U S BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
ENTERED
TAWANA C. MARSHALL, CLERK
By
Deputy

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	
	§	**CASE NO. 03-32040-HDH-11**
MSU DEVICES, INC.,	§	**(Chapter 11)**
	§	
DEBTOR.	§	

FINDINGS OF FACT AND CONCLUSIONS OF LAW REGARDING FINAL ORDER APPROVING AGREEMENT AND AUTHORIZING POSTPETITION FINANCING PURSUANT TO 11 U.S.C. SECTION 364 (c) AND (d) SECURED BY SENIOR LIENS

CAME ON TO BE CONSIDERED before the Court on the 18th day of March, 2003, the final portion of the Emergency Motion for Interim and Final Authority to Obtain Credit Pursuant to 11 U.S.C. §364(c) and (d) Secured by Senior Liens (the "Financing Motion") filed by MSU Devices, Inc., Debtor and Debtor in Possession ("MSU"). The Court having considered the evidence and the arguments of counsel makes the following findings of fact and conclusions of law under F.R.B.P. 7052 as follows[1]:

1. This Court has jurisdiction to hear this Financing Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b)(2)(D), (K), (M), and (O).

2. On February 27, 2003, MSU filed its Chapter 11 petition. Since the filing of this case MSU have remained in possession and control of its assets as debtors-in-possession pursuant to sections 1107 and 1108 of Title 11 of the United States Code (the "Bankruptcy Code").

3. MSU has begun to shift its operating focus towards entering the software development business. This area of business relates to the Windows CE based devices, but does not

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[1] Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit and Security Agreement by and between Reddline Ventures, Oren Heffner, and Jay Young as 364 Funders, MSU as Borrower, and Reddline Ventures as Agent (the "Credit Agreement").

deal with marketing and production of devices. As a service provider MSU will have a different cost and debt structure than that of a firm designing and manufacturing devices.

4. Notice of filing of the Financing Motion and this hearing was adequate and sufficient under the circumstances pursuant to the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), the Local Bankruptcy Rules and the prior orders of this Court. A copy of the Financing Motion was properly served upon all parties entitled to service under the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules.

5. It is necessary for MSU to obtain post-petition financing for a period of time and in an amount which would allow MSU to continue to operate as a going concern and to preserve the value of its assets and its business plan.

6. MSU has been unable to or would not be able to obtain the needed credit: (1) on an unsecured basis as an administrative expense having administrative priority pursuant to section 364(a) or 364(b) of the Bankruptcy Code, (2) on an unsecured basis as an administrative expense having priority over all administrative expenses pursuant to section 364(c)(1) of the Bankruptcy Code, (3) secured by a first lien on unencumbered assets of MSU pursuant to section 364(c)(2) of the Bankruptcy Code, (4) secured by a junior lien pursuant to section 364(c)(3) of the Bankruptcy Code, or (5) secured by a senior lien pursuant to section 364(d)(1) of the Bankruptcy Code on encumbered assets of MSU, except from the 364 Funders.

7. Certain of MSU's assets are subject to pre-petition liens in favor of Holders of 11.5% Indebtedness defined in the Financing Motion. As adequate protection of the Holders of 11.5% Indebtedness interests, MSU proposes to grant them a replacement lien in MSU's assets, but with

priority junior to the lien of the 364 Funders and Agent granted pursuant to the Financing Motion as set forth herein.

8. MSU, in order to satisfy their need for post-petition financing, as determined in the exercise of their sound business judgment, desire to enter into the Debtor-in-Possession Credit and Security Agreement (the "DIP Credit Agreement").

9. MSU have been unable to obtain post-petition financing adequate to meet their needs on terms and conditions more favorable than those set forth in the DIP Credit Agreement. The 364 Funders and Agent are unwilling to provide the needed credit to MSU except on the terms and conditions set forth herein and in the DIP Credit Agreement.

10. Under and subject to the terms of the DIP Credit Agreement, MSU will obtain a revolving line of credit permitting borrowings in an amount up to $450,000.

11. The DIP Credit Agreement provides that MSU's obligations under the DIP Credit Agreement shall be secured by a first priority attached and perfected security interest in favor of the 364 Funders and Agent pursuant to section 364(d)(1) of the Bankruptcy Code in all of MSU's now owned or hereafter acquired Collateral as that term is defined in the DIP Credit Agreement (the "Collateral") and also provides that the 364 Funders and Agent are entitled to superpriority under section 364(c) of the Bankruptcy Code over all administrative expenses incurred in this case, whether arising or assessed under §§ 105, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 of the Bankruptcy Code and shall at all times be senior to the rights of MSU or any successor trustee in this or any subsequent case under the Bankruptcy Code.

12. The terms of the DIP Credit Agreement are fair and reasonable, were negotiated by the parties at arm's length and in good faith and are the best available to MSU under present market conditions and MSU's financial circumstances. Any credit extended under the DIP Credit Agreement by the 364 Funders and Agent is extended in good faith, as that term is used in section 364(e)(1) of the Bankruptcy Code.

13. At MSU's request, the hearing was scheduled and held on the date hereof pursuant to Bankruptcy Rule 4001(c) for the purpose of obtaining authority to request loans under the DIP Credit Agreement.

SO ORDERED

Signed this 18th day of March, 2003.

HARLIN D. HALE,
UNITED STATES BANKRUPTCY JUDGE

SUBMITTED BY:

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