

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO**

IN RE:

INTERNATIONAL HOME PRODUCTS, INC.

Debtor

CASE NO.: 12-02997 (ESL)

CHAPTER 11

IN RE:

**HEALTH DISTILLERS INTERNATIONAL,
INC.**

Debtor

CASE NO.: 12-03574 (ESL)

CHAPTER 11

**JOINT MOTION INFORMING SETTLEMENT WITH FIRST BANK AS TO THE USE
OF CASH COLLATERAL**

TO THE HONORABLE COURT:

COMES NOW, International Home Products, Inc (IHP) and Health Distillers International, Inc., (HDI), hereinafter collectively referred to as "the Debtors", and First Bank Puerto Rico (FBPR), through the undersigned attorneys and very respectfully state and pray:

Preliminary Statement

On May 8, 2012 (Dkt. No. 50) the Debtor IHP filed a motion for the use of cash collateral.¹ On May 10, 2012 (Dkt. No. 61), FBPR opposed to Debtor IHP's request. On May 17, 2012 (Dkt. No. 13) the Debtor HDI also filed a motion for the use of cash collateral. On May 24, 2012 (Dkt. No. 17) FBPR opposed Debtor HDI's request. As of this date, both bankruptcies have been administratively consolidated and the Debtors have moved for substantive consolidation.

¹ The law of the case as of this date is that FBPR is a secured creditor. Therefore, even though the Debtors have filed an appeal to the Order of May 3, 2012 and there is a pending Adversary Proceeding (Case No.12-00282 ESL) to contest the validity of the liens, due to the law of the case as of this date, the Debtors are considering FBPR's claim as secured. All pending litigation regarding this issue will proceed.

After multiple hearings and negotiations for the possible use of cash collateral by Debtors, the parties have reached the following agreement (the "Agreement")

Terms of the Agreement

1. On April 19, 2012, IHP submitted its Petition for Bankruptcy under Chapter 11 of the Bankruptcy Code (the "IHP Petition Date"). As of IHP Petition Date, FBPR claims, and Debtors agree, that IHP owes \$23,192,605.34, excluding accrued interests and penalties, in principal for a revolving credit facility and \$11,577,403.33, excluding accrued interests and penalties, in principal for a term loan. *See* FirstBank Dkt. No. 18, Exh. 5.
2. On May 7, 2012, HDI submitted its Petition for Bankruptcy under Chapter 11 of the Bankruptcy Code (the "HDI Petition Date"). As of HDI Petition Date, FBPR claims, and Debtors agree, that HDI owes \$2,757,901.16, excluding accrued interests and penalties, in principal for a revolving credit facility.
3. Pursuant to Debtors' schedules, the collateral of FBPR as of the Petition Dates consists of:
 - a. Inventory of IHP
 - i. Puerto Rico: \$1,913,571
 - ii. Orlando: \$222,247
 - b. Inventory of HDI
 - i. Puerto Rico: \$2,367,575.59
 - c. Accounts Receivable of IHP
 - i. Puerto Rico: \$36,416,128
 - ii. Orlando: \$3,167,969
 - d. Accounts Receivable of HDI

- i. Puerto Rico: \$2,182,001.68
4. The Debtors will limit their request for cash collateral to the use and sale of the inventory of IHP and HDI, free and clear of all liens.
5. As adequate protection under 11 U.S.C. § 361, the Debtors propose to make cash payments to FBPR equal to the indubitable equivalent of the items needed from the IHP and HDI inventory as per the value at cost of each unit. FBPR will release any liens it may have over the specific inventory items for which it receives payment from Debtors.
6. Debtors agree to pay FBPR \$196,570.20 on or before Friday, June 22, 2012, for the first partial release of IHP's inventory, free and clear of liens. Attached to this motion as Exhibit 1 is the list of the specific inventory items of IHP that will be released pursuant to the aforementioned payment.
7. The funds available for the initial cash payments to FBPR for the partial release of IHP's and HDI's inventory, free and clear of liens, will come primarily from post-petition secured financing (Dkt. No. 141).
8. The Debtors will surrender to FBPR, upon the entry of the order authorizing this Agreement, their portfolio of all accounts receivable of IHP and HDI as of the Petition Date, with an estimated aggregate book value of \$41,766,098.68 as of the Petition Date, for an aggregate agreed value of \$16,000,000 (the "Portfolios").
9. IHP and HDI pledge full cooperation in the transfer of the Portfolios to FBPR under the terms to be mutually agreed upon, in order to continue the effective and efficient collection of such Portfolios, i.e. pre-petition Account Receivables, and maximize their proceeds.
10. All the payments received by Debtors from the Portfolios as of the date of the approval of

this stipulation will be segregated from other funds of the Debtors and transferred to FBPR within 24 hours of receipt.

11. For a period of approximately 45 days, as of the date of the approval of this Agreement, the Debtors will provide servicing to FBPR's Portfolios. The Debtors will charge FBPR for the reasonable costs of collecting and preserving the Portfolios. Accordingly, the Debtors will file a Motion for Surcharges under 11 U.S.C. § 506. FBPR reserves its right to object to the expenses being claimed in such motion.
12. As soon as this stipulation is approved, the Debtors and FBPR will cooperate fully through the transition process in order to protect the Portfolio for the benefit of FBPR and the Debtors will provide full access to FBPR's personnel to the Portfolios and all information and documents, including the contracts and sales and accounting records related to the Portfolios. Debtors will also transfer to FBPR the physical documents related to the Portfolios.
13. The Debtors will allow the continuation of direct payments of rent from tenants to FBPR to continue as security and partial payments on their debt for the term loan guaranteed with liens over the real estate and the corresponding rents, unless otherwise agreed.
14. The terms delineated in this motion shall govern Debtors' use of cash collateral from the date that this agreement is approved by the Court until the date of confirmation, unless otherwise agreed by the parties, or ordered by the Court.
15. The parties reserve all of their rights as to all the other matters, issues and pending actions not expressly agreed upon in this Joint Motion.

WHEREFORE, the Debtors and FBPR respectfully request this Court to approve this Joint Motion for the use of cash collateral without further delay; to enter an order on the approval

of the post-petition financing (Dkt. No. 141); and any other order the Court deems appropriate.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, today June 22, 2012.

I HEREBY CERTIFY that on this date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the parties appearing in said system, as listed below, including the U.S. Trustee and counsel for FirstBank. Service of this motion has also been made on this same date by First Class Mail to the 20 largest unsecured creditors.

Counsel for A. Bert Foti
EDGARDO MUÑOZ P.S.C.
s/Edgardo Muñoz
Edgardo Muñoz, Esq.
USDC 125713
PO Box 360971
San Juan, PR 00936-0971
Telephone: 787-753-3888
Facsimile: 787-524-3888
E-Mail: emunoz@emunoz.net

Counsel for the Debtors
C. CONDE & ASSOC.
S/ Carmen Conde Torres
Carmen Conde Torres, Esq.
USDC 207312
254 San José Street, 5th Floor
Old San Juan, Puerto Rico 00901
Telephone: 787-729-2900
Facsimile: 787-729-2203
E-Mail: condecarmen@microjuris.com

COLON CONDE & MIRANDÉS
s/ Luis Francisco Colón Conde
Luis Francisco Colón Conde, Esq.
USDC 213805
1431 Ponce de León Ave., Suite 401
San Juan, PR 00907-4033
Telephone: 787-725-2588
Facsimile: 787-945-7989
Email: luis@colonmirandes.com

**TORO, COLÓN, MULLET, RIVERA
& SIFRE, P.S.C.**

P.O. Box 195383
San Juan, PR 00919-5383
Tel.: (787) 751-8999
Fax: (787) 763-7760
Attorneys for FirstBank-Puerto Rico

s/MANUEL FERNÁNDEZ-BARED
MANUEL FERNÁNDEZ-BARED
USDC-PR No. 204,204
E-mail: mfb@tcmrslaw.com

