

COPY

STATE OF RHODE ISLAND
PROVIDENCE, SC

SUPERIOR COURT

MARK McVAY, individually and as
a general partner of U.S. TEXTILE

Vs.

MELINDA E. LAUCKS,
U.S. TEXTILE, INC.

C.A. No. 13-5636

796803

ORDER APPOINTING TEMPORARY SPECIAL MASTER

This action was scheduled for hearing on February 7, 2014, on Plaintiffs' motions for preliminary injunction, appointment of a Special Master, and for judgment on the pleadings and/or summary judgment. Prior to commencement of hearing, Defendants assented to Plaintiffs' motion for appointment of a Special Master, and Plaintiffs' other scheduled motions were passed. Subsequently, Defendants withdrew their assent to appointment of a Special Master, and the action was heard on February 21, 2014 on Plaintiffs' application for appointment of a Temporary Special Master. Upon consideration thereof, and over the objection of Defendant, Melinda E. Laucks it is hereby:

ORDERED, ADJUDGED AND DECREED

1. Plaintiffs' request for the appointment of a Temporary Special Master is hereby granted. This order is without prejudice and with the reservation of all rights to the parties.

2. That W. Mark Russo, Esq., of Ferrucci Russo, P.C., 55 Pine Street, Providence, Rhode Island be and hereby is appointed temporary Special Master (the "Special Master") of the Defendant, U.S. Textile, Inc., including any entities purporting to conduct business in the name of U.S. Textile (collectively "U.S. Textile").

3. That said Special Master shall, no later than five (5) days from the date thereof, file a bond in the sum of \$10,000.00 with any surety company authorized to do business in the State of Rhode Island as surety thereon, conditioned that the Special Master will well and truly perform the duties of said office and duly account for all monies and property which may come into the Special Master's hand and abide by and perform all things which the Special Master will be directed to do by this Court.

4. That said Special Master is authorized to take possession and charge of the property, assets, books and records of U.S. Textile, to collect the debts and property belonging to it and to preserve the same until further order of this Court.

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5. That said Special Master is authorized until further Order of this Court, in the Special Master's discretion and as said Special Master deems appropriate and advisable, to conduct and operate the business of U.S. Textile, to borrow money from time to time, to purchase for cash or upon credit, merchandise, materials and other property, to engage employees and assistants, clerical or otherwise, and to do and perform or cause to be done and performed all other acts and things as are appropriate to maintain the ongoing operations of U.S. Textile, except that the Special Master shall not have discretion regarding the distribution to Plaintiff, McVay of 50% of the net revenues of the U.S. Textile business. Notwithstanding, the Temporary Special Master shall retain any such net revenues pending this Court's hearing and decision upon the Motion for the appointment of a Special Master and Plaintiffs' remaining Motions currently scheduled for March 5, 2014 at 9:30 a.m.

6. Until further Order of the Court, any receipt of monies payable to U.S. Textile shall be directed to the Special Master, immediately upon receipt. Pursuant thereto, on a daily basis, U.S. Textile shall deposit any and all such receipts received on behalf of U.S. Textile, into the U.S. Textile Mastership Account to be established by the Special Master and shall then notify the Special Master by electronic mail at mrusso@frlawri.com with a copy to John Dorsey at jdorsey@frlawri.com of such receipts.

7. On or before Friday, February 28, 2014, Ms. Laucks shall provide the Special Master with a projection up and through the end of March 2014, of anticipated revenues and anticipated expenses. The Special Master will utilize that information to make a report to the Court as to the status of ongoing operations for U.S. Textile. Thereafter, until further Order of this Court, Ms. Laucks shall provide the Special Master with updated projections of expected revenues and expenses on a monthly basis for the upcoming month.

8. On or before February 28, 2014, Ms. Laucks shall provide the Special Master with copies of all invoices previously issued by U.S. Textile which remain unpaid as of the entry of the date of this Order. On a going forward basis, Ms. Laucks shall provide the Special Master with copies of all invoices generated by U.S. Textile, as such invoices are generated.

9. The parties and counsel shall meet with the Special Master on or before March 4, 2014, to review the elements of an operational plan. To the extent that the parties and the Special Master agree upon an operational plan the, the Special Master shall submit said plan to the Court on or before March 5, 2014 to be considered in conjunction with Plaintiffs' Motions and counsel's Motion to Withdraw as counsel for the Defendants.

10. The operational report referenced in paragraph 9 above shall include at a minimal:

- a. A projection of expected revenue and expenses based upon the information for provided in paragraph 6 above;
- b. A listing of employees and consultant(s) and proposed compensation for continued operations;
- c. Projected sales through March 2014.

d. Proposed distributions of the net revenues up and until further Court Order.

11. Pursuant to this Court's equitable authority, this Court finds that the designation of the afore-described person for appointment as Special Master herein is warranted and required because of the Special Master's specialized expertise and experience in operating business and in administering non-routine Special Masterships which involve unusual or complex legal, financial, or business issues.

12. That the commencement, prosecution, or continuance of the prosecution, of any action, suit, arbitration proceeding, hearing, or any foreclosure, reclamation or repossession proceeding, both judicial and non-judicial, or any other proceeding, in law, or in equity or under any statute, or otherwise, against U.S. Textile or any of its property, in any Court, agency, tribunal, or elsewhere, or before any arbitrator, or otherwise by any creditor, stockholder, corporation, partnership or any other person, or the levy of any attachment, execution of other process upon or against any property of U.S. Textile, or the taking or attempting to take into possession any property in the possession of U.S. Textile or of which U.S. Textile has the right to possession, or the cancellation at any time during the Special Master ship proceeding herein of any insurance policy, lease or other contract with U.S. Textile, by any of such parties as aforesaid, other than the Special Master designated as aforesaid, or the termination of telephone, electric, gas or other utility service to U.S. Textile, by any public utility, without prior approval thereof from this Honorable Court, in which connection said Special Master shall be entitled to prior notice and an opportunity to be heard, are hereby restrained and enjoined until further Order of this Court. This paragraph shall not apply to prosecution of this action by the parties to this action. This order is without prejudice to and with reservation of all rights of the parties to take discovery, make motions, and to otherwise prosecute the claims and defenses in this action.

13. As of the entry date of this Order, all communications with Kolon Industries, Inc., with General Motors, Inc., and/or with tier one suppliers to General Motors which are customers of Kolon, shall be directed by and through or with the previous consent of the Special Master.

14. The Special Master shall give notice of this Order by mailing, on or before February 28, 2014, a copy of said Order Appointing Temporary Special Master to each of U.S. Textile's creditors and stockholders whose address is known or may become known to the Special Master, to Citizens Bank, to Kolon, and to tier one suppliers to General Motors which are customers of Kolon.

15. Hereby scheduled for hearing on March 5, 2014 at 9:30 a.m. are Plaintiffs' motions for appointment of a Permanent Special Master, for preliminary injunction, for judgment on the pleadings and/or summary judgment, and the motion of Defendants' attorney for leave to withdraw appearance.

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CLERK OF STATE
CORPORATIONS DIV

ENTERED as and Order of this Court this 26 day of February, 2014.

BY ORDER:



Clerk, Superior Court

2/26/2014

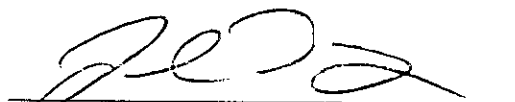
ENTER:


Jeanne Rinaldi, Deputy Clerk

Associate Justice

2-26-2014

Submitted by,



John A. Dorsey, Esq. (#8373)

Ferrucci Russo P.C.

55 Pine Street

Providence, RI 02903

Phone: 401-455-1000

Fax: 401-455-7778

Dated: February 26, 2014

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