

This document has been electronically entered in the records of the United States Bankruptcy Court for the Southern District of Ohio.

IT IS SO ORDERED.

Dated: January 30, 2014



Charles M. Caldwell
Charles M. Caldwell
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re : **Case No. 13-59657**
:
STAR Dynamics Corporation : **Chapter 11**
:
Debtor. : **Judge Charles M. Caldwell**

**FINAL ORDER AUTHORIZING LIMITED USE OF CASH COLLATERAL
AND GRANTING ADEQUATE PROTECTION; AND AUTHORIZING LIMITED
POST-PETITION SECURED FINANCING WITH PRIORITY AS AN ALLOWED
ADMINISTRATIVE EXPENSE [Doc. No. 91]**

This matter having come before the Court, upon Motion of STAR Dynamics Corporation, the above-captioned debtor and debtor in possession (“Debtor”), for an order, pursuant to 11 U.S.C. §§ 105, 361, 363, 364(c), 503(b) and Federal Rule of Bankruptcy Procedure 2002, 4001, 6004 and 9014, on initially an interim basis, and eventually on a final basis, authorizing use of cash collateral, and authorizing the Debtor to obtain post-petition, secured financing in an aggregate principal amount of up to \$2,525,000, on an administrative expense priority basis (the “Motion”) [Docket No. 91], and after notice and an expedited preliminary hearing held January

9, 2014 (the “Interim Hearing”) and thereafter a final hearing held January 29, 2014 (the “Final Hearing”); and the Court having reviewed and considered the Motion, together with all exhibits filed in support thereof, and having completed the both the Interim Hearing and the Final Hearing in accordance with §§ 363 and 364 of the Code, Bankruptcy Rule 4001 and LBR 4001-2(d) and 4001-3(d), and for good cause shown, hereby finds that:

(a) The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and reference from the District Court for the Southern District of Ohio pursuant to 28 U.S.C. § 157;

(b) This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2);

(c) Venue of this chapter 11 case and the Motion is proper pursuant to §§ 1408 and 1409 and Local Bankruptcy Rules;

(d) Notice of the Motion and of the Interim Hearing and the Final Hearing was sufficient under the circumstances;

(e) An immediate need existed for the Debtor to use cash collateral and to obtain credit to assure the orderly administration of its estate and that without such use and credit the Debtor’s estate will be irreparably harmed on both an interim and final basis;

(f) The legal and factual basis set forth in the Motion and at both the Interim Hearing and the Final Hearing otherwise establishes just cause for the relief granted herein;

(g) The express written consent of the guarantors -- Thomas R. Becnel and Silver Shells, LLC -- of Debtor’s indebtedness to Whitney Bank (“Whitney”) to *inter alia* any amendments or modifications of the terms and conditions of the indebtedness owed Whitney, which amendments or modifications may arise, either expressly or implicitly, from any relief (whether interim or final) granted in connection with Debtor’s Motion or in this Order were offered and filed by Debtor, and admitted, into evidence at the Interim Hearing on this Motion,

such express written consent of those guarantors in form and substance acceptable to and approved by Whitney;

(h) The Debtor having filed, upon request by Whitney, a motion seeking, on a timely basis, this Court's formal approval of an extension, with written consent of the guarantors, of the Whitney term loan facility, which matures on January 31, 2014 [See Docket No. 146];

(i) The Debtor and the Government of Israel, Ministry of Defense ("Government of Israel") having entered into a stipulation reserving all rights each party may have with respect to that certain contract, executory or otherwise (the "Contract"), between the parties including the extension of the expiration date of that certain letter of credit called for by the Contract (the "Stipulation") [See Docket No. 164] and to be requested by the Debtor from Whitney, and such extension being subject to Whitney's agreement, and the Government of Israel having consented to the Debtor's use of cash collateral as set forth in this Order in reliance upon the execution, and filing of the Stipulation and any necessary approval by the Bankruptcy Court; and,

(j) Western Equipment Finance, Inc. ("Western") having filed its Objection to Motion of Debtor for Use of Cash Collateral and to Provide Adequate Protection [Doc. No. 157] (the "Objection") to the Motion, and Western having withdrawn the Objection [Doc. No. 165] based upon the and in reliance to the reservation of rights provision as set for in this Order.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED that:

1. The Motion shall be, and hereby is, GRANTED on a final basis.
2. Capitalized terms not otherwise defined herein have the meanings ascribed in the Motion.
3. The Debtor is authorized to use cash collateral through the Termination Date as set forth below, in the amounts set forth in the budget attached hereto as Exhibit A (the

“Budget”) and on the terms set forth herein; and in its sole discretion, to obtain post-petition credit under the DIP Facility under the terms and conditions as specified in the Motion.

4. Pursuant to § 363 of the Bankruptcy Code, cash collateral shall not be used, leased, sold or expended, directly or indirectly, by or on behalf of Debtor except as provided herein.

5. The Debtor will maintain its bank accounts at a federally insured depository institution, and each such account shall be a STAR Dynamics Corporation debtor in possession account. Debtor shall, upon receipt of cash collateral generated after the entry hereof, or of funding under the DIP Facility, take or cause to be taken any and all action necessary to cause all of said cash collateral and funding to be immediately deposited into a STAR Dynamics Corporation debtor in possession account.

6. Subject to all other terms and conditions specified herein, all bills, invoices and statements for necessary expenses incurred in connection with the operation of Debtor’s business shall be paid when due from the funds deposited or to be deposited in any STAR Dynamics Corporation debtor in possession account. For purposes of this Order, such necessary operating expenses of Debtor are defined as those expenditures made to meet its post-petition expenditures for payroll, taxes, utilities, make lease payments related to its limited operations, purchase necessary supplies and service, replace its inventory at its remaining location, and perform other necessary functions in the regular course of its business, all as more fully identified in the Budget. The Budget also reflects anticipated payments of the Debtor on the Whitney term loan facility and other Whitney credit accommodations. All expenditures and payments set forth in the Budget and approved by this Court shall be made directly from a STAR Dynamics Corporation debtor in possession account.

7. Debtor shall, for each month during the pendency of this proceeding, file with the Court such financial reports as may be required by the Office of the United States Trustee at the time required under the rules of the Office of the U. S. Trustee (i.e., by the 20th day of the following month).

8. Notwithstanding the provisions of Bankruptcy Code § 552(a), and in addition to any security interests that may be granted by Bankruptcy Code § 552(b), to the extent that each of Whitney and Mr. Becnel have valid and subsisting security interests in cash collateral, and to the extent of the value of cash collateral subject to any such valid and subsisting security interests of Whitney and Mr. Becnel, respectively:

a. the respective security interests and liens of Whitney and Mr. Becnel in cash collateral are hereby continued and re-granted, and neither Whitney nor Mr. Becnel shall be required to take any other action to perfect the respective lien(s) re-granted to each of them hereunder, which liens and security interests granted or re-granted respectively to Whitney and Mr. Becnel shall maintain their superiority in all respects (with Whitney's interests to be and remain superior to those of Mr. Becnel), including without limitation in terms of ranking and payment, regardless of any dismissal or conversion of this Chapter 11 case; and

b. Whitney and Mr. Becnel are hereby granted liens and security interests in Debtor's assets acquired subsequent to the Petition Date, and in Debtor's accounts receivable, general intangibles and other revenues generated by the operation of Debtor's business subsequent to the Petition Date, the proceeds thereof, and all collections thereof, to secure any reduction in the value of the cash collateral subject to any such respective valid and subsisting interests of Whitney and Mr. Becnel, respectively, at the Petition

Date, in the same priority in such assets comprising cash collateral as such interests may have existed on the Petition Date, which liens and security interests granted or re-granted to Whitney shall maintain their superiority in all respects, including without limitation in terms of ranking and payment, to the liens and security interests of any other party and regardless of any dismissal or conversion of this Chapter 11 case..

9. The liens granted pursuant to paragraphs 8(a) and (b) above, shall relate back to the Petition Date, and shall attach to any and all cash collateral of Debtor, whether generated prior to the Petition Date or thereafter, deposited or to be deposited in a STAR Dynamics Corporation debtor in possession account.

10. To secure all obligations of the Debtor in connection with the DIP Facility, the DIP Lender is hereby granted a fully perfected security interest in all assets, whether now existing or hereafter arising, of the Debtor, including all substitutions, replacements, accessions, products or proceeds thereof, subject and junior in all respects, including without limitation in terms of ranking and payment, to the liens and security interests of or held by Whitney, including without limitation in and against the Whitney Prepetition Collateral, Mr. Becnel, including without limitation in and against the Becnel Prepetition Collateral, and any other party existing as of the Petition Date, and to the post-petition liens and security interests granted and/or re-granted to Whitney and Mr. Becnel, respectively, hereunder or under any final Order granting the Motion; provided, however, that the security interest and lien granted to the DIP Lender hereby shall not encumber any cause of action accruing in favor of the Debtor's estate under chapter 5 of the Bankruptcy Code.

11. Evidence or perfection of all security interests and liens granted or re-granted, or recognized or acknowledged to exist, in favor of Whitney, Mr. Becnel and the DIP Lender,

respectively, pursuant to this Order shall not require any further filings by Whitney, Mr. Becnel or the DIP Lender, including without limitation any UCC Financing Statements, and all such security interests and liens shall be binding and effective as to and against the interests of all other interested parties, including Debtor, and shall survive and continue in favor of Whitney, Mr. Becnel and the DIP Lender, respectively, despite any conversion or dismissal of this Chapter 11 case.

13. The provisions of this Final Order authorizing the Debtor's use of cash collateral and authorizing the Debtor's on secured financing shall remain in full force and effect through and until March 31, 2014 (the "Termination Date"). The termination of the Debtor's authority to use cash collateral hereunder, or to incur such financing hereunder, shall not affect any other term or provision of this Order.

14. The Stipulation is approved and the Debtor and the Government of Israel are hereby authorized to take any actions necessary and consistent with the provisions thereof.

15. Nothing contained in this Final Order will in any way impair, impede or restrict any of the respective rights or remedies of the Government of Israel or of the Debtor with respect to the Contract, the Letter of Credit or the Stipulation, all of which respective rights and remedies are expressly reserved.

16. Nothing contained in this Final Order will in any way impair, impede or restrict any of the respective rights or remedies of Western or of the Debtor with respect to the Motion of Western Equipment Finance, Inc., for Relief from Stay/Adequate Protection [Doc. No. 158] or any matters incidental thereto, all of which respective rights and remedies are expressly reserved.

IT IS SO ORDERED.

SUBMITTED AND APPROVED BY:

/s/Richard K. Stovall

Thomas R. Allen (0017513)

Richard K. Stovall (0029978)

Erin L. Pfefferle (0084984)

Allen Kuehnle Stovall & Neuman LLP

17 South High Street, Suite 1220

Columbus, OH 43215

Telephone: (614) 221-8500

Facsimile: (614) 221-5988

E-mail: allen@aksnlaw.com

stovall@aksnlaw.com

pfefferle@aksnlaw.com

Counsel for STAR Dynamics Corporation, Debtor and Debtor in Possession

Copies to: Default List

12/20/14

DIP Funding Budget
1/29/2014
\$000's

	1st Quarter										
	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	7-Mar	14-Mar	21-Mar	28-Mar		
2014	1st Quarter 2014										
FEDEX - HILLARD	0.4										
Fresco, Bob	4.4										
Fry, Dan	0.2										
Gateway Airport Authority	3.1										
Griffin, Tom	0.5										
Hedberg, Kyle	0.3										
Jaszcak, Soren	3.5										
Key Equipment Finance	7.1										
Konka - Alhotta Bus Solutions	2.7										
Last Financial (new copier lease)	3.3										
Life Insurance	11.1										
Marion Carpet Cleaners	2.5										
McGee, Dan	0.2										
Mobile Mail	0.2										
Monarch Automation Inc	0.1										
Northon Kinison	4.0										
NEC Financial Services	1.3										
Newsak Electronics	0.1										
Plaffler, Beth	2.8										
Pitts, David	3.5										
Priddy, Steve	1.1										
R. Jerry Joak	0.8										
Rasmundoff Sam	2.5										
Reynolds, Bob	0.1										
Royal Bank of America	1.1										
RUMPHREY	3.8										
Sheriff Columbus	0.3										
Shy & Company	1.1										
Star Dynamics Investments LLC - rent	0.1										
TASC	22.5										
Toth, Gabe	0.5										
TW Telecom Holdings	2.7										
United Health Care	1.4										
Vancouver, Ronald	385.5										
Vanover, Nancy Trudie	1.4										
VAR Insurance	0.8										
Verizon Wireless	9.8										
Vision Protection Services	1.5										
Vision Service Plan	2.1										
Whitfield, Steve	8.5										
Worble Carlyle	108.8										
Worrier, Samirida	1.2										
Workstations (phone system)	0.3										
Miscellaneous	38.5										
Total	1,273.8										

###

	1st Quarter									
	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	7-Mar	14-Mar	21-Mar	28-Mar	
2014	1st Quarter 2014									
Consultants										
Comptel Design (K Salley/J Alden)	4.0									
K.W. Collins	4.2									
KNS Logic	40.0									
PEGASI	48.0									
Edgewater Technology	24.0									
Pinpoint Dynamics (Schleider)	40.0									
Steve Monas	40.0									
Steve Monas - expenses	24.0									
Total	186.2									

DIP Funding Budget 01-28-2014 Final Version.xls