

Below is an Order of the Court.



PETER C. MCKITTRICK
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re
HemCon Medical Technologies, Inc.,
Debtor.

Case No. 16-30119-pcm11

**FINAL ORDER GRANTING DEBTOR'S
MOTION FOR AUTHORIZATION TO
OBTAIN SECURED CREDIT**

This matter came before the Court on January 20, 2016, upon the motion [ECF No. 11] (the "Motion"), dated January 15, 2016, filed by debtor ("Debtor") in the above-captioned Chapter 11 case (the "Case") pursuant to Sections 105, 361, 362, 363 and 364 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et. seq. (as amended, the "Bankruptcy Code"), Rules 2002, 4001, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 4001-1 of the Local Rules (the "Local Rules") of the United States Bankruptcy Court for the District of Oregon, requesting, among other things entry of this final order (this "Final Order"):

1. Authorizing Debtor to execute and enter into the DIP Credit and Security Agreement (the "DIP Facility") between Debtor and Tricol International Group Limited,

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OBTAIN SECURED CREDIT**

("Lender") (a copy of which is attached to the Motion as Exhibit 2), and to perform such other and further acts as may be required in connection with the DIP Facility;

2. Authorizing Debtor to obtain secured post-petition financing on a super-priority basis (the "DIP Facility Agreement") subject only to the Carve-Out (as that term is defined in the DIP Facility Agreement) and any valid and perfected liens or security interests in existence as of the Petition Date, which security to Lender shall include Lender's Continuing Security Interest (as that term is defined in the DIP Facility Agreement) until the DIP Facility is paid;

3. Granting super-priority administrative expense claims to Lender for the post-petition financing payable from, and having recourse to all of the pre-petition and post-petition property of Debtor's estate (the "Estate") and all proceeds thereof (except Excluded Rights) and subject to the Carve-Out (as both terms are defined in the DIP Facility), and granting liens for the post-petition financing to Lender in all Collateral in accordance with the DIP Facility and this Interim Order;

A final hearing (the "Final Hearing") on the Motion having been held before the Court on February 8, 2016, to consider entry of this Final Order, appearances being noted on the record, Debtor, Lender and the Official Committee of Unsecured Creditors (the "Committee") having agreed to the entry of this Final Order, all objections to the Final Order being resolved, overruled or withdrawn, and after due deliberation and consideration and sufficient cause appearing therefor:

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED, THAT:

1. Jurisdiction; Petition Date

a. This Court has jurisdiction to hear this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. §§ 157(b)(2)(D), (K), (M), and (O).

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b. On January 15, 2016, Debtor filed its Chapter 11 petition (the "Petition Date"). Since the Petition Date, Debtor has remained in possession and control of its assets as a debtor-in-possession pursuant to sections 1107 and 1108 of Title 11 of Bankruptcy Code.

2. Disposition. The Motion is hereby granted, effective as of the date of the filing of the Motion, on a final basis on the terms set forth herein. Any objections to the Motion or to the interim relief sought in the Motion have been resolved, withdrawn or are hereby overruled on the merits. This Final Order shall be valid, binding on all parties in interest and fully effective on a final basis upon entry by the Court.

3. Notice. The Final Hearing with respect to the Motion was held pursuant to the authorization of Bankruptcy Rule 4001(c)(2). Notice was served on the parties listed on the certificate of service filed in respect of the Motion.

4. Findings Regarding the DIP Facility Based on the Record at the Interim Hearing

a. It is necessary for Debtor to obtain post-petition financing for a period of time and in an amount which would allow Debtor to continue to operate as a going concern, to pay employees, and to preserve the value of its assets. An immediate need exists for Debtor to obtain credit from Lender. Without such funds Debtor will not be able to continue the operation of its business and to pay its employees, and protect the value of its Estate.

b. Lender has indicated a willingness to extend post-petition secured credit under the terms and conditions of this Interim Order and the DIP Facility. Debtor is unable to obtain financing on terms more favorable than terms offered by Lender under the DIP Facility and is unable to obtain adequate unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense. Debtor is also unable to obtain secured credit

under Section 364(c) and (d) of the Bankruptcy Code on terms more favorable than those set forth in the DIP Facility.

c. The terms of the DIP Facility are fair and reasonable, were negotiated by the parties at arm's length and in good faith and are the best available to Debtor under present market conditions and Debtor's financial circumstances. Based on the foregoing, any credit extended under the DIP Facility by Lender is extended in good faith, as that term is used in Section 364(e) of the Bankruptcy Code.

d. Debtor, in order to satisfy its interim need for post-petition financing, as determined in the exercise of its sound business judgment, desires the Court to enter this Final Order. Entry of this Final Order is necessary to prevent irreparable harm to Debtor, including the harm that would result from the disruption of Debtor's business, will increase the possibilities for a successful sale of Debtor's assets as a going concern, and is in the best interest of Debtor's Estate. Absent entry of this Final Order, Debtor's Estate will be immediately and irreparably harmed. Consummation of the DIP Facility is in the best interest of Debtor's Estate.

5. Authorization of the DIP Facility

a. Debtor is authorized to enter into the DIP Facility and to incur post-petition debt under the DIP Facility pursuant to the terms of the DIP Facility Agreement (as modified by the interim order granting this Motion entered on January 20, 2016 (the "Interim Order")) and this Final Order. To the extent of any conflict between this Final Order and the DIP Facility, this Final Order shall govern.

b. In accordance with the terms of this Final Order, the DIP Facility shall be used to (i) fund the working capital requirements and other financing needs of Debtor during the pendency of the Case, and (ii) pay certain costs and expenses of the administration of the case. Use of funds shall be consistent with the Budget attached hereto as **Exhibit 1**, which may be amended and updated from time to time by delivery of a revised and updated Budget by Debtor

to Lender, which is approved by Lender and which shall be effective and become the Budget referred to herein upon Lender's approval. Debtor shall be in compliance so long as its actual net cash flow on a cumulative basis from the Petition Date is not less than 90% of the net cash flow projected in the Budget.

c. In furtherance of the foregoing and without further approval of the Court, Debtor is authorized and directed on a final basis to perform all acts, to make, execute and deliver all instruments and documents (including the execution or recordation of security agreements, mortgages and financing statements) that may be required, necessary (including necessary by reason of request by Lender) for Debtor's performance under the DIP Facility or this Final Order.

d. Upon execution of the DIP Facility and the entry of this Final Order, obligations, agreements and covenants of Debtor under the DIP Facility shall be valid and binding and enforceable against Debtor under the terms of the DIP Facility and this Final Order.

6. Post-Petition Indebtedness; Liens and Priority

a. Subject to the Carve-Out as defined in the DIP Facility, the Post-Petition Indebtedness shall be:

(1) allowable under § 503(b)(1) of the Code as an administrative expense with priority pursuant to the provisions of § 364(c)(1) of the Code over all other administrative expenses of the kind specified in § 503(b) or § 507(b) of the Code and all other expenses and claims, subject only to the Carve-Out; and

(2) secured by (and Lender is hereby granted) a security interest in and lien on all present and future property of the Estate, whether now held or hereafter acquired by the Estate, including Lender's Continuing Security Interest until the DIP Facility is paid (excepting the Excluded Rights), which lien and security interest shall have priority over all other

liens, claims and expenses in Debtor's case except with respect to (a) the Carve-Out and (b) all other valid, duly perfected pre-petition security interests and liens in the assets of Debtor.

7. Perfection of Liens. Entry of this Interim Order automatically perfects the liens granted by paragraph 6(a)(2) of this Final Order. If, however, Lender, in its reasonable discretion, shall determine to file any such financing statements, mortgages, agreements, notices of lien, or similar instruments, or to otherwise confirm perfection of such Liens, all such documents shall be deemed to have been perfected at the time of and on the date of entry of this Final Order, with the priorities set forth herein, and shall be and hereby are deemed and adjudicated senior to any other post-petition filing by any other person or entity with respect to the same Collateral. A certified copy of the Final Order may, in the discretion of Lender, be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien, or similar instruments, and all filing offices are hereby authorized to accept such certified copy of this Final Order for filing and recording.

8. Events of Default. The Events of Default contained in the DIP Facility are hereby approved and incorporated herein by reference.

9. Lender's Remedies. Upon the occurrence of an Event of Default:

- a. Lender may refuse to make advances;
- b. Charge the default rate of interest in the DIP Facility Agreement;
- c. Declare the principal and accrued interest, fees and other liabilities of the DIP Facility to be immediately due and payable; and
- d. Lender shall be entitled to an order terminating Debtor's authority to use the Lender's cash collateral and granting relief from the automatic stay to enforce Lender's rights and remedies under this Final Order and the DIP Facility, upon (i) filing a motion for relief from stay with the Court certifying the occurrence of an Event of Default; (ii) serving a copy of the motion for relief from stay upon Debtor, the Committee and the U.S. Trustee's Office, and

(iii) an expedited hearing regarding relief from the automatic stay, which such hearing may be scheduled on not less than five days' prior notice to Debtor, the Committee, and the U.S. Trustee's office. Debtor shall be entitled to file a response to the motion for relief from stay with the Court, but such response must be limited to whether an Event of Default has occurred that has not been cured. If the Borrower fails to file such a response, the Court may enter an order terminating the automatic stay.

10. Successors and Assigns. Except as otherwise stated herein, the provisions of this Final Order shall be binding upon all persons and entities and shall inure to the benefit of Lender, Debtor and their respective successors and assigns, including, without limitation, any subsequent Chapter 11 or Chapter 7 trustee.

11. Stay; Modification. No subsequent stay, modification, termination, failure to extend the term or vacation of this Final Order shall affect, limit or modify the validity, priority or enforceability of any liability of Debtor under the DIP Facility or any lien or security interest granted to Lender under this Final Order. All credit extended under the DIP Facility is made in reliance on this Final Order, and the obligations Debtor incurs to Lender under the DIP Facility cannot be subordinated, lose superpriority status, or be deprived of the benefit of the liens granted to Lender by any subsequent order in Debtor's Chapter 11 case or a converted Chapter 7 case.

12. Amendments and Modifications. Debtor and Lender may enter into any non-material amendments or modifications to the DIP Facility without notice or a hearing or further order of this Court; provided, however, that any such modifications shall be provided to the Committee and filed with the Court and shall not be adverse to Debtor or its Estate.

13. Final Order Governs. Except as otherwise specifically provided in this Final Order, in the event of a conflict between the provisions of this Final Order, the Motion and the Loan Documents, the provisions of this Final Order shall govern.

14. Nothing in this Final Order, the DIP Facility Agreement, or any other documents related to these transactions, shall in any way be construed or interpreted to impose or allow the imposition upon Lender of any liability for any claims arising from the pre-petition or post-petition activities of Debtor in the operation of its business or in connection with its restructuring efforts.

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I certify that I have complied with the requirements of LBR 9021-1(a).

Presented by:

TONKON TORP LLP

By /s/ Albert N. Kennedy

Albert N. Kennedy, OSB No. 821429
Timothy J. Conway, OSB No. 851752
888 S.W. Fifth Avenue, Suite 1600
Portland, OR 97204-2099
Telephone: 503-221-1440
Facsimile: 503-274-8779
E-mail: al.kennedy@tonkon.com
tim.conway@tonkon.com
Attorneys for Debtor

cc: List of Interested Parties

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EXHIBIT 1

BUDGET

HemCon Inc DIP Budget														
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Weeks Beginning (on Mondays)	1/18/2016	1/25/2016	2/1/2016	2/8/2016	2/15/2016	2/22/2016	2/29/2016	3/7/2016	3/14/2016	3/21/2016	3/28/2016	4/4/2016	4/11/2016	
Weeks Ending (on Sundays)	1/24/2016	1/31/2016	2/7/2016	2/14/2016	2/21/2016	2/28/2016	3/6/2016	3/13/2016	3/20/2016	3/27/2016	4/3/2016	4/10/2016	4/17/2016	
Operating Account														
Beginning Cash Balance	3,500	228,971	33,114	70,111	413,932	319,652	120,523	164,967	101,373	93,685	30,918	47,453	30,021	3,500
Total Cash Receipts														
Accounts receivable	21,751	18,772	75,218	92,283	17,253	24,180	6,412	1,605	6,998	133	784	-	-	265,388
January Revenue	-	-	-	-	-	-	65,000	75,000	-	-	-	-	-	140,000
Febuary Revenue	-	-	-	-	-	-	-	-	75,000	75,000	77,500	80,000	-	307,500
March Revenue	-	-	-	-	-	-	-	-	-	-	-	-	82,500	82,500
DIP - Financing	400,000	-	-	400,000	-	-	-	-	-	-	-	-	-	800,000
Total Cash Receipts	421,751	18,772	75,218	492,283	17,253	24,180	71,412	76,605	81,998	75,133	78,284	80,000	82,500	1,595,388
Cash disbursements- Mandatory														
Royalties/ External Sales Commissions/														
GPO	-	3,000	-	-	-	3,000	-	-	-	-	3,000	-	-	9,000
Patent Costs	-	-	5,000	-	-	-	-	400	7,500	-	-	2,100	12,000	27,000
Payroll	-	60,750	-	67,500	-	72,500	-	67,500	-	72,500	-	67,500	-	408,250
Commissions	-	-	-	-	-	6,400	-	-	-	-	-	-	-	6,400
Health, Dental, Benefits	-	18,000	-	-	-	18,000	-	-	-	-	18,000	-	-	54,000
Payroll Travel Expenses	-	3,000	-	3,000	-	3,000	-	3,000	-	3,000	-	3,000	-	18,000
Insurance - Commercial	-	7,500	-	-	-	7,500	-	-	-	7,500	-	-	-	22,500
Rent	-	17,000	-	-	-	17,000	-	-	-	17,000	-	-	-	51,000
Bank charges/Credit Card Fees	-	400	400	400	400	400	400	400	400	400	400	400	400	4,800
IT- Microsoft, Covenant and OBS	-	7,000	-	-	-	-	7,000	-	-	-	7,000	-	-	21,000
Fedex- Freight/ 3PL	3,500	-	3,500	-	3,500	-	3,500	-	3,500	-	3,500	-	3,500	21,000
ERP	-	20,000	-	20,000	-	-	-	-	-	-	-	-	-	40,000
COD- Innovize	174,503	42,439	6,210	49,134	68,468	73,568	-	59,991	16,103	35,000	-	20,303	-	371,217
COD- WuXi	-	5,000	-	-	7,315	550	440	6,207	1,565	-	3,261	-	-	24,338
COD- QBI	18,278	12,795	-	1,828	16,450	-	-	-	5,483	-	-	1,828	5,483	43,867
COD- Raw Materials	-	-	17,700	-	10,000	-	5,487	-	38,200	2,500	4,087	-	-	77,974
COD- Steris	-	2,700	-	1,600	3,900	-	1,600	1,200	-	-	5,200	1,100	1,600	18,900
Product Development	-	15,045	5,411	5,000	1,500	21,391	8,540	1,500	16,935	-	17,302	1,200	6,378	100,201
US- Trustee Fees	-	-	-	-	-	-	-	-	-	-	-	-	6,500	6,500
Total Cash Disbursements	196,281	214,628	38,221	148,462	111,533	223,309	26,967	140,198	89,686	137,900	61,750	97,431	35,861	1,522,228
Net Cash Flow	225,471	(195,856)	36,997	343,821	(94,280)	(199,129)	44,445	(63,594)	(7,688)	(62,767)	16,534	(17,431)	46,639	73,160
Ending Cash Balance	228,971	33,114	70,111	413,932	319,652	120,523	164,967	101,373	93,685	30,918	47,453	30,021	76,660	76,660

LIST OF INTERESTED PARTIES

In re HemCon Medical Technologies, Inc.
U.S. Bankruptcy Court Case No. 16-30119-pcm11

ECF PARTICIPANTS

- TIMOTHY J CONWAY tim.conway@tonkon.com, nancy.kennedy@tonkon.com
- MARJORIE A ELKEN Marjorie@zupgroup.com, dmiller@zrlawgroup.com; mattm@restructuringshop.com; tomf@restructuringshop.com
- DAVID A FORAKER david.foraker@greenemarkley.com, mena.ravassipour@greenemarkley.com
- ALBERT N KENNEDY al.kennedy@tonkon.com, leslie.hurd@tonkon.com; andy.haro@tonkon.com; spencer.fisher@tonkon.com
- SANFORD R LANDRESS sanford.landress@greenemarkley.com, lori.pavey@greenemarkley.com
- CARLA GOWEN MCCLURG carla.mcclurg@usdoj.gov
- CHRISTOPHER L PARNELL cparnell@dunncarney.com, tschneider@dunncarney.com; taichele@dunncarney.com
- TARA J SCHLEICHER tschleicher@fwwlaw.com, dfallon@fwwlaw.com; nlyman@fwwlaw.com
- MARGOT D SEITZ mseitz@fwwlaw.com, mburton@fwwlaw.com
- US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov

NON-ECF PARTICIPANTS

COUNSEL FOR CREDITORS' COMMITTEE:

Matthew E. McClintock
Thomas R. Fawkes
Goldstein & McClintock LLLP
208 South LaSalle Street, Suite 1750
Chicago, IL 60613

OTHER

SEC
Attn: Bankruptcy Counsel
444 South Flower Street,
Suite 900
Los Angeles, CA 90071-9591

Jeff Cohen
Securities and Exchange Comm.
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, TX 76102