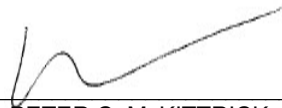


Below is an Order of the Court.



PETER C. MCKITTRICK
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re

HemCon Medical Technologies, Inc.,
Debtor.

Case No. 16-30119-pcm11

**FINAL ORDER AUTHORIZING USE OF
CASH COLLATERAL AND GRANTING
ADEQUATE PROTECTION**

This matter comes before the Court pursuant to Debtor's Motion for Final Authority to Use Cash Collateral [ECF No. 10] ("Motion") and the Court having considered the submissions and arguments of counsel, and the files and records herein, and being fully advised in the premises; now, therefore,

The Court finds as follows:

A. On January 15, 2016 (the "Petition Date"), Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the "Code"), 11 U.S.C. § 101, et seq. Debtor is currently operating its business and managing its property as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Code. No trustee has been requested or appointed.

B. HemCon began operations in 2001 and today brings advanced wound care technologies to the worldwide healthcare market. United States headquarters are in Portland, Oregon, with a wholly-owned operating subsidiary in Ireland and the Czech Republic. In total, the company employs 23 individuals. Its broad offering of products and technologies address under-served therapeutic wound care opportunities within rapidly growing markets. The company's unique core competencies are biomaterial design and product realization, in-depth knowledge of the advanced wound care market, and worldwide medical regulatory and quality systems management. HemCon is a global leader in hemostasis and infection control technology in a range of professional medical (e.g., surgery), interventional cardiology, dental, dialysis, post-procedure recovery, trauma, military, and consumer over-the-counter applications. The company currently has active research programs funded by private and public sources to create new product/technology development in advanced wound care treatment.

C. Debtor and Sussex Associates, L.P. ("Sussex") are parties to certain loan and security agreements, (the "Loan Documents") pursuant to which Sussex asserts it holds security interests and liens (the "Existing Liens") in Debtor's cash, existing and future accounts receivable, inventory, purchase orders, and all intellectual property and patents owned or licensed for use by Debtor (the "Prepetition Collateral").

D. The term "Cash Collateral" means cash collateral as defined in Section 363(a) of the Code.

E. The term "Cash Collateral" excludes the funds loaned to or deposited by Tricol International Group Limited ("Buyer") with Debtor pursuant to that certain DIP Credit and Security Agreement and that certain Asset Purchase Agreement made and entered into by Debtor and Buyer.

F. On the Petition Date, Debtor's obligations to Sussex totaled approximately \$5,000,000, including principal, interest, fees, and costs. The aggregate amount of all

obligations owing by Debtor to Sussex as of the Petition Date is referred to herein as the "Existing Indebtedness."

G. Without use of Sussex's Cash Collateral, Debtor is without sufficient funds to support its continuing operations. Debtor seeks to use Sussex's Cash Collateral pursuant to Sections 105(a) and 363(c)(1) and (2) of the Code, the Budget attached hereto as Exhibit 1, and the terms and conditions of this Order, to pay its continued operating expenses.

H. The entry of this Order will minimize disruption of Debtor's business operations, will preserve the going concern value of the business, and is in the best interest of Debtor's estate. Debtor does not believe it can continue to operate its business or preserve the value of its assets without the use of Sussex's Cash Collateral on the terms set forth herein. Debtor will face immediate and irreparable harm if the relief requested is not granted.

I. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(M). The notice Debtor has provided of the hearing on entry of this Order was sufficient and appropriate under the circumstances of this case, and satisfies the requirement of Federal Rules of Bankruptcy Procedure 4001(b) and Local Bankruptcy Rule 4001-2.

J. To the extent any provision of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure, Local Bankruptcy Rules, or applicable law requires a finding of "cause" for entry of any provision of this Order, such cause exists.

NOW THEREFORE, the court being fully advised in the premises, it is hereby ordered, adjudged and decreed, as follows:

1. Authorization to Use Cash Collateral

a. Debtor is authorized to use Sussex's Cash Collateral in accordance with the terms and conditions set forth herein.

b. Sussex's Cash Collateral shall be used only for the purposes and up to the amounts listed in the budget attached as Exhibit 1 (the "Approved Budget"); provided,

however, that Debtor's total expenditures may exceed the aggregate budgeted amount by up to 15%.

c. All existing Cash Collateral and all post-petition receipts (except loans or deposits from Buyer that are deposited into segregated accounts and Excluded Property as hereinafter defined) shall be deposited in Debtor's General Operating Account for use in accordance with the terms of this Order.

2. Grant of Security Interest. As adequate protection for use of Sussex's Cash Collateral pursuant to Sections 361(2) and 363(c)(1) and (2) of the Code, Sussex is hereby granted replacement liens and security interests ("Adequate Protection Liens") upon all property of the estate as defined in Section 541(a) of the Code (excluding all funds loaned or deposited by Buyer in segregated accounts and property recovered through exercise of the powers granted under Sections 506(c), 544, 545, 547, 548, and 549 of the Code) (the "Excluded Property") that is of the same category, kind, type, character and description as were subject to perfected and valid security interests in existence as of the Petition Date ("Adequate Protection Collateral"). The Adequate Protection Liens granted herein shall be first and prior perfected liens in the Adequate Protection Collateral and shall secure the impairment, if any, of the value of the interest of Sussex in Prepetition Collateral resulting from Debtor's use of Cash Collateral, but shall not be construed to enhance or improve the position of Sussex.

3. Order is Security Agreement. This Order shall be deemed to be and shall constitute a security agreement under applicable non-bankruptcy law. The liens and security interests granted by this Order are perfected by operation of law upon entry of this Order by the Court. Sussex shall not be required to file financing statements, deeds of trust, or take any action to validate or perfect such liens and security interests. If Sussex, in its discretion, chooses to file financing statements or other documents or otherwise confirm perfection of such liens and interests, Debtor is hereby authorized and directed to execute any other security agreements, UCC-1 financing statements, and supporting documents as may be reasonably requested by

Sussex to document any adequate protection liens provided and permitted by this Order. Debtor shall cooperate with Sussex in executing such other documentation as Sussex deems reasonably necessary to effectuate the terms of the Order.

4. Administrative Expense Claim. To the extent the Adequate Protection Liens granted pursuant to this Order are not adequate to protect Sussex against the diminution in the value of its interests in its Prepetition Collateral resulting from Debtor's post-petition use of Cash Collateral, Sussex shall be entitled to an administrative expense claim under Code Section 503(b) that will have superpriority as provided in Section 507(b) of the Code.

5. Survival. The provisions of this Order shall be binding upon and inure to the benefit of Debtor and Sussex, and their respective successors and assigns.

6. Insurance and Audits. Debtor shall insure the Prepetition Collateral and the Adequate Protection Collateral for the full insurable replacement value thereof with insurance companies acceptable to Sussex. Debtor will provide Sussex with certificates of insurance evidencing Debtor's compliance with the insurance requirements herein provided and Sussex may purchase said insurance and charge the expense thereof to Debtor if it fails to obtain and maintain the insurance as herein provided.

7. Additional Duties of Debtor. Debtor is hereby directed to deliver to Sussex such financial and other information concerning the business and affairs of Debtor and any of the Prepetition Collateral and Adequate Protection Collateral as Sussex shall reasonably request from time to time.

8. Events of Default. Each of the following shall be an Event of Default under this Order: (a) spending other than as allowed in the Budget and in this Order unless agreed by Sussex in writing; (b) Debtor's failure to comply with any of the obligations imposed by this Order; (c) conversion of this case to a case under Chapter 7 of the Code; (d) dismissal of this case; and (e) the appointment of a Chapter 11 trustee or of an examiner with expanded powers to operate the Debtor's business.

9. Termination Date and Enforcement of Event of Default. Unless terminated earlier, Debtor's authority to use Cash Collateral under this Order shall continue until the earlier of April 29, 2016, or the closing of a sale of substantially all of the Debtor's assets pursuant to Court order. Notwithstanding the foregoing, Debtor's right to use Cash Collateral in the case of any Event of Default specified above in paragraph 8 shall terminate at the end of the fifth business day following delivery by Sussex of a written notice of default to each of Debtor, its counsel, the United States Trustee, counsel to the Official Committee of Unsecured Creditors (the "Committee"), and counsel to Buyer. Debtor's authority to use the Cash Collateral shall cease without further action unless Sussex has acknowledged within said five business day period that the specified Event of Default has been cured or the Court orders otherwise. Nothing herein shall constitute a waiver of Debtor's right to move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B) authorizing the use of cash collateral in the absence of Sussex's consent.

10. Validity of Liens. All liens and priorities granted to Sussex hereunder shall be valid and enforceable obligations of Debtor against any subsequent Chapter 11 or Chapter 7 trustee. The obligations and rights of Debtor and Sussex under this Order, any documents executed pursuant to the terms hereof, and the priorities, liens and security interests granted herein, shall remain unimpaired and unaffected by any modification, reversal, or vacation of this Order on appeal, or by any termination or any curtailment of Debtor's authority hereunder. Nothing contained herein, however, shall serve to adjudicate the validity, perfection, attachment, priority, or enforceability, or improve the position of, any of the Existing Indebtedness under the Loan Documents or the Existing Liens.

11. Amendments. Nothing herein shall prohibit Debtor and Sussex from amending the terms of the use of Cash Collateral authorized hereby by mutual agreement and further order of the Court after notice and hearing.

12. Miscellaneous Provisions

a. No Waiver. Nothing contained in this Order shall constitute a waiver by Debtor, or any subsequent Chapter 11 or Chapter 7 trustee, of any of their respective rights, including, without limitation, the right to assert any claim, demand, or cause of action, whether in contract, tort, or otherwise, that they had as of the Petition Date, or that Debtor or such trustee now has, or in the future may have, against Sussex.

b. Order. This Order shall be binding on all parties in interest in this case and their respective successors and assigns, including, without limitation, any Chapter 11 or Chapter 7 trustee. If any or all of the provisions of this Order 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 the use of Cash Collateral 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 Order). Except as otherwise explicitly set forth in this Order, no third parties are intended to be or shall be deemed to be third party beneficiaries of this Order.

#

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

Presented by:

TONKON TORP LLP

By /s/ Albert N. Kennedy

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Page 7 of 7 - FINAL ORDER AUTHORIZING USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION

TONKON TORP LLP
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503-221-1440

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**

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