

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

John N. Tomaz
Plaintiff

33842

vs.

C.A. No.: PB 09-4697

Wardwell Braiding Machine Company
Defendant

**RECEIVER'S PETITION TO OBTAIN POST-PETITION FINANCING
FROM KELTIC FINANCIAL PARTNERS, LP**

Now comes Diane Finkle, Esq., the duly appointed Temporary Receiver of Wardwell Braiding Machine Company (the "Defendant") and hereby files this Petition seeking authorization to obtain post-petition financing on a super-priority secured basis and a super-priority administrative basis from Keltic Financial Partners, LP. In support hereof, the Receiver states as follows:

1. The Defendant is a manufacturer of high speed braiding machinery.
2. The Defendant has suffered substantial reduction in revenues with the economic downturn and has substantial expenses of operation and maintenance.
3. Keltic Financial Partners, LP ("KFS") asserts to hold a first priority lien on the tangible and intangible personal property of Wardwell.
4. KFS asserts to be owed approximately One Million Four Hundred Fifty-Eight Thousand Nine Hundred Thirty-Seven and 45/100 Dollars (\$1,458,937.45) from the Defendant.
5. The Receiver and KFS have determined that the value of the assets of the Defendant would be substantially jeopardized if the Defendant's business did not continue to operate in order to be marketed and sold as a going concern.
6. Rather than cease business operations to the detriment of the value of the Defendant's assets and the prospect for greater recovery on a sale as a going concern, KFS has agreed, subject

to the terms hereof, to continue to lend money to the Defendant in the ordinary course of business pursuant to that certain loan agreement and related loan documents (the "Loan Documents") dated November 19, 2008 by and between KFS and the Defendant to provide post petition funding to the Receivership estate.

7. The terms and conditions under which KFS is prepared to provide a post-petition loan to the Receiver include the following:

a. That the pre-petition Loan Documents will remain in full force and full effect in this proceeding and the Receiver is hereby authorized to borrow monies from KFS in the ordinary course of business consistent with the borrowing formula, criteria and protocol set forth in the Loan Documents (the "Post-Petition Financing"), including but not limited to the specific terms of the "lock-box" arrangement identified therein as supplemented by the terms and conditions hereof. Within the limit of the Loan Documents, the Receiver may borrow, repay, and re-borrow and may use the proceeds of the Post-Petition Financing to fund the operating requirements of the Defendant's business, in the ordinary course of business consistent with funding requests approved by KFS from time to time (each, a "Funding Request") and that certain budget (the "Budget") attached hereto as Schedule I, as may be amended by agreement of the Receiver and KFS

b. To evidence and secure the Post-Petition Financing, the Receiver is seeking authority to the extent necessary, if at all, to execute and deliver to KFS such notes, documents, agreements, instruments and such other items evidencing or securing the Post-Petition Financing as KFS may request

(collectively, the "Post-Petition Financing Documents"). The Receiver is seeking authority and instruction to perform all obligations set forth in or required in connection with the Post-Petition Financing Documents and a proposed Order, a copy of which is attached hereto as Exhibit "A". Upon their execution and delivery, the Post-Petition Financing Documents shall constitute valid and binding obligations of the Receiver, in her said capacity and not in her individual capacity, the Defendant, and the receivership estate, enforceable in accordance with their respective terms. KFS is authorized to pay, from the proceeds of its collateral described in the Loan Documents and granted hereby, at its discretion, first all amounts owing in connection with the Pre-Petition Financing and, secondly, the amounts owing in connection with the Post-Petition Financing; provided; that any such payments applied to the Pre-Petition Financing shall be reallocated to the Post-Petition Financing in the event, after notice and hearing on a Motion to approve the asserted secured claim of KFS (the "KFS Motion"), the Court determines that KFS does not hold a valid, enforceable first priority lien against said collateral to secure the Pre-Petition Financing.

v

c. As security for the Pre-Petition Financing, all of the Receiver's, the Defendant's and the receivership estate's obligations and indebtedness arising under the Post-Petition Financing Documents and this Order, but subject to the KFS Motion being approved by the Court and the Court determining that as of the commencement of this receivership proceeding KFS held valid, enforceable first priority liens and interests against said collateral to secure

the Pre-Petition Financing, KFS is requiring perfected first security interests in and liens upon the following (collectively, the "Collateral"): all of Defendant's tangible and intangible personal property of any kind, nature or type whatsoever, whenever generated and wherever located including but not limited to all collateral described in the Loan Documents, all personal property of the receivership estate, including all pre-petition and post-petition personal property of the Defendant (including all accounts, inventory, equipment, fixtures, cash, deposit accounts, general intangibles, chattel paper, instruments, documents, investment property, and letter-of-credit rights, each as defined in the Uniform Commercial Code); all leases; (without limiting any of the foregoing) all contracts, licenses and permits; all books and records related to any of the foregoing; and all proceeds of any of the foregoing. Such liens and security interests shall be senior to all other liens, security interests, assignments, pledges, claims, and other encumbrances, if any, except for municipal assessments that are entitled to statutory priority over security interests generally, if any (collectively, "Prior Senior Liens") and shall secure the Pre-Petition Financing and the Post-Petition Financing. Nothing in the Order shall prejudice, limit or otherwise affect KFS's or the Receiver's rights to challenge any interests claimed to constitute Prior Senior Liens.

d. As further protection for all of the Receiver's, the Defendant's and the receivership estate's obligations arising under the Post-Petition Financing

Documents or this Order, KFS is requiring a super-priority administrative claim in these proceedings.

e. The Receiver's ability to borrow under the Post-Petition Financing Documents shall terminate three (3) business days after KFS gives the Receiver written notice of termination. During such 3-business day period, the Receiver may continue to make ordinary course disbursements that would otherwise be permitted by the Funding Requests and thereafter as necessary to pay expenses incurred prior to the Receiver's receipt of said notice that are consistent with the Budget, and KFS shall honor the Receiver's Funding Requests to pay such expenses.

f. No expenses of administration in these proceedings, without the prior written consent of KFS shall be charged against the Collateral, except for fees and expenses of operation incurred by the Receiver in the ordinary course pursuant to the Budget, and no such consent of KFS shall be implied from any other action, inaction, or acquiescence. It is the intention of this Order that all administrative and other expenses will be paid consistent with the Borrower's availability under the Loan Documents.

g. All proceeds of any sale, collection or other disposition of Collateral shall be applied, first, to payment of any items authorized by the Funding Requests or expenses incurred pursuant to the Budget consistent with the terms of this Order but not yet paid by the Receiver, second, to the Receiver's fees and expenses in an amount agreed to by the Receiver and KFS or failing such agreement, as determined by the Court after notice and hearing, and any

fees and expenses paid to the Receiver pursuant to the Budget and to the Defendant's counsel shall be held in escrow subject to this Court's approval of such fees and expenses, third, to pay the Prior Senior Liens, if any, then, fourth, to the repayment of the Pre-Petition Financing, subject to the KFS Motion being approved by the Court and the Court determining that as of the commencement of this receivership proceeding KFS held valid, enforceable first priority liens and interests against the Collateral to secure the Pre-Petition Financing, fifth, to the repayment of the Post-Petition Financing (or at KFS's election, to future operating expenses pursuant to the Budget and Funding Requests), and, thereafter, in such manner as this Court may direct, upon reasonable notice and adequate opportunity for hearing given KFS and the Receiver. To the extent such proceeds are proceeds of Collateral in which a third party holds a Prior Senior Lien that is disputed by KFS or by the Receiver, such proceeds shall be deposited into an interest bearing account and shall not be paid over to any prior lienholder unless and until consented to in writing by KFS or an Order of this Court is entered to the effect that the lien asserted by any such lienholder is valid, perfected and binding and enforceable against all or part of the Collateral and senior to KFS's, security interests and liens, if any.

8. The Receiver believes that it is in the best interest of the receivership estate that he/she be authorized to enter into the post-petition financing agreement with KFS on the terms described herein and the Loan Documents in order to continue the operations of Defendant's business, such funds to be expended in accordance with the Financing Budget annexed hereto as

Exhibit "B" and such amended or other additional budgets as may be agreed upon from time to time between the Receiver and KFS, with notice thereof to the Plaintiff in this proceeding and to Webster Bank who asserts a first priority mortgage against the Defendant's real estate

9. In view of the financial circumstances of the Defendant, the Receiver will be unable to obtain such financing on an unsecured basis and without granting a super-priority administrative claim to such lender, subject to the general loan provisions set forth above.

10. The Receiver believes that it is in the best interest of the within receivership estate for the Receiver to be authorized to borrow funds from KFS on such senior secured and super-priority basis in order to continue to operate Defendant's business so that the assets of the Defendant may be marketed as a going concern and the value of such assets maximized for the benefit of creditors of the within receivership estate.

WHEREFORE, the Receiver respectfully prays that this Court authorize the Receiver to obtain post-petition financing upon the terms and conditions set forth herein and those terms and conditions set forth in the proposed Order authorizing the Receiver to obtain post-petition financing, a copy of which is annexed hereto as Exhibit "A".

Diane Finkle, Esq. Receiver of
Wardwell Braiding Machine Company



Diane Finkle

SCHEDULE I

8/13/2009

WARDWELL

PROJECTED BORROWING BASE CERTIFICATES

08/01/09 - 10/10/09

	1-Aug-09	8-Aug-09	15-Aug-09	22-Aug-09	29-Aug-09	5-Sep-09	12-Sep-09	19-Sep-09	26-Sep-09	3-Oct-09	10-Oct-09
Beginning A/R	767,072.00	784,643.00	868,553.00	870,753.00	891,653.00	854,953.00	848,953.00	887,953.00	881,953.00	918,513.00	952,013.00
Sales	88,346.00	185,399.00	90,000.00	114,500.00	122,700.00	75,000.00	110,000.00	75,000.00	134,400.00	126,000.00	230,800.00
Credits	(4,544.00)	(398.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)
Net Credits 06-21-09	(32,785.00)	(33,960.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)	(36,522.00)
Net Credits 07-04-09	33,960.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00	36,522.00
Gross Cash Receipts	(67,399.00)	(103,653.00)	(86,800.00)	(92,600.00)	(212,800.00)	(99,500.00)	(70,000.00)	(80,000.00)	(96,840.00)	(91,500.00)	(73,900.00)
Cash Receipts Deposits	(7.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Fees											
ENDING A/R	784,643.00	868,553.00	870,753.00	891,653.00	854,953.00	848,953.00	887,953.00	881,953.00	918,513.00	952,013.00	1,032,913.00
INELIGIBLES											
90 Past Due	218,192.00	254,133.00	198,179.00	198,179.00	198,179.00	198,179.00	198,179.00	188,923.29	188,923.29	188,923.29	188,923.29
Credits Over 90 Days	4,746.00	6,627.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
25% Cross Agred	16,291.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00	12,206.00
Foreign Rec in Excess of Insurance	14,710.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00	23,159.00
A/R Contra	2,747.00	2,747.00	6,247.00	6,247.00	6,247.00	6,247.00	6,247.00	6,247.00	6,247.00	6,247.00	6,247.00
Affiliated Receivables	(22,406.00)	(22,406.00)	(13,206.00)	(13,206.00)	(13,206.00)	(13,206.00)	(13,206.00)	(3,950.29)	(3,950.29)	(3,950.29)	(3,950.29)
Customer Deposits	25,918.00	98,297.00	98,297.00	98,297.00	34,597.00	34,597.00	34,597.00	34,597.00	34,597.00	34,597.00	34,597.00
3.25% Dilution Reserve	17,109.46	16,048.18	17,659.56	18,338.81	19,216.31	19,021.31	20,288.81	20,093.81	21,282.01	22,370.76	25,000.01
TOTAL INELIGIBLES	275,307.46	390,811.18	345,041.56	345,728.81	282,898.31	282,703.31	283,970.81	283,775.81	284,964.01	286,032.76	288,682.01
ELIGIBLE A/R	509,335.54	477,741.83	515,711.44	545,924.19	572,054.69	566,249.69	603,982.19	598,177.19	633,548.99	665,980.24	744,230.99
AVAILABILITY @ 85%	432,935.21	406,080.55	446,854.73	464,041.36	486,246.49	481,312.24	513,384.86	508,450.61	538,516.64	566,086.21	632,996.34
Raw Material	223,076.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00	222,844.00
Finished Parts	3,888,154.00	3,883,131.00	3,864,131.00	3,845,131.00	3,836,131.00	3,807,131.00	3,788,131.00	3,769,131.00	3,750,131.00	3,731,131.00	3,712,131.00
WIP	507,000.00	505,318.00	510,318.00	515,318.00	512,818.00	538,830.00	527,030.00	527,030.00	527,030.00	527,030.00	500,318.00
Finished Goods	670,571.00	620,710.00	620,710.00	586,010.00	538,830.00	558,830.00	527,030.00	527,030.00	527,030.00	527,030.00	440,949.00
TOTAL INVENTORY	5,288,801.00	5,232,003.00	5,218,803.00	5,169,303.00	5,120,623.00	5,124,823.00	5,105,723.00	5,118,323.00	5,068,523.00	5,010,923.00	4,876,242.00
WIP	507,000.00	505,318.00	510,318.00	515,318.00	512,818.00	538,830.00	527,030.00	527,030.00	527,030.00	527,030.00	500,318.00

EXHIBIT A

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

John N. Tomaz

Plaintiff

v.

C.A. No. 09-4697

WARDWELL BRAIDING MACHINE
COMPANY

Defendant

ORDER AUTHORIZING RECEIVER TO OBTAIN POST-PETITION FINANCING

This matter came before this Court on August __, 2009, Justice Silverstein presiding, upon the Petition by Diane Finkle, Esq., Receiver of the Defendant, Wardwell Braiding Machine Company (the "Defendant"), seeking authority to borrow funds from Keltic Financial Partners, LP ("KFS") on a super-priority secured and super-priority administrative claim basis. After hearing and consideration, and no objection having been filed, it is hereby, ORDERED as follows:

1. Due and adequate notice of the Receiver's petition and of the hearing thereon has been given to all parties known to the Receiver to have or to assert a lien, security interest, or other encumbrance upon any of the Collateral (defined below), to all creditors of the Defendant known to the Receiver and to all other parties in interest, as set forth in the Affidavit of Notice filed by the Receiver relative to the Petition.

2. The Receiver is hereby authorized to borrow monies from KFS consistent with the terms of KFS's pre-petition loan documents dated November 19, 2008, (the "Pre-Petition Financing") (the "Loan Documents"), and in all respects consistent with the borrowing formula,

criteria and protocol set forth in the Loan Documents, including but not limited to the specific terms of the "lock-box" arrangement identified therein (the "Post-Petition Financing"), as supplemented by the terms and conditions in this Order. Within the limit of the Loan Documents, the Receiver may borrow, repay, and re-borrow and may use the proceeds of the Post-Petition Financing to fund the operating requirements of the Defendant's business, in the ordinary course of business consistent with funding requests approved by KFS from time to time (each, a "Funding Request") and that certain budget (the "Budget") attached hereto as Schedule I as the same may be amended from time to time as agreed to by the Receiver and KFS.

3. To evidence and secure the Post-Petition Financing, the Receiver is authorized to the extent necessary, if at all, to execute and deliver to KFS such notes, documents, agreements, instruments and such other items evidencing or securing the Post-Petition Financing as KFS may request (collectively, the "Post-Petition Financing Documents"). The Receiver is hereby authorized and instructed to perform all obligations set forth in or required in connection with the Post-Petition Financing Documents and this Order, to the extent consistent with the Budget. Upon their execution and delivery, the Post-Petition Financing Documents shall constitute valid and binding obligations of the Receiver, in her said capacity and not in her individual capacity, the Defendant, and the receivership estate, enforceable in accordance with their respective terms. KFS is authorized to pay, from the proceeds of its collateral described in the Loan Documents and granted hereby, at its discretion, first all amounts owing in connection with the Pre-Petition Financing and, secondly, the amounts owing in connection with the Post-Petition Financing provided; that any such payments applied to the Pre-Petition Financing shall be reallocated to the Post-Petition Financing in the event, after notice and hearing on a Motion to approve the asserted secured claim of KFS (the "KFS Motion"), the Court determines that KFS does not hold a valid,

enforceable first priority lien against said collateral to secure the Pre-Petition Financing.

4. As security for the Pre-Petition Financing, all of the Receiver's, the Defendant's and the receivership estate's obligations and indebtedness arising under the Post-Petition Financing Documents and this Order, but subject to the KFS Motion being approved by the Court and the Court determining that as of the commencement of this receivership proceeding KFS held valid, enforceable first priority liens and interests against said collateral to secure the Pre-Petition Financing, KFS is hereby granted perfected first security interests in and liens upon the following (collectively, the "Collateral"): all of Defendant's tangible and intangible personal property of any kind, nature or type whatsoever, whenever generated and wherever located including but not limited to all collateral described in the Loan Documents as well as all personal property of the receivership estate, including all pre-petition and post-petition personal property of the Defendant (including all accounts, inventory, equipment, fixtures, cash, deposit accounts, general intangibles, chattel paper, instruments, documents, investment property, and letter-of-credit rights, each as defined in the Uniform Commercial Code); all leases; (without limiting any of the foregoing) all contracts, licenses and permits; all books and records related to any of the foregoing; and all proceeds of any of the foregoing. Such liens and security interests shall be senior to all other liens, security interests, assignments, pledges, claims, and other encumbrances, if any, except for municipal assessments that are entitled to statutory priority over security interests generally, if any (collectively, "Prior Senior Liens") and shall secure the Pre-Petition Financing and the Post-Petition Financing. Nothing in this Order shall prejudice, limit or otherwise affect KFS's or the Receiver's rights to challenge any interests claimed to constitute Prior Senior Liens or the asserted Pre-Petition Liens asserted by KFS

5. As further protection for all of the Receiver's, the Defendant's and the receivership

estate's obligations arising under the Post-Petition Financing Documents or this Order, KFS shall have a super-priority administrative claim in these proceedings.

6. The terms of the Post-Petition Financing are fair and reasonable, reflect the Receiver's exercise of prudent business judgment under the circumstances consistent with the Receiver's fiduciary duty, and are supported by reasonably equivalent value and fair consideration. The Post-Petition Financing has been negotiated in good faith and at arms-length between the Receiver and KFS, and any credit extended to the Receiver by KFS pursuant to this Order or otherwise shall be deemed to have been extended, issued and made by KFS in good faith.

7. The Receiver's ability to borrow under the Post-Petition Financing Documents shall terminate three (3) business days after KFS gives the Receiver written notice of termination. During such 3-business day period, the Receiver may continue to make ordinary course disbursements that would otherwise be permitted by the Funding Requests and thereafter as necessary to pay expenses incurred prior to the Receiver's receipt of said notice that are consistent with the Budget, and KFS shall honor the Receiver's Funding Requests to pay such expenses.

8. No expenses of administration in these proceedings, without the prior written consent of KFS shall be charged against the Collateral, except for fees and expenses of operation incurred by the Receiver in the ordinary course pursuant to the Budget, and no such consent of KFS shall be implied from any other action, inaction, or acquiescence. It is the intention of this Order that all administrative and other expenses will be paid consistent with the Borrower's availability under the Loan Documents.

9. Nothing in this Order shall prejudice, limit, or otherwise affect the rights of KFS ,

to seek further relief from this Court, or limit the right of the Receiver or any other parties in interest herein to challenge or object to the KFS Motion.

10. All proceeds of any sale, collection or other disposition of Collateral shall be applied, first, to payment of any items authorized by the Funding Requests or expenses incurred pursuant to the Budget consistent with the terms of this Order but not yet paid by the Receiver, second, to the Receiver's fees and expenses in an amount agreed to by the Receiver and KFS or failing such agreement, as determined by the Court after notice and hearing, and any fees and expenses paid to the Receiver pursuant to the Budget and to the Defendant's counsel shall be held in escrow subject to this Court's approval of such fees and expenses, third, to pay the Prior Senior Liens, if any, then, fourth to the repayment of the Pre-Petition Financing, subject to the KFS Motion being approved by the Court and the Court determining that as of the commencement of this receivership proceeding KFS held valid, enforceable first priority liens and interests against the Collateral to secure the Pre-Petition Financing, fifth, to the repayment of the Post-Petition Financing (or at KFS's election, to future operating expenses pursuant to the Budget and Funding Requests), and, thereafter, in such manner as this Court may direct, upon reasonable notice and adequate opportunity for hearing given KFS and the Receiver. To the extent such proceeds are proceeds of Collateral in which a third party holds a Prior Senior Lien that is disputed by KFS or by the Receiver, such proceeds shall be deposited into an interest bearing account and shall not be paid over to any prior lienholder unless and until consented to in writing by KFS or an Order of this Court is entered to the effect that the lien asserted by any such lienholder is valid, perfected and binding and enforceable against all or part of the Collateral and senior to KFS's, security interests and liens, if any.

11. Notwithstanding the provisions hereof, no payment shall be due KFS unless the

Receiver has sufficient funds on hand, taking into consideration unpaid operating expenses incurred pursuant to the Funding Requests and the Budget.

12. Except as specifically set forth in this Order, no mortgage, security interest, claim or lien having a priority superior to or *pari passu* with those granted by this Order to KFS shall be granted or permitted while any portion of the Post-Petition Financing remains outstanding.

13. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of all of the security interests and liens upon the Collateral granted to KFS as set forth herein to secure the Post-Petition Financing and in the Post-Petition Financing Documents, without the necessity of filing, recording or serving any financing statements, mortgages or other documents which may otherwise be required under federal or state law in any jurisdiction or the taking of any other action to validate or perfect the post-petition security interests and liens granted to KFS in this Order or the Post-Petition Financing Documents. KFS may in its discretion file or record any Post-Petition Financing Documents or a certified copy of this Order in any filing or recording office. The injunction entered by this Court on August 17, 2009, is modified to the extent necessary for KFS to exercise any of its rights under this Order.

14. The Post-Petition Financing Documents and this Order shall be binding upon KFS, the Receiver, the Plaintiff, the Defendant, the receivership estate, all other parties claiming mortgages, security interests, liens or other encumbrances upon the Collateral, and their respective successors and assigns.

15. Notwithstanding any reversal, stay, modification or vacation of this Order, KFS shall be entitled to all the rights, remedies, privileges and benefits, granted herein and/or pursuant to the Post-Petition Financing Documents and this Order.

16. Notwithstanding any other provision of this Order or of any Post-Petition

Financing Documents, the Receiver shall be liable only in the Receiver's capacity as receiver and not individually.

17. Recognizing that KFS has heretofore advanced funds to the Receiver for the purposes set forth in this Order to address emergencies and to continue the operations of the Defendant, , such advances and all actions taken by the Receiver in connection therewith are hereby ratified and approved and shall be subject to the terms and conditions of this Order.

ENTER:

PER ORDER:

Silverstein, J.

NOTICE TO INTERESTED PARTIES

1. **Please Take Notice** that a Hearing on the Receiver's Petition to Obtain Post-Petition Financing from Keltic Financial Services ("KFS") on a Secured and Administrative Super-Priority Basis, will be held at **9:30 a.m. on the 1st day of September, 2009**, before the Providence County Superior Court, on the Business Calendar, **ASSOCIATE JUSTICE MICHAEL A. SILVERSTEIN** presiding, in **COURTROOM 17, 4th FLOOR**, The Governor Licht Judicial Complex, 250 Benefit Street, Providence, Rhode Island.

2. KFS asserts a first priority lien against all tangible and intangible personal property of the assets of Wardwell Braiding Machine Company ("Defendant") to secure a debt asserted to be owed KFS in the amount of approximately \$1,300,000. The proposed financing is pursuant to a Budget agreed upon by the Receiver and KFS to fund the ongoing operations of Defendant and other administrative costs of the receivership proceeding. The terms and conditions under which KFS is prepared to provide a post-petition loan to the Receiver include the following:

a. That the pre-petition Loan Documents will remain in full force and full effect in this proceeding and the Receiver is hereby authorized to borrow monies from KFS in the ordinary course of business consistent with the borrowing formula, criteria and protocol set forth in the Loan Documents (the "Post-Petition Financing"), including but not limited to the specific terms of the "lock-box" arrangement identified therein as supplemented by the terms and conditions hereof. Within the limit of the Loan Documents, the Receiver may borrow, repay, and re-borrow and may use the proceeds of the Post-Petition Financing to fund the operating requirements of the Defendant's business, in the ordinary course of business consistent with funding requests approved by KFS from time to time (each, a "Funding Request") and that certain budget (the "Budget") attached hereto as Schedule I, as may be amended by agreement of the Receiver and KFS.

b. To evidence and secure the Post-Petition Financing, the Receiver is seeking authority to the extent necessary, if at all, to execute and deliver to KFS such notes, documents, agreements, instruments and such other items evidencing or securing the Post-Petition Financing as KFS may request (collectively, the "Post-Petition Financing Documents"). The Receiver is seeking authority and instruction to perform all obligations set forth in or required in connection with the Post-Petition Financing Documents and a proposed Order, a copy of which is attached to the Petition. Upon their execution and delivery, the Post-Petition Financing Documents shall constitute valid and binding obligations of the Receiver, in her said capacity and not in her individual capacity, the Defendant, and the receivership estate, enforceable in accordance with their respective terms. KFS is authorized to pay, from the proceeds of its collateral described in the Loan Documents and granted hereby, at its discretion, first all amounts owing in connection with the Pre-Petition Financing and, secondly, the amounts owing in connection with the Post-Petition Financing; provided; that any such payments applied to the Pre-Petition Financing shall be reallocated to the Post-Petition

Financing in the event, after notice and hearing on a Motion to approve the asserted secured claim of KFS (the "KFS Motion"), the Court determines that KFS does not hold a valid, enforceable first priority lien against said collateral to secure the Pre-Petition Financing.

c. As security for the Pre-Petition Financing, all of the Receiver's, the Defendant's and the receivership estate's obligations and indebtedness arising under the Post-Petition Financing Documents and this Order, but subject to the KFS Motion being approved by the Court and the Court determining that as of the commencement of this receivership proceeding KFS held valid, enforceable first priority liens and interests against said collateral to secure the Pre-Petition Financing, KFS is requiring perfected first security interests in and liens upon the following (collectively, the "Collateral"): all of Defendant's tangible and intangible personal property of any kind, nature or type whatsoever, whenever generated and wherever located including but not limited to all collateral described in the Loan Documents, all personal property of the receivership estate, including all pre-petition and post-petition personal property of the Defendant (including all accounts, inventory, equipment, fixtures, cash, deposit accounts, general intangibles, chattel paper, instruments, documents, investment property, and letter-of-credit rights, each as defined in the Uniform Commercial Code); all leases; (without limiting any of the foregoing) all contracts, licenses and permits; all books and records related to any of the foregoing; and all proceeds of any of the foregoing. Such liens and security interests shall be senior to all other liens, security interests, assignments, pledges, claims, and other encumbrances, if any, except for municipal assessments that are entitled to statutory priority over security interests generally, if any (collectively, "Prior Senior Liens") and shall secure the Pre-Petition Financing and the Post-Petition Financing. Nothing in the Order shall prejudice, limit or otherwise affect KFS's or the Receiver's rights to challenge any interests claimed to constitute Prior Senior Liens.

3. A copy of said Petition is on file with the Clerk's Office of said Court. For further information, please feel free to call Diane Finkle, Receiver, at (401) 273-8300.

4. Said Receiver shall give Notice of said Hearing by forwarding a copy of this Omnibus Assignment Form to all Defendant's creditors and stockholders known to the Receiver, and a copy of said Petition and this Omnibus Assignment Form to all parties listed on Schedule A, annexed to the Affidavit of Notice filed with said Petition, via regular mail, postage prepaid, at least 10 days prior to the date of said Hearing.

NOTICE: CREDITORS AND OTHER INTERESTED PARTIES ARE WELCOME TO ATTEND THE HEARING, BUT ARE NOT REQUIRED TO DO SO.

WINOGRAD, SHINE & ZACKS, P.C.

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OF COUNSEL
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BARBARA S. COHEN
MELVIN L. ZURIER

August 19, 2009

TO CREDITORS AND OTHER PARTIES IN INTEREST:

Re: Wardwell Braiding Machine Company
1211 High Street, Central Falls, Rhode Island

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RECEIVED
PROVIDENCE
RHODE ISLAND

On August 17, 2009, the Rhode Island Superior Court entered an Order, a copy of which is enclosed, appointing the undersigned Receiver of the assets and business of Wardwell Braiding Machine Company ("Wardwell").

A Receivership is a State Court insolvency proceeding. The Receiver is an Officer of the Court, appointed for the purpose of representing the interests of all creditors and parties in interest. It is the Receiver's understanding that Wardwell has suffered operating losses as a result of the severe economic downturn.

Keltic Financial, LLP, Wardwell's asset based lender, claims to hold a first security interest against all of Wardwell's non-real estate assets to secure its claim of approximately \$1,300,000. Webster Bank claims to hold a first mortgage against Wardwell's real estate to secure its claim of approximately \$965,000. It appears that there is approximately \$1,000,000 in general, unsecured creditor claims in addition to the aforesaid secured claims.

The Providence, Rhode Island Superior Court Judge supervising this proceeding has authorized me as Receiver to operate the business in order that the business and assets might be marketed at the earliest possible date and, hopefully, sold for maximum value for the benefit of all creditors.

In order that your interests be protected and that you make sure that you receive notice of all appropriate court filings in connection with this case, I am taking the liberty of enclosing a Proof of Claim form which I suggest you complete, execute before a Notary Public, and return to me at the earliest possible date.

We do not and have never represented either the secured creditors nor Wardwell, and have been appointed to serve as a neutral, impartial fiduciary to operate and market Wardwell's business