



IT IS HEREBY ADJUDGED and DECREED that the below described is SO ORDERED.

Dated: April 21, 2016.

A handwritten signature in cursive script that reads "Craig A. Gargotta".

**CRAIG A. GARGOTTA
UNITED STATES BANKRUPTCY JUDGE**

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

In re:	§	
	§	CASE NO. 16-50552
PALMAZ SCIENTIFIC INC.,	§	
	§	Chapter 11
Debtor.	§	
In re:	§	
	§	CASE NO. 16-50555
ADVANCED BIO PROSTHETIC	§	
SURFACES, LTD.,	§	Chapter 11
	§	
Debtor.	§	
In re:	§	
	§	CASE NO. 16-50556
ABPS MANAGEMENT, LLC,	§	
	§	Chapter 11
Debtor.	§	
In re:	§	
	§	CASE NO. 16-50554
ABPS VENTURE ONE, LTD.,	§	
	§	Chapter 11
Debtor.	§	(Jointly Administered Under 16-50552)

**UNOPPOSED THIRD INTERIM ORDER ON DEBTORS' EMERGENCY MOTION
FOR INTERIM APPROVAL OF (1) POST-PETITION SECURED AND SUPER
PRIORITY FINANCING PURSUANT TO 11 U.S.C. §364(C) AND (D) OF THE
BANKRUPTCY CODE, (2) AUTHORITY FOR CONSENSUAL USE OF
CASH COLLATERAL AND (3) GRANT OF ADEQUATE PROTECTION**

Upon the Debtors' Emergency Motion For Interim Approval Of (1) Post-Petition
Secured And Super Priority Financing Pursuant To 11 U.S.C. §364(C) And (D) Of The

Bankruptcy Code, (2) Authority For Consensual Use Of Cash Collateral And (3) Grant Of Adequate Protection motion (the “**Motion**”),¹ dated March 4, 2016, of Palmaz Scientific Inc., Advanced Bio Prosthetic Surfaces, Ltd., ABPS Management, LLC, and ABPS Venture One, Ltd. (“**Debtors**” or “**Debtors-in-Possession**”), as debtor and debtor in possession, in the above-captioned case (the “**Chapter 11 Case**”) pursuant to §§105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), and 364(e) of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and the Local Bankruptcy Rules for the United States Bankruptcy Court for the Western District of Texas (the “**Local Bankruptcy Rules**”), seeking, among other things, entry of an interim order (the “**Interim Order**”) and a final order (the “**Final Order**”) authorizing the Debtor to obtain post-petition financing (the “**Financing**”) from Vactronix Scientific, Inc. or its designee (“**DIP Lender**”). The Court held hearings on the Motion on March 8, 2016, April 5, 2016, and April 19, 2016 (“**Hearings**”). The Court having considered the Motion, having examined the exhibits attached thereto, the oral objection made thereto at the Hearings and having completed the Hearings as provided for under §364 of the Bankruptcy Code, Bankruptcy Rule 4001(c), and applicable Local Bankruptcy Rules, the Court finds and determines the following:

- A. The Court has jurisdiction over the Motion pursuant to 28 U.S.C. § 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is core within the meaning of 28 U.S.C. § 157(b). The statutory predicates for the relief sought herein are sections 105(a), 361, 362, 364, and 507 of the Bankruptcy Code, and the procedural grounds are Rules 2002, 4001, and 9014 of the Bankruptcy Rules.

¹ Unless otherwise stated, capitalized terms herein are as described in the Motion.

- B. Notice of the Hearings were given to (i) the Office of the United States Trustee for the Western District of Texas, (ii) counsel for the DIP Lender, (iii) and to all creditors identified on the creditor matrix. Based on the record made by the Debtor, the Court finds that appropriate notice of the Hearings has been given.
- C. The legal and factual bases set forth on the record at the Hearings establish just and sufficient cause to grant the relief granted herein. The relief granted herein is in the best interests of the Debtor, its estate, creditors, and all parties in interest.
- D. Parties in interest Brad Hickman, Bradley Hickman, Clifton Hickman, Brenda Kostohryz, Keely Kostohryz, Margaret Lane, and John Foster raised oral objections to the Motion at the March 8, 2016 and April 5, 2016 hearings on the Motion. The United States Trustee and the Official Committee of Unsecured Creditors also raised objections to the Motion at the April 5, 2016 hearing on the Motion. The foregoing objecting parties shall be called the “**Objectors.**” The Objectors filed written objections to the Motion at Dkts. 109, 112, 115, 121, and 133. The Objectors do not oppose the entry of this Third Interim Order.

THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

- 1. The Motion is granted only to the extent stated herein.
- 2. The Debtor is immediately authorized and empowered to borrow up to the aggregate amount of \$150,000 (the “**Third Advance**”); provided however, that the Debtors shall use the proceeds of the Third Advance solely as permitted under the DIP Facility. Any other use of the Third Advance, except as permitted herein, is and shall be strictly prohibited.
- 3. Out of the Third Advance, \$75,000 shall be paid to Palmaz Scientific Inc. immediately upon entry of this Third Interim Order to Palmaz Scientific Inc. Out of the Third

Advance, the remaining \$75,000 shall be paid to Palmaz Scientific Inc. on April 26, 2016. These payments shall be made in care of Dr. Eugene Sprague.

4. Pursuant to section 364 (c) (1) and (d)(1) of the Bankruptcy Code, as security for the repayment of the Third Advance, the DIP Lender is hereby granted a valid, binding, enforceable and perfected first super priority lien (the “**Interim DIP Lien**”) up to the amount of the Third Advance upon (a) all of Debtors’ real property and improvements thereon, present and future Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Equipment, General Intangibles, Instruments, Inventory, Investment Property, Letter-of-Credit Rights and Supporting Obligations, including but not limited to all intellectual property rights of the Debtors such as patents and patent applications; and (b) Proceeds and products of any of the foregoing, but excluding any claims that Debtors may have under Chapter 5 of the Bankruptcy Code. (as all such terms are defined in the UCC) (the “**Collateral**”); provided, however, the DIP Lender shall be entitled to the same liens, priorities and other rights for the Third Advance as any other amounts advanced under the DIP Financing pursuant to further order of the Court.

5. This Third Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the Interim DIP Lien on and its security interests in the Collateral up to the amount of the Third Advance, without the necessity of filing or recording any financing statement or other instrument or document which may otherwise be required under the law of any jurisdiction or the taking of any other action to validate or perfect the Interim DIP Lien on and its security interests in the Collateral. The DIP Lender shall not be required to file any financing statements, mortgages, notices of lien or similar instruments in any jurisdiction or filing office, or to take any other action in order to perfect the liens and security interests granted by or pursuant to this Third Interim Order. The DIP Lender may, in its

discretion, file a copy of this Third Interim Order with a financing statement with any recording officer designated to file financing statements, mortgages, deeds of trust, leasehold mortgages, notices of lien or similar instruments in any jurisdiction (including trademark, copyright, trade name or patent assignment filings with the United States Patent and Trademark Office, Copyright Office or any similar agency with respect to intellectual property), in such event, the applicable filing or recording officer or registrar is authorized and directed to accept, file and record such copy of this Third Interim Order and financing statement.

6. The automatic stay imposed under section 362(a) of the Bankruptcy Code shall be and is hereby modified to the extent necessary to grant the liens and security interests in favor of the DIP Lender on the Collateral as provided in this Third Interim Order.

7. Prepetition Secured Debt. As identified in Annex II to the DIP Term Sheet, Palmaz Scientific Inc. borrowed through six (6) separate promissory notes on a secured basis (secured by certain assets of certain Debtors) funds needed to operate and carry out business operations. All obligations of Palmaz Scientific Inc. arising under these promissory notes and related loan documents (including, without limitation, any applicable "Secured Obligations," as defined therein) shall collectively be referred to herein as the "Prepetition Credit Obligations." Such creditors under the Prepetition Credit Obligations shall be called the Prepetition Secured Parties. The Prepetition Secured Parties agree to permit the Debtors to use the Prepetition Collateral, including the Cash Collateral, during the Interim Period, which ends at 11:59 p.m. on May 5, 2016. The Prepetition Secured Parties are entitled to the adequate protection as set forth herein pursuant to sections 361, 362, and 363 of the Bankruptcy Code, in the form of replacement liens on the Collateral. The Prepetition Secured Parties consent to the priming first priority super priority liens granted to the DIP Lender hereunder.

8. If any provision of this Third Interim Order is hereafter modified, vacated, reversed or stayed by subsequent order of this or any other court for any reason, such modification, vacation, reversal or stay shall not affect the validity and priority of the Interim DIP Lien granted under this Third Interim Order.

9. The hearing on approval of Final Order authorizing the Financing is set for May 5, 2016 at 10:00 a.m. in the United States Courthouse, 615 E. Houston Street, Courtroom 3, San Antonio, Texas 78205.

10. Notwithstanding Rules 6004(h) of the Bankruptcy Rules, this Third Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Third Interim Order.

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SUBMITTED BY:

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