

Debtors' Motion for an Order Approving Stipulation Between Bio-Lab, Inc. and Hachik Distributors, Inc. Granting Limited Relief from the Automatic Stay (the "Hachik Motion").

By the Hachik Motion, the Debtors seek entry of an order approving a stipulation (the "Stipulation") between Debtor Bio-Lab, Inc. ("Bio-Lab") and Hachik Distributors, Inc. ("Hachik") granting relief from the automatic stay for the limited purposes of permitting Hachik to conduct discovery and pursue counterclaims against Bio-Lab in a lawsuit (the "Federal Court Litigation") filed by Bio-Lab against Hachik in the United States District Court for the Northern District of Georgia (the "Federal District Court").

Prior to the commencement of the Debtors' chapter 11 cases, Bio-Lab sold pool and spa chemical products to Hachik. The Debtors allege that Hachik failed to remit payment for such products to Bio-Lab. On December 3, 2008, Bio-Lab commenced a lawsuit (the "State Court Litigation") against Hachik in the Superior Court of Gwinnett County, Georgia (the "State Court") in which Bio-Lab (i) asserted claims for breach of contract and unjust enrichment against Hachik and (ii) sought compensatory damages in the amount of \$409,918.05, plus pre- and post-judgment interest, attorney's fees and litigation expenses. The State Court administratively terminated the State Court Litigation after the Debtors filed for bankruptcy.

On August 21, 2009, Bio-Lab commenced the Federal Court Litigation against Hachik in the Federal District Court once again (i) asserting claims for breach of contract and unjust enrichment and (ii) seeking compensatory damages in the amount of \$409,918.05, plus pre- and post-judgment interest, attorney's fees and litigation expenses. Notwithstanding the automatic stay, Hachik filed an Answer, Counterclaim and Demand for Jury Trial (the "Answer") in the Federal Court Litigation on October 21, 2009. Pursuant to the Answer, Hachik (i) asserted claims against Bio-Lab for breach of contract, fraud and deceit, tortious interference with contractual and business relationships, setoff and recoupment and bad faith and (ii) sought damages in an amount to be determined at trial. On October 29, 2009, Hachik filed a proof of claim against Bio-Lab in the Debtors' chapter 11 cases asserting an unsecured claim in the amount of \$500,000 plus damages to be determined in the Federal Court Litigation based upon Bio-Lab's alleged breach of contract, fraud and deceit.

Bio-Lab and Hachik have now entered into the Stipulation pursuant to which the parties have agreed that (i) the automatic stay will be lifted solely for the purposes of allowing Hachik to (a) conduct discovery and (b) prosecute its counterclaims against Bio-Lab, and (ii) Hachik may setoff any judgment obtained on account of its counterclaims against any judgment that Bio-Lab may obtain against Hachik in the Federal Court Litigation. The automatic stay will remain in place for all other purposes, including the prosecution of any appeals arising out of the Federal Court Litigation.

The Debtors assert that the Stipulation will allow Bio-Lab and Hachik to resolve all issues in the Federal Court Litigation in an efficient and timely manner. In addition, the Debtors believe that the limited relief from the automatic stay provided for by the Stipulation is necessary in order to allow Bio-Lab to continue to prosecute its claims against Hachik.

The Hachik Motion has been scheduled for presentment on February 16, 2010 at 12:00 p.m. (ET), with a corresponding objection deadline of February 9, 2010 at 4:00 p.m. (ET).