



IT IS ORDERED as set forth below:

Date: February 12, 2013

A handwritten signature in black ink, reading "Paul W. Bonapfel".

**Paul W. Bonapfel
U.S. Bankruptcy Court Judge**

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

IN RE	:	
	:	Chapter 11
MUNICIPAL CORRECTIONS, LLC	:	
	:	Case No. 13-50786-PWB
Debtor.	:	

**ORDER APPROVING CASH COLLATERAL
STIPULATION THROUGH APRIL 15, 2013**

The Amended and Restated Emergency Motion for Entry of an Order Approving Extension of Stipulation Authorizing Debtor: (A) to Use Cash Collateral; and (B) to Grant Adequate Protection and Provide Security and Other Relief; and Setting Final Hearing (the “Motion”) (Dkt 202) filed by Municipal Corrections, LLC (the “Debtor”) has come on for consideration by this Court. Based on the Motion and the remainder of the record in this case, along with comments of counsel at the January 28, 2013 hearing, and for good cause appearing,

IT IS HEREBY ORDERED that the Motion of the Debtor is hereby GRANTED, and the cash collateral stipulation attached hereto as Exhibit A (the “**Stipulation**”) is hereby approved, *nunc pro tunc* to January 18, 2013, and the use of cash collateral is extended through and including April 15, 2013 on the terms outlined in the Stipulation.

END OF DOCUMENT

Order Prepared and Presented by:

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Exhibit A

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re:

MUNICIPAL CORRECTIONS, LLC, a
Nevada limited liability company,

Debtor.

Case No.: 13-50786-pwb
Chapter 11

**STIPULATION AUTHORIZING DEBTOR: (A) TO USE CASH
COLLATERAL; AND (B) TO GRANT ADEQUATE PROTECTION AND
PROVIDE SECURITY AND OTHER RELIEF**

This Stipulation (the “Stipulation”) is entered into by and between Municipal Corrections, LLC (the “Debtor”) and UMB Bank, N.A., as successor Trustee (the “Trustee” and together with Debtor, the “Parties”) with respect to the \$49,500,000 Irwin County, Georgia Participation Certificates (Municipal Corrections Project), Series 2007A-Senior and \$5,500,000 Irwin County, Georgia Participation Certificates (Municipal Corrections Project), Series 2007B-Subordinated (together, the “Certificates”), issued pursuant to that certain Indenture, dated as of August 1, 2007 (the “Indenture”), between Debtor and Bank of Oklahoma, N.A., Trustee, by and through their undersigned counsel.

RECITALS

WHEREAS, the proceeds from the sale of the Certificates were used to pay previously issued certificates, and to fund the expansion of a prison (the “Prison”) in Ocilla, Georgia, for the use and benefit of Irwin County, Georgia (the “County”).

WHEREAS, the Prison is owned by Debtor and leased to the County, under a Lease Agreement dated as of August 1, 2007 (the “Lease”).

WHEREAS, to secure the payments due on the Certificates and other amounts that may be due under the Indenture (collectively, the “Prepetition Obligations”), Debtor pledged and assigned to Trustee “all rentals, revenues and other income, charges and moneys realized by [Debtor] or the Trustee from the lease, sale or other disposition of the [Prison] and all rentals and other money to be received by or on behalf of the Trustee from the leasing of the [Prison] and in particular the rentals and other moneys to be received under and pursuant to and subject to the provisions of the Lease” [Indenture at p. 2] (the “Lease Revenues”).

WHEREAS, as of February 29, 2012, the Prepetition Obligations are in an amount greater than \$54,195,000 and the Debtor was in default of same and in default under the terms of the Prepetition Financing Documents (as defined herein below) prior to February 29, 2012.

WHEREAS, revenue is generated by the operation of the Prison through fees for the detention of prisoners, including the transportation of detainees to and from the Prison, and additional ancillary services, paid by various federal, state and local agencies (together the “Payors”).

WHEREAS, under Section 6.2 of the Lease, the County agreed to “pay or assign the Revenues to the Trustee in accordance with the terms and provisions of this Section and the Indenture. All Revenues from whatever source shall be paid directly by the payor or, if received by the Lessee, by the Lessee, to the Trustee and deposited in a separate account at UMB Bank, account no. ending in xxxx463.1 (the “Revenue Fund”) maintained by Trustee for the Lessee pursuant to Section 4.02 of the Indenture” Section 6.4 of the Lease provides that “[a]ll receipts with respect to the [Prison] under this Agreement shall be paid to the Trustee and deposited into the Revenue Fund.”

WHEREAS, for the management and operation of the Prison, the County and Debtor entered into an Operation, Management and Maintenance Agreement originally dated as of August 22, 2007 with Michael Croft Enterprises, Inc. On or about August 1, 2009, Detention Management, Inc. (“DM”) replaced Michael Croft Enterprises as manager (the “Manager”) of the Prison under the terms of an Operation, Management and Maintenance Agreement between Debtor, the County and DM dated as of July 2009 (the “Management Agreement”).

WHEREAS, the Management Agreement defines “Project Revenue” as “each source of funds, payment, fee, reimbursement or monies paid to the County and/or Sheriff resulting from the operation of the [Prison] save and except for those items defined as Operator Revenue in Section 4.08 of the Agreement.” [Management Agreement at p. 5.] Section 4.08 of the Management Agreement excludes from “Project Revenue” revenues from specific activities, including, for example, the commissary, medical care reimbursement, and vending facilities. With the exception of the specific revenues delineated in Section 4.08 of the Management Agreement (the “Excluded Revenues”), all other revenues from whatever source resulting from the operation of the Prison (including payments made by Payors of the detention of prisoners and for the transportation of detainees to and from the Prison) (the “Pledged Revenues”) are to be paid directly to Trustee for deposit into the Revenue Fund.

WHEREAS, the provisions of Section 4.02 of the Indenture specify the circumstances under which Trustee is required to make disbursements from the Revenue Fund, upon the receipt of requisitions in accordance with Section 4.02 of the Indenture and Section 4.01 of the Management Agreement (the “Requisitions”), to pay for the expenses in operating the Prison and to pay certain other fees, as set forth therein.

WHEREAS, Trustee is willing to fund, pursuant to and during the term of this Stipulation, the expenses of operation and maintenance of the Prison (but not including any management or other fees or any expenses related to the activities specified in Section 4.08 of the Management Agreement that result in the Excluded Revenues) (the “Operating Expenses”), and to pay a monthly Management Fee (as defined herein below) and monthly Executive Compensation (as defined herein below) and reasonable travel expenses related to this bankruptcy case (this “Case”).

WHEREAS, under the terms of the Indenture, Management Agreement, Lease and all other documents in connection with the Prepetition Obligations (collectively, the “Prepetition Financing Documents”), the Pledged Revenue/reimbursement provisions create a closed universe: Expenses arising from activities that generate Pledged Revenue are reimbursed from Pledged Revenue. To implement the terms of the Prepetition Financing Documents and the structure of the financing, all payments of any kind paid by Payors have been paid into an initial account (the “Initial Account”), which is in the name of the Debtor’s affiliate, Irwin County Detention Center, LLC (“ICDC”). Trustee from time to time would sweep the funds in the Initial Account into the Revenue Fund, from which Trustee would make payments for Operating Expenses upon the receipt of Requisitions from Debtor (or ICDC) and the Manager. ICDC also maintains a disbursement account (the “ICDC Expense Account”) for payment of ICDC’s expenses relating to the Prison (other than payroll, which is transferred by the Trustee from the Revenue Fund into the ICDC payroll account). As of the date of this Stipulation, the ICDC Expense Account has approximately \$50,000 which was advanced from the Revenue Fund and which reflects previous Requisitions that were in excess of expenses.

WHEREAS, following the entry of the Order for Relief, the Debtor established a debtor-in-possession operating account (the “DIP Account”) at Fidelity Bank. During this Case, Trustee has advanced from the Revenue Fund to the DIP Account for the Debtor to pay Operating Expenses and additional expenses and retainers of the Debtor, as provided in the July Stipulation. Upon deposit into the DIP Account, the Debtor transfers such funds to the ICDC Expense Account for distribution. Payroll for employees of ICDC working at the Prison are advanced by Trustee into the ICDC payroll account, from which the funds are swept by ADP.

WHEREAS, certain payments from Payors into the Initial Account designated as transportation expense reimbursements were being sent from the Initial Account to an account maintained by ICDC (the “Transportation Account”) such that the funds sent to the Transportation Account were not available for Trustee to sweep from the Initial Account to the Revenue Fund; the Debtor contends (but Trustee has not agreed) that the initial Trustee, Bank of Oklahoma, N.A., agreed to this transportation expense reimbursement procedure.

WHEREAS, the Lease Revenues (including future Lease Revenues), the Pledged Revenues (including future Pledged Revenues), the funds in the Revenue Fund, the funds in the Initial Account, the funds in the ICDC Expense Account, the funds in the Transportation Account, and the funds in the DIP Account (though the parties reserve their rights regarding the \$82,421.81 described in footnote 1) constitute Trustee’s cash collateral, as such term is defined in Section 363 of the Bankruptcy Code (the “Cash Collateral”) and together with all other

collateral of Trustee, the “Prepetition Collateral”). Other than the foregoing, Debtor does not hold or have an interest in any other cash or cash equivalents.¹

WHEREAS, Trustee’s security interests in the Cash Collateral are and were properly perfected prior to the Petition Date pursuant to, without limitation, (i) the recording of the Lease and UCC-1 concerning the Lease with the Clerk’s Office, Superior Court in Irwin County, Georgia on August 28, 2007, (ii) Trustee maintaining possession of funds in the Revenue Fund and/or (iii) the filing of UCC-1 financing statements with the Nevada Secretary of State on August 29, 2007. The Parties reserve all rights with respect to Trustee’s asserted mortgage lien, security title, or security interest against Debtor’s real property; provided, however, the Parties’ acknowledge and agree that Trustee has a valid, enforceable, and properly perfected first-priority lien which is not subject to avoidance or subordination in the rents and all other revenues arising from or generated by Debtor’s real property (the “Real Property Reservation”).

WHEREAS, the Debtor and its principal, Terry O’Brien, are parties to an agreement, dated November 15, 2004, providing for compensation to Mr. O’Brien at the rate of \$9,000 per month, which Mr. O’Brien has agreed to reduce during this Case to \$8,333.33 per month (the “Executive Compensation”).

¹ Debtor closed in August 2012 two accounts at Fidelity Bank, referred to in the July Stipulation as the Fidelity Accounts (such term shall have the meaning herein given to it in the July Stipulation). Debtor asserts that it transferred the monies in the Fidelity Accounts (totaling \$82,421.81) to the DIP Account at Fidelity Bank in August 2012. Debtor contends that the funds transferred to the DIP Account from the Fidelity Accounts are not Cash Collateral. Trustee has not agreed with these assertions and reserves all rights with respect to the \$82,421.81 claimed by Debtor to be excluded from Cash Collateral.

WHEREAS, under the Management Agreement, the Debtor contends (but Trustee has not agreed) that Debtor owes DM a monthly Management Fee (the “Management Fee”) of \$21,469.33.

WHEREAS, on February 29, 2012 (the “Petition Date”), an involuntary petition (the “Petition”) under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”), 11 U.S.C. § 101, *et seq.*, was filed against Debtor. On May 2, 2012, Debtor consented to the entry of an order for relief (the “Order for Relief”) as a case under Chapter 11 of the Bankruptcy Code. The Bankruptcy Court for the District of Nevada (the “Court”) entered the Order for Relief on August 15, 2012. Debtor is currently operating its business and managing its property as debtor in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. No trustee has been appointed.

WHEREAS, on August 15, 2012, the Court granted the emergency motion of the Debtor and approved the July Stipulation (as defined herein below) on an interim basis. On September 21, 2012, a hearing was conducted on final approval of the July Stipulation. On December 11, 2012, the Court entered its “Order Granting Final Approval of the Stipulation (the “July Stipulation”) Authorizing Debtor: (A) to Use Cash Collateral; and (B) to Grant Adequate Protection and Provide Security and Other Relief” *nunc pro tunc* to September 21, 2012 (the “December Cash Collateral Order”). The July Stipulation provides for a termination date of December 15, 2012. On December 21, 2012, the Debtor filed its “Emergency Motion for Entry of an Order Approving Extension of Stipulation Authorizing Debtor: (A) to Use Cash Collateral; and (B) to Grant Adequate Protection and Provide Security and Other Relief; and Setting Final Hearing” (the “December Cash Collateral Motion”) which sought an order *nunc pro tunc* to December 15, 2012 and approval of its use of cash collateral through January 4, 2013. On

December 28, 2012, the Court entered its order transferring the Case to the United States Bankruptcy Court for the Northern District of Georgia. On January 11, 2013, the Debtor filed its “Amended and Restated Emergency Motion For Entry of an Order Approving Extension of Stipulation Authorizing Debtor: (A) to Use Cash Collateral; and (B) to Grant Adequate Protection and Provide Security and Other Relief; And Setting Final Hearing” (the “Amended December Cash Collateral Motion”) amending the December Cash Collateral Motion to seek approval of its use of use of cash collateral through and including January 18, 2013. The Court did not enter an order regarding the December Cash Collateral Motion or the Amended December Cash Collateral Motion. Except as may be noted below, reference to the “Court” below or the “Case” herein shall refer to the Bankruptcy Court for the District of Nevada or the Bankruptcy Court for the Northern District of Georgia, or the Case in either of those Districts, respectively, as appropriate or evident.

WHEREAS, the Parties desire to enter into this Stipulation which restates certain of the terms of the July Stipulation as clarified or modified by the December Cash Collateral Order, and which amends certain other terms.

NOW THEREFORE, the Parties, in consultation with counsel and intending to be legally bound, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged hereto, stipulate and agree as follows:

STIPULATION

1. All of the foregoing Recitals are agreed and stipulated by the Parties as if set forth hereunder and the truth of same is hereby again acknowledged.

2. Acknowledgment of Prepetition Obligations and Liens. Debtor again acknowledges and agrees that:

a. the Prepetition Obligations constitute legal, valid, and binding obligations of Debtor, enforceable in accordance with their terms (other than in respect of the stay of enforcement arising under § 362 of the Bankruptcy Code, except as modified herein);

b. no claims, offsets, defenses, or counterclaims to the Prepetition Obligations or against Trustee exist (including without limitation any such claims, offsets, defenses or counterclaims arising under §§ 510, 542, 543 (turnover), 544, 545, 547, 548, 549, 550, 551, 552 or 553 of the Bankruptcy Code) and to the extent any such claims exist, they are hereby waived; except as provided, however, by the Real Property Reservation;

c. no portion of the Prepetition Obligations is subject to avoidance or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law; and

d. the liens of Trustee on the Cash Collateral secure the Prepetition Obligations and constitute valid, enforceable, and perfected first-priority liens, and are not subject to avoidance or subordination;

3. Conditions to Use of Cash Collateral. Trustee again consents to Debtor's use of Cash Collateral subject to the following terms and all other terms and provisions of this Stipulation:

a. Grant of Liens and Security Interests. As adequate protection for use of the Cash Collateral, Debtor hereby again grants to Trustee for the benefit of Trustee and the holders of the Certificates, liens and security interests (as the case may be) ("Adequate Protection" or "Adequate Protection Liens") upon the Cash Collateral and all

property of its bankruptcy estate as defined in § 541 of the Bankruptcy Code (the “Postpetition Security Interests”) that Trustee does not already have a continuing first-priority lien Postpetition, whether real or personal, tangible or intangible, now owned or hereafter acquired or existing, and all records (including computer software) pertaining to the foregoing, and all substitutions for, all proceeds and all products of all of the foregoing, to the fullest extent permitted by law, including, without limitation, all amounts paid or payable to Debtor in connection with the sale or assignment of leases of non-residential real property, and all insurance policies insuring property of Debtor, or any part thereof, and proceeds of said insurance, including unearned premiums (all of the above described property is hereinafter referred to collectively as the “Postpetition Collateral”; the “Prepetition Collateral” and the “Postpetition Collateral” are herein collectively referred to as the “Collateral”), except that (i) the Postpetition Collateral shall not include the proceeds of property recovered (the “Avoidance Recoveries”) through exercise of the avoiding powers granted under §§ 544, 545, 547, 548, 549, 550, 551, 553, and 724(a) of the Bankruptcy Code and shall be subject to the Real Property Reservation, and (ii) to the extent the funds presently in the Debtor’s DIP Account that were transferred from the Fidelity Accounts, if any, are not Cash Collateral, then such funds shall not be Postpetition Collateral.

b. No Need for Further Actions to Perfect Security Interests. The Adequate Protection Liens, granted to Trustee herein shall be deemed perfected upon entry of an order approving this Stipulation without the necessity of filing by any person of any documents or other instruments otherwise required to be filed under applicable non-bankruptcy law for the perfection of security interests or liens, with such validity and

perfection being binding upon a successor or any subsequently appointed trustee in any proceedings under any chapter of the Bankruptcy Code, and upon any and all entities who have extended, or who may hereafter extend, credit to Debtor, or who assert a claim of any nature or in any manner whatsoever in this Case or any superseding bankruptcy case of Debtor, whether or not notice of the filing of this Case has been filed in any county, parish, or any political or administrative subdivision in which the assets of Debtor are or may be located.

c. Additional Adequate Protection. As additional adequate protection (i) Debtor shall, if Debtor has not previously done so, immediately deliver or cause to be delivered to Trustee all funds being held in the Transportation Account (defined above); and (ii) upon receipt by Debtor, ICDC, or DM, Debtor shall continue to immediately deposit or cause to be deposited all revenue relating to the Prison and its operations into the Revenue Fund to be used by Trustee in accordance with the Indenture except for the Excluded Revenues and the funds belonging to detainees of the Prison that are delivered to and held by ICDC, in trust for the detainees and which are returned to detainees upon their release from the Prison (the “Detainee Funds”).

d. Release. Debtor hereby again waives, releases and discharges Trustee, together with its affiliates, attorneys, officers, directors and employees, from any and all claims and causes of action arising on or before the date on which an order approving this Stipulation is entered by the Court out of, based upon or related to, in whole or in part, any of the Prepetition Financing Documents, any aspect of the prepetition relationship between Trustee and Debtor, or any other acts or omissions by Trustee in connection with any of the Prepetition Financing Documents or its relationship with Debtor.

e. Limitation on Use of Cash Collateral. Cash Collateral may only be used for Operating Expenses or Additional Expenses (as defined herein below) pursuant to the submission of Requisitions pursuant to the Indenture and the Management Agreement and for the payment of U.S. Trustee Fees (as discussed in Section 5 herein below). In addition, Trustee agrees to the funding, as a carve out, of a retainer to Debtor's counsel Stone & Baxter, LLP in the amount of \$125,000. (Trustee previously agreed to and funded a carve out and retainer, respectively, of an additional \$100,000 to Debtor's counsel pursuant to the July Stipulation, for a total of \$225,000.) Debtor's counsel may draw from such retainers to the extent the Court approves same. Debtor will promptly deliver to Trustee or cause the Manager to deliver, such additional invoices, business records, documents and information as it or its attorneys or advisors may reasonably request in connection with its review of a Requisition not already provided in support thereof. Requisitions may not be made for, and Cash Collateral shall not be used for, the prosecution of any claims, actions or services adverse to Trustee or its liens and security interests in the Prepetition Collateral or Postpetition Collateral including without limitation, (a) presenting, hindering or delaying enforcement or realization by Trustee upon any Prepetition Collateral or Postpetition Collateral once an Event of Default (as defined herein below) has occurred, (b) using or seeking to use Cash Collateral or selling any Prepetition Collateral or Postpetition Collateral without the consent of Trustee, (c) incurring indebtedness without the consent of Trustee except for Operating Expenses or Additional Expenses incurred in the ordinary course of business, (d) objecting to or contesting in any manner, or in raising defenses to, the validity, extent, amount, perfection, priority or enforceability of the Prepetition Obligations or any mortgages,

liens or security interests with respect thereto or any other rights or interests of Trustee, or in asserting any claims or causes of action, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code against Trustee, except with respect to defending proceedings commenced by Trustee (i) to determine the extent of Trustee's interest in the monies in the DIP Account that Debtor claims were transferred from the Fidelity Accounts or (ii) to determine the rights of Trustee in connection with the Real Property Reservation, or (e) prosecuting or supporting any claim under the Bankruptcy Code or applicable nonbankruptcy law against Trustee or its officers, directors, employees successors and assigns. Requisitions for the fees and expenses of the estate professionals are subject to approval and award by the Court and Trustee reserves its right to object to the approval and award of same, except that it will not object with respect to (i) deposits or payments of such fees and expenses prior to the entry of the Order for Relief, and (ii) the first \$225,000 of such fees and expenses after the entry of the Order for Relief, each on grounds that it holds a security interest in all funds of the Debtor and subject to the estate professionals first obtaining payment from the retainers described hereinabove for their fees and expenses until no funds remain in such retainer accounts.

f. Stipulation As to Certain Additional Expenses. Trustee hereby agrees that the following expenses shall be paid under this Stipulation: (a) the Executive Compensation; (b) amounts owed to 126 Cotton Drive, LLC in accordance with its Rental Agreement with ICDC, dated January 1, 2012, in the amount of \$2,500.00 per month; (c) a proportionate share of the compensation to the Debtor's bookkeeper, Erica Goelz (or replacement, if any) in the amount of \$2,270.00 each two (2) week pay period;

(d) the reasonable professional fees and expenses of ICDC or the Debtor in the approximate amount of \$18,000 per month incurred in the operation and maintenance of the Prison; (e) fees and expenses approved by the Court pursuant to Court-established procedures for accountants, auditors, and special counsel for ad valorem tax purposes whose employment is approved by the Court; and (f) the Management Fee (collectively, the foregoing provisions f. (a) – (f), the “Additional Expenses”). The foregoing does not limit the rights of Trustee to object to the invoices for compensation, fee and expense applications, and/or retention applications, of the professionals or the Management Fee described in subsections (d), (e) or (f) of this Section 3.f on any grounds other than that any payment would be made from Cash Collateral. Trustee does not consent to the payment from Cash Collateral of any fees and expenses of any other professionals of Debtor (including its bankruptcy counsel) except as expressly provided in this Stipulation. Nothing in this Stipulation constitutes an admission by Trustee of the appropriateness of any payment, contract, or agreement described herein.

g. Tax Reserve Account. Trustee agrees that the amount of \$50,000 per month shall be payable on the last business day of each month, beginning in January 2013 and continuing through the pendency of this Stipulation, from the Revenue Fund and deposited into a separate account maintained by Trustee to create a reserve (the “Tax Reserve Account”) which could be available to pay 2013 real estate taxes upon the final determination of the amount of such taxes and when required to be paid by law. The Trustee shall not withdraw any funds from the Tax Reserve Account to pay anything except ad valorem taxes without an Order of this Court. The Trustee shall furnish a copy of the bank statement or other report or document each month to counsel for County

showing (i) the deposit of the sum required herein, (ii) any disbursements from the Tax Reserve Account, and (iii) the balance in the account. Notwithstanding the foregoing, the establishment and funding of the Tax Reserve Account does not create any legal rights in favor of any taxing authority in such Tax Reserve Account and does not constitute evidence of value.

h. Insufficiency of Revenues. In the event that there are not sufficient funds in the Revenue Fund for the Trustee to make all the payments, retainers, or reserves allowed or required by this Stipulation, and in the absence of agreement by all parties entitled to payment, the Trustee shall promptly notify by email counsel for the Debtor, DM, the County and the United States Trustee, and the Trustee or Debtor shall promptly seek direction from the Court, with all parties reserving all rights to the relief they may seek from the Court. After providing the notice contemplated herein, and pending further order of the Court, the Trustee is permitted to fund only payroll, utilities and other direct operating expenses reasonable and necessary to keep the Prison in operation.

4. Requisition Requirements and Disputes.

a. Trustee will fund approved Requisitions within two (2) business days following delivery of such Requisition, along with all invoices or other sufficient supporting documentation requested by Trustee. Debtor shall only submit Requisitions for expenses it intends to pay forthwith, and all funds transferred by Trustee pursuant to Requisitions shall be promptly used by Debtor for payment of the expenses described in the Requisition(s). Debtor shall be allowed to maintain a balance of up to \$25,000 as a reserve in the ICDC Expense Account. This reserve may be used (i) by ICDC to pay Operating Expenses due on the date of service or when there is not sufficient time for

submission of a Requisition, and (ii) as needed by the Trustee for items provided for in this Stipulation other than Trustee Fees. The parties expect the ICDC Expense Account balance would be restored to \$25,000 when funds are available. If ICDC pays for an Operating Expense without submitting a Requisition, it shall immediately notify Lorna Gleason with UMB Bank by email of the purpose and amount of the payment and the person to whom the payment was made. Notwithstanding anything to the contrary in this Stipulation, any and all funding of Requisitions or any other payments for expenses or otherwise are subject to the existence and availability of sufficient funds in the Revenue Fund for such funding or payment.

b. Trustee will notify Debtor of any objections to a Requisition by the close of the second business day following delivery of such Requisition along with all requested invoices or other sufficient supporting documentation (the “Requisition Objection Deadline”). Debtor and Trustee will in good faith attempt to resolve any such objections. To the extent that Debtor and Trustee are unable to reach an agreement regarding a Requisition, the Court shall rule upon such objection, and Debtor and Trustee shall be deemed to have consented to a request for such Court determination on an expedited basis, but with not less than three (3) business days notice.

c. On the applicable Requisition Objection Deadline, Trustee will transfer to the Debtor’s DIP Account, or transfer to the ICDC payroll account, as directed by Debtor, the amount representing that portion of the Requisition to which no timely objection was made.

d. Cash Collateral may be used for fees and expenses (including without limitation those of Debtor's professionals) incurred in the resolution of disputes as to Requisitions subject to the limitations set forth in this Stipulation.

5. Priority; No Senior Liens. Trustee's rights hereunder and the Adequate Protection Liens shall have priority over all administrative expenses of the kind specified in § 503(b) or 507(b) of the Bankruptcy Code in this Case. Anything in this Stipulation to the contrary notwithstanding, the priorities, liens, security interests and other protections granted herein or otherwise to Trustee shall be subordinate to the payment in full in cash of the amounts payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and to no other person or entity. Except as provided in this Stipulation or otherwise agreed by Trustee, Debtor shall continue to be enjoined and prohibited from at any time during this Case granting liens in the Prepetition Collateral, the Postpetition Collateral or any portion thereof, which liens are senior to, or on a parity with the liens and security interests of Trustee. Except on the terms of this Stipulation, Debtor shall continue to be enjoined and prohibited from at any time using the Cash Collateral.

6. Mechanics of Accounts. Debtor shall account for and deliver to Trustee all cash, checks, notes, drafts, instruments, acceptances or other property representing cash or other proceeds of Prepetition Collateral or Postpetition Collateral in Debtor's or any of its affiliates' possession or control. All cash, checks, notes, drafts, instruments, acceptances, and other property in the nature of items of payment representing proceeds of property and interests in property currently in the possession of Debtor, or in any accounts in financial institutions, including any lock box or depository accounts, shall be deemed proceeds of the Prepetition Collateral, except for those funds, if any, currently in the DIP Account that were transferred from the Fidelity Accounts, with respect to which each party reserves its rights as to whether said

funds are Cash Collateral, and except for the Excluded Revenues and the Detainee Funds. Debtor shall deliver said proceeds and all other proceeds of the Prepetition Collateral to Trustee for application in accordance with the Indenture. All hereafter arising proceeds shall be remitted to and applied by Trustee in accordance with the terms of the Indenture. All proceeds of Prepetition Collateral and Postpetition Collateral in the form of cash or cash equivalents shall be deposited in the Revenue Fund.

7. Events of Default. Each of the following shall be Events of Default (each, an “Event of Default”) under this Stipulation:

a. spending by Debtor other than as allowed in this Stipulation unless agreed by Trustee in writing in its sole discretion;

b. failure of Debtor to turn over Cash Collateral to Trustee for application in accordance with this Stipulation;

c. the filing of a plan of reorganization by Debtor or the filing of a motion to sell Debtor’s assets that, in either case, is not in form and substance reasonably satisfactory to Trustee;

d. any representation or warranty made by Debtor under this Stipulation, the July Stipulation or any certificate, report or financial statement delivered to Trustee shall prove to have been false or misleading in any material respect as of the time when made or given (including by omission of material information necessary to make such representation, warranty or statement not misleading);

e. after July 30, 2012, Debtor breaches any of the covenants, representations or warranties that are contained in the Prepetition Financing Documents, which breach remains uncured for five (5) days after written notice thereof to Debtor (but without

regard to any other notice, grace or cure period provided in the Prepetition Financing Documents);

f. Debtor seeks an order authorizing credit or financing secured by an equal or senior priority lien and security interest in the Prepetition Collateral or the Postpetition Collateral or seeks the use of Cash Collateral without the consent of Trustee.

g. Debtor breaches any other covenant, acknowledgment or agreement of this Stipulation not elsewhere listed as an Event of Default (other than the defaults existing on the Petition Date), which breach remains uncured for seven (7) days after notice thereof to Debtor;

h. there is any change in the majority ownership of Debtor;

i. a sale or transfer of Debtor's property (in whole or in part) occurs without the consent of Trustee;

j. conversion of the Debtor's Case under Chapter 11 to a case under Chapter 7 of the Bankruptcy Code;

k. dismissal of the Debtor's Case; or

l. appointment of a Chapter 11 trustee for Debtor.

8. Termination; Enforcement of Event of Default.

a. Trustee may, immediately upon the giving of written notice of the occurrence of an Event of Default (a "Termination Notice") to counsel for Debtor, the County, DM, the United States Trustee, and any Committee in the Case (the "Committee")

(i) terminate Debtor's right to submit Requisitions to Trustee and to use Cash Collateral, and

(ii) cease to make payments pursuant to any Requisitions and transfers of Cash Collateral to Debtor. Notwithstanding the foregoing, any Requisitions pending, or Operating or Additional Expenses payable under this Stipulation which are owing but may or may not have been billed at the time of any Termination Notice will be funded by Trustee if payable under this Stipulation, and upon any denial by Trustee will be processed as provided in Section 4 hereinabove. Moreover, upon the giving of a Termination Notice (i) Debtor shall be prohibited from using any Cash Collateral for any purpose and (ii) Trustee in its sole discretion is authorized to apply or setoff against the Prepetition Obligations, or use any Cash Collateral then or thereafter coming into its control or possession to the Prepetition Obligations as provided herein or pursuant to the Indenture. For the avoidance of doubt, the actions described in this Section 8a may be taken without the need for any further order of the Court, including without limitation, an order modifying the stay and without the need for any further order of the Court and without regard to the passage of time provided for in Fed. R. Bankr. P. 4001(a)(3).

b. Upon notice to counsel for Debtor, counsel to the Committee, if any, and the United States Trustee, and subject to the Court's docket, Trustee shall be entitled to a hearing on five (5) calendar days' notice (but nothing herein shall prohibit Trustee from seeking relief on shorter notice) at which Trustee shall be entitled to seek any of the following relief with respect to Debtor:

(i) the entry of an order terminating this Stipulation; provided that no such termination shall affect the liens, security interests and protections granted to Trustee herein;

(ii) the appointment of a trustee or examiner in this Case or the entry of an order converting this Case to Chapter 7; and

(iii) such further or other relief as provided in the Prepetition Financing Documents, Bankruptcy Code, this Stipulation or applicable non-bankruptcy law.

c. Upon the delivery of any Termination Notice, assertion of Event of Default, or expiration of this Stipulation, Debtor may request relief under the Bankruptcy Code for the use of Cash Collateral after the termination or expiration of this Stipulation, but nothing herein shall affect Trustee's rights to object to same, all of which are reserved, nor shall any request affect or impair the liens, security interests and protections granted to Trustee herein or the agreements and acknowledgments of the Debtor herein; and (ii) each party reserves its rights, if any, with respect to items that Trustee may be required to fund under the Indenture or related documents.

9. Delivery of Additional Postpetition Documents. Notwithstanding any provision of this Stipulation to the contrary, Debtor shall execute and deliver to Trustee all agreements, financing statements, instruments, mortgages and other documents as Trustee may reasonably request to evidence, confirm, validate or perfect the liens and security interests created by this Stipulation and/or as required by the Prepetition Financing Documents.

10. No Surcharge. Debtor, for itself and its successors and assigns agrees that it will not (i) surcharge the Collateral of Trustee for any expenses incurred in this Case or any superseding case under § 506(c) of the Bankruptcy Code or otherwise and expressly waives the

right to surcharge the Collateral of Trustee, and (ii) assert any “equities of the case” claims under Section 552(b) of the Bankruptcy Code against Trustee.

11. Insurance, Access, and Reporting and Audits.

a. Insurance. Debtor shall insure the Prepetition Collateral and the Postpetition Collateral for the full insurable replacement value thereof, on substantially the same terms, provisions and conditions provided for in the Prepetition Financing Documents. Trustee may purchase said insurance and charge the expense thereof to Debtor if it fails to obtain the insurance as herein provided.

b. Access. Trustee shall, upon reasonable notice to Terry O’Brien, have the right to examine the Prison and audit the Debtor’s books and records at any time during normal business hours. Upon reasonable notice to Terry O’Brien, Debtor shall allow Trustee and the corrections management provider known as Corrections Corporation of America (“CCA”) full access to the Prison for a second tour and inspection (a first tour and inspection already having occurred) for the purpose of obtaining a bid to manage the Prison, subject to entry into a confidentiality agreement among Trustee, CCA and Debtor, which will among other things (i) restrict the use of any information to the development of a proposal to manage the Prison, and (ii) prohibit CCA from sharing non-public information and information obtained from any tour and inspection with any local, state or federal authority. Terry O’Brien shall have the right to be present and attend, and shall make himself reasonably available for, any such tour and inspection, as well as any other tour and inspection of the Prison by or on behalf of the Trustee. Further, Debtor will work with Trustee cooperatively and in good faith to evaluate and consider management alternatives for the Prison, including without limitation visits and evaluations by other

management companies or further visits by CCA, even if competitors of the Debtor, so long as a mutually acceptable confidentiality agreement is executed, and the possibility of issuing requests for proposals (an RFP process) for management of the Prison. Notwithstanding the foregoing, Trustee reserves the right to move the Court to institute a formal RFP process.

c. Reporting and Audits. In addition, Debtor shall deliver to Trustee such financial and other information concerning the business and affairs of Debtor and any of the Prepetition Collateral or the Postpetition Collateral, as Trustee shall reasonably request from time to time, including without limitation:

- (i) weekly information as to Debtor's accrued and unpaid expenses;
- (ii) a 2013 budget of projected revenues and expenses, due on or before February 25, 2013;
- (iii) monthly, a cash flow projection (the "Cash Flow Projection") for the following 13 weeks and a days' cash on hand calculation, due by the third Thursday of each month commencing February 21, 2013. Along with the Cash Flow Projection, the Debtor will compare the previous month's projections to actual results. The Cash Flow Projection shall reflect Debtor's good faith projection of all monthly cash receipts and disbursements in connection with the operation of the Prison.

On or before February 25, 2013, Debtor will select and promptly thereafter seek to retain an auditor from a list of three potential auditors provided by Trustee to perform the 2012 audit, will promptly provide to the auditor all information requested by the auditor, and will otherwise work with such auditor to have a completed audit by May 31, 2013.

Trustee may add to the Prepetition Obligations any fees and costs incurred by Trustee in conducting the foregoing audits. Debtor agrees to share with DM, upon reasonable request of DM, any final operating budgets and proformas Debtor creates during the Case. All such information provided under this subsection 11.(c) shall be designated as “Confidential Information” as defined in the Stipulation Regarding Discovery and Proposed Protective Order Thereon [Dkt 81], approved by the Court’s Order of July 20, 2012 [Dkt 82].

12. Fees and Expenses of Trustee. The claims of Trustee and the Prepetition Obligations shall include the costs and expenses of Trustee (including, without limitation, their reasonable audit fees and their reasonable attorneys’ fees and expenses) as set forth in the Prepetition Financing Documents and this Stipulation, including, without limitation, all such reasonable fees and expenses incurred in connection with the pre-bankruptcy negotiations with Debtor, the negotiation and preparation of this Stipulation and the documents and instruments to be delivered in connection therewith, and in the handling of all matters in this bankruptcy proceeding, any subsequent Chapter 11 or Chapter 7 proceedings, and any adversary proceedings (to the extent not covered by insurance, in the case of Trustee’s defense of the adversary proceeding filed by DM against Trustee, Adversary Proceeding No. 13-05018-PWB (the “Adversary Proceeding”), including, without limitation, the attorneys’ fees in any way arising from or in connection with any action taken by Trustee to monitor, advise, enforce or collect the Prepetition Obligations, or any other document or agreement arising from or relating to the relationship between Debtor and Trustee (collectively, the “Trustee Fees”). Trustee shall pay the Trustee Fees from the Revenue Fund and none of the Trustee Fees shall be subject to prior Court approval or the filing of any fee application with the Court; provided, however, that (i) the

Trustee Fees shall be subject to subsequent review, recharacterization by the Court as payments of principal or interest rather than fees, or other adjustment as may be determined by the Court, (ii) the Trustee Fees shall be paid after the payment of current Operating Expenses, Additional Expenses, the U.S. Trustee Fees, and the funding of the Tax Reserve Account to the extent that payment of the Trustee Fees would not cause the balance of the Revenue Fund to fall below \$200,000, and (iii) for purposes of calculating whether the \$200,000 reserve exists, the Trustee shall make such calculation as of the last business day of the month and shall include the monies in the ICDC Expense Account, less outstanding checks drawn on such account. Debtor reserves any rights it may have, and Trustee disputes any such rights, to assert or claim that Trustee Fees (which shall include fees incurred on or before April 15, 2013) should not be paid from the Revenue Fund after April 15, 2013.

13. Good Faith. The use of Cash Collateral and adequate protection arrangements authorized hereunder have been negotiated in good faith and at arm's length between Debtor and Trustee. The terms of such use of Cash Collateral and adequate protection arrangements are fair and reasonable under the circumstances, reflect the exercise of prudent business judgment by Debtor consistent with its fiduciary duties under the circumstances and are supported by reasonably equivalent value and fair consideration. The obligations and rights of Debtor and Trustee under this Stipulation, the Prepetition Finance Documents, and all documents executed in connection herewith, and the priorities, liens and security interests granted herein, shall remain unimpaired and unaffected by any modification, reversal or vacation of this Stipulation on appeal.

14. Independent Actions of Debtor in Possession/Responsible Person. Debtor acknowledges that its promises and actions contained herein are made and taken of its own free

will and volition. By honoring Requisitions submitted to it by Debtor and by taking any other actions pursuant to this Stipulation, Trustee shall not: (1) be deemed to be in control of the operations of Debtor; (2) be deemed to be acting as a “responsible person” with respect to the operation or management of Debtor; or (3) have any liability to any third party. Debtor acknowledges that it has chosen, of its own free and voluntary act, its legal counsel, financial advisors, accountants, and auditors.

15. Amendments. After final approval of this Stipulation as described in Section 30 below, nothing herein shall prohibit Debtor or Trustee from amending the terms of this Stipulation by the written mutual agreement of each of them without the necessity of obtaining Court approval thereof, so long as such amendment does not materially alter the terms hereof, including, without limitation, the liens and security interests granted hereunder or payments or deposits to be made hereunder. Debtor shall provide timely notice of all such amendments to parties entitled to receive notice of the entry of an order approving this Stipulation and the United States Trustee.

16. No Modification. In the event any or all of the provisions of this Stipulation are hereafter modified, amended or vacated by an order of the Court or any other court, no such modification, amendment or vacation shall affect the validity, enforceability or priority of any lien or claim authorized or created hereby. Notwithstanding any such modification, amendment or vacation, any claim granted hereunder to Trustee, or acknowledged, prior to the effective date of such modification, amendment or vacation shall be governed in all respects by the original provisions of this Stipulation, and Trustee shall be entitled to all of the rights, remedies, privileges and benefits, including the liens and priorities granted herein, with respect to any such claim.

17. Authorization. Debtor is authorized to do and perform all acts, to make, execute and deliver all documents required hereunder and to pay fees and expenses which may be required or necessary for its performance hereunder.

18. Reservation of Rights. Notwithstanding anything herein to the contrary, this Stipulation and/or the entry of an order approving this Stipulation is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair, (a) any of the rights of Trustee under the Bankruptcy Code or under nonbankruptcy law, including, without limitation, the right of Trustee to, after giving the notice required, if any, hereunder: (i) request additional adequate protection of its interest in the Prepetition Collateral, the Postpetition Collateral or relief from or modification of the automatic stay under § 362 of the Bankruptcy Code, (ii) request conversion of Debtor's Chapter 11 case to Chapter 7, (iii) request appointment of a trustee or examiner under § 1104 of the Bankruptcy Code, or (iv) propose, subject to the provisions of § 1121 of the Bankruptcy Code, a Chapter 11 plan or (b) any of the rights, claims or privileges (whether legal, equitable or otherwise) of Trustee against Debtor or any other person or entity.

19. Effective Date. Except as otherwise provided herein, this Stipulation shall be effective retroactive to January 18, 2013. All transfers by Trustee for the payment of Requisitions of Debtor after the Petition Date, and all transfers from the Transportation Account (subject to Trustee verifying that such transfers were appropriate) after the Petition Date are hereby again approved and ratified and are entitled to the security interests and other protections hereof.

20. Force and Effect of Prepetition Documents; Conflicts. Except as modified by this Stipulation, the Prepetition Financing Documents shall remain in full force and effect with respect to the Prepetition Obligations. To the extent there exists any conflict between the Prepetition Financing Documents and the terms of this Stipulation, this Stipulation shall govern and control.

21. Modification of Stay. The automatic stay of § 362 of the Bankruptcy Code is hereby modified with respect to Trustee to the extent necessary to effectuate the provisions of this Stipulation, including without limitation, the automatic and immediate modification of the stay as provided in Section 8a herein above. The existence of an Event of Default shall constitute “cause” for modification of the automatic stay.

22. No Waiver. The failure of either party at any time or times hereafter to require strict performance by the other party (or by any trustee) of any provision of this Stipulation or the July Stipulation shall not waive, affect or diminish any right of such person thereafter to demand strict compliance and performance therewith. No delay on the part of either party in the exercise of any right or remedy under this Stipulation shall preclude any other or further exercise of any such right or remedy or the exercise of any other right or remedy. None of the rights or remedies of either party under this Stipulation shall be deemed to have been suspended or waived by such party unless such suspension or waiver is in writing, signed by a duly authorized officer of such party and/or directed to the other party specifying such suspension or waiver.

23. Term. Unless earlier terminated upon the giving of a Termination Notice, Debtor’s right to use Cash Collateral hereunder expires on April 15, 2013 at 5:00 p.m. Atlanta Time.

24. Binding Effect; Survival. The provisions of this Stipulation shall be binding upon and inure to the benefit of Debtor, Trustee and their respective successors and assigns retroactively to the Petition Date. The terms of this Stipulation, and all documents executed in connection herewith, shall be valid and enforceable obligations of Debtor and any subsequent trustee for Debtor in reorganization or otherwise, and all such obligations and the security interests and liens granted to Trustee survive the termination of this Stipulation or the Cash Collateral Order (defined below), the termination of Debtor's right to use Cash Collateral, the appointment of a Chapter 11 trustee, the conversion of this Case to a case under Chapter 7 of the Bankruptcy Code, the dismissal of this Case or a successor case, and the confirmation of a plan of reorganization. If any or all of the provisions of this Stipulation are hereafter modified, vacated or stayed by subsequent order, such action shall not affect the priority, validity, enforceability or effectiveness of any lien, security interest, or priority authorized hereby with respect to any obligation incurred by Debtor prior to the effective date of such subsequent order (and all such liens, security interests, priorities and other benefits shall be governed in all respects by the original provisions of this Stipulation). Except as otherwise explicitly set forth in this Stipulation, no third parties are intended to be or shall be deemed to be third party beneficiaries of this Stipulation.

25. Notices. Except as otherwise stated herein, all notices and demands hereunder shall be in writing and shall be deemed given when addressed as follows:

Debtor

Municipal Corrections, LLC
Attn: Terrence O'Brien
5 Concourse Parkway, Suite 3000
Atlanta, Georgia 30328
Fax: 603-805-8180
Email: tobrien@detentionmgt.com

with copy to

Austin E. Carter
Stone & Baxter, LLP
Suite 800, Fickling & Co. Building
577 Mulberry Street
Macon, Georgia 31201
Fax: 478-750-9899
Email: acarter@stoneandbaxter.com

Trustee

UMB Bank, N.A.
Attn: Lorna P. Gleason, Vice President
11 Red Cedar Lane
Minneapolis, MN 55410
Email: Lorna.Gleason@umb.com

with copy to

Patrick J. McLaughlin
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
Fax: 612-340-2868
Email: mclaughlin.patrick@dorsey.com

Ezra H. Cohen
Troutman Sanders LLP
600 Peachtree Street
Suite 5200
Atlanta, GA. 30308
Fax: 404-885-3900
Email: ezra.cohen@troutmansanders.com

on the earlier of (a) when they are actually delivered to the addressees by facsimile transmission, email or otherwise, or (b) at 5:00 p.m. Atlanta Time on the banking day next following the deposit thereof with any recognized national overnight delivery service properly addressed to the parties as provided herein.

26. Counterparts; Captions. This Stipulation may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same instrument. Captions in this Stipulation are for reference and convenience only and shall not affect the interpretation or meaning of any provision of this Stipulation.

27. Cash Collateral Order; Postpetition Documents. Debtor will immediately request a hearing from the Court on an expedited basis seeking entry of an order approving this Stipulation, *nunc pro tunc* to January 18, 2013, in accordance with Bankruptcy Rule 4001 (the “Cash Collateral Order”). Debtor asserts that (i) the permission granted herein to receive Requisitions hereunder and to enter into other documents and instruments to evidence the liens and security interests created hereunder in favor of Trustee, is necessary to avoid immediate and irreparable harm to Debtor, and (ii) entry of an order approving this Stipulation is in the best interest of Debtor and its estate and creditors as its implementation will, among other things, allow for the continued operation and preservation of Debtor’s existing business.

28. Right to Object of Parties in Interest. No party in interest or any entity or person shall have the right, any such right having expired, to file an adversary proceeding challenging the matters acknowledged and agreed to by Debtor in the July Stipulation pursuant to the December Cash Collateral Order. Trustee is deemed to have a valid and perfected prepetition and postpetition lien and security interest in the Cash Collateral and the Postpetition Collateral, and all matters acknowledged and agreed to by Debtor herein shall be of full force and effect and forever binding on Debtor, Debtor’s bankruptcy estate and all parties in interest in this Case and any successor case, which determination shall bind Debtor and its respective successors, including, without limitation, a subsequently appointed trustee. This paragraph does not limit the parties’ rights as regards the Real Property Reservation.

29. Stipulation Subject to Court Order. This Stipulation is subject to and shall be effective upon entry of the Cash Collateral Order by the Court, which shall be in form acceptable to Trustee.

30. Final Hearing. In the event that the Court does not give final approval to the use of Cash Collateral and adequate protection as described herein, or on such other terms as may be acceptable to Trustee in its sole discretion, the Term of this Stipulation shall expire, and Debtor's right to use Cash Collateral shall cease.

Dated: February 8, 2013

/s/ Austin E. Carter

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