

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF ILLINOIS  
URBANA DIVISION

IN RE:	)	
	)	
THE FIRELANDS GROUP, LLC	)	Case No. 18-90996
	)	
Debtor.	)	Chapter 11
_____	)	

**DEBTOR'S MOTION FOR  
AUTHORITY TO USE CASH COLLATERAL FOR  
OPERATING EXPENSES, PROVIDING FOR ADEQUATE  
PROTECTION AND GRANTING REPLACEMENT LIENS**

The Firelands Group, LLC, as debtor and debtor-in-possession (the "Debtor"), by counsel, pursuant to 11 U.S.C. § 363 and Federal Rule of Bankruptcy Procedure 4001(b), request that the Court enter an Order authorizing the use of Cash Collateral, as defined by 11 U.S.C. § 363(a), for operating expenses, providing for the provision of adequate protection and the granting of replacement liens. In support of its motion, the Debtor states as follows:

**I. General Background**

1. On September 26, 2018 (the "Petition Date"), the Debtor filed its voluntary petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor continues to operate its business and manage its properties as a debtor-in-possession under §§ 1107(a) and 1108 of the Bankruptcy Code.

2. No trustee or examiner has been appointed in this chapter 11 case. No official committee of unsecured creditors has yet been appointed.

3. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core

proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (M).

## **II. Events Leading to the Filing**

4. The Debtor was founded in 2010. It formed an exclusive relationship with HobbyTown to develop proprietary radio controlled products for its stores in the US, and launched its first product under this relationship in July 2011. In late 2012, it acquired a hobby distribution company, J Perkins, based in the UK. J Perkins provided a platform to distribute the Debtor's product in the UK and Europe. The Debtor reaches its peak revenue in 2015 with consolidated revenues of \$17 million.

5. In 2016, adverse changes to FAA regulations and shifting consumer preferences adversely impacted demand for the radio controlled air category and created an inventory glut at HobbyTown. This glut and other business decisions impacted HobbyTown's ability to timely pay its receivable to the Debtor.

6. Furthermore, in the summer of 2016 the UK passed a referendum to exit the European Union, Brexit. This has an almost immediate impact to devalue the British Pound to the US Dollar by 30%. The Debtor's Product is produced in China and is paid for in US Dollars. Therefore, the impact of Brexit was a 30% increase in the cost of imports.

7. In the spring of 2017, the shareholders of the Debtor made the decision to wind down and/or to reorganize the Debtor. In the Fall of 2017, the Debtor sold J Perkins to its former owner and exited the UK and European market. The business continued to deteriorate in the United States, leading to the instant filing.

## **III. Relief Requested**

8. As of the Petition Date, the Debtor is indebted to Hickory Point Bank & Trust

(“Hickory Point Bank”) in the approximate amount of \$1,385,000.00. The Debtor has performed a preliminary investigation and analysis of the related UCC filings and based upon this preliminary investigation believes that the aforementioned obligations may be secured by valid, enforceable and non-avoidable liens and security interests in substantially all of the property owned by the Debtor.

9. The Debtor has an immediate need to use Cash Collateral (defined below) which is likely subject of the liens in favor of Hickory Point Bank, in order to permit, among other things, the orderly continuation of the operation of the Debtor’s businesses, to maintain business relationships with vendors and suppliers and to satisfy other working capital needs. Use of Cash Collateral is necessary to prevent the immediate and irreparable harm to the Debtor, its property and the property of the bankruptcy estate that would otherwise result if the debtor-in-possession is prevented from obtaining use of Cash Collateral for the continued operation of its business.

10. The Debtor has no present alternative borrowing source from which to secure sufficient additional funding to operate its business without utilizing its Cash Collateral.

11. The Debtor is unable to operate its businesses without interim use of Cash Collateral. At this time the Debtor is not seeking authority for post-petition financing under § 364 of the Bankruptcy Code.

12. While the Debtor will not need to use the Cash Collateral for approximately fifteen (15) days, and therefore does not need interim relief, the Debtor will not be able to operate its business after that time without authority to use the Cash Collateral.

13. All of the Debtor’s cash and cash equivalents (cash and accounts receivable) as of the Petition Date and all proceeds thereof securing the Debtor’s obligations to Hickory Point Bank, among other things, constitute “cash collateral” (as that term is defined in § 363(a) of the Bankruptcy

Code). On the Petition Date, the Debtor had cash in hand or on deposit in the approximate amount of \$7,600.00 and gross accounts receivable in the approximate amount of \$1,119,738.00 for an aggregate total of approximately \$1,127,338.00, which, together with proceeds, is cash collateral within the meaning of 11 U.S.C. § 363(c)(2) (the “Cash Collateral” herein).

14. The Debtor’s financial projections for the period for which they seek authority to use cash collateral are attached hereto as **Exhibit A** (the “Cash Use Budget”). The Cash Use Budget will provide for payment of expenses for the continuing operation of the company and preservation of collateral in the chapter 11 proceeding.

## **II. Basis for Relief Requested**

15. In accordance with 11 U.S.C. § 363(c)(2)(B), Federal Rule of Bankruptcy Procedure 4001, the Debtor requests that the Court enter an Order authorizing its interim use of Cash Collateral for payment of its ordinary and necessary operating expenses through the date of a final hearing on this motion, as set forth on the Cash Use Budget.

16. Hickory Point Bank may be entitled to adequate protection of its interests in the Debtor’s Cash Collateral in order to be protected from any diminution in value of such Cash Collateral, including the diminution resulting from the use of Cash Collateral and the imposition of the automatic stay. Therefore, the Debtor agrees to, and request authority to, provide the required adequate protection as follows:

- a. The Debtor will grant Hickory Point Bank a post-petition replacement lien in all assets of the Debtor to the same extent as Hickory Point Bank’s valid, properly perfected liens in the Debtor’s pre-petition property, excluding bankruptcy causes of action, to the extent necessary to secure Hickory Point Bank for any diminution in the

value of the Debtor's' Cash Collateral securing Hickory Point Bank's prepetition obligations that occurs during the period of cash use, subject to any prior existing valid lien superior to Hickory Point Bank on the date of filing;

- b. The Debtor will use Cash Collateral amounts consistent with its cash use projections attached hereto and those submitted to the Court and Hickory Point Bank from time to time hereafter;
- c. The Debtor shall, with reasonable advance notice, permit Hickory Point Bank full and free access to the Debtor's books, records and place of business to verify the existence, condition and location of property in which Hickory Point Bank holds a security interest and to perform all actions permitted under the Debtor's loan documents with Hickory Point Bank;
- d. The Debtor shall provide to Hickory Point Bank monthly reports comparing its actual results of operations to its Cash Use Budget; and
- e. The Debtor will make adequate protection payments to Hickory Point Bank as set forth on the Debtor's Cash Use Budget.

17. In the event the Court does not authorize the use of the Cash Collateral, the Debtor believes it will not be able to maintain its current business operations. Without use of Cash Collateral, the Debtor will be seriously and irreparably harmed, resulting in significant losses to the Debtor's estate and its creditors.

18. Debtor requests the Court set a final hearing to consider authorization to use cash collateral.

19. A proposed order granting this motion is attached as **Exhibit B**.

WHEREFORE, the Debtor requests that this Court enter an Order (1) authorizing and allowing the Debtor to use Cash Collateral for its general ongoing business operations pursuant to 11 U.S.C. § 363(c)(2)(B) and 363(e); and (2) granting the Debtor such other and further relief as the Court deems proper.

DATED: October 2, 2018

THE FIRELANDS GROUP, LLC,  
as debtor and debtor-in-possession,

By: /s/ Michael P. O'Neil,  
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