgeted for such Retained Professional.

12. Superpriority Claims. Pursuant to Section 364(c)(1) of the Bankruptcy Code, but subject to the Carve-Out, all of the DIP Obligations shall constitute allowed superpriority administrative expense claims against each of the Debtors (the “**DIP Superpriority Claims**”) with priority over any and all administrative expense claims, adequate protection claims, diminution claims, and all other claims against the Debtors or their estates in the Cases, at any time existing or arising, of any kind or nature whatsoever, including without limitation, administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code Sections 105, 326, 328, 330, 331, 364(c), 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726, 1113 and 1114, and any other provision of the Bankruptcy Code, as provided under Section 364(c)(1) of the Bankruptcy Code; and which claims shall at all times be senior to the rights of the Debtors and their estates, any successor trustee or other estate representative and any creditor or other party in interest to the extent permitted by law.

13. DIP Liens. Subject in all respects to the Carve-Out, as security for the DIP Obligations, effective and perfected upon the date of this Order and without the necessity of the execution, recordation of filings by the Debtors of mortgages, security agreements, control agreements, pledge agreements, financing statements or other similar documents, or the possession or control by the DIP Lender or its agents over any Collateral, the following security interests and liens are hereby granted to the DIP Lender (the “**DIP Liens**”):

(a) pursuant to Section 364(c)(2) of the Bankruptcy Code, a perfected first-priority security interest in and lien on all currently-owned or hereafter acquired assets and property, including without limitation all of its real and personal property and assets other than the

Excluded Collateral, whether tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title, or interest, including all of the following property in which it now has or at any time in the future may acquire any right, title or interest: all leasehold interests, real property interests, and fixtures relating to the Real Property; all Accounts; all Deposit Accounts and all funds on deposit therein; all cash and cash equivalents; all commodity contracts; all investments, Stock and Investment Property; all Inventory; all Equipment; all Goods; all Chattel Paper; all Documents; all Instruments; all Books and Records; all General Intangibles; all Supporting Obligations; all Letter-of-Credit Rights; claims and causes of action including all commercial tort claims; all Intellectual Property, all copyrights, tradenames, trademarks and patents, all software programs, all content or product licenses (whether Borrower is licensee or licensor thereunder), all development agreements, all distribution or publishing agreements, all franchise agreements, all other intellectual property, and to the extent not otherwise included, all Proceeds and products of all and any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing (all of the foregoing, together with any other collateral pledged to the Lender pursuant to any other Credit Document, collectively, the “**Collateral**”), to the extent that such Collateral is not subject to valid, perfected and non-avoidable liens as of the Petition Date that constitute Excluded Collateral. Without limiting the generality of the foregoing, the Collateral shall include a fully perfected security interest in all of the existing and after acquired real and personal, tangible and intangible, assets of each Debtor, including, without limitation, all cash, cash equivalents, bank accounts, accounts, other receivables, chattel paper, contract rights, inventory, instruments, documents, licensing agreements, securities (whether or not marketable), equipment, fixtures, leasehold interests and real property interests, franchise rights, patents,

trademarks, tradenames, copyrights, intellectual property, general intangibles, investment property, commercial tort claims, and all substitutions, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds; *provided, however*, that the Collateral shall not include the following: (a) any lease, license, contract, property rights or agreement or assets restricted pursuant to the terms thereby to which such Debtor is a party or any of its rights or interests thereunder if and for so long as the grant of such security interest shall constitute or result in (x) the abandonment, impairment, invalidation or unenforceability of any right, title or interest of such person therein or (y) a breach or termination pursuant to the terms of, or a default under, any lease, license, contract, property rights or agreement or any lease, license, contract, property rights or agreement related to such assets, in each case other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity, *provided, however*, that the Collateral shall include and such security interest shall attach immediately at such time as the condition causing such abandonment, impairment, invalidation or unenforceability shall be remedied and to the extent severable, shall attach immediately to any portion of such lease, license, contract, property rights or agreement or assets that does not result in any of the consequences specified in (x) or (y) above; (b) any asset, the granting of a security interest in which would be void or illegal under any applicable governmental law, rule or regulation, or pursuant to any such governmental law, rule or regulation would result in, or permit the termination, invalidation, cancellation, loss or abandonment of, such asset, or would require a consent not obtained of any governmental authority; and (c) the Stock of NC Dynamics Mexico, S. DE R.L. De C.V.

(b) pursuant to Section 364(c)(3) of the Bankruptcy Code, a perfected security interest in and lien on all Collateral, subject only to valid, perfected and non-avoidable liens in favor of third parties and in existence as of the Petition Date, or to valid and non-avoidable liens in favor of third parties and in existence at the Petition Date that are subsequently perfected as permitted by Section 546(b) of the Bankruptcy Code (other than the Prepetition Liens, which shall be primed as set forth below by a lien pursuant to Section 364(d) of the Bankruptcy Code); and

(c) pursuant to Section 364(d) of the Bankruptcy Code, a perfected first-priority security interest in and lien on all Collateral to the extent such Collateral is subject to the Prepetition Liens, which Prepetition Liens shall be primed by the DIP Liens.

(d) The DIP Lender shall not be required to marshal the Collateral, and shall be authorized to foreclose on and liquidate any of the Collateral as consistent with the DIP Documents, in any manner or order in the DIP Lender's sole and absolute discretion.

14. Perfection of DIP Liens. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of all DIP Liens, without the necessity of filing or recording any financing statement, mortgage, notice, or other instrument or document which may otherwise be required under the law or regulation of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any lockbox or deposit account control agreement) to validate or perfect (in accordance with applicable non-bankruptcy law) the DIP Liens, or to entitle the DIP Lender to the priorities granted herein. Notwithstanding the foregoing, the DIP Lender is authorized to file, at its sole discretion, such financing statements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence the DIP Liens, and all such financing statements,

mortgages, notices, other documents, and approvals shall be deemed to have been filed or recorded as of the Petition Date; *provided, however*, that no such filing or recordation shall be necessary or required in order to create or perfect the DIP Liens. The Debtors are authorized and directed to execute and deliver promptly upon demand to the DIP Lender all such financing statements, mortgages, notices and other documents as the DIP Lender reasonably requests. The DIP Lender in its discretion may file a photocopy of this Order as a financing statement with any filing or recording office or with any registry of deeds or similar office, in addition to or in lieu of such financing statements, notices of lien or similar instrument.

15. Limitation on Charging Expenses Against Collateral and the Equities of the Case Doctrine. Subject to entry of the Final Order, except to the extent of the Carve-Out, no costs or expenses of administration of the Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Collateral or the Cash Collateral pursuant to Section 506(c) of the Bankruptcy Code or any similar principle of law without the prior written consent of the DIP Lender or the Prepetition Agent. Moreover, in light of the subordination of their DIP Liens, Prepetition Liens and super-priority administrative expense claims to (i) the Carve-Out in the case of the DIP Lender, and (ii) the Carve-Out and the DIP Liens and DIP Super-Priority Claims in the case of the Prepetition Agent and Prepetition Lender, each of the DIP Lender, the Prepetition Lender and the Prepetition Agent are entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and subject to entry of the Final Order, the “equities of the case” exception shall not apply.

16. Use of Prepetition Collateral. Subject to the terms and conditions of this Order, the Debtors are authorized, pursuant to Section 363 of the Bankruptcy Code, to use the Prepetition Collateral.

17. Adequate Protection For Prepetition Lenders and Prepetition Agent. In consideration for the use of the Prepetition Collateral, including the Cash Collateral, from and after the Petition Date, and also as protection against the effect of the priming described above herein and the imposition of the automatic stay, the Prepetition Agent, for itself and the Prepetition Lenders, collectively shall receive the following adequate protection (collectively, the **“Prepetition Lender Adequate Protection”**):

(a) Replacement Liens. Except to the extent provided in this paragraph 17(a), to the extent of any diminution in value of the respective interests of the Prepetition Agent and Prepetition Lenders in the Prepetition Collateral, including, without limitation, the Cash Collateral, from and after the Petition Date, whether due to the use of Cash Collateral, the priming described above, the imposition of the automatic stay or otherwise, the Prepetition Agent, for itself and the Prepetition Lenders, is hereby granted, subject to the terms and conditions set forth below, pursuant to Sections 361, 363 and 364 of the Bankruptcy Code, (i) replacement liens and security interests in and upon all property of the Debtors constituting Prepetition Collateral (whether created or coming into existence prepetition or postpetition) and (ii) liens and security interests in and upon all Collateral (all of the foregoing collateral collectively referred to as the **“Adequate Protection Collateral”** and such adequate protection liens and security interests, the **“Adequate Protection Liens”**). The Adequate Protection Liens on such Adequate Protection Collateral shall be subject and subordinate in priority and right of payment only to the Carve-Out and the DIP Liens.

(b) Super-Priority Claims. To the extent of any diminution in value of the prepetition interests of the Prepetition Agent and Prepetition Lenders in the Prepetition Collateral for any reason, the Prepetition Agent, for itself and the Prepetition Lenders, is hereby granted allowed super-priority administrative claims (such adequate protection super-priority claims, the “**Adequate Protection Super-Priority Claims**”), pursuant to Section 507(b) of the Bankruptcy Code, which Adequate Protection Super-Priority Claims shall have priority over all administrative expenses of the kind specified in, or ordered pursuant to, any provision of the Bankruptcy Code, including, without limitation, those specified in, or ordered pursuant to, Sections 105, 326, 327, 328, 330, 503(b), 506(c), 507(a) and (b), 546(c), 726, 1113 and 1114 of the Bankruptcy Code or otherwise. The Adequate Protection Super-Priority Claims shall be subject and subordinate in priority and right of payment only to the Carve-Out and the DIP Superpriority Claims.

(c) Fees and Expenses. Subject to the Carve-Out, the Debtors are authorized and directed to pay all reasonable and documented fees, expenses and other obligations owing to the Prepetition Agent and the Prepetition Lenders under the Prepetition Loan Documents and incurred after the Petition Date, including, without limitation, the fees, expenses and disbursements of counsel and financial and other advisors and consultants for the Prepetition Agent and the Prepetition Lenders (all such fees, expenses and disbursements, “**Fees and Expenses**”) in accordance with the Approved Budget. The Prepetition Agent will provide invoices for the Fees and Expenses on a monthly basis to the Debtors, the Office of the United States Trustee and the Committee, if any, and such invoices shall be paid promptly and irrevocably by the Debtors at the times and in the amounts not greater than those contemplated in the Budget if none of the foregoing parties objects in writing to the payment of any invoice

within ten days of service thereof (the “**Fee Challenge Period**”). In the event any of the parties identified in the immediately preceding sentence objects to the payment of any invoice provided to such party during the Fee Challenge Period, all Fees and Expenses to which no objection has been raised shall be paid promptly and irrevocably by the Debtors at the times and in the amounts not greater than those contemplated in the Budget, and the objecting party and the Prepetition Agent and Prepetition Lenders (as applicable) shall negotiate in good faith in an effort to resolve consensually the objection to the remaining Fees and Expenses. To the extent an objection cannot be resolved consensually within ten days from the date on which such objection is first raised with the Prepetition Agent or Prepetition Lenders (as applicable), or such longer period as may be agreed upon in writing between the objecting party and the Prepetition Agent or Prepetition Lenders (the “**Fee Dispute Period**”), the objecting party shall promptly seek relief from the Court to determine whether the Fees and Expenses subject to an objection should be paid, and the Court shall determine any such dispute using a reasonableness standard. Failure to seek such relief from the Court by the objecting party within three (3) days from the expiration of the Fee Dispute Period shall result in the waiver of such party’s objection to the payment of the disputed Fees and Expenses.

18. Automatic Post-Petition Lien Perfection. This Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection and priority of the Adequate Protection Replacement Liens without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect (in accordance with applicable non-bankruptcy and other law) the Adequate Protection Replacement

Liens, or to entitle the Prepetition Agent and the Prepetition Lenders to the priorities granted herein.

19. Carve-Out; Payment of Retained Professionals.

(a) *Carve-Out.* For the purposes of this Order, the term “**Carve-Out**” shall mean the following: (i) all fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under 28 U.S.C. § 1930(a) (the “**U.S. Trustee Fees**”); (ii) prior to the delivery of a Carve-Out Notice (as defined below), to the extent allowed at any time by the Bankruptcy Court and subject to the Approved Budget (including the Professional Fee Schedule) for each such professional on a cumulative basis from the Petition Date through the delivery of the Carve-Out Notice, all accrued and unpaid fees and expenses incurred by professionals retained by (x) the Debtors, including the claims and noticing agent and (y) one official committee of unsecured creditors (collectively, the professionals identified in clauses (x) and (y) above, the “**Retained Professionals**”); and (iii) after the date of the delivery of a Carve-Out Notice, (x) to the extent allowed by the Bankruptcy Court, all unpaid fees and expenses incurred by the Retained Professionals in an aggregate amount not to exceed \$100,000 (the amounts in this clause (iii), the “**Post-Default Carve-Out**”). For purposes of the foregoing, “**Carve-Out Notice**” shall mean a written notice invoking the Carve-Out delivered by the DIP Lender to counsel to the Debtors, the United States Trustee, and lead counsel to any official committee, which notice may be delivered following the occurrence of an Event of Default without need for the DIP Lender to seek stay relief. The Post-Default Carve-Out shall be funded during the first four (4) weeks in accordance with the Approved Budget either through Advances or proceeds of Collateral; provided that all amounts of the Carve-Out that have not been funded or deposited into the Professional Fee Account (as defined below) as of the date of the Carve-Out Notice shall

be required to be funded by the DIP Lender or from the proceeds of Collateral. In addition, at any time, the DIP Lender may elect to pre-fund any then-budgeted but unfunded amounts for Retained Professionals into the Professional Fee Account.

(b) *Professional Fee Account.* Until the Maturity Date, the Debtors are authorized and directed, without further order of the Court and on Monday of every week, to deposit into an account maintained by Debtors' counsel or other party designated by the Debtors an amount equal to the line items identified in the then applicable Approved Budget to pay the reasonable and documented unpaid fees, costs, disbursements and expenses (collectively the "**Bankruptcy Fees**") under the line items for Restructuring Related Professional Fees (such account the "**Professional Fee Account**"), which amounts are part of the Carve-Out. Proceeds deposited into the Professional Fee Account shall be held for purposes of paying allowed Bankruptcy Fees, after application of any remaining retainers, of the Retained Professionals that were incurred prior to Delivery of the Carve-Out Notice when allowed by order of this Court (as to which the parties' rights are expressly reserved). Any portion of the Professional Fee Account not used to pay allowed Bankruptcy Fees of Retained Professionals, after application of any remaining retainers, shall be remitted to the DIP Lender after payment in full of all allowed fees and expenses of Retained Professionals which are part of the Carve-Out; provided, that if the DIP Lender has not provided funds under the Approved Budget to fund the Professional Fee Account in amounts required to be funded prior to the Carve-Out Notice, then the DIP Lender shall fund all such accrued amounts concurrently with delivering the Carve-Out Notice, or such amounts may be funded with proceeds of Collateral. The foregoing amounts may be paid from the Professional Fee Account, after application of any remaining retainers, notwithstanding the

Maturity Date (as defined in the DIP Loan Documents) or the dismissal or conversion of these Cases.

(c) For the avoidance of doubt, the Carve-Out shall be senior to all liens and claims (including, without limitation, administrative and superpriority claims) securing the DIP Obligations and the Prepetition Obligations, including the Adequate Protection Liens and any and all other forms of adequate protection, liens, security interests and other claims granted herein to the Prepetition Agent, the Prepetition Lender, or the DIP Lender.

(d) Prior to the date of delivery of the Carve-Out Notice (the date of such delivery, “**Carve-Out Trigger Date**”), the Debtors are authorized to pay Bankruptcy Fees that are authorized to be paid under sections 330 and 331 of the Bankruptcy Code pursuant to an order of the Court, as the same may be due and payable subject to the Approved Budget, and such payments shall not reduce the Post-Default Carve-Out. Upon the receipt of the Carve-Out Notice, the Debtors shall provide prompt notice to all Retained Professionals informing them that such notice was delivered and further advising them that the Debtors’ ability to pay such Retained Professionals is subject to and limited by the Carve-Out. Any payment or reimbursement made on or after the Carve-Out Trigger Date to a Retained Professional shall permanently reduce the Carve-Out on a dollar-for-dollar basis.

(e) None of the DIP Lender, the Prepetition Agent or the Prepetition Lender shall be responsible for the direct payment or reimbursement of any fees or disbursements of any Retained Professional or any other person incurred in connection with the Cases under any chapter of the Bankruptcy Code. For the avoidance of doubt, nothing herein shall be construed as consent to the allowance of the fees, costs and expenses of the Retained Professionals.

20. Right to Credit Bid; Distribution of Proceeds.

(a) The rights of the DIP Lender to credit bid (whether under Section 363(k) of the Bankruptcy Code or otherwise), to the extent of the full amount of the outstanding DIP Obligations, shall not be impaired. Likewise, the rights of the Prepetition Agent and the Prepetition Lenders to credit bid (whether under Section 363(k) of the Bankruptcy Code or otherwise), to the extent of the full amount of the outstanding Bank Debt Obligations, shall not be impaired. For the avoidance of doubt, both the DIP Lender and Prepetition Agent (on behalf of the Prepetition Lenders) shall have the unfettered right to credit bid.

(b) The DIP Lender and the Prepetition Agent shall be entitled to exercise or submit their credit bids at any time prior to the conclusion of the auction contemplated in the bidding procedures proposed in these Cases. The DIP Obligations, the DIP Liens, the Bank Debt Obligations, the Prepetition Liens and the Adequate Protection Replacement Liens shall, for the avoidance of doubt, be deemed to exist and to be valid, properly perfected, unavoidable and not subject to subordination, dispute, voidance, avoidance or other challenge for purposes of submitting such a credit bid and obtaining a distribution of the proceeds of any such sale.

21. Adequate Protection. Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, the Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Agent and the Prepetition Lenders until the Final Hearing, without prejudice to the Prepetition Agent or the Prepetition Lenders requesting and obtaining other and additional adequate protection at any time, as the Court may hereafter rule or order, and provided any other party in interest, not being hereby precluded, shall have the right to contest such request for other or additional adequate protection.

22. Joint and Several Liability. For the avoidance of doubt, each Debtor shall be jointly and severally liable (as co-borrowers) for all DIP Obligations, and any confirmation order entered in the Cases shall not discharge or otherwise affect any DIP Obligations other than after the indefeasible payment, in full and in immediately available funds without deduction or setoff, to the DIP Lender of all DIP Obligations on or before the effective date of a plan of reorganization in the Cases or the maturity date contemplated in the DIP Credit Agreement.

23. Sale Milestones. The milestones for the sale of all or substantially all of the Debtors and/or each Debtor (the “Milestones”) are set for the below:

(a) No later than April 11, 2017, a hearing regarding approval of a bidding procedures order in form and substance satisfactory to the DIP Lender (the “Bid Procedures Order”) shall have been held;

(b) No later than April 12, 2017, the Bid Procedures Order shall have been entered;

(c) No later than May 2, 2017, the auction to be contemplated under the Bid Procedures Order shall have been commenced and completed;

(d) No later than May 4, 2017, a hearing to approve the sale to the winning bidder at the auction – or to the stalking horse bidder if no auction – shall have been held and concluded;

(e) No later than May 5, 2017, an order approving the sale shall have been entered;
and

(f) No later than May 9, the sale shall have closed.

If any of the foregoing Milestones is not timely satisfied by the Debtors, then, notwithstanding anything to the contrary contained in the DIP Documents, an Event of Default (as defined in the DIP Credit Agreement) shall immediately occur and the DIP Lender shall, without the need to comply with paragraph 30 below, have the immediate right to exercise all rights and remedies

under the DIP Credit Agreement and the other DIP Documents that it would be entitled to exercise upon the occurrence of any other Event of Default for which any applicable cure period has passed.

24. Good Faith Under Section 364(e) of the Bankruptcy Code; No Modification or Stay of this Order. The terms and conditions of the DIP Facility and the DIP Documents are fair, reasonable, and the best available to the Debtors under the circumstances, reflect the exercise of prudent business judgment by the Debtors consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration. The DIP Facility and the use of Prepetition Collateral were negotiated without collusion, in good faith and at arms' length among the Debtors and the DIP Lender. The DIP Lender and the Prepetition Agent and Prepetition Lenders have acted in good faith in connection with this Order, and their reliance on this Order is in good faith. Based on the findings set forth in this Order and the record made during the Interim Hearing, and in accordance with Section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Order are hereafter modified, amended or vacated by a subsequent order of this Court or any other court, the DIP Lender, the Prepetition Agent and the Prepetition Lenders are entitled to the protections provided in Section 364(e) of the Bankruptcy Code. Any such modification, amendment or vacatur shall not affect the validity and enforceability of any advances previously made or made hereunder, or any lien, claim or priority authorized or created hereby, whether in favor of the DIP Lender or the Prepetition Agent. Any liens or claims granted to the DIP Lender or the Prepetition Agent hereunder arising prior to the effective date of any such modification, amendment or vacatur of this Order shall be governed in all respects by the original provisions of this Order, including entitlement to all rights, remedies, privileges and benefits granted herein.

25. Proofs of Claim. The DIP Lender will not be required to file proofs of claim in any of the Cases for any claim allowed herein in relation to the DIP Facility.

26. Limitations on the DIP Facility and the Collateral. The DIP Facility, the Advances and the Collateral may not be used in connection with: (a) opposing, preventing, hindering, or delaying the DIP Lender's enforcement or realization upon any of the Collateral once an Event of Default (as defined in the DIP Documents) has occurred; (b) using, seeking to use, selling, seeking to sell, or otherwise disposing of or seeking to dispose of any Collateral without the prior written consent of the DIP Lender and the Prepetition Agent; (c) using or seeking to use any insurance proceeds constituting Collateral without the prior written consent of the DIP Lender and the Prepetition Agent; (d) incurring indebtedness without the prior written consent of the DIP Lender, except to the extent permitted under the DIP Documents; (e) objecting to or challenging in any way any of the claims, liens, security interests, Prepetition Collateral or Collateral granted to the DIP Lender or the Prepetition Agent or Prepetition Lenders pursuant to this Order; (f) asserting, commencing or prosecuting any claims or causes of action, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, or similar provisions of applicable non-bankruptcy law, including, in each case without limitation, for lender liability or pursuant to section 105, 510, 544, 547, 548, 550, or 552 of the Bankruptcy Code, against the DIP Lender, the Prepetition Agent, the Prepetition Lenders or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors, employees and predecessors; or (g) prosecuting an objection to, or contesting in any manner, or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the DIP Obligations, the DIP Liens, the Bank Debt Obligations, the Prepetition Liens, the Adequate Protection Replacement

Liens or any other rights or interests of the DIP Lender or the Prepetition Agent or Prepetition Lenders.

27. Effect of Stipulations on Third Parties. Each release, waiver, stipulation, admission and agreement in Paragraph 4 of this Order, shall be binding upon the Debtors and any successor thereto (including, without limitation, any Chapter 7 or Chapter 11 trustee appointed or elected for any of the Debtors) under all circumstances and for all purposes, including, without limitation, for determining the disposition of any proceeds of any sale, and the Debtors are deemed to have irrevocably waived and relinquished all claims against the DIP Lender and any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees as of the date of entry of this Order.

28. Effect of Stipulations Regarding Prepetition Agent and Prepetition Lenders. Subject to paragraph 40 below, each release, waiver, stipulation, admission and agreement in Paragraph 5 of this Order, shall be binding upon the Debtors and any successor thereto (including, without limitation, any Chapter 7 or Chapter 11 trustee appointed or elected for any of the Debtors) under all circumstances and for all purposes, including, without limitation, for determining the disposition of any proceeds of any sale, and the Debtors are deemed to have irrevocably waived and relinquished all claims against the Prepetition Agent and the Prepetition Lenders and any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees as of the date of entry of this Order.

29. Modification of Automatic Stay. The automatic stay imposed under Section 362(a) of the Bankruptcy Code is hereby modified solely to the extent necessary to authorize the Debtors and DIP Lender to take any action necessary to implement and effectuate the terms and provisions of this Order and the DIP Documents.

30. Exercise of Remedies. The automatic stay provisions of Section 362 of the Bankruptcy Code are vacated and modified to the extent necessary to permit the DIP Lender to exercise all rights and remedies under the DIP Documents, upon the occurrence and continuance of an Event of Default and five (5) days' prior written notice (which shall run concurrently with any notice provided for under the DIP Documents) to the Debtors and counsel to each of the Debtors, the Creditors' Committee (if any) and the U.S. Trustee.

31. DIP Lender, Prepetition Agent and Prepetition Lenders Not Responsible Persons. In (a) making the decision to provide the DIP Facility and allow the usage of the Prepetition Collateral; (b) administering the DIP Facility; (c) extending related financial accommodations to the Debtors; and (d) making the decision to collect the indebtedness and obligations of the Debtors (in each case, as applicable), the DIP Lender, the Prepetition Agent and the Prepetition Lenders shall not be considered to be exercising control over any operations of the Debtors or acting in any way as a "responsible person," or as an "owner or operator" with respect to the operation or management of the Debtors, so long as the actions of the DIP Lender, the Prepetition Agent and the Prepetition Lenders do not constitute within the meaning of 42 U.S.C. § 9601(20)(F), actual participation in the management or operational affairs of a facility owned or operated by a Debtor, or otherwise cause liability to arise to the federal or state government or the status of responsible person or managing agent to exist under applicable law (as such terms, or any similar terms, are used in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., as either may be amended from time to time, or any similar federal, state, or local law, statute, or ordinance).

32. No Third Party Rights. Except as explicitly provided for herein, this Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

33. No Waiver by Failure to Seek Relief. The failure of the DIP Lender to seek relief or otherwise exercise its rights and remedies under this Order, the DIP Documents, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise.

34. Binding Effect of Order. Immediately upon execution by this Court, the terms and provisions of this Order shall become valid and binding upon and inure to the benefit of the Debtors, the DIP Lender, all other creditors of the Debtors, and all other parties in interest and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in the Cases, or upon dismissal of the Cases.

35. No Modification of Order. Until and unless the DIP Obligations have been indefeasibly paid in full and in immediately available funds (such payment being without prejudice to any terms or provisions contained in the DIP Documents which survive such discharge by their terms) and all commitments to extend credit under the DIP Facility have been terminated, the Debtors irrevocably waive the right to seek and shall not, without the DIP Lender' prior written consent, seek or consent to, directly or indirectly: (a) any modification, stay, vacatur or amendment to this Order; (b) the granting of any priority claim or administrative expense against the Debtors (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation any administrative expense of the kind specified in Sections 503(b), 506(c), 507(a) or 507(b) of the Bankruptcy Code) in any of the Cases, equal or superior to the DIP Superpriority Claims, (c) the entry of any order allowing use of cash collateral resulting

from Collateral; or (d) the granting of any lien on any of the Collateral with priority equal or superior to the DIP Liens. The Debtors irrevocably waive any right to seek any amendment, modification or extension of this Order without the DIP Lender' prior written consent, and no such consent shall be implied by any other action or inaction of the DIP Lender.

36. Additional Financing. The Debtors shall not seek additional post-petition financing without the prior written consent of the DIP Lender, and the filing of a motion seeking additional post-petition financing without the prior written consent of the DIP Lender in its sole and absolute discretion, or the approval of any such financing without the consent of the DIP Lender in their sole and absolute discretion, shall be an Event of Default under the DIP Facility and under the DIP Documents, and the DIP Lender shall have the right to exercise all rights and remedies under the DIP Documents immediately upon the filing of such motion or entry of such order.

37. Headings. Section headings used herein are for convenience only and are not to affect the construction of or to be taken into consideration in interpreting this Order.

38. Survival. The terms and provisions of this Order, including the claims, liens, security interests and other protections granted to the DIP Lender pursuant to this Order, notwithstanding the entry of any further order, shall continue in the Cases, or following dismissal of the Cases, and shall maintain their priority as provided by this Order until all the DIP Obligations, pursuant to the DIP Documents and this Order, have been indefeasibly paid in full (such payment being without prejudice to any terms or provisions contained in the DIP Facility which survive such discharge by their terms), and all commitments to extend credit under the DIP Facility are terminated.

39. [Reserved]

40. Challenge Period.

(a) Subject to paragraph 40(b) hereof, each stipulation, admission, and agreement contained in this Order including, without limitation, the Debtors' stipulations, shall be binding upon the applicable Debtors, their estates and any successor thereto, including, without limitation, any trustee appointed in any of the Cases or any successor cases, under all circumstances and for all purposes, and the Debtors are deemed to have irrevocably waived and relinquished all Challenges (as defined below) as of the Petition Date.

(b) Nothing in this Order shall prejudice the rights of any Creditors' Committee or any other party in interest, if granted standing by the Court within the Challenge Period, to seek, solely in accordance with the provisions of this paragraph 40(b), to assert claims against the Released Parties (or their successors or assigns), on behalf of the Debtors or the Debtors' creditors or to otherwise challenge the Debtors' stipulations, including, but not limited to those in relation to (i) the validity, extent, priority, or perfection of the mortgages, security interests, and Liens of the Prepetition Agent or any Prepetition Lenders (or their successors or assigns), (ii) the validity, allowability, priority, or amount of the Prepetition Obligations, or (iii) any liability of either the Prepetition Agent and/or any Prepetition Lender (or their successors or assigns) with respect to anything arising from the Prepetition Credit Agreement. Any Creditors' Committee or any other party in interest must, after obtaining standing approved by the Court, commence a contested matter or adversary proceeding raising such claim, objection, or challenge, including, without limitation, any claim or cause of action against the Released Parties (each, a "**Challenge**") no later than (A) with respect to any Creditors' Committee, the date that is sixty (60) days after an Creditors' Committee's formation, or (B) with respect to other parties in interest, no later than the date that is seventy-five (75) days after the entry of this Order (such

time period shall be referred to as the “**Challenge Period**”). The Challenge Period may only be extended (x) with the prior written consent of each of the Prepetition Agent, solely with respect to any Challenge asserted against the Prepetition Agent and/or Prepetition Lenders arising under or in any way relating to the Prepetition Credit Agreement, the Prepetition Obligations or the Prepetition Liens or (y) by further order of the Court for good cause shown; provided, however, that the Challenge Period shall be tolled pending the Court’s adjudication of a standing motion that is timely filed within the initial Challenge Period and that attaches a draft complaint against the relevant Prepetition Agent and/or Prepetition Lenders. Only those parties in interest who commence a Challenge within the Challenge Period may prosecute such Challenge. As to (x) any parties in interest, including any Creditors’ Committee, who fail to file a Challenge within the Challenge Period, or if any such Challenge is filed and overruled, or (y) any and all matters that are not expressly the subject of a timely Challenge: (1) any and all such Challenges by any party (including, without limitation, any Creditors’ Committee, any chapter 11 trustee, any examiner or any other estate representative appointed in the Cases, or any chapter 7 trustee, any examiner or any other estate representative appointed in any successor cases), shall be deemed to be forever waived and barred, (2) all of the findings, Debtors’ stipulations, waivers, releases, affirmations and other stipulations hereunder as to the priority, extent, allowability, validity and perfection of the Prepetition Liens, the Prepetition Obligations and the Prepetition Credit Agreement shall be of full force and effect and forever binding upon the applicable Debtors’ bankruptcy estates and all creditors, interest holders, and other parties in interest in the 11 Cases and any successor cases, and (3) any and all claims or causes of action against the Prepetition Agent or the Prepetition Lenders shall be released by the Debtors’ estates, all creditors, interest holders, and other parties in interest in the Cases and any successor cases.

(c) Nothing in this Order vests or confers on any person (as defined in the Bankruptcy Code), including any Creditors' Committee, standing or authority to pursue any cause of action belonging to the Debtors or their estates, and all rights to object to such standing are expressly reserved.

(d) In the event the Prepetition Agent (on behalf of itself and/or the Prepetition Lenders) exercises its absolute right to credit bid and is the successful bidder at any sale of the Debtors' assets by virtue of such credit bid, then, unless otherwise agreed by the Prepetition Agent or the Prepetition Lenders, any recoveries in the event of a successful Challenge shall be restricted only to money damages.

41. Bankruptcy Rule 7052. This Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052.

42. Retention of Jurisdiction. The Court has and will retain jurisdiction to enforce this Order according to its terms.

43. Final Hearing. The Final Hearing shall be held on _____, 2017 at __: __ .m. Objections to entry of the Final Order shall be filed and served, so as to be received by counsel to the Debtors, the DIP Lender, the Prepetition Agent, the United States Trustee and the Committee (if any) on or before _____, 2017 at 4:00 p.m.

Dated: _____, 2017

HONORABLE _____
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

DIP Credit Agreement

LOAN AND SECURITY AGREEMENT

among

HARLOW AEROSTRUCTURES LLC

as Lender

and

**Debtors and Debtors in Possession VALLEY TOOL & MANUFACTURING, INC.,
NC DYNAMICS INCORPORATED, AEROSPACE HOLDINGS, INC., NCDI MEXICO,
INC. and GROUPAERO SEATTLE, INC. (formerly Aerospace Multiaxis Machining, Inc.)**

as Borrowers

Dated: as of March 28, 2017

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LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement is made as of March __, 2017, by and among Harlow Aerostructures LLC ("Lender"), and Valley Tool & Manufacturing, Inc. ("Valley"), NC Dynamics Incorporated ("NCDI"), GroupAero Seattle, Inc. (formerly Aerospace Multiaxis Machining, Inc.) ("GAS"), NCDI Mexico, Inc. ("NCDIM") and Aerospace Holdings, Inc. ("AHI"), jointly and severally, as debtors-in-possession and borrowers (AHI, together with Valley, NCDI, NCDIM and GAS, individually, a "Borrower" and collectively, the "Borrowers").

BACKGROUND

WHEREAS, on March 28, 2017 (the "Petition Date"), each of (a) Valley commenced Chapter 11 Case No. [] (the "Valley Chapter 11 Case") by filing a voluntary petition for reorganization under Chapter 11, 11 U.S.C. 101 et seq. (the "Bankruptcy Code"), with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), (b) NCDI commenced Chapter 11 Case No. [] (the "NCDI Chapter 11 Case") by filing a voluntary petition for reorganization under the Bankruptcy Code, with the Bankruptcy Court, (c) GAS commenced Chapter 11 Case No. [] (the "GAS Chapter 11 Case") by filing a voluntary petition for reorganization under the Bankruptcy Code, with the Bankruptcy Court, (d) NCDIM commenced Chapter 11 Case No. [] (the "NCDIM Chapter 11 Case") by filing a voluntary petition for reorganization under the Bankruptcy Code, with the Bankruptcy Court and (e) AHI commenced Chapter 11 Case No. [] (the "AHI Chapter 11 Case" and, together with the Valley Chapter 11 Case, the NCDI Chapter 11 Case, the NCDIM Chapter 11 Case and the GAS Chapter 11 Case, individually and collectively, the "Chapter 11 Case") by filing a voluntary petition for reorganization under the Bankruptcy Code, with the Bankruptcy Court. Each Borrower continues to operate its businesses and manage its properties as a debtor and a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

WHEREAS, Borrowers have requested that Lender provide a senior secured, super-priority, multiple draw term loan to Borrower in the amount of One Million Five Hundred Thousand and Thirty-Four Dollars (\$1,534,000) (the "Loan Amount") in the aggregate to fund the working capital requirements of the Borrowers during the pendency of the Chapter 11 Case in accordance with the Approved Budget;

WHEREAS, Lender is willing to make certain post-petition loans and other extensions of credit to Borrowers of up to the Loan Amount upon the terms and conditions set forth herein;

WHEREAS, Borrowers have agreed to secure all of their Obligations under the Credit Documents by granting to Lender a security interest in and lien upon all of their existing and after-acquired personal property.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and undertakings and terms and conditions contained herein, the parties hereto agree as follows:

1. DEFINITIONS

1.1 General Definitions. When used in this Agreement, the following terms shall have the following meanings:

“Account Debtor” means any Person who is or may become obligated with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a Payment Intangible).

“Accounts” means all “accounts”, as such term is defined in the UCC, now owned or hereafter acquired by any Person.

“Advance” shall have the meaning given to such term in Section 2.1(a).

“Affiliate” means with respect to any Person (i) each other Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the Stock having ordinary voting power for the election of directors of such Person; (ii) each other Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person; or (iii) each of such Person’s officers, directors, joint venturers and partners. For the purpose of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Agreement including all appendices, exhibits or schedules attached or otherwise identified thereto, restatements and modifications and supplements thereto, and any appendices, exhibits or schedules to any of the foregoing, each as in effect at the time such reference becomes operative; provided, that except as specifically set forth in this Agreement, any reference to the Disclosure Schedules to this Agreement shall be deemed a reference to the Disclosure Schedules as in effect on the Closing Date or in a written amendment thereto executed by Borrower and Lender.

“Approved Budget” means the seven (7) week operating budget of Borrowers attached to this Agreement as Schedule I.

“Books and Records” means all books, records, board minutes, contracts, licenses, insurance policies, environmental audits, business plans, files, computer files, computer discs and other data and software storage and media devices, accounting books and records, financial statements (actual and pro forma), filings with Governmental Authorities and any and all records and instruments relating to, or otherwise necessary or helpful in the collection of or realization upon, the Collateral or any Borrower’s business.

“Business Day” means a day on which Lender is open for business and that is not a Saturday, a Sunday or other day on which banks are required or permitted to be closed in the State of New York.

“Charges” means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to PBGC at the time due and payable), levies, customs or other duties, assessments, charges, liens, and all additional charges, interest, penalties,

expenses, claims or encumbrances upon or relating to (i) the Collateral, (ii) the Obligations, (iii) the employees, payroll, income or gross receipts of any Borrower, (iv) the ownership or use of any assets by any Borrower, or (v) any other aspect of any Borrower's business.

“Chattel Paper” means all “chattel paper,” as such term is defined in the UCC, now owned or hereafter acquired by any Person.

“Closing Date” means the Business Day on which the conditions precedent set forth in Article VI have been satisfied or specifically waived in writing by Lender, and the initial Loan has been made.

“Collateral” has the meaning assigned to it in Section 10.1.

“Contract Rate” means an interest rate per annum equal to seven percent (7%).

“Contracts” means all the contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Person may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

“Credit Documents” means this Agreement, the Note and all other documents, instruments and agreements now or hereafter executed and/or delivered in connection herewith or therewith.

“Default” means any act or event which, with the giving of notice or passage of time or both, would unless cured or waived would become an Event of Default.

“Default Rate” means the sum of the Contract Rate and three percent (3%).

“Deposit Accounts” means all “deposit accounts” as such term is defined in the UCC, now or hereafter held in the name of any Person.

“Disclosure Schedules” means the Disclosure Schedules prepared by Borrowers and denominated as Disclosure Schedules 7.2 through 9(e) in the Index of Exhibits and Schedules to this Agreement.

“Documents” means all “documents,” as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including all bills of lading, dock warrants, dock receipts, warehouse receipts, and other documents of title, whether negotiable or non-negotiable.

“Equipment” means all “equipment” as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located.

“Event of Default” has the meaning set forth in Section 12.1.

“Excluded Collateral” means (a) any Borrower's claims and causes of action arising under 11 U.S.C. §§ 544, 545, 547, 548 or 549 or (b) Permitted Liens.

“Final Order” means, collectively, each order of the Bankruptcy Court entered in a Chapter 11 Case after a final hearing under Bankruptcy Rule 4001(c)(2) or such other procedures as approved by the Bankruptcy Court which order shall be satisfactory in form and substance to Lender, and from which no appeal or motion to reconsider has been timely filed, or if timely filed, such appeal or motion to reconsider has been dismissed or denied (unless Lender waives such requirement), together with all extensions, modifications and amendments thereto, in form and substance satisfactory to Lender, which, among other matters but not by way of limitation, authorizes a Borrower to obtain credit, incur Indebtedness, and grant Liens under this Agreement and the other Credit Documents, as the case may be, and provides for the super priority of the Lender’s claims.

“Fiscal Year” means the 12 month period of Borrowers ending December 31 of each year. Subsequent changes of the fiscal year of any Borrower shall not change the term “Fiscal Year” unless Lender shall consent in writing to such change.

“Fixtures” means all “fixtures” as such term is defined in the UCC, now owned or hereafter acquired by any Person.

“GAAP” means generally accepted accounting principles, practices and procedures in effect from time to time in the United States of America.

“General Intangibles” means all “general intangibles” as such term is defined in the UCC, now owned or hereafter acquired by any Person including all right, title and interest which such Person may now or hereafter have in or under any Contract, all Payment Intangibles, customer lists, Licenses, Intellectual Property, interests in partnerships, joint ventures and other business associations, permits, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, Software, data bases, data, skill, expertise, experience, processes, models, drawings, materials, Books and Records, Goodwill (including the Goodwill associated with any Intellectual Property), all rights and claims in or under insurance policies (including insurance for fire, damage, loss, and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key-person, and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, and rights of indemnification.

“Goods” means all “goods”, as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including embedded software to the extent included in “goods” as defined in the UCC.

“Goodwill” means all goodwill, trade secrets, proprietary or confidential information, technical information, procedures, formulae, quality control standards, designs, operating and training manuals, customer lists, and distribution agreements now owned or hereafter acquired by any Person.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guaranteed Indebtedness” means, as to any Person, any obligation of such Person guaranteeing any Indebtedness (“primary obligations”) of any other Person (the “primary obligor”) in any manner, including any obligation or arrangement of such guaranteeing Person (whether or not contingent): (i) to purchase or repurchase any such primary obligation; (ii) to advance or supply funds (a) for the purchase or payment of any such primary obligation or (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor; (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation; or (iv) to indemnify the owner of such primary obligation against loss in respect thereof.

“Indebtedness” of any Person means: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (including reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers’ acceptances, whether or not matured, but not including obligations to trade creditors incurred in the ordinary course of business and not more than 90 days past due); (ii) all obligations evidenced by notes, bonds, debentures or similar instruments; (iii) all indebtedness created or arising under any conditional sale or other title retention agreements with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all obligations under capital leases; (v) all Guaranteed Indebtedness; (vi) all Indebtedness referred to in clauses (i), (ii), (iii), (iv) or (v) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (vii) the Obligations.

“Instruments” means all “instruments”, as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including all certificated securities and all notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

“Intellectual Property” means all intellectual property, including any and all Licenses, patents, patent registrations, copyrights, copyright registrations, trademarks, trademark registrations, trade secrets, domain names, website addresses, customer lists, know how, source code, and gaming and/or platform technology.

“Interim Order” means, collectively, each order of the Bankruptcy Court entered in a Chapter 11 Case after an interim hearing (assuming satisfaction of the standards prescribed in Section 364 of the Bankruptcy Code and Bankruptcy Rule 4001 and other applicable law), together with all extensions, modifications, and amendments thereto, in form and substance satisfactory to Lender, which, among other matters but not by way of limitation, authorizes, on

an interim basis, a Borrower to execute and perform under the terms of this Agreement and the other Credit Documents.

“Inventory” means all “inventory”, as such term is defined in the UCC, now or hereafter owned or acquired by any Person, wherever located.

“Investment Property” means all “investment property”, as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located.

“IRC” and “IRS” means respectively, the Internal Revenue Code of 1986 and the Internal Revenue Service, and any successors thereto.

“Lender” has the meaning set forth in the preamble to this Agreement and if Lender shall decide to assign or syndicate any of the Obligations such term shall include such assignee or such other members of the syndicate.

“Letter-of-Credit Rights” has the meaning given to “letter-of-credit rights” as such term is defined in the UCC, now owned or hereafter acquired by any Person, including rights to payment or performance under a letter of credit, whether or not such Person, as beneficiary, has demanded or is at the time entitled to demand payment or performance.

“License” means any rights under any written agreement now or hereafter acquired by any Person to use any trademark, trademark registration, copyright, copyright registration or invention for which a patent is in existence or other license of rights or interests now held or hereafter acquired by any Person.

“Lien” means any mortgage, security deed or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, security interest, charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing), and the filing of, or agreement to give, any financing statement under the UCC or comparable law of any jurisdiction.

“Litigation” means any claim, lawsuit, litigation, investigation or proceeding of or before any arbitrator or Governmental Authority.

“Loan” means, collectively the Advances and all extensions of credit hereunder or under any Credit Document.

“Loan Amount” has the meaning given to such term in the recitals to this Agreement.

“Material Adverse Effect” means a material adverse effect on (a) the condition, operations, assets, business or prospects of any Borrower, (b) any Borrower’s ability to pay or perform the Obligations in accordance with the terms hereof or any Credit Document, (c) the value of the Collateral, the Liens on the Collateral or the priority of any such Lien or (d) the practical realization of the benefits of Lender’s rights and remedies under this Agreement and the Credit Documents.

“Maturity Date” means the earlier to occur of: (a) May 9, 2017; (b) the date the Term expires due to the occurrence of an Event of Default; or (c) the closing date of the sale of the Debtors’ assets that is contemplated by that certain Asset Purchase Agreement (the “Asset Purchase Agreement”) among the Debtors, as Sellers, and Lender, as Buyer.

“Maximum Legal Rate” shall have the meaning given to such term in Section 5.1(d).

“Note” means the promissory note of Borrowers executed in favor of Lender substantially in the form of Exhibit A.

“Obligations” means all obligations related to the Loan, all Advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to Lender of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money or the performance or non-performance of any act), direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, whether existing by operation of law or otherwise now existing or hereafter arising including any debt, liability or obligation owing from any Borrower to others which Lender may have obtained by assignment or otherwise and further including all interest (including interest accruing at the then applicable rate provided in this Agreement after the maturity of the Loan and interest accruing at the then applicable rate provided in this Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), charges or any other payments any Borrower is required to make by law or otherwise arising under or as a result of this Agreement or any other Credit Document, together with all reasonable expenses and reasonable attorneys’ fees chargeable to any Borrower’s account or incurred by Lender in connection with any Borrower’s account whether provided for herein or in any Credit Agreement.

“Payment Intangible” has the meaning give to the term “payment intangible” in the UCC and in any event shall include, a General Intangible under which the Account Debtor’s principal obligation is a monetary obligation.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereto.

“Permitted Liens” means “Permitted Liens” as defined in the Prepetition Credit Agreement and appearing on Schedule 9(e) hereto.

“Person” means any individual, sole proprietorship, partnership, limited liability partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, entity or government (whether federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof), and shall include such Person’s successors and assigns.

“Prepetition” means the time period ending immediately prior to the filing of the Chapter 11 Case.

“Prepetition Credit Agreement” means that certain Second Amended and Restated Revolving Credit and Term Loan Agreement dated as of March 5, 2012 (as amended, restated or otherwise modified from time to time) by and among Valley Tool & Manufacturing, Inc., NC Dynamics Incorporated, GroupAero Seattle, Inc. (formerly Aerospace Multiaxis Machining, Inc.) and Aerospace Holdings, Inc., and Harlow Aerostructures LLC (as amended, restated and supplemented from time to time).

“Prepetition Indebtedness” means all Indebtedness of the Borrowers outstanding on the Petition Date immediately prior to the filing of the Chapter 11 Case.

“Proceeds” means “proceeds”, as such term is defined in the UCC and, in any event, shall include: (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to a Borrower or any other Person from time to time with respect to any Collateral; (b) any and all payments (in any form whatsoever) made or due and payable to a Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any Collateral by any governmental body, governmental authority, bureau or agency (or any person acting under color of governmental authority); (c) any claim of a Borrower against third parties (i) for past, present or future infringement of any Intellectual Property or (ii) for past, present or future infringement or dilution of any trademark or trademark license or for injury to the goodwill associated with any trademark, trademark registration or trademark licensed under any trademark License; (d) any recoveries by a Borrower against third parties with respect to any litigation or dispute concerning any Collateral, including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral; (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock; and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

“Purchase Money Indebtedness” means (a) any Indebtedness incurred for the payment of all or any part of the purchase price of any fixed asset, (b) any Indebtedness incurred for the sole purpose of financing or refinancing all or any part of the purchase price of any fixed asset, and (c) any renewals, extensions or refinancings thereof (but not any increases in the principal amounts thereof outstanding at that time).

“Purchase Money Lien” means any Lien upon any fixed assets which secures the Purchase Money Indebtedness related thereto but only if such Lien shall at all times be confined solely to the asset the purchase price of which was financed or refinanced through the incurrence of the Purchase Money Indebtedness secured by such Lien and only if such Lien secures only such Purchase Money Indebtedness.

“Real Property” has the meaning assigned to it in Section 7.4.

“Requirement of Law” means as to any Person, the Certificate or Articles of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other

Governmental Authority, in each case binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Restricted Payment” means: (i) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets on or in respect of a Borrower’s Stock; (ii) any payment or distribution made in respect of any Subordinated Debt of a Borrower in violation of any subordination or other agreement made in favor of Lender; (iii) any payment on account of the purchase, redemption, defeasance or other retirement of a Borrower’s Stock or Subordinated Debt or any other payment or distribution made in respect of any thereof, either directly or indirectly; or (iv) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Person which is not expressly and specifically permitted in this Agreement; provided, that no payment to Lender shall constitute a Restricted Payment.

“Software” means all “software” as such term is defined in the UCC, including all computer programs and all supporting information provided in connection with a transaction related to any program.

“Stock” means all certificated and uncertificated shares, options, warrants, membership interests, general or limited partnership interests, participation or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

“Stockholder” means each holder of Stock of a Borrower.

“Subordinated Debt” means any note, document, instrument or agreement now or any time hereafter executed and/or delivered by Borrower with or in favor of any Subordinated Lender which evidences the principal, interest and other amounts owed by Borrower to such Subordinated Lender.

“Subordinated Lender” means collectively, any Person who enters into a Subordination Agreement with respect to amounts owed by Borrower to such Person.

“Subordination Agreement” means collectively, all subordination agreements accepted by Lender from time to time with respect to Indebtedness of Borrowers, including, without limitation, (a) that certain Amended and Restated Subordination Agreement dated as of March 5, 2012, by and among Brookside Mezzanine Fund II, L.P., Patriot Capital II, L.P., Catalus Capital LLC and Brookside Mezzanine Agent, LLC and Comerica Bank, as Administrative Agent, as amended and supplemented by that certain Agreement re: Sponsor Subordination Agreement and Reaffirmation of Amended and Restated Subordination Agreement dated as of March 14, 2014 (in each case, as further amended, restated or otherwise modified from time to time) and (b) any other subordination agreement by which the lenders’ claims thereunder are subordinated to the Borrowers’ obligations under the Prepetition Credit Agreement, including those appearing on Schedule 9(b) hereto.

“Subsidiary” means, with respect to any Person, (i) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation has or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person and/or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (ii) any partnership or limited liability company in which such Person or one or more Subsidiaries of such Person has an equity interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or manager or may exercise the powers of a general partner or manager.

“Supporting Obligations” means all “supporting obligations” as such term is defined in the UCC, including Letter-of-Credit Rights or secondary obligations that supports the payment or performance of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

“Term” means the Closing Date through the Maturity Date subject to acceleration upon the occurrence of an Event of Default hereunder or other termination hereunder.

“Termination Date” means the date on which all Obligations (other than contingent indemnification obligations for which no claim has yet been made) under this Agreement are indefeasibly paid in full, in cash or satisfied through a credit bid by Lender pursuant to section 363(k) of the Bankruptcy Code.

“UCC” means the Uniform Commercial Code as the same may, from time be in effect in the State of New York; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender’s Lien on any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions of this Agreement relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions; provided further, that to the extent that UCC is used to define any term herein or in any Credit Document and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

1.2 Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with GAAP and all financial computations shall be computed, unless specifically provided herein, in accordance with GAAP consistently applied.

1.3 Other Terms. All other terms used in this Agreement and defined in the UCC, shall have the meaning given therein unless otherwise defined herein.

1.4 Rules of Construction. All Schedules, Addenda and Exhibits hereto or expressly identified to this Agreement are incorporated herein by reference and taken together with this Agreement constitute but a single agreement. The words “herein”, “hereof” and “hereunder” or other words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules thereto, as the same may be from time to time amended, modified, restated or supplemented, and not to any particular section, subsection or clause contained in this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The term “or” is not exclusive. The term “including” (or any form thereof) shall not be limiting or exclusive. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references in this Agreement or in the Schedules to this Agreement to sections, schedules, disclosure schedules, exhibits, and attachments shall refer to the corresponding sections, schedules, disclosure schedules, exhibits, and attachments of or to this Agreement. All references to any instruments or agreements, including references to any of this Agreement or any of the other Credit Documents shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

2. LOAN

2.1 The Advances.

(a) Subject to the terms and conditions set forth in this Agreement and the terms of the Interim Order and/or Final Order, the Lender will make advances to Borrowers, jointly and severally (“Advances”), in accordance with the Approved Budget; provided, however, that the DIP Lender shall have no obligation to make any Advance hereunder to the extent that, after giving effect to the requested Advance, the outstanding principal balance of the Advances hereunder exceeds (i) \$696,000 as of the end of “Week 1” and “Week 2” reflected on the Approved Budget, \$1,168,000 as of the ends of “Week 3” and “Week 5” reflected on the Approved Budget, and \$1,529,000 (the “**Loan Amount**”) as of the ends of “Week 5”, “Week 6” and “Week 7” reflected on the Approved Budget; or (ii) the Loan Amount; provided that the Lender may increase the Loan Amount as it may determine in its sole discretion.

(b) From and after an Event of Default, if any Borrower at any time fails to perform or observe any of the covenants contained in this Agreement, any other Credit Document, the Interim Order or the Final Order, Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of such Borrower (or, at Lender’s option, in Lender’s name) and may, but need not, take any and all other actions which Lender may deem necessary to cure or correct such failure (including the payment of taxes, the satisfaction of Liens, the performance of obligations owed to Account Debtors, lessors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments). The amount of all monies expended and all costs and expenses (including attorneys’ fees and legal expenses) incurred by Lender in connection with or as a result of the performance or observance of such agreements or the taking of such action by Lender shall be charged to Borrowers’ account, jointly and severally, and added to the Obligations. To facilitate Lender’s performance or observance of such covenants of a Borrower, each Borrower hereby irrevocably appoints Lender,

or Lender's delegate, acting alone, as such Borrower's attorney in fact (which appointment is coupled with an interest) with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of such Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed delivered or endorsed by such Borrower.

(c) Lender is authorized by each Borrower to record on its books or records the date, principal amount, amount and date of all payments of principal of and interest on the Loan, and the outstanding principal balance of the Loan and such recordation shall constitute prima facie evidence as to all such information contained therein. The Loan made by Lender will be evidenced by a Note. Borrowers will execute the Note simultaneously with the execution of this Agreement.

2.2 Procedures for Requesting Advances. In the event the Borrowers desire to obtain an Advance, the Borrowers shall give Lender a written notice by no later than 1:00 p.m. (prevailing Eastern Time) on the day which is two (2) Business Days prior to the date such Advance is to be borrowed (or such later date or time as consented to by Lender), specifying (i) the date of the proposed borrowing (which shall be a Business Day), and (ii) the amount of such Advance to be borrowed.

2.3 Disbursement of Advance Proceeds. All Advances shall be disbursed from by Lender to the Borrowers and made available to the Borrowers within two (2) Business Days after the date such Advance is requested, in immediately available federal funds or other immediately available funds.

3. REPAYMENT

3.1 Repayment of the Loan. Borrowers shall repay on the expiration of the Term (i) the then aggregate outstanding principal balance of the Advances made by Lender to each Borrower hereunder together with accrued and unpaid interest and (ii) all other amounts owed Lender under this Agreement and the Credit Documents. Any payments of principal or interest or any other amounts payable hereunder or under any Credit Document shall be made prior to 2:00 p.m. (prevailing eastern time) on the due date thereof in immediately available funds. For the avoidance of doubt, the Obligations may be satisfied through a credit bid by Lender pursuant to Section 363(k) of the Bankruptcy Code.

3.2 Mandatory Prepayment of the Loan. Immediately upon receipt by any Borrower of cash proceeds of any asset disposition, such Borrower shall prepay the Loan in an amount equal to all such proceeds, net of (A) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by such Borrower in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of senior Liens on such asset (to the extent such Liens constitute Permitted Liens hereunder), if any, and (D) an appropriate reserve for income taxes in accordance with GAAP in connection therewith. Any such prepayment shall be applied first to accrued and unpaid interest and then to principal. The following shall not be subject to mandatory prepayment under this clause (ii): (1) proceeds of sales of Inventory in the ordinary

course of business; (2) asset disposition proceeds of less than \$250,000 in the aggregate in any Fiscal Year and (3) asset disposition proceeds that are reinvested in Equipment, Fixtures or Real Estate within one hundred and eighty (180) days following receipt thereof; provided that such applicable Borrower notifies Lender of its intent to reinvest at the time such proceeds are received and when such reinvestment occurs.

4. USE OF PROCEEDS

4.1 Use of Proceeds. Each Borrower shall apply the proceeds of Advances and the proceeds of Collateral solely as set forth in the Approved Budget and the Interim Order and/or Final Order.

4.2 Variance Tests. Measured as of the dates, and for the periods, set forth in the Interim Order and/or the Final Order, the Borrowers shall not permit variances from the Approved Budget other than those permitted in the Interim Order and/or the Final Order.

5. INTEREST

5.1 Interest.

(a) Except as modified by Section 5.1(c), Borrowers shall pay simple interest on the unpaid principal balance of the Loan for each day it is outstanding, at the Contract Rate.

(b) Interest and fees shall be computed on the basis of actual days elapsed in a year of 365/366 days. Interest shall be payable in a lump sum on the Maturity Date.

(c) Effective upon the occurrence of any Event of Default and for so long as any Event of Default shall be continuing, the Contract Rate shall automatically be increased to the Default Rate, and all outstanding Obligations, including unpaid interest, shall continue to accrue interest from the date of such Event of Default at the Default Rate applicable to such Obligations.

(d) Notwithstanding the foregoing, in no event shall the aggregate interest exceed the maximum rate permitted under any applicable law or regulation, as in effect from time to time (the "Maximum Legal Rate") and if any provision of this Agreement or Credit Document is in contravention of any such law or regulation, interest payable under this Agreement and each Credit Document shall be computed on the basis of the Maximum Legal Rate (so that such interest will not exceed the Maximum Legal Rate) and once the amount of interest payable hereunder or under the Credit Documents is less than the Maximum Legal Rate, Lender shall not reduce interest payable hereunder or any Credit Document below the amount computed based upon the Maximum Legal Rate until the aggregate amount of interest paid equals the amount of interest which would have been payable if the Maximum Legal Rate had not been imposed.

(e) Borrowers shall pay principal, interest and all other amounts payable hereunder, or under any Credit Document, on the Maturity Date, without any deduction whatsoever, including any deduction for any set-off or counterclaim.

6. CONDITIONS PRECEDENT

6.1 Conditions Precedent to Initial Advance. The initial Advance to be made by Lender shall be subject to the fulfillment (to the satisfaction of Lender) of each of the conditions precedent set forth on Schedule II.

6.2 Conditions Precedent to each Advance. Each of the Advances (including the initial Advance) to be made by Lender shall be subject to the fulfillment (to the satisfaction of Lender) of each of the following conditions as of the date of each Advance:

(a) Lender shall have received a request for such Advance in form and in substance reasonably satisfactory to Lender;

(b) The representations and warranties set forth in this Agreement and in the other Credit Documents, shall be true and correct in all material respects on and as of the date of such Loan with the same effect as though made on and as of such date, except to the extent that any such representation or warranty is expressly stated to relate to a specific earlier date, in which case, such representation and warranty shall be true and correct in all material respects as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Loan.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS

To induce Lender to enter into this Agreement and to make the Loan, each Borrower represents and warrants (each of which representations and warranties shall survive the execution and delivery of this Agreement), and promises to and agrees with Lender until the Termination Date as follows:

7.1 Corporate Existence; Compliance with Law. Each Borrower: (a) is, as of the Closing Date, and will continue to be (i) a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, (ii) duly qualified to do business and in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect, and (iii) in compliance with all Requirements of Law, except to the extent failure to comply therewith could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (b) has and will continue to have (i) the requisite power and authority and the legal right to execute, deliver and perform its obligations under the Credit Documents, and to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore or proposed to be conducted, and (ii) all material licenses, permits, franchises, rights, powers, consents or approvals from or by all Persons or Governmental Authorities having jurisdiction over Borrower which are necessary or appropriate for the conduct of its business.

7.2 Names; Organizational Information; Collateral Locations. Disclosure Schedule 7.2 sets forth each Borrower's name as it appears in official filing in the state of its

incorporation or other organization, the type of entity of each Borrower, the state of each Borrower's incorporation or organization and organizational identification number issued by each Borrower's state of incorporation or organization or a statement that no such number has been issued. The location of each Borrower's chief executive office, corporate offices, warehouses, other locations of Collateral and locations where records with respect to Collateral are kept (including in each case the county of such locations) are as set forth in Disclosure Schedule 7.2 and, except as set forth in such Disclosure Schedule, such locations have not changed during the preceding twelve months. As of the Closing Date, during the prior five years, except as set forth in Disclosure Schedule 7.2, no Borrower has been known as or conducted business in any other name (including trade names).

7.3 Power; Authorization; Enforceable Obligations. The execution, delivery and performance by each Borrower of the Credit Documents and the creation of all Liens provided for herein and therein: (a) are and will continue to be within each Borrower's power and authority; (b) have been and will continue to be duly authorized by all necessary or proper action; (c) are not and will not be in violation of any Requirement of Law; (d) do not and will not result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the Collateral; and (e) do not and will not require the consent or approval of any Governmental Authority or any other Person other than the Bankruptcy Court as reflected in the Interim Order and the Final Order. As of the Closing Date, each Credit Document shall have been duly executed and delivered on behalf of each Borrower, and each such Credit Document upon such execution and delivery shall be and will continue to be a legal, valid and binding obligation of each Borrower, enforceable against it in accordance with its terms.

7.4 Real Estate; Property. The real estate listed in Disclosure Schedule 7.4 constitutes all of the real property owned or leased by each Borrower in its business (the "Real Property").

7.5 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in Disclosure Schedule 7.5, as of the Closing Date, no Borrower has any Subsidiaries, and no Borrower is engaged in any joint venture or partnership with any other Person.

7.6 Compliance with Law. The making of a Loan, the application of the proceeds and repayment thereof, and the consummation of the transactions contemplated by the Credit Documents do not and will not violate any Requirement of Law.

7.7 Intellectual Property. As of the Closing Date, all material Intellectual Property owned or used by any Borrower is listed, together with application or registration numbers, where applicable, in Disclosure Schedule 7.7. Each Borrower is the sole legal and beneficial owner, or is licensed on commercial terms to use, all Intellectual Property necessary to conduct its business as currently conducted except for such Intellectual Property the failure of which to own or license could not reasonably be expected to have a Material Adverse Effect. Each Borrower will maintain the patenting and registration of all Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office, or other appropriate Governmental Authority and each Borrower will promptly patent or register, as the case may be, all new material Intellectual Property and notify Lender in writing five (5) Business

Days prior to filing any such new patent or registration. With respect to Intellectual Property licensed by any Borrower, an agreement acceptable to Lender from the licensor of such Intellectual Property has been obtained permitting Lender to use such Intellectual Property or sell the Goods containing such Intellectual Property following the occurrence of a Default. No Borrower is aware of any material infringement on the Intellectual Property of any third party in the carrying on of its business in the normal course.

7.8 Full Disclosure. No information contained in any Credit Document, the Financial Statements or any written statement furnished by or on behalf of any Borrower under any Credit Document, contains any untrue statement of a material fact.

7.9 Deposit and Disbursement Accounts. Disclosure Schedule 7.9 lists all banks and other financial institutions at which any Borrower maintains deposits and/or other accounts and correctly identifies the name, address and telephone number of each such depository, the name in which the account is held, a description of the purpose of the account, and the complete account number.

7.10 Conduct of Business. Each Borrower (a) shall conduct its business substantially as now conducted or as otherwise permitted hereunder, and (b) shall at all times maintain, preserve and protect all of the Collateral used or useful in the conduct of its business and keep the same in good repair, working order and condition and make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices.

7.11 Further Assurances. At any time and from time to time, upon the written request of Lender and at the sole expense of such Borrower, each Borrower shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Lender may reasonably deem desirable (a) to obtain the full benefits of this Agreement and the other Credit Documents, (b) to protect, preserve and maintain Lender's rights in any Collateral, or (c) to enable Lender to exercise all or any of the rights and powers herein granted.

7.12 [Intentionally Left Blank].

7.13 Reorganization Matters.

(a) The Chapter 11 Case was commenced on the Petition Date in accordance with applicable law and proper notice thereof and the proper notice for (x) the motion seeking approval of the Credit Documents and the Interim Order and Final Order, (y) the hearing for the approval of the Interim Order, and (z) the hearing for the approval of the Final Order. Each Borrower shall give, on a timely basis as specified in any Interim Order or Final Order, as applicable, all notices required to be given to all parties specified in such Interim Order or Final Order, as applicable.

(b) After the entry of the Interim Order, and pursuant to and to the extent permitted in the Interim Order and the Final Order, the Obligations will constitute allowed administrative expense claims in the Chapter 11 Case having priority over all administrative expense claims and unsecured claims against each Borrower now existing or hereafter arising, of

any kind whatsoever, including all administrative expense claims of the kind specified in Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code.

(c) After the entry of the Interim Order and pursuant to and to the extent provided in the Interim Order and the Final Order, the Obligations will be secured by a valid and perfected first priority Lien (subject to Permitted Liens) on all of the Collateral. For the avoidance of doubt, Lender shall be entitled to a second priority Lien on any Collateral subject to a Permitted Lien.

(d) Each Interim Order (with respect to the period prior to entry of the respective Final Order) or each Final Order (with respect to the period on and after entry of the respective Final Order), as the case may be, is in full force and effect has not been reversed, stayed, modified or amended without the prior written consent of Lender.

(e) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and subject to the applicable provisions of the Interim Order or Final Order, as the case may be, upon the maturity (whether by acceleration or otherwise) of any of the Obligations, Lender shall be entitled to immediate payment of such Obligations and to enforce the remedies provided for hereunder or under applicable law.

8. REPORTS

8.1 Reports and Information.

(a) by 5:00 p.m. (New York time) on each Tuesday after the Petition Date (or, if such day is not a Business Day, the Business Day immediately following such day), the Borrowers shall deliver to Lender, a report, in form and substance reasonably satisfactory to Lender, setting forth for the immediately preceding week (ending on the Sunday immediately preceding the applicable Tuesday reporting deadline) and for the cumulative period from the Petition Date through the immediately preceding Sunday, the actual and budgeted results for such week and cumulative post-Petition Date time period by line item in the Approved Budget, together with a reasonably detailed written explanation of all material variances;

(b) Each Borrower shall also advise Lender promptly, in reasonable detail, of: (a) any Lien, other than Permitted Liens, attaching to or asserted against any of the Collateral or any occurrence causing a material loss or decline in value of any Collateral and the estimated (or actual, if available) amount of such loss or decline; (b) any material change in the composition of the Collateral; and (c) the occurrence of any Default, Event of Default or other event which has had or could reasonably be expected to have a Material Adverse Effect. Each Borrower shall, upon request of Lender, furnish to Lender such other reports and information in connection with its affairs, business, financial condition, operations, prospects or management or the Collateral as Lender may reasonably request, all in reasonable detail.

9. NEGATIVE COVENANTS

Each Borrower covenants and agrees that, without Lender's prior written consent, from the Closing Date until the Termination Date, no Borrower shall, directly or indirectly, by operation of law or otherwise:

(a) form any Subsidiary or merge with, consolidate with, acquire all or substantially all of the assets or capital stock of, or otherwise combine with or make any investment in or, except as provided in clause 9(c) below, loan or advance to, any Person (other than a Borrower);

(b) create, incur, assume or permit to exist any Indebtedness, except: (i) the Obligations, (ii) Indebtedness existing as of the Closing Date set forth on Disclosure Schedule 9(b), (iii) deferred taxes, (iv) by endorsement of instruments or items of payment for deposit to the general account of Borrower, and (v) additional Indebtedness (including Purchase Money Indebtedness) incurred after the Closing Date; provided, however, that no Indebtedness under this section shall be permitted to have an administrative expense claim status under the Bankruptcy Code senior to or pari passu with the superpriority administrative expense claims of Lender as set forth herein and in the Interim Order and Final Order.

(c) enter into any lending, borrowing or other commercial transaction with any of its employees, directors or Affiliates (other than a Borrower);

(d) create or permit any Lien on any of its properties or assets, except for Permitted Liens;

(e) change its name, state of incorporation or organization, chief executive office, corporate offices, warehouses or other Collateral locations, or location of its records concerning the Collateral, or acquire, lease or use any real estate after the Closing Date without, in each instance, giving thirty (30) days prior written notice thereof to Lender and taking all actions deemed necessary or appropriate by Lender to continuously protect and perfect Lender's Liens upon the Collateral or store or hold any assets of another Person;

(f) make or permit any Restricted Payment other than interest and principal, when due without acceleration or modification of the amortization as in effect on the Closing Date, under Indebtedness (not including Subordinated Debt, payments of which shall be permitted only in accordance with the terms of the relevant Subordination Agreement made in favor of Lender) described in Disclosure Schedule (9(b)) or otherwise permitted under Article 9(b)(v).

10. SECURITY INTEREST

10.1 Grant of Security Interest.

(a) As collateral security for the prompt and complete payment and performance of all of the Obligations, each Borrower hereby grants to the Lender a security interest in and Lien upon all of its real and personal property and assets other than the Excluded Collateral, whether tangible or intangible, and whether now owned or hereafter acquired, or in

which it now has or at any time in the future may acquire any right, title, or interest, including all of the following property in which it now has or at any time in the future may acquire any right, title or interest: all leasehold interests, real property interests, and fixtures relating to the Real Property; all Accounts; all Deposit Accounts and all funds on deposit therein; all cash and cash equivalents; all commodity contracts; all investments, Stock and Investment Property, including the Stock of NC Dynamics Mexico, S. DE R.L. De C.V.; all Inventory; all Equipment; all Goods; all Chattel Paper; all Documents; all Instruments; all Books and Records; all General Intangibles; all Supporting Obligations; all Letter-of-Credit Rights; claims and causes of action including all commercial tort claims; all Intellectual Property, all copyrights, tradenames, trademarks and patents, all software programs, all content or product licenses (whether Borrower is licensee or licensor thereunder), all development agreements, all distribution or publishing agreements, all franchise agreements, all other intellectual property, and to the extent not otherwise included, all Proceeds and products of all and any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing (all of the foregoing, together with any other collateral pledged to the Lender pursuant to any other Credit Document, collectively, the “Collateral”). For the avoidance of doubt, the Collateral does not include the Excluded Collateral.

(b) Borrowers and Lender agree that this Agreement creates, and is intended to create, valid and continuing Liens upon the Collateral in favor of Lender. Each Borrower shall take such actions, including (x) the prompt delivery of all negotiable Documents, original Instruments, Chattel Paper and certificated Stock owned by such Borrower to Lender, (y) notification of Lender’s interest in Collateral at Lender’s request, and (z) the institution of litigation against third parties as shall be prudent in order to protect and preserve Borrowers’ and Lender’s respective and several interests in the Collateral. All Chattel Paper shall be marked with the following legend: “This writing and the obligations evidenced or secured hereby are subject to the security interest of Harlow Aerostructures LLC.”

(c) Each Borrower shall take all steps necessary to grant Lender control of all electronic chattel paper in accordance with the UCC and all “transferable records” as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(d) Each Borrower hereby irrevocably authorizes Lender at any time and from time to time to file in any filing office in any Uniform Commercial UCC jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral (x) as all assets of such Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or such jurisdiction, or (y) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by Part 5 of Article 9 of the UCC or the filing office for acceptance of any financing statement or amendment, including whether such Borrower is an organization, the type of organization and any organization identification number issued to such Borrower. Each Borrower agrees to furnish any such information to Lender promptly upon request. Each Borrower also ratifies its authorization for Lender to have filed any initial financing statements or amendments thereto if filed prior to the date hereof.

(e) Each Borrower shall promptly, and in any event within two (2) Business Days after the same is acquired by it, notify Lender of any commercial tort claim (as defined in the UCC) acquired by it and, unless otherwise consented by Lender, such Borrower shall enter into a supplement to this Agreement, granting to Lender a Lien in such commercial tort claim.

10.2 No Obligation of Lender. Lender shall have no obligation or liability whatsoever to any Person under any Contract, Instrument or License (between any Borrower and any Person other than Lender) by reason of or arising out of the execution, delivery or performance of this Agreement, and Lender shall not be required or obligated in any manner (i) to perform or fulfill any of the obligations of any Borrower, (ii) to make any payment or inquiry, or (iii) to take any action of any kind to collect, compromise or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times under or pursuant to any Contract, Instrument or License.

10.3 Super Priority Nature of Obligations and Lender's Liens. The priority of Lender's Liens on the Collateral shall be set forth in the Interim Order and the Final Order.

11. TERM

11.1 Term of Agreement. Any obligation of Lender to make Advances and extend their financial accommodations under this Agreement or any Credit Document shall continue in full force and effect until the expiration of the Term. The termination of the Agreement shall not affect any of Lender's rights hereunder or any Credit Document and the provisions hereof and thereof shall continue to be fully operative until all transactions entered into, rights or interests created and the Obligations have been disposed of, concluded or liquidated.

11.2 Termination of Lien. The Liens and rights granted to Lender hereunder and any Credit Documents and the financing statements filed in connection herewith or therewith shall continue in full force and effect, notwithstanding the termination of this Agreement until all of the Obligations (other than contingent indemnification obligations for which no claim has yet been made) have been paid or performed in full.

12. EVENTS OF DEFAULT

12.1 Events of Default. If any one or more of the following events (each, an "Event of Default") shall occur and be continuing:

(a) any Borrower shall fail to pay the principal of or interest on any Loan or any fees or other Obligations when and as the same shall become due and payable (whether at maturity, by acceleration or otherwise and the same shall not have been cured within five (5) days of receipt by Borrowers of written notice thereof from Lender); or

(b) any representation or warranty made or deemed made in or in connection with this Agreement or any other Credit Document or as an inducement to enter into this Agreement or any other Credit Document or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument or

agreement furnished in connection with or pursuant to this Agreement or any other Credit Document shall prove to have been false or misleading in any material respect when made, deemed to be made or furnished; or

(c) any Borrower shall fail or neglect to perform, keep or observe any term, covenant or agreement contained in this Agreement or in any other Credit Document and the same (if capable of cure) shall not have been cured within five (5) days of receipt by Borrowers of written notice thereof from Lender; or

(d) this Agreement or any other Credit Document shall not be for any reason, or shall be asserted by any Borrower not to be, in full force and effect in all material respects in accordance with its terms or the Lien granted or intended to be granted to Lender pursuant to this Agreement, any other Credit Document, the Interim Order or Final Order shall cease to be a valid and perfected Lien in respect of any material Collateral having the first priority (or a lesser priority if expressly provided in this Agreement, another Credit Document, the Interim Order or the Final Order); or

(e) any Borrower shall take or participate in any action which would be prohibited under the provisions of any Subordination Agreement or make any payment on the Subordinated Debt that any Person was not entitled to receive under the provisions of the applicable Subordination Agreement; or

(f) if the Asset Purchase Agreement is terminated; or

(g) The occurrence of any of the following in the Chapter 11 Case:

(i) the bringing of a motion, taking of any action or the filing of any plan of reorganization or disclosure statement attendant thereto by any Borrower in the applicable Chapter 11 Case: (w) to obtain additional financing under Section 364(c) or (d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement; (x) to grant any Lien other than Permitted Liens upon or affecting any Collateral; (y) except as provided in the Interim Order or Final Order, as the case may be, to use cash collateral of Lender under Section 363(c) of the Bankruptcy Code without the prior written consent of Lender; or (z) any other action or actions adverse to the Lender or its rights and remedies hereunder or its interest in the Collateral;

(ii) the filing of any plan of reorganization or disclosure statement attendant thereto, or any direct or indirect amendment to such plan or disclosure statement, by a Borrower or any other person to which the Lender does not consent or otherwise agree to the treatment of its claims;

(iii) the entry of an order in the Chapter 11 Case confirming a plan or plans of reorganization that does not contain a provision for repayment in full in cash of all of the Obligations under this Agreement on or before the effective date of such plan or plans;

(iv) the entry of an order amending, supplementing, staying, vacating or otherwise modifying the Credit Documents or any Interim Order or Final Order without the prior written consent of all of the Lender or the filing of a motion for reconsideration with respect to any Interim Order or Final Order;

(v) the Final Order shall not have been entered at least two (2) business days before the scheduled auction in connection with the Asset Purchase Agreement, which Final Order shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed in any respect without the prior written consent of Lender, which consent shall not be unreasonably withheld;

(vi) the appointment of an interim or permanent trustee in the Chapter 11 Case or the appointment of a receiver or an examiner in the Chapter 11 Case with expanded powers to operate or manage the financial affairs, the business, or reorganization of Borrower; or the sale without Lender's consent, of all or substantially all of any Borrower's assets either through a sale under Section 363 of the Bankruptcy Code, through a confirmed plan of reorganization in the Chapter 11 Case, or otherwise that does not provide for payment in full in cash of the Obligations;

(vii) the allowance of any claim or claims under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726 and 1114 of the Bankruptcy Code (other than the Carve-Out or as set forth in the Interim Order or Final Order) having priority over, or being pari passu with, the administrative priority of the Obligations;

(viii) the dismissal of any Chapter 11 Case, or the conversion of any Chapter 11 Case from one under Chapter 11 to one under Chapter 7 of the Bankruptcy Code or any Borrower shall file a motion or other pleading seeking the dismissal of the Chapter 11 Case under Section 1112 of the Bankruptcy Code or otherwise;

(ix) the entry of an order by the Bankruptcy Court granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (x) to allow any creditor to execute upon or enforce a Lien on any Collateral, or (y) with respect to any Lien of or the granting of any Lien on any Collateral to any state or local environmental or regulatory agency or authority, which in either case would have a Material Adverse Effect;

(x) an order of the Bankruptcy Court shall be entered in the Chapter 11 Case appointing an examiner with powers beyond investigatory powers under Section 1106(b) of the Bankruptcy Code;

(xi) the entry of an order in the Chapter 11 Case avoiding or requiring repayment of any portion of the payments made on account of the Obligations owing under this Agreement or the other Credit Documents;

(xii) the failure of any Borrower to perform any of its obligations under any Interim Order or Final Order which failure would have a Material Adverse Effect; provided, however, that an Event of Default under Sections 11(e), 23 and 36 of the Interim Order, and any similar provision of a Final Order related to the required approval for variances, the Milestones and additional financing, would have a Material Adverse Effect; or

(xiii) the entry of an order in the Chapter 11 Case granting any other super priority administrative claim or Lien equal or superior to that granted to Lender.

then, and in any such event, the Lender may, in its sole discretion, (i) terminate the Advances and cause the Maturity Date to occur, (ii) deliver a Carve-Out Notice (as defined in the Interim Order or the Final Order), (iii) declare all or any portion of the Loan then outstanding to be due and payable, whereupon all or such portion of the aggregate principal of all Obligations, all accrued and unpaid interest thereon, and all other amounts payable under this Agreement and the other Loan Documents shall become due and payable immediately, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower and (iv) exercise any and all of its other rights and remedies under applicable Law, hereunder, under the Interim Order and Final Order and under the other Loan Documents, including applying all amounts in the Deposit Accounts to repayment of the Obligations. In addition to the remedies set forth above, Lender may exercise any other remedies provided for by this Agreement in accordance with the terms hereof or any other remedies provided by applicable law, including all remedies provided under the UCC.

12.2 Lender Remedies. Lender's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies which Lender may have under any other Credit Document or at law or in equity. Recourse to the Collateral shall not be required. All provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited, to the extent necessary, so that they do not render this Agreement invalid or unenforceable, in whole or in part.

13. MISCELLANEOUS

13.1 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of Lender, any right, remedy, power or privilege under this Agreement or any other Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No notice to or demand on any Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.2 Amendments and Waivers. No amendment, modification or waiver of or with respect to any provision of this Agreement or any other Credit Document shall in any event be effective unless it shall be in writing and signed by Lender and Borrowers, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

13.3 Certain Expenses.

(a) Each Borrower agrees to pay or reimburse, jointly and severally, Lender for all costs and expenses (including the reasonable fees and expenses of all counsel, advisors, consultants and auditors) incurred by Lender in connection with: (i) the enforcement of this Agreement and the other Credit Documents; and (ii) the enforcement of Lender's rights in connection with this Agreement and the other Credit Documents.

(b) The provisions of this Section 13.3 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement and the repayment of the Loan. All amounts due under this Section 13.3 shall be payable on written demand therefor.

13.4 Further Assurances. Each Borrower will take, or cause to be taken, all such further actions and execute, or cause to be executed, all such further documents and instruments as Lender may at any time reasonably request or determine to be necessary or advisable to further carry out and consummate the transactions contemplated by this Agreement and the other Credit Documents.

13.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each Borrower and its successors and to the benefit of Lender and its successors and assigns. The rights and obligations of each Borrower under this Agreement shall not be assigned or delegated without the prior written consent of Lender, and any purported assignment or delegation without such consent shall be null and void. Lender reserves the right at any time to create and sell participations in the Loan and the Credit Documents and to sell, transfer or assign any or all of its rights in the Loan and under the Credit Documents.

13.6 Descriptive Headings. The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

13.7 Rules of Construction. For purposes of this Agreement and the other Credit Documents, the following additional rules of construction shall apply, unless specifically indicated to the contrary: (a) wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural; (b) all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations; and (c) all references to any instruments or agreements, including references to any of the Credit Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof. The words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation” the word “or” is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Credit Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations.

13.8 Notices. Except as otherwise provided herein, whenever any notice, demand, request or other communication shall or may be given to or served upon any party by any other party, or whenever any party desires to give or serve upon any other party any communication with respect to this Agreement, each such communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by electronic transmission (with such electronic transmission promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 13.8, (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or

(d) when hand-delivered, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Schedule III or to such other address as may be substituted by notice given as herein provided. Failure or delay in delivering copies of any such communication to any Person (other than Borrowers or Lender) designated in Schedule III to receive copies shall in no way adversely affect the effectiveness of communication.

13.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.10 Entire Agreement; Counterparts. This Agreement and the other Credit Documents represent the agreement of Borrowers and Lender with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by Borrowers or Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents. Nothing in this Agreement or in the other Credit Documents, express or implied, is intended to confer upon any party, other than the parties hereto and thereto, any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Credit Documents. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. Any signature delivered by a party via facsimile or electronic transmission shall be deemed to be an original signature hereto.

13.11 SUBMISSION TO JURISDICTION. EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY: (a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING, DIRECTLY OR INDIRECTLY, RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE; (b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURT AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME; (c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO IT AT ITS ADDRESS SET FORTH IN SCHEDULE III TO THIS AGREEMENT OR AT SUCH OTHER ADDRESS OF WHICH LENDER SHALL HAVE BEEN NOTIFIED PURSUANT TO SECTION 13.8; AND (d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

13.12 WAIVER OF TRIAL BY JURY, CERTAIN DAMAGES AND SETOFFS. IN ANY LEGAL ACTION OR PROCEEDING, DIRECTLY OR INDIRECTLY,

RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT DELIVERED PURSUANT HERETO OR THERETO, (A) EACH OF EACH BORROWER AND LENDER HEREBY, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUCH LEGAL ACTION OR PROCEEDING, (B) EACH OF EACH BORROWER AND LENDER HEREBY, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, ACTUAL DAMAGES AND (C) EACH BORROWER HEREBY, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO INTERPOSE ANY NON-COMPULSORY SETOFF, RECOUPMENT, COUNTERCLAIM OR CROSS-CLAIM IN CONNECTION WITH ANY SUCH LEGAL ACTION OR PROCEEDING. EACH BORROWER AGREES THAT THIS SECTION 13.12 IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND ACKNOWLEDGES THAT LENDER WOULD NOT EXTEND TO BORROWER ANY LOANS HEREUNDER IF THIS SECTION 13.12 WERE NOT PART OF THIS AGREEMENT.

13.13 GOVERNING LAW. THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE, WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

13.14 Borrowers Jointly and Severally Liable.

(a) Joint and Several Liability. Notwithstanding anything to the contrary contained herein, the Loan and the other Obligations of Borrowers constitute the joint and several obligations of Borrowers, and Lender may at its option enforce the entire amount of the Loan and the other Obligations of any Borrower against any of Borrowers. Lender may exercise remedies against any Borrower and its property separately, whether or not Lender exercises remedies against another Borrower or its property. Lender may enforce any Borrower's obligations without enforcing any other Borrower's obligations. Any failure or inability of Lender to enforce any Borrower's obligations shall not in any way limit Lender's right to enforce the obligations of another Borrower. If Lender forecloses or exercises similar remedies under any one or more Credit Documents, then such foreclosure or similar remedy shall be deemed to reduce the balance of the Loan only to the extent of the cash proceeds actually realized by Lender from such foreclosure or similar remedy or, if applicable, Lender's credit bid at such sale, regardless of the effect of such foreclosure or similar remedy on the Loan secured by such Credit Documents under the applicable state law.

(b) Inducement. Each Borrower acknowledges, represents and warrants that Lender has been induced to make the Loan to Borrowers in part based upon the assurances by each Borrower that such Borrower desires that the Credit Documents, as

applicable, be honored and enforced as separate obligations of each Borrower, should Lender desire to do so.

(c) Waivers.

(i) Waivers of Rights and Defenses. Each Borrower waives any right to require Lender to (A) proceed against any particular Borrower, any particular Collateral, or in any particular order of realization, (B) proceed against or exhaust any Collateral or (C) pursue any other right or remedy. Each Borrower agrees that Lender may proceed against any other Borrower with respect to the obligations of such Borrower Party under this Agreement and the other Credit Documents without taking any actions against any other Borrower and without proceeding against or exhausting any other Collateral. Each Borrower agrees that Lender may unqualifiedly exercise (or refrain from exercising) in its sole discretion any or all rights and remedies available to it against any Borrower without impairing Lender's rights and remedies in enforcing the obligations of any Borrower under this Agreement or the other Credit Documents, under which any Borrower's liabilities shall remain independent and unconditional. Each Borrower agrees and acknowledges that Lender's exercise of certain of such rights or remedies may affect or eliminate such Borrower's right of subrogation or recovery (if any) against any other Borrower and that such Borrower may incur a partially or totally non-reimbursable liability in performing its obligations under the Credit Documents. Without limiting the generality of any other waivers in this Agreement, each Borrower expressly waives any statutory or other right that such Borrower might otherwise have to require Lender to exhaust the Collateral held with respect to any other Borrower before Lender may proceed against the Collateral owned by such Borrower.

(ii) Additional Waivers. Each Borrower waives diligence and all demands, protest, presentments and notices of every kind or nature except notices of default, notices to cure and notices that, in any of the foregoing cases, are either required by law or by the Credit Documents, including notices of protest, dishonor, nonpayment, acceptance of the obligations of such Borrower under this Agreement and the other Credit Documents and the creation, renewal, extension, modification or accrual of any such obligations. No failure or delay on Lender's part in exercising any power, right or privilege under the Credit Documents shall impair or waive any such power, right or privilege. Each Borrower waives any right to have any Collateral marshaled.

(d) Full Knowledge. Each Borrower acknowledges, represents and warrants that such Borrower has had full and adequate opportunity to review the Credit Documents, the transactions contemplated herein and all underlying facts relating to the transaction contemplated herein. Each Borrower represents and warrants that such Borrower fully understands: (a) the remedies Lender may pursue against such Borrower and any other Borrower in the event of a default under the Credit Documents, (b) the value (if any) of any Collateral, and (c) such Borrower's and any other Borrower's financial condition and ability to perform under the Credit Documents. Each Borrower agrees that Lender has no duty, whether now or in the future, to disclose to any Borrower any information pertaining to such Borrower, any Collateral or any other Borrower.

(e) Deferral of Reimbursement. Each Borrower waives any right to be reimbursed by any other Borrower for any payment(s) made by such Borrower or from such Borrower's property on account of the obligations of any other Borrower under this Agreement or any other Credit Document, unless and until all such obligations under the Credit Documents then required to be performed have been paid and performed (as applicable) in full. Each Borrower acknowledges that such Borrower has received adequate compensation for execution of the Credit Documents to which such Borrower is a party by virtue of Lender making the Loan (which benefit each and every Borrower).

(f) Rights of Contribution; Subordination. Borrowers hereby agree, as between themselves, that if any Borrower shall pay any obligation of any other Borrower under the Credit Documents, Borrower shall, on demand, pay to such Borrower the amount of such excess payment; provided that the right of any Borrower to receive such excess payment shall, after the occurrence, and during the continuance, of any Event of Default, be subordinate and subject in right of payment to the prior payment in full of all Obligations of Borrowers to Lender under the Credit Documents and no Borrower shall exercise any right or remedy with respect to such excess payment until payment and satisfaction in full of all such obligations to Lender.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

Borrowers:

VALLEY TOOL & MANUFACTURING, INC.

By: Matthew D. Sedigh
Name: Matthew D. Sedigh
Title: Authorized Officer

NC DYNAMICS INCORPORATED

By: Matthew D. Sedigh
Name: Matthew D. Sedigh
Title: Authorized Officer

GROUPEAERO SEATTLE, INC.

By: Matthew D. Sedigh
Name: Matthew D. Sedigh
Title: Authorized Officer

AEROSPACE HOLDINGS, INC.

By: Matthew D. Sedigh
Name: Matthew D. Sedigh
Title: Authorized Officer

NCDI MEXICO, INC.

By: Matthew D. Sedigh
Name: Matthew D. Sedigh
Title: Authorized Officer

Lender:

HARLOW AEROSTRUCTURES LLC

By 

Name: Phillip Friedman

Title: Chief Executive Officer

EXHIBIT B

Approved Budget

Consolidated GroupAero

Week Ending	Stub Week							7 weeks Total
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	
	2-Apr	9-Apr	16-Apr	23-Apr	30-Apr	7-May	9-May	
Operating Receipts								
Customer Collections	477	838	755	868	879	879	132	4,828
Miscellaneous Collections (Scrap sales, refunds, etc.)	60	-	-	-	-	60	-	120
Total Receipts	537	838	755	868	879	939	132	4,948
Operating Disbursements								
Raw Materials, Outside Processing, Mfg O/H	356	288	386	441	394	428	104	2,397
Pre-Petition Materialmen Payments	-	50	50	-	-	-	-	100
Payroll and Related	626	107	634	107	626	107	-	2,209
Employee Bonuses	-	-	-	-	-	-	-	-
Employee Severance	-	-	-	-	-	-	-	-
Insurance	97	-	127	-	55	36	-	315
Rent	116	-	-	-	34	82	-	231
Utitlites	59	8	5	-	46	9	-	126
Taxes, Licenses, Permits	2	66	-	-	45	-	-	113
Other (AHI Mgmt, NCDM G&A)	-	9	-	9	-	9	-	27
Total Operating Disbursements	1,256	528	1,202	558	1,200	671	104	5,517
Net Operating Cash Flow	(719)	311	(446)	310	(321)	268	28	(569)
Restructuring Related Professional Fees	151	139	146	138	119	92	45	831
DIP Lender Professional Fees	100	-	-	-	-	-	-	100
Capital Expenditures	35	25	5	20	-	-	-	85
Capital Leases	61	9	12	13	60	9	-	164
Net Cash Flow	(1,066)	137	(610)	139	(500)	168	(17)	(1,748)
Beginning Cash Balance	370	(696)	(559)	(1,168)	(1,029)	(1,529)	(1,361)	370
Net Cash Flow	(1,066)	137	(610)	139	(500)	168	(17)	(1,748)
Ending Cash Balance	(696)	(559)	(1,168)	(1,029)	(1,529)	(1,361)	(1,378)	(1,378)

Consolidated GroupAero

Bankruptcy Forecast

Professional Fees

Professional Fees

Week Ending		Stub Week							
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	7 Weeks
		2-Apr	9-Apr	16-Apr	23-Apr	30-Apr	7-May	9-May	TOTAL
Debtor	Greenberg Traurig	60	60	60	60	60	35	5	340
Debtor	G2 Capital	7	7	7	7	13	13	4	57
Debtor	Conway MacKenzie	45	40	40	40	40	30	5	240
Debtor	BMC Group	4	4	4	4	4	4	4	30
UCC	Counsel	-	-	-	-	-	-	15	15
UCC	FA	-	-	-	-	-	-	10	10
	Post-Default Carveout	25	25	25	25	-	-	-	100
	US Trustee	-	-	-	-	-	-	-	-
	Total	141	136	136	136	117	82	43	792
	Expenses	10	3	10	2	2	10	2	39
	Total	151	139	146	138	119	92	45	831