

UNITED STATES BANKRUPTCY COURT
 NORTHERN DISTRICT OF GEORGIA
 ATLANTA DIVISION

IN RE:)	CHAPTER 11
)	
DLN HOLDINGS LLC,)	CASE NO. 08-73438
)	
Debtor.)	
)	
)	
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DLN HOLDINGS LLC,)	
)	
Plaintiff,)	
)	
v.)	ADVERSARY PROCEEDING
)	NO. _____
)	
SILVER POINT FINANCE, LLC,)	
FIELD POINT I, LTD.)	
FIELD POINT, III, LTD.)	
SPF CDO I, LTD.)	
SPCP GROUP, L.L.C.)	
)	
Defendants.)	
)	
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**VERIFIED COMPLAINT BY DEBTOR FOR
 PRELIMINARY AND PERMANENT INJUNCTION**

DLN Holdings LLC (“DLN” or “Debtor”), debtor and debtor-in-possession in the above captioned case, by this Complaint seeks a preliminary and permanent injunction to prohibit enforcement action by Silver Point Finance, LLC and certain other lenders named in the caption hereinabove (hereinafter collectively referred to as “Silver Point”) against DLN’s non-debtor affiliate, Dataline, LLC. In support of the Complaint, DLN alleges as follows:

JURISDICTION, VENUE, AND PARTIES

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334(b) and the Standing Order of Reference of United States District Court for the Northern District of

Georgia. This action is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (O). This action may also be heard within the Court's non-core jurisdiction, as a matter "otherwise related to a case under Title 11," pursuant to 28 U.S.C. § 157(c)(1).

2. Venue is proper in this district under 28 U.S.C. § 1409(a).
3. The Plaintiff, DLN, filed its petition for relief under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code") on July 17, 2008 and is operating as a debtor-in-possession under applicable provisions of the Bankruptcy Code.
4. Defendant Silver Point Finance, LLC is a Connecticut limited liability company subject to the jurisdiction of this Court. Silver Point may be served through its registered agent, National Corporate Research, Ltd., 330 Roberts Street, Suite 203, East Hartford, CT, 06108-3654 by U.S. Mail in the manner provided in Fed. R. Bankr. P. 7004.
5. Defendant Field Point I, Ltd. is subject to the jurisdiction of this Court and may be served under the applicable procedures of the Federal Rule of Bankruptcy Procedure.
6. Defendant Field Point, III Ltd. is subject to the jurisdiction of this Court and may be served under the applicable procedures of the Federal Rule of Bankruptcy Procedure.
7. Defendant SPF CDO I, Ltd. is subject to the jurisdiction of this Court and may be served under the applicable procedures of the Federal Rule of Bankruptcy Procedure.
8. Defendant SPCP Group, L.L.C. is subject to the jurisdiction of this Court and may be served under the applicable procedures of the Federal Rule of Bankruptcy Procedure.

BACKGROUND FACTS

9. DLN is a holding company whose only asset is 100% of the equity interest in Dataline, LLC ("Dataline").
10. Dataline is an information technology systems integrator, providing service to

federal government agencies, including the Department of Defense (“DOD”), such as military services and subordinate commands, and non-DOD organizations such as the Department of Homeland Security, the Federal Aviation Administration, and the Federal Bureau of Investigation. Dataline designs and supports highly customized IT and engineering solutions, integrating hardware and software components into a workable end-to-end solution. Dataline’s service offerings include architecture and design for communication and IT networks, systems integration and implementation, disaster recovery, and systems support and upgrades. Dataline technology is currently being utilized by key military personnel in the ongoing conflicts in Iraq and Afghanistan. Dataline also does some business in the private sector.

11. Dataline’s revenue is generated predominantly from contracts for the supply of goods and services to the United States Government (the “Government Contracts”), many of which are classified. Like its competitors, Dataline as a qualified bidder, may enter IDIQ (indefinite delivery, indefinite quantity) bids that, once awarded, still are dependant upon future “task orders under contract” placed at the discretion of government contracting officers.

12. There is a significant likelihood that the Government’s purchase of products and/or services from Dataline under the Government Contracts will be discontinued, interrupted, or reduced if Dataline files a petition for relief under the Bankruptcy Code, if its business operations are disrupted, or in the event there is a change in the management and control of Dataline.

13. On or about April 30, 2007, DLN, Dataline, and Silver Point, *inter alia*, entered into a credit and guaranty agreement (the “Credit Agreement”) under which Silver Point agreed to extend credit facilities to Dataline in an aggregate amount not to exceed \$36,000,000. In exchange for the extension of credit, DLN and Dataline agreed to provide Silver Point with a

first priority lien on all of Dataline's assets.

14. In addition, on April 30, 2007, DLN and Dataline executed a pledge and security agreement (the "Pledge Agreement") in which DLN: 1) pledged 100% of the equity interest in Dataline to Silver Point; and 2) granted Silver Point authority to exercise all voting rights, and other ownership or consensual rights with respect to Dataline, upon certain events of default under the Credit Agreement. (the Credit Agreement, the Pledge Agreement, and all amendments or supplements thereto are collectively hereinafter referred to as the "Loan Documents").

15. As a result of the parties' anticipation that certain events of default under the Loan Documents would occur, DLN, Dataline, Silver Point, and certain lenders entered into a Third Amendment and Limited Waiver to Credit and Guaranty Agreement (the "Third Amendment") on June 16, 2008. In the Third Amendment, Silver Point agreed to waive existing defaults and prospective financial defaults under the Credit Agreement. In return, DLN agreed, *inter alia*, to cause DLN Management, LLC to make a capital call on White Oak Guggenheim Aerospace and Defense Fund, L.P. and White Oak Guggenheim Aerospace and Defense Fund (FF), L.P. (the foregoing two entities hereinafter referred to collectively as "White Oak") in the amount of \$3,800,000 for the purpose of funding a line of credit. The capital call has occurred, but the line of credit has not yet been funded. As a result, Silver Point has threatened to exercise its rights under the Loan Documents.

16. The outstanding principal balance currently owed Silver Point under the Credit Agreement is approximately \$33,000,000.

17. Dataline's payment obligations to Silver Point are current and DLN believes that Dataline's revenue stream is sufficient to fund all principal and interest payments due Silver Point over the foreseeable future.

18. The actions being contemplated by Silver Point will result in an immediate and substantial disruption of Dataline's business. Silver Point has bank account control agreements in place governing at least two of the three bank accounts employed by Dataline, including its main receivables deposit and payroll accounts. Enforcement of Silver Point's rights as a secured creditor, which may disrupt Dataline's banking and customer relationships, will likely result in the cancellation of many of the Government Contracts. There is also a substantial likelihood that Dataline will lose a significant number of key employees if Silver Point asserts claims against Dataline's assets or otherwise interfere with business operations through the exercise of creditor remedies.

19. Although Dataline is not a debtor under the Bankruptcy Code, DLN and Dataline share a common secured creditor, and the business recovery of DLN is entirely dependent upon the unimpeded operation of Dataline. Enforcement actions against Dataline will cripple the Debtor by substantially impairing the value of its only performing asset. As a result, DLN's reorganization efforts will be impaired to the point where a successful rehabilitation may be impossible.

**INJUNCTION FOR FUTURE VIOLATIONS OF THE AUTOMATIC STAY AND
INTERFERENCE WITH DLN'S REORGANIZATION EFFORTS**

20. DLN incorporates herein and re-alleges the allegations contained in paragraphs 1-19 above.

21. The objective of DLN's filing is to reorganize the capital structure of DLN and Dataline, and to devise a plan under which the creditors of both will be paid in full, or otherwise rehabilitate the businesses consistent with applicable legal standards. Because of its adverse impact on Dataline's business, a bankruptcy filing by Dataline would be counterproductive. Nevertheless, Dataline needs the protection of a stay of certain creditor action afforded a debtor

under Bankruptcy Code § 362.

22. A nonbankrupt subsidiary may be protected by the automatic stay of section 362(a)(1) if extension of the stay contributes to the debtor's efforts of rehabilitation or the debtor and nonbankrupt entity are closely related.

23. Unless enjoined, action by Silver Point to enforce its rights against Dataline will irreparably harm DLN's estate by significantly diminishing the value of DLN's sole asset, thereby crippling its reorganization efforts.

24. Under 11 U.S.C. § 105, DLN may obtain injunctive relief enjoining Silver Point from exercising or enforcing its rights under the Loan Documents.

25. Issuance of injunctive relief will serve the public interest in that it will protect Dataline and preserve its value as a going concern, thereby preserving the value of DLN, contributing to a successful business reorganization under Chapter 11, and protecting DLN's creditors and stakeholders. Furthermore, injunctive relief protecting Dataline will permit its unimpeded business operation as a government contractor, one which currently is providing important services in support of ongoing military and defense efforts.

26. DLN lacks an adequate remedy at law. Interference with Dataline threatens Dataline's continued existence and DLN's future viability, neither of which are practically compensable by a money judgment.

WHEREFORE, DLN Holdings LLC respectfully requests relief as follows:

1. Temporary and preliminary injunctive relief prohibiting Silver Point from taking any actions against Dataline, LLC to enforce its claims under the Loan Documents or otherwise taking actions that would be prohibited by Bankruptcy Code § 362 were Dataline a debtor in bankruptcy;

2. Permanent injunctive relief prohibiting Silver Point from taking any actions against Dataline, LLC to enforce its claims under the Loan Documents or otherwise taking actions that would be prohibited by Bankruptcy Code § 362 were Dataline a debtor in bankruptcy; and

3. Such other and further relief as the Court deems just and proper.

Respectfully submitted, this 17th day of July, 2008.

LAMBERTH, CIFELLI, STOKES,
ELLIS & NASON, P.A.
Attorneys for the Debtor

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VERIFICATION

STATE OF GEORGIA
COUNTY OF FULTON

I, Mark G. Mykityshyn, Ph.D., having been duly sworn before the undersigned officer duly authorized to administer oaths, depose and state that I am a manager of DLN Holdings LLC, and that the allegations contained in the forgoing "Verified Complaint by Debtor for Preliminary and Permanent Injunction" are true and correct to the best of my knowledge, information, and belief.

(Signature Continued Below)

[VERIFICATION, DLN HOLDINGS LLC V. SILVER POINT FINANCE, LLC ET AL. (IN RE DLN HOLDINGS), CASE NO. 08-73438]

Sworn to and subscribed
before me this 17th day
of July 2008.)

Carol H. Foster
Notary Public

Mark G. Mykityshyn
AFFIANT, Mark G. Mykityshyn, Ph.D., manager
of DLN Holdings LLC

