

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

IN RE:	Bankruptcy Case No. 17-70164-JAD
PRIME METALS & ALLOYS, INC.,	
Debtor.	Chapter 11
PRIME METALS & ALLOYS, INC.,	
Movant,	
v.	
S&T BANK,	
Respondent.	

EXPEDITED MOTION FOR THE ENTRY OF AN ORDER (I) AUTHORIZING THE DEBTOR TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II) GRANTING ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 361 AND 363; (III) SCHEDULING INTERIM AND FINAL HEARINGS PURSUANT TO BANKRUPTCY RULES 4001(b) AND (c); AND (IV) GRANTING RELATED RELIEF

PRIME METALS & ALLOYS, INC. (“**Prime**” or the “**Debtor**”) files this expedited motion (the “**Motion**”) for the entry of an interim order (the “**Interim Order**”) and a final order (the “**Final Order**”) (collectively, the “**Cash Collateral Orders**”), pursuant to a variety of provisions and related authority¹ that, among other things: (i) authorize the Debtor to immediately use, and continue to use, Cash Collateral² as set forth in this Motion; (ii) grant adequate protection liens to the prepetition secured parties; (iii) pursuant to Bankruptcy Rule 4001, schedule an interim

¹ Specifically, Sections 105, 361, 363(b), and 363(c) of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the “**Bankruptcy Code**”), and Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and the W.PA.LBR 4001-2 of the local rules for the Western District of Pennsylvania (the “**Local Rules**”).

² “Cash Collateral” means cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motels, or other lodging properties subject to a security interest as provided in Section 552(b) of the Bankruptcy Code, whether existing before or after the commencement of a case under the Bankruptcy Code. 11 U.S.C. § 363(a).

hearing (the “**Interim Hearing**”) on the Motion to be held before this Court to consider entry of the Interim Order; and (iv) schedule a final hearing (the “**Final Hearing**”) to be held within 40 days of the entry of the Interim Order to consider entry of the Final Order. In support thereof, the Debtor avers as follows.

PRELIMINARY STATEMENT

The Debtor began as a scrap-trading company and has grown to manufacturing and providing alloys, ingots, specialty scrap materials and customized scrap blends. The Debtor employs 68 men and women and provides invaluable benefits to the industry and community in which the Debtor operates. The key issues facing this Debtor involve the Debtor’s attempt to recover from previous downturns in the industry and significant debt obligations. Through the above-captioned bankruptcy case, the Debtor has a real opportunity to create a stronger and more prosperous company for its employees and surrounding community. In furtherance of that goal the Debtor has engaged in a protracted pre-petition sales and marketing process and expects to file a sale motion with a stalking horse bidder early in the case. This outcome is not possible unless the Debtor obtains approval to use its Cash Collateral.

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b).

BACKGROUND

2. On March 1, 2017 (the “**Petition Date**”), the Debtor filed a voluntary petition with this Court for relief under chapter 11 of the Bankruptcy Code.

3. The Debtor remains in possession of its assets and is managing its business as a

debtor-in-possession pursuant to section 1107 and 1108 of the Bankruptcy Code.

4. No creditors' committee has been appointed in this case by the United States Trustee. Further, no trustee or examiner has been requested or appointed.

5. In connection with this Motion, the Debtor has filed several related "First Day Motions," through which the Debtor seeks, *inter alia*, approval to continue using its existing bank accounts and cash management systems, approval to pay its employees in the ordinary course, an order determining that the Debtor has adequately protected its utility providers, and authority, but not the directive, to pay certain critical vendors.

6. If approved, the Debtor cannot realize the benefit of the foregoing motions unless it has the authority to use its Cash Collateral.

DEBTOR'S PREPETITION DEBT TO LENDER

7. Upon information and belief, S&T Bank ("**Lender**") is the only secured creditor with a lien on the Debtor's Cash Collateral. As of February 28, 2017, the Debtor had funded debt outstanding to Lender of approximately \$11,810,104.26, as follows:

Indebtedness	Principal (As of 2/28/2017)	Current Interest Rate	Maturity Date
S&T Note 001	\$31,329.02	3.75% variable	3/1/2017
S&T Note 203	\$39,232.99	1.75% variable	4/21/2017
S&T Note 204	\$6,499,276.02	2.75% variable	12/31/2016
S&T Note 205	\$5,192,909.75	1.75% variable	12/16/2018

RELIEF REQUESTED

8. By this Motion, the Debtor seeks the entry of the Cash Collateral Orders: (a) authorizing the Debtor to, among other things, continue to use Cash Collateral, (b) provide adequate protection to Lender and (c) granting the other relief described at the beginning of this Motion, and such other relief as may be just or proper.

SUMMARY OF CASH COLLATERAL TERMS

9. W.PA.LBR 4001-2(b)(2) provides, “All financing motions shall also provide a summary of the essential terms of the proposed use of cash collateral and/or financing (e.g., the maximum borrowing available on a final basis, the interim borrowing limit, borrowing conditions, interest rate, maturity, events of default, use of funds limitations, and protections afforded under 11 U.S.C. §§ 363 and 364).

10. The following is a summary of the Debtor’s use of Cash Collateral, as requested by this Motion: The Debtor seeks the authority to use Cash Collateral in accord with the budget attached to the Interim Order. In exchange for Lender’s consent to the Debtor’s use of Cash Collateral, the Debtor shall grant Lender Replacement Liens,³ remit interest only adequate protection payments to Lender so long as the Debtor is authorized to use Cash Collateral, and remit two (2) principal and interest payments to Lender such that (i) the principal and interest due to Lender for December of 2016 is paid in full; and (ii) the Lender receives one (1) additional payment of principal and interest due and owing from the Debtor.

BASIS FOR RELIEF

A. Approval of Use of Cash Collateral is Appropriate.

11. The Debtor respectfully requests immediate use of all Cash Collateral existing on or after the Petition Date.

12. Section 363(c)(2) of the Bankruptcy Code provides that a debtor may not use, sell or lease cash collateral unless “(a) each entity that has an interest in such cash collateral consents; or (b) the court, after notice and hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.”

3. Capitalized terms not otherwise defined herein shall have the same definitions as ascribed to them in the Interim Order.

13. The Court should grant the Debtor's request to use Cash Collateral because the necessary party with an interest in such Cash Collateral, *i.e.*, Lender, has consented to such use of Cash Collateral.

14. The Debtor has an urgent need for the immediate use of the Cash Collateral. The Debtor needs the Cash Collateral to honor obligations to parties who are critical to the success of its ongoing operations, including employees, vendors, and customers. Absent access to Cash Collateral, the Debtor's business will deteriorate, with damaging consequences for the Debtor and its estates and creditors and bring its sale process to a halt.

15. The Debtor believes that the terms and conditions of its use of the Cash Collateral are appropriate and reasonable and that Lender will be adequately protected against any postpetition diminution in the value of their interests in the Cash Collateral, as demonstrated by Lender having consented to the Debtor's use of Cash Collateral on the terms set forth in the Interim Order, including the provision of the adequate protection described *infra*.

16. The Debtor submits that it should be authorized to use the Cash Collateral on the terms set forth in the Interim Order.

B. The Interests of Lender are Adequately Protected.

17. To the extent a secured creditor's interests in collateral constitute valid and perfected security interests and liens as of the commencement of a case under the Bankruptcy Code, secured creditors are entitled to adequate protection of their valid and perfected interests in Cash Collateral and other prepetition collateral to be used by a debtor-in-possession during the course of a bankruptcy case. 11 U.S.C. § 363(e).

18. Although the Bankruptcy Code does not define "adequate protection", Section 361 of the Bankruptcy Code delineates a non-exhaustive list of the available types of adequate

protection, which include periodic cash payments, additional liens, replacement liens and the “indubitable equivalent of such entity’s interest in such property.” 11 U.S.C. § 361.

19. The focus of the requirement is to protect a secured creditor from the diminution in the value of its interest in the particular collateral during the period of use. *See In re Swedeland Dev. Group, Inc.*, 16 F.3d 552, 564 (3d Cir. 1994) (“The whole purpose of adequate protection for a creditor is to insure that the creditor receives the value for which he bargained prebankruptcy.”) (internal citations omitted).

20. The basic adequate protection offered to Lender consists of:

- a. replacement security interests and liens on all post-petition collateral to the same extent, priority and validity as its valid and enforceable prepetition liens;
- b. interest payments on the amounts due and owing under the Prepetition Loan Documents so long as the Debtor is authorized to use Cash Collateral; and,
- c. two (2) payments of principal to Lender, as follows:
 - i. payment representing the balance due and owing under the Prepetition Loan Documents for the payment due in December, 2016; and
 - ii. pursuant to the budget attached to the Interim Order the Debtor shall pay to Lender one (1) additional payment of principal as would be due and owing under the Prepetition Loan Documents.

21. Lender consents to the Debtor’s use of Cash Collateral on the terms set forth in the Interim Order, including the adequate protection described above.

22. Accordingly, the Debtor respectfully submits that Lender is adequately protected and that the Debtor’s use of Cash Collateral satisfy the requirements of the Bankruptcy Code.

C. Approval of Interim Relief is Appropriate.

23. Bankruptcy Rules 4001(b)(2) and 4001(c)(2) provide that a final hearing on a motion to use cash collateral or obtain credit, respectively, may not be commenced earlier than 14 days after the service of such motion. However, on request, the court may conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral and the obtaining of credit on an interim basis “to the extent necessary to avoid immediate and irreparable harm to the estate pending a final hearing.” Fed. R. Bankr. P. 4001(b)(2), (c)(2).

24. As described above, the Debtor urgently and immediately needs cash to pay salaries, vendors, and other day-to-day expenditures, all as set forth in the first- day motions filed concurrently with this Motion, that are critical to its continued viability.

25. Given the immediate and irreparable harm to the Debtor, its estates, and its creditors absent interim relief, the Debtor requests that, pending the Final Hearing, the Court schedule an interim hearing within two (2) business days of the Petition Date, or as soon thereafter as practicable to consider the interim relief requested in the Motion.

D. The Debtor Requests a Final Hearing.

26. Pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2), the Debtor requests that the Court set a date for the Final Hearing that is as soon as practicable, but in no event later than forty (40) days following the entry of the Interim Order, and fix the time and date before the Final Hearing for interested parties to file objections to the Motion.

W.PA.LBR 4001-2 DISCLOSURES

27. W.PA.LBR 4001-2(b) provides,

Except as provided herein and elsewhere in these Local Bankruptcy Rules, all cash collateral and financing requests under 11 U.S.C. §§ 363 and 364 shall be heard by motion filed pursuant to Fed. R. Bankr. P. 2002, 4001, and 9014 (“financing motions”).

- (1) All financing motions shall (a) recite whether the proposed form of order and/or underlying cash collateral stipulation or loan agreement contains any provision of the type indicated below; (b) identify the location of any such provision in the proposed form of order, cash collateral stipulation and/or loan agreement; and (c) justify the inclusion of such provision:
 - (A) Provisions that grant cross-collateralization protection (other than replacement liens or other adequate protection) to the prepetition secured creditors (i.e., clauses that secure prepetition debt by postpetition assets in which the secured creditor would not otherwise have a security interest by virtue of its prepetition security agreement or applicable law);
 - (B) Provisions or findings of fact that bind the estate or other parties in interest with respect to the validity, perfection, or amount of the secured creditor's prepetition lien or the waiver of claims against the secured creditor without first giving parties in interest at least (a) one hundred twenty (120) days from the date of the order, or (b) ninety (90) days from the date a committee is formed and retains counsel, to investigate such matters;
 - (C) Provisions that seek to waive or release, without notice and/or hearing, whatever rights the estate may have under applicable law, including without limitation, Chapter 5 of the United States Bankruptcy Code;
 - (D) Provisions that immediately grant to the prepetition secured creditor liens on the debtor's claims and causes of action arising under 11 U.S.C. §§ 544, 545, 547, 548, and 549;
 - (E) Provisions that deem prepetition secured debt to be postpetition debt or that use postpetition loans from a prepetition secured creditor to pay part or all of that secured creditor's prepetition debt, other than as provided in U.S.C. § 552(b);
 - (F) Provisions that provide disparate treatment for the professionals retained by a creditors' committee from those professionals retained by the debtor with respect to a professional fee carve-out; and
 - (G) Provisions that prime any secured lien without the consent of that lienor.

28. To satisfy the disclosure requirements of W.PA.LBR 4001-2(b), the Debtor avers as follows:

W.PA.LBR 4001-2(b)(1)	Included in Interim Order	Location in Interim Order	Justification for Inclusion
(A) Provisions that grant cross-collateralization protection (other than replacement liens or other adequate protection) to the prepetition secured creditors (i.e., clauses that secure prepetition debt by postpetition assets in which the secured creditor would not otherwise have a security interest by virtue of its prepetition security agreement or applicable law);	None	N/A	N/A
(B) Provisions or findings of fact that bind the estate or other parties in interest with respect to the validity, perfection, or amount of the secured creditor's prepetition lien or the waiver of claims against the secured creditor without first giving parties in interest at least (a) one hundred twenty (120) days from the date of the order, or (b) ninety (90) days from the date a committee is formed and retains counsel, to investigate such matters;	None	N/A	N/A
(C) Provisions that seek to waive or release, without notice and/or hearing, whatever rights the estate may have under applicable law, including without limitation, Chapter 5 of the United States Bankruptcy Code;	None	N/A	N/A
(D) Provisions that immediately grant to the prepetition secured creditor liens on the debtor's claims and causes of action arising under 11 U.S.C. §§ 544, 545, 547, 548, and 549;	None	N/A	N/A
(E) Provisions that deem prepetition secured debt to be postpetition debt or that use postpetition loans from a prepetition secured creditor to pay part or all of that secured creditor's prepetition debt, other than as provided in U.S.C. § 552(b);	None	N/A	N/A

(F) Provisions that provide disparate treatment for the professionals retained by a creditors' committee from those professionals retained by the debtor with respect to a professional fee carve-out; and	Yes	Paragraph 11	The Debtor will have completed the majority of the legal services required before the United States Trustee will have formed the Committee and the case focuses on a sale of all the Debtor's assets
(G) Provisions that prime any secured lien without the consent of that lienor.	None	N/A	N/A

NOTICE

29. The Debtor will provide notice of this motion by facsimile, e-mail, overnight delivery, or hand delivery to: (i) the Office of the United States Trustee for the Western District of Pennsylvania; (ii) Lender; (iii) the holders of the 20 largest unsecured claims against the Debtor on a consolidated basis; and (iv) all relevant state taxing authorities.

30. As this motion is seeking "first day" relief, notice of this motion and any order entered hereon will be served on all parties required by the Local Rules. Due to the urgency of the relief requested, the Debtor submits that no other or further notice is necessary.

[WHEREFORE CLAUSE AND SIGNATURE PAGE TO FOLLOW]

WHEREFORE, the Debtor respectfully requests that the Court (i) enter the Interim Order, substantially in the form attached hereto as Exhibit A, (ii) following the Final Hearing, enter the Final Order, and (iii) grant the Debtor such other and further relief as is just and proper.

Respectfully submitted:

BERNSTEIN-BURKLEY, P.C.

Date: March 2, 2017

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

IN RE:	Bankruptcy Case No. 17-70164-JAD
PRIME METALS & ALLOYS, INC.,	Chapter 11
Debtor.	
PRIME METALS & ALLOYS, INC.,	
Movant,	
v.	
S&T BANK,	
Respondent.	

**INTERIM ORDER PURSUANT TO SECTIONS 11 U.S.C. §363 OF THE
BANKRUPTCY CODE AND BANKRUPTCY RULE 4001 AUTHORIZING
USE OF CASH COLLATERAL, GRANTING ADEQUATE PROTECTION,
AND SCHEDULING FINAL HEARING**

This matter having come before the Court upon the motion (the “**Motion**”) of Prime Metals & Alloys, Inc. (“**Prime**” or “**Debtor**”) for the entry of an interim order (the “**Interim Order**”) and final orders, pursuant to Sections 105, 361, and 363 of title 11, United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, “**Bankruptcy Code**”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and Rule 4001-2 of the Local Rules for the United States Bankruptcy Court for the Western District of Pennsylvania (the “**Local Rules**”): (i) authorizing the Debtor to utilize cash collateral, (ii) granting adequate protection to S&T Bank (the “**Lender**”), and (iv) scheduling a final hearing on the Motion; and upon the hearing that took place on _____ (the “**Hearing**”); and upon the record before the Court; and after due deliberation thereon; and good and sufficient cause appearing therefor,

THE DEBTOR AND THE LENDER HEREBY STIPULATE AS FOLLOWS:

1. Petition Date. On March 2, 2017 (the “**Petition Date**”), the Debtor filed a voluntary petition (the “**Petition**”) for relief under chapter 11 of the Bankruptcy Code (the “**Chapter 11 Case**”). The Debtor is now operating its business and managing its properties as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. There is presently no pending request or motion for appointment of a trustee or examiner.

2. Jurisdiction. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 § 157(b). Venue of the Chapter 11 Case and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. Prepetition Secured Indebtedness. The Debtor stipulates and agrees that it is obligated to the Lender for the following prepetition obligations:

- a. \$50,000 Loan. A promissory note dated May 20, 2004, as modified from time to time (the “**\$50,000 Loan**”);
- b. \$2MM Loan. A December 22, 2008 promissory note, as modified from time to time, evidencing a loan in the principal amount of \$2,000,000.00 (the “**\$2MM Loan**”);
- c. \$6.5MM Line of Credit Loan. A revolving line of credit promissory note dated June 24, 2010, evidencing a line of credit made available by Lender in the original principal maximum available amount of \$5,000,000, as modified from time to time including that certain Change in Terms Agreement dated February 19, 2015, by and between the Debtor and Lender to increase the maximum available principal to the Debtor to \$6,500,000 (the “**\$6.5MM Loan**”), as governed by the terms and conditions of that certain Business Loan Agreement (Asset Based) dated February 19, 2015, by and between the Debtor and the Lender (the “**\$6.5MM BLA**”);
- d. \$10MM Loan. A December 16, 2011 promissory note evidencing a loan in the principal amount of \$10,030,000.00 (the “**\$10MM Loan**”) (collectively, the \$50,000 Loan, the \$2MM Loan, the \$6.5MM Loan, and the \$10MM Loan, the “**Prepetition Loan Obligations**”), as governed by the terms and conditions of that certain Business Loan Agreement dated December 16, 2011, by and between the Debtor and the Lender (the “**\$10MM BLA**”)
- e. The Prepetition Loan Obligations are evidenced by those certain loan documents described in Paragraph 3(a)-(d), *supra*, together with any related security agreements, financing statements, guaranties, mortgages and any

other document or instruments executed in connection with the Prepetition Loan Obligations (collectively, the “**Prepetition Loan Documents**”).

- f. The Prepetition Loan Obligations are secured by perfected, first priority liens (the “**Prepetition Liens**”) on substantially all of the assets of the Debtor, including (i) the real property owned by the Debtor, (ii) all personal property of the Debtor, including all inventory, equipment, chattel paper, accounts, and general intangibles (collectively, the “**Prepetition Collateral**”).
 - g. As of February, 2017, certain defaults and events of default existed under the Prepetition Loan Documents.
 - h. As of the Petition Date, the Debtor was in default under the Prepetition Loan Documents.
 - i. Subject to the provisions of Paragraph 17 below, the Lender’s Prepetition Liens constitute valid, binding, enforceable and perfected liens and are not subject to avoidance, subordination or recharacterization, pursuant to the Bankruptcy Code or applicable non-bankruptcy law.
4. Need for Use of Cash Collateral
- a. The Debtor has requested use of Cash Collateral under circumstances where: (i) an immediate and critical need exists for the Debtor to be permitted access to funds in order to continue to operate its business; (ii) without such funds, the Debtor will not be able to pay its direct operating expenses; and (iii) it has requested the use of Cash Collateral.
 - b. Lender and the Debtor have agreed, among other things, that the Debtor may use Cash Collateral (as defined in the Motion) consisting of the proceeds of the Lender’s Collateral, pursuant to the terms of the Motion and this Interim Order.

5. Binding Upon Final Order. The provisions set forth hereinabove will be adopted as findings by this Court in connection with the Final Order (as defined herein), and will become binding on all parties in interest unless an adversary proceeding is filed by a party-in-interest (other than the Debtor), including without limitation, a duly appointed committee of unsecured creditors (the “**Committee**”) in accord with the provisions of Paragraph 16 of this Interim Order.

THEREFORE, IT IS HEREBY FOUND AND ORDERED THAT:

6. Notice. Notice of the Hearing and the relief requested in the Motion provided by the Debtor constitutes due and sufficient notice of the Motion and Hearing.

7. Justification for Use of Cash Collateral. An immediate and critical need exists for the Debtor to be permitted access to funds in order to continue to operate its business. Without such funds, the Debtor will not be able to pay its direct operating expenses. As a result, there is a risk that the going-concern value of the Debtor's business will decline if it cannot simultaneously make use of the Cash Collateral in which case the Debtor, its estate, and its stakeholders will be irreparably harmed.

8. Cause Shown. Good cause has been shown for the entry of this Interim Order. Among other things, entry of this Interim Order will minimize disruption of the Debtor's business and operations and permit it to meet operating expenses. Without immediate use of Cash Collateral, the Debtor would have no alternative but to cease operations and liquidate. The Cash Collateral use arrangement authorized hereunder is vital to avoid immediate and irreparable harm to the Debtor's estate. Absent the use of the Cash Collateral, the Debtor's estate would not have necessary funds to satisfy its obligations. Allowing the use of Cash Collateral is therefore in the best interests of the Debtor's estate and creditors.

9. Fair and Reasonable Terms. The Debtor's use of Cash Collateral and adequate protection arrangements authorized hereunder, and the terms of such use of Cash Collateral and adequate protection arrangements, are fair and reasonable under the circumstances and reflect the Debtor's exercise of prudent business judgment. The Court concludes that entry of this Interim Order is in the best interest of the Debtor and its estate and creditors as its implementation will allow for the continued operation of the Debtor's existing business.

10. Authorization. Pursuant to Section 363(c) of the Bankruptcy Code and Rule 4001(c) of the Federal Rules of Bankruptcy Procedure, the Debtor is authorized, on an interim basis pending the conclusion of a final hearing of the Motion, to use the Cash Collateral upon the terms and conditions set forth in this Interim Order in compliance with and for the purposes of funding those expenses set forth in the budget attached hereto as Exhibit A (the “**Budget**”).

11. Carve-Out for Professional Fees. As more fully set forth on the Budget, the Debtor and Lender agree that Debtor is permitted to use Cash Collateral, and the Lender agrees to carve out from all of its collateral, to satisfy the following fees for professional services rendered on behalf of the Debtor and/or the Debtor’s estate (the “**Carve Out**”): (i) \$200,000 to satisfy the fees due and owing to the attorneys employed by the Debtor; (ii) \$50,000 to satisfy the fees due and owing to the financial advisors employed by the debtor; and (iii) \$50,000 to satisfy the fees due and owing to the Committee (as defined herein), should one be formed by the United States Trustee.

12. Adequate Protection. In exchange for the Lender consenting to the Debtor’s use of Cash Collateral, the Lender shall have and is hereby granted (effective upon the date of this Interim Order and without the necessity of the execution by the Debtor of mortgages, security agreements, pledge agreements, financing statements or otherwise) the replacement security interests in, and replacement liens on all of the Debtor’s postpetition assets to the same extent, priority and validity of the Lender’s Prepetition Liens against the Prepetition Collateral (the “**Replacement Liens**”). The Replacement Liens granted pursuant to this Interim Order shall constitute valid and duly perfected security interests and liens, and the Lender shall not be required to file or serve financing statements, notices of lien or similar instruments, which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and

perfect such Replacement Liens. Lender shall also receive interest payments on the amounts due and owing under the Prepetition Loan Documents so long as the Debtor is authorized to use Cash Collateral. Finally, the Debtor shall make the payments to the Lender for the balance due on the payment due for December 2016 and one additional payment of principal, in the amounts and at the times more fully set forth in the Budget. Lender may seek a super-priority administrative claim pursuant to §507(b) to the extent that the adequate protection granted herein provides to be inadequate.

13. Budget. Debtor shall provide Lender an updated, rolling, thirteen week budget and accounting on a bi-weekly basis.

14. Events of Default. The following shall constitute an event of default under this Interim Order (each, and “**Event of Default**”):

- a. material non-compliance by the Debtor with the terms of this Interim Order;
- b. the Debtor’s failure to timely remit the payments to Lender as required by this Interim Order;
- c. the Debtor’s use of Cash Collateral other than as set forth herein and the Budget;
- d. the Debtor exceeds the amounts set forth in the weekly Budget, measured on a cumulative basis; by twelve and one half percent (12.5%) or more unless waived by Lender;
- e. unless modified by this Interim Order or a Final Order authorizing use of Cash Collateral, any Event of Default under any of the Loan Documents;
- f. the filing by the Debtor or any other party of any pleading seeking to challenge the Lender’s Prepetition Liens, liens upon Cash Collateral, or otherwise asserting rights, claims or causes of action against the Lender with respect to the Prepetition Obligations;
- g. any stay, reversal, vacatur or rescission of this Interim Order;
- h. the dismissal of, conversion of or appointment of an trustee in the Chapter 11 Case;

- i. failure of the Court to enter a final order including terms substantially similar to the terms of this Interim Order; or
- j. failure of the Debtor to file a mutually acceptable sale motion within thirty (30) days of the date of this Order.

If an Event of Default occurs under this Interim Order, the Lender agrees to provide written notice to the Debtor and the Debtor's counsel (and counsel for any Official Committee of Unsecured Creditors). This Order and the Debtor's right to use Cash Collateral shall terminate automatically if the Debtor fails to cure the Event of Default within three (3) business days of the date of the notice of default. The Debtor shall be entitled to seek expedited relief to reinstate the Debtor's use of Cash Collateral and the Lender shall consent to the scheduling of an expedited hearing.

15. Permissible Use of Cash Collateral. Subject to the Budget, the Debtor is hereby authorized to use the Cash Collateral, provided that the Lender is granted adequate protection as hereinafter set forth. In addition, from and after the Effective Date, the Debtor shall not use Cash Collateral, directly or indirectly, to pay expenses of the Debtor except for: (i) those expenses, payments, and/or disbursements that are expressly set forth in the weekly Budget and do not exceed a twelve and one half percent variance (12.5%) measured on a cumulative basis or otherwise permitted under this Interim Order and the Prepetition Loan Documents, unless waived by Lender; (ii) compensation and reimbursement of expenses allowed by this Court to attorneys, accountants, or other professional personnel retained by the Debtor and any possible Committee as provided for in this Interim Order in accord with the Carve Out; and (iii) other non-operating expenses identified in the Budget that do not exceed the weekly Budget line item for such expenses measured on a cumulative basis.

16. Stipulations. Subject to a sufficient record, as required by this Court, the Stipulations contained in Paragraphs 1–5 shall be adopted as findings by this Court.

17. Challenge Period. The Stipulations contained in Paragraphs 1-5 shall be binding upon all parties in interest, unless: (a) any party-in-interest (other than the Debtor) has filed an adversary proceeding or contested matter challenging the amount, validity, enforceability, perfection or priority of the Prepetition Loan Obligations, the Lender's Prepetition Liens, or otherwise asserting any claims or causes of action against the Lender on behalf of the Debtor's estate, no later than the earlier of 90 days from the entry of this Interim Order (the "Investigation Period").

18. Final Hearing. The final hearing on the Motion shall be scheduled for the _____ day of _____, 2017, at _____ AM/PM EST, at the United States Bankruptcy Court for the Western District of Pennsylvania, 544 USX Tower, 600 Grant Street, Pittsburgh, PA 15219, and the Debtor shall give notice of such final hearing by first class U.S. mail, postage prepaid, to (a) counsel for the Lender, (b) the 20 largest unsecured creditors of the Debtor, (c) the United States Attorney for the Western District of Pennsylvania, (d) the United States Trustee for the Western District of Pennsylvania, and (e) all parties that have formally requested notices in the Chapter 11 Case.

19. Objection Deadline. Objections, if any, to the Motion and entry of the Final Order shall be filed with this Court and served upon each of the parties identified above such that they are received no later than _____.

BY THE COURT:

Jeffery A. Deller, Chief Judge
United States Bankruptcy Court.

Prime Metals Inc
13 Week Cashflow- Summary

	Actual 17-Feb	Actual 24-Feb	Week 1 3-Mar	Week 2 10-Mar	Week 3 17-Mar	Week 4 24-Mar	Week 5 31-Mar	Week 6 7-Apr	Week 7 14-Apr	Week 8 21-Apr	Week 9 28-Apr	Week 10 5-May	Week 11 12-May	Week 12 19-May	Week 13 26-May	Projected Total
Beginning Cash Balance	31,283	107,582	\$ 69,734	134,262	88,527	23,789	123,850	188,675	167,773	414,144	446,589	449,969	372,907	454,681	415,172	
Cash Inflows:																
Collection for weekly heats produced through 3/17/17- Total	368,857		343,268	488,479	360,592	650,334	189,788									2,032,461
Sales to Eastham- Gross	60,784		59,970	112,240	56,120	95,890	-	-	-	-	-	-	-	-	-	324,220
Discount on Heats included Above	(45,558)		(44,978)	(84,180)	(42,090)	(71,918)	-	-	-	-	-	-	-	-	-	(243,165)
Net Collections of weekly heats produced through 3/17/17	323,299		298,290	404,299	318,502	578,417	189,788	-	-	-	-	-	-	-	-	1,789,295
Heats produced starting 3/24- assume 1 week for cash collection							459,107	487,368	564,733	485,931	468,189	389,651	461,809	450,307	472,287	4,239,382
Eastham Discount on above heats	-						(63,135)	-	-	-	-	-	-	-	-	(63,135)
Weekly collection for man services, K&M heats & Blends	5,379		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	390,000
Discounts included in collections above	(7,333)															-
Heats in process at 2-10 not yet invoiced	7,383		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Existing AR balance @ 2/10/17	637,540	29,806	25,401	10,721	146	3,311	7,109	1,388	-	-	-	-	-	-	-	48,076
Total Cash Inflows:	644,923	351,151	353,691	445,020	348,648	611,728	622,869	518,756	594,733	515,931	498,189	419,651	491,809	480,307	502,287	6,403,618
Cash Outflows:																
Raw Material Cost for next weeks sales	201,532	36,181	115,191	138,180	137,978	102,573	257,063	169,358	117,250	84,792	116,099	166,793	168,214	108,220	221,486	1,903,197
Operating Cash Disbursements- current week	265,335	351,150	153,971	332,575	255,408	389,094	274,981	344,300	205,112	372,694	352,710	303,920	215,821	385,596	269,471	3,855,653
Other actual Disbursements	62,845	1,668														
Total Cash Outflows	529,712	388,999	269,162	470,755	393,386	491,667	532,044	513,658	322,362	457,486	468,809	470,713	384,035	493,816	490,957	5,758,850
Weekly Cash Flow from Operations	115,211	(37,848)	84,528	(25,735)	(44,738)	120,061	90,825	5,098	272,371	58,445	29,380	(51,062)	107,774	(13,509)	11,330	644,768
Other Payments:																
To be paid weekly:																
Remaining balance on S&T December payment			20,000	20,000	20,000	20,000	20,000	6,000								100,000
S&T weekly interest payments								6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	54,000
S&T Principal Payment								20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	160,000
Total weekly payments	-	-	20,000	20,000	20,000	20,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	314,000
Ending Cash Balance- Actual Receipts and Payments	146,494	69,734	134,262	88,527	23,789	123,850	188,675	167,773	414,144	446,589	449,969	372,907	454,681	415,172	400,502	330,768
Other Payments:																
To be accrued and paid when cashflow is available																
Bernstein Burkley monthly fee *			15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	200,005
H2R CPA monthly fee *			3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	49,998
Creditor Committee monthly fee *			-	-	-	-	5,555	5,555	5,555	5,555	5,556	5,556	5,556	5,556	5,556	50,000
	-	-	19,231	19,231	19,231	19,231	24,786	24,786	24,786	24,786	24,787	24,787	24,787	24,787	24,787	300,003
Cash after payment to service providers	146,494	69,734	115,031	50,065	(33,904)	46,926	86,965	41,277	262,862	270,521	249,114	147,265	204,252	139,956	100,499	

* Expense for service providers can be deferred for cash flow purposes

Exhibit "A" to Interim Order