

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW HAMPSHIRE**

In re:

Kingsbury Corporation
Donson Group, Ltd.
Ventura Industries, LLC

Bk. No. 11-13671-JMD
Bk. No. 11-13700-JMD
Bk. No. 11-13687-JMD
Jointly Administered

Debtors.

FINAL ORDER (A) AUTHORIZING THE DEBTOR TO OBTAIN POST-PETITION FINANCING; (B) GRANTING TO DIAMOND BUSINESS CREDIT, LLC POST-PETITION SECURITY INTERESTS; (C) AUTHORIZING THE USE OF CASH COLLATERAL; AND (D) GRANTING ADEQUATE PROTECTION IN THE FORM OF REPLACEMENT LIENS

This matter having come before the Court on the Motion for Order: (A) Authorizing the Debtor to Obtain Post-Petition Financing; (B) Granting to Diamond Business Credit, LLC Post-Petition Security Interests; (C) Authorizing the Use of Cash Collateral; (D) Granting Adequate Protection in the Form of Replacement Liens; and (E) Setting a Final Hearing (the "Motion"), filed by Kingsbury Corporation (the "Debtor"), after such notice and opportunity for hearing as was required under the Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.*, and the Federal Rules of Bankruptcy Procedure, this Court having conducted a preliminary hearing on the Motion on October 6, 2011 (the "Hearing") and having issued an interim order on October 11, 2011, and this Court having conducted a final hearing on the Motion on October 31, 2011, and after due deliberation and sufficient cause appearing therefore, it is hereby **ORDERED**, **ADJUDGED**, and **DECREED** that:

1. The Motion is granted on a final basis on the terms set forth herein. All capitalized terms used but not defined in this Order shall have, for purposes of this Order, the meanings ascribed to such terms in the Motion.

2. The Debtor and Diamond are authorized to continue the transactions set forth in the Diamond Loan Documents, in accordance with said documents and with the parties' usual practices as they existed prior to the Petition Date (including, without limitation, monthly payment of interest and monthly fees due under the Diamond Loan Documents on Diamond's pre-petition loans and DIP loans), except as amended below. The Debtor is authorized to borrow funds, and to make expenditures, substantially as set forth on the budget attached hereto as **Exhibit A**. Diamond possesses a valid, binding, and perfected security interest in the collateral described in the Diamond Loan Documents ("Diamond Collateral"), and subject to the rights granted to the Official Committee of Unsecured Creditors (the "Committee") in this Order, Diamond's lien on the Debtor's accounts, inventory and intellectual property is a valid and perfected first priority lien. Diamond shall have a valid, perfected, first-priority lien on all of the Debtor's accounts, inventory and intellectual property in order to secure the Debtor's obligations with respect to post-petition advances made by Diamond pursuant to the Diamond Loan Documents, provided, however, that the Committee may, within thirty (30) days from the entry of this Order (the "Challenge Period"), which period may be extended by the Court for cause shown (which shall be limited to proof of a lack of cooperation by Diamond in the provision of the Diamond Loan Documents and records of loan requests, advances and payments made within ninety (90) days of the bankruptcy filing (hereinafter "Good Cause")), or by written agreement of Diamond, challenge the validity, perfection, or priority of Diamond's security interest in Diamond's pre-petition collateral, or otherwise assert any claim, counterclaim, cause of action, objection or defense of the Debtor or its estate against Diamond or its agents, affiliates, subsidiaries, directors, officers, employees, representatives, attorneys or advisors in connection with matters relating to the Diamond Loan Documents, the Diamond Collateral or the conduct of Diamond in connection therewith

(collectively, "Claims and Defenses"). Notwithstanding anything contained in the Amendment or any of the Diamond Loan Documents, and notwithstanding anything contained in this Order, until the Challenge Period has expired, the release and waiver contained in Paragraph 4 of the Amendment shall be of no force and effect, and shall remain of no force and effect if the Committee asserts Claims and Defenses prior to the expiration of the Challenge Period. In the event that the Committee does not timely file within the Challenge Period an adversary proceeding, objection or contested matter asserting any Claims and Defenses, unless the Challenge Period is extended by the Court upon a request by the Committee for Good Cause made prior to the expiration of the Challenge Period, or by written agreement of Diamond, the Committee is forever barred from asserting such Claims and Defenses. The Committee is hereby authorized to, and conferred standing to, assert Claims and Defenses without further order of the Court. Notwithstanding the foregoing, Diamond shall have a first position perfected security interest in all of the Debtor's accounts, inventory and intellectual property as well as a perfected security interest in the other Diamond Collateral in the same priorities and of the same nature and type as existed prepetition (and as set forth above), in order to secure the Debtor's obligations with respect to post-petition advances made by Diamond under the Diamond Loan Documents, which lien shall not be subject to any challenge by the Debtor, the Committee or any trustee appointed in the Debtor's case or in any subsequent chapter 7 cases, or any party in interest.

3. The Debtor and Diamond are authorized to enter into an amendment to the Diamond Loan Documents that is substantially similar to the amendment attached hereto as **Exhibit B**.

4. As adequate protection of its interests in property of the estate, to, among other things, continue to and further secure Diamond's pre-petition loans and its DIP Loan the Court authorizes the Debtor to grant a security interest to Diamond (the "Diamond Replacement Lien") in

the items of collateral identified in the Diamond Loan Documents, with the Diamond Replacement Lien having the same priority as the security interests granted to Diamond by the Debtor prior to the Petition Date. In addition, if Diamond becomes entitled to an allowable claim under 11 U.S.C. § 507(a)(2), then Diamond shall have a claim under 11 U.S.C. § 507(b) (the “Diamond Superpriority Claim”), but only to the extent that the Diamond Replacement Lien is not adequate to protect Diamond’s interest in the pre-petition collateral from a diminution in value, which Diamond Superpriority Claim would (i) have priority over all other claims entitled to priority under §507(a)(2), with the exception of quarterly fees due to the United States Trustee pursuant to 28 U.S.C. § 1930 and professional fees incurred by the Debtor’s and the Committee’s professionals. Notwithstanding the foregoing: (i) the Diamond Replacement Lien and the Diamond Superpriority Claim shall not attach to or be satisfied from any avoidance actions pursuant to Chapter 5 of the Bankruptcy Code or the proceeds thereof and (ii) the Diamond Collateral, the Diamond Replacement Lien and the Diamond Superpriority Claim are subject and subordinate to a first-priority carve-out for the benefit of the Debtor’s and the Committee’s professionals in the amount of \$125,000 .

5. Diamond has extended credit, and is extending credit pursuant to this Order, in good faith and, accordingly, is, as to all financing extended through and including the entry of a final order on the Motion, entitled to all rights and protections provided pursuant to 11 U.S.C. §364(e).

6. The Court reserves the right to enter such further orders as may be necessary regarding the use of cash collateral to provide for payment of any administrative claims for wage and trade creditors who have supplied goods or services to the debtors during the period of operation under this order which remain unpaid at the time of termination of authorized borrowing

or cash collateral usage, and which goods or services have created additional collateral for the secured claimant.

7. Debtor's authority to continue borrowing and using cash collateral shall expire on December 30, 2011, unless otherwise ordered by this Court. The Debtor may serve, on or before December 14, 2011 a motion seeking authority to continue borrowing and use cash collateral in accordance with the Diamond Loan Documents and this borrowing order (the "Motion to Extend"). The Debtor shall serve a Notice of Hearing with the Motion to Extend, noticing a hearing on the same for December 28, 2011 at 1:30 p.m. and providing for objections to be filed and served no later than December 21, 2011.

8. In the event of a timely filed objection, the Court will hold a hearing on December 28, 2011 at 1:30 p.m. in the United States Bankruptcy Court, 1000 Elm Street, Suite 1001, Manchester, New Hampshire; if no objection is timely filed the Court may enter the relief sought without a hearing.

9. This Order is entered on a final basis in accordance with Rule 4001(c)(2) of the Federal Rules of Bankruptcy Procedure. The order is deemed effective as of October 31, 2011.

Dated: November 08, 2011

/s/ J. Michael Deasy

The Honorable J. Michael Deasy
United States Bankruptcy Judge

KINGSBURY CORPORATION

Cash Flow 11-04-11

	11/4/2011	11/11/2011	11/18/2011	11/25/2011	12/2/2011	12/9/2011	12/16/2011	12/23/2011	12/30/2011
Opening Available - 11/04/11	\$ 7,911.29	\$ 12,326.29	\$ (26,383.71)	\$ (48,213.71)	\$ (56,751.71)	\$ (88,920.71)	\$ (140,639.71)	\$ (156,999.71)	\$ (171,699.71)
New Invoicing at 85%	\$ 5,015.00	\$ 19,040.00	\$ 32,470.00	\$ 36,712.00	\$ 22,581.00	\$ 20,031.00	\$ 19,890.00	\$ 28,050.00	\$ 36,720.00
New Collections at 15%	\$ 150.00	\$ 3,750.00	\$ 2,700.00	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00
Cash in Accounts	\$ 6,000.00								
Reduction in Workers Comp Bond									
Adjusted WE Total	\$ 19,076.29	\$ 35,116.29	\$ 8,786.29	\$ (7,751.71)	\$ (30,420.71)	\$ (65,139.71)	\$ (116,999.71)	\$ (125,199.71)	\$ (131,229.71)
<u>Invoicing</u>	<u>11/4/2011</u>	<u>11/11/2011</u>	<u>11/18/2011</u>	<u>11/25/2011</u>	<u>12/2/2011</u>	<u>12/9/2011</u>	<u>12/16/2011</u>	<u>12/23/2011</u>	<u>12/30/2011</u>
Spare Parts - Stock/Purchased	\$ 1,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
Spare Parts - Manufactured	\$ 1,900.00	\$ 5,000.00	\$ 5,000.00	\$ 9,000.00	\$ 5,000.00	\$ 5,000.00	\$ 9,000.00	\$ 5,000.00	\$ 5,000.00
Chrysler - Parts and Rebuilds	\$ 3,000.00	\$ 10,400.00	\$ 17,000.00	\$ 16,500.00	\$ 10,400.00	\$ 7,400.00	\$ 7,400.00	\$ 21,000.00	\$ 31,200.00
Nexteer/Diversified				\$ 8,350.00					
Rockford Products									
Service Trips			\$ 9,200.00						
Subcontract Parts				\$ 2,340.00	\$ 4,166.00	\$ 4,166.00			
New Machine Deposit									
Total	\$ 5,900.00	\$ 22,400.00	\$ 38,200.00	\$ 43,190.00	\$ 26,566.00	\$ 23,566.00	\$ 23,400.00	\$ 33,000.00	\$ 43,200.00
<u>Payroll</u>		\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (20,000.00)
<u>Weekly/Monthly</u>									
Insurance (just property/wc)		\$ (5,500.00)	\$ (7,000.00)				\$ (7,000.00)		
State of NH Corporate Tax									
Banks/Leases*		\$ (1,000.00)	\$ (500.00)	\$ (500.00)	\$ (20,500.00)	\$ (25,500.00)	\$ (500.00)	\$ (500.00)	\$ (500.00)
Deposit - PSNH									
Deposit - Other Utilities				\$ (16,000.00)					
Deposit - IB		\$ (17,500.00)				\$ (17,500.00)			
Oil/Gas/Phone normal expenses	\$ (1,500.00)	\$ (7,000.00)	\$ (20,500.00)	\$ (7,000.00)	\$ (9,500.00)	\$ (7,000.00)	\$ (7,000.00)	\$ (20,500.00)	\$ (15,500.00)
Prior Week Float									
<u>Vendors - Steel/Commercial</u>	\$ (750.00)	\$ (2,500.00)	\$ (5,000.00)	\$ (2,500.00)	\$ (2,500.00)	\$ (2,500.00)	\$ (2,500.00)	\$ (2,500.00)	\$ (2,500.00)
<u>Plant Requirements</u>	\$ (1,000.00)	\$ (6,000.00)	\$ (2,000.00)	\$ (1,000.00)	\$ (1,000.00)	\$ (1,000.00)	\$ (1,000.00)	\$ (1,000.00)	\$ (1,000.00)
<u>Miscellaneous</u>	\$ (3,500.00)	\$ (2,000.00)	\$ (2,000.00)	\$ (2,000.00)	\$ (5,000.00)	\$ (2,000.00)	\$ (2,000.00)	\$ (2,000.00)	\$ (2,000.00)
	\$ (6,750.00)	\$ (61,500.00)	\$ (57,000.00)	\$ (49,000.00)	\$ (58,500.00)	\$ (75,500.00)	\$ (40,000.00)	\$ (46,500.00)	\$ (41,500.00)
<u>Net Cash Available</u>	\$ 12,326.29	\$ (26,383.71)	\$ (48,213.71)	\$ (56,751.71)	\$ (88,920.71)	\$ (140,639.71)	\$ (156,999.71)	\$ (171,699.71)	\$ (172,729.71)

*Includes interest to DBC of \$20,000 on December 1st and a payment to Utica of \$25,000 on December 5th



**FIRST AMENDMENT TO
LOAN AGREEMENT AND SECURITY AGREEMENT**

Diamond Business Credit, LLC

LENDER

Kingsbury Corporation

BORROWER

As of September 29, 2011

This First Amendment to Loan Agreement and Security Agreement (hereinafter, this “**Amendment**”) is made as of the **29th day of September, 2011** to that Loan Agreement and Security Agreement dated **October 22, 2007** (as hereby amended and as such may be further amended hereafter, the “**Loan Agreement**”). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Loan Agreement.

This Amendment is made by and between:

Diamond Business Credit, LLC, a Massachusetts limited liability company having its principal office at 200 LedgeWood Place, Suite 100, Rockland, MA 02370 (hereinafter referred to as the “**Lender**”)

and

Kingsbury Corporation, a New Hampshire corporation with its principal executive office at 80 Laurel Street, Keene, NH 03431 (hereinafter referred to as the “**Borrower**”).

In consideration of the mutual covenants contained herein and benefits to be derived herefrom, the Lender and the Borrower hereby agree to amend the Loan Agreement as specifically set forth herein.

BACKGROUND

The Lender and the Borrower are parties to the Loan Agreement and the various other security documents (hereinafter, together with the Loan Agreement, the “**Security Documents**”) executed and delivered by the Borrower to the Lender in connection therewith. The Borrower has advised Lender that Borrower intends to file for protection under Chapter 11 of the United States Bankruptcy Code and has requested that Lender agree to a continuation of the financing arrangements set forth in the Security Documents in connection with proposed Debtor-in-Possession (“**DIP**”) financing, amended as set forth herein. The Lender is willing to amend the Loan Agreement in accordance with the Borrower’s request, but only upon the terms and conditions specifically set forth in this Amendment. Accordingly, the Lender and the Borrower, subject to the terms and conditions of this Amendment, hereby amend the Loan Agreement and the other Security Documents as may be necessary for consistency, and otherwise agree as follows:

1) Amendments to Loan Agreement.

- a) Lender consents to a post-petition continuation of the financing arrangements set forth in the Loan Agreement, in accordance with the terms of a DIP Financing Motion to be approved by Lender, the Borrower and their respective counsel and by the Bankruptcy Court.
- b) The advance rate on Inventory Loan advances shall be increased to 35%.
- c) The Inventory Loan Limit shall be increased to \$300,000.
- d) The Credit Limit is \$1,500,000.

2) Effect of this Amendment. This Amendment shall become effective upon the approval of the DIP Financing Motion by the Bankruptcy Court, and (i) except as expressly amended hereby, no other changes or modifications to the Loan Agreement or the other Security Documents are intended or implied and each shall remain in full force and effect in accordance with its respective provisions as originally written on the date hereof; (ii) in all other respects the Loan Agreement and the other

Security Documents are hereby specifically ratified, restated and confirmed by all parties hereto; (iii) the Loan Agreement and this Amendment shall be read and construed as one agreement; and (iv) all references to the Loan Agreement in the original Loan Agreement and the other Security Documents shall be deemed to be references to the Loan Agreement as amended hereby.

- 3) No Waiver of Compliance. By entering into this Amendment, and except to the extent specifically contemplated and agreed upon as set forth in the DIP Financing Motion and all Exhibits thereto, the Lender has not and shall not be deemed to have (a) waived any Default or Event of Default now existing or which may occur at any time hereafter; (b) limited any of the Lender's rights and remedies with respect to any Default or Event of Default; or (c) except as otherwise expressly set forth herein, ~~limited the Lender's right to require the Borrower to comply strictly with each term and condition of the Loan Agreement or the other Security Documents as amended hereby.~~
- 4) Waiver of Claims. Subject to all applicable provisions of the Bankruptcy Code, the Borrower hereby acknowledges and agrees that it has no offsets, defenses, claims, or counterclaims against the Lender or its officers, directors, employees, attorneys, representatives, parents, affiliates, predecessors, successors, or assigns with respect to the Liabilities, or otherwise (except offsets, defenses, claims or counterclaims arising from deposit accounts and/or securities accounts with the Lender, collectively, "Non-Waived Claims"); and that if the Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against the Lender or its officers, directors, employees, attorneys, representatives, affiliates, predecessors, successors, or assigns, whether known or unknown, at law or in equity, from the beginning of the world through this date and through the time of execution of this Amendment, all of them (other than the Non-Waived Claims) are hereby expressly WAIVED, and the Borrower hereby RELEASES the Lender and its officers, directors, employees, attorneys, representatives, affiliates, predecessors, successors, and assigns from any liability therefor.
- 5) Miscellaneous.
 - a) Subject to any required approval of the Bankruptcy Court, the Borrower shall execute and deliver to the Lender such additional documents, instruments, and agreements and take such additional action that the Lender may reasonably require in order to give effect to, and implement the terms and conditions of this Amendment.
 - b) This Amendment may be executed and delivered by exchange of facsimile or electronic signatures of the Lender and the Borrower. This Amendment may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.
 - c) This Amendment, the Loan Agreement and the other Security Documents contain the entire understanding between the Borrower and the Lender and supersede all prior agreements and understandings, if any, relating to the subject matter hereof.
 - d) The captions at various places in this Amendment are intended for convenience only and do not constitute and shall not be interpreted as part of this Amendment.

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IN WITNESS WHEREOF, the parties have executed this First Amendment to Loan Agreement and Security Agreement by their respective duly authorized officers.

Lender

Diamond Business Credit, LLC

Borrower

Kingsbury Corporation, Debtor-in-Possession

George P. Gochis, President

By: _____

Name: Iris Mitropoulis, President