

**U.S. Bankruptcy Court  
Southern District of New York (Manhattan)  
Bankruptcy Petition #: 04-17324-brl**

Assigned to: Judge Burton R. Lifland  
Chapter 11  
Voluntary  
Asset

Date Filed: 11/15/2004

**Lionel L.L.C.**  
26750 Twenty-Three Mile Road  
Chesterfield, MI 48051-1956  
**Debtor**

represented by **Abbey Walsh Ehrlich**  
O'Melveny & Myers, LLP  
30 Rockefeller Plaza  
New York, NY 10112  
(212) 326-4397  
Fax : (212) 408-2420  
Email: aehrllich@omm.com

**United States Trustee**  
33 Whitehall Street  
21st Floor  
New York, NY 10004  
(212) 510-0500  
**U.S. Trustee**

Filing Date	#	Docket Text
11/15/2004	<u>1</u>	Voluntary Petition (Chapter 11). Order for Relief Entered.. Chapter 11 Plan due by 3/15/2005, Disclosure Statement due by 3/15/2005, Initial Case Conference due by 12/15/2004, Filed by Abbey Walsh Ehrlich of O'Melveny & Myers, LLP on behalf of Lionel L.L.C.. (Ehrlich, Abbey) (Entered: 11/15/2004)
11/15/2004		Receipt of Voluntary Petition (Chapter 11)(04-17324) [misc,824] ( 839.00) Filing Fee. Receipt number 2801966. Fee amount 839.00. (U.S. Treasury) (Entered: 11/15/2004)
11/15/2004	<u>2</u>	Motion for Joint Administration filed by Abbey Walsh Ehrlich on behalf of Lionel L.L.C.. (Attachments: # <u>1</u> Proposed Order) (Ehrlich, Abbey) (Entered: 11/15/2004)
11/15/2004	<u>3</u>	<i>Affidavit of Scott Turkington Pursuant to Local Bankruptcy Rule 1007-2 in Support of Chapter 11 Petition</i> filed by Abbey Walsh Ehrlich on behalf of Lionel L.L.C.. (Ehrlich, Abbey) (Entered: 11/15/2004)
11/15/2004	<u>4</u>	Motion to Limit Notice <i>and Establish Procedures for Notifying Creditors of the Commencement of the Debtors' Chapter 11 Cases</i> filed by Abbey Walsh Ehrlich on behalf of Lionel L.L.C.. (Attachments: # <u>1</u> Proposed Order) (Ehrlich, Abbey) (Entered: 11/15/2004)
11/15/2004	<u>5</u>	Motion to Authorize <i>(i) Maintenance of Existing Bank Accounts and Business Forms and (ii) Use of Existing Cash Management System</i> filed by Abbey Walsh Ehrlich on behalf of Lionel L.L.C.. (Attachments: # <u>1</u> Proposed Order) (Ehrlich, Abbey) (Entered: 11/15/2004)

---

PACER Service Center			
Transaction Receipt			
11/15/2004 18:09:34			
<b>PACER Login:</b>	sl0026	<b>Client Code:</b>	00000008
<b>Description:</b>	Docket Report	<b>Search Criteria:</b>	04-17324-brl Fil or Ent: Fil From: 11/1/2004 To: 11/15/2004 Doc From: 0 Doc To: 99999999 Links: n Format: HTMLfmt
<b>Billable Pages:</b>	1	<b>Cost:</b>	0.07

---

FORM B1

**United States Bankruptcy Court  
Southern District of New York**

**Voluntary Petition**

Name of Debtor (if individual, enter Last, First, Middle): <b>Lionel L.L.C., a New York limited liability company</b>	Name of Joint Debtor (Spouse) (Last, First, Middle):
All Other Names used by the Debtor in the last 6 years (include married, maiden, and trade names): <b>Lionel Trains, Inc., LTI, Fundimensions, IC Controls, Inc.</b>	All Other Names used by the Joint Debtor in the last 6 years (include married, maiden, and trade names):
Soc. Sec./Tax I.D. No. (if more than one, state all): <b>13-3850060</b>	Soc. Sec./Tax I.D. No. (if more than one, state all):
Street Address of Debtor (No. & Street, City, State & Zip Code): <b>26750 Twenty-Three Mile Road Chesterfield, MI 48051-1956</b>	Street Address of Joint Debtor (No. & Street, City, State & Zip Code):
County of Residence or of the Principle Place of Business: <b>Macomb County, MI</b>	County of Residence or of the Principle Place of Business:
Mailing Address of Debtor (if different from street address):	Mailing Address of Joint Debtor (if different from street address):
Location of Principal Assets of Business Debtor (if different from street address above): <b>50625 Richard W. Blvd Chesterfield, MI 48051-1956</b>	

**Information Regarding the Debtor (Check the Applicable Boxes)****Venue** (Check any applicable box)

- ☒ Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.
- ☐ There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this district.

**Type of Debtor** (Check all boxes that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> Individual(s)                               | <input type="checkbox"/> Railroad         |
| <input type="checkbox"/> Corporation                                 | <input type="checkbox"/> Stockbroker      |
| <input type="checkbox"/> Partnership                                 | <input type="checkbox"/> Commodity Broker |
| <input checked="" type="checkbox"/> Other -limited liability company | <input type="checkbox"/> Clearing Bank    |

**Chapter or Section of Bankruptcy Code Under Which the Petition is Filed**  
(Check one box)

- |  |  |                                     |
|--|--|-------------------------------------|
| <input type="checkbox"/> Chapter 7                                       | <input checked="" type="checkbox"/> Chapter 11 | <input type="checkbox"/> Chapter 13 |
| <input type="checkbox"/> Chapter 9                                       | <input type="checkbox"/> Chapter 12            |                                     |
| <input type="checkbox"/> Sec. 304 - Case ancillary to foreign proceeding |  |                                     |

**Nature of Debts** (Check one box)

- ☐ Consumer/Non-Business      ☒ Business

**Chapter 11 Small Business** (Check all boxes that apply)

- ☐ Debtor is a small business as defined in 11 U.S.C. § 101
- ☐ Debtor is and elects to be considered a small business under 11 U.S.C. § 1121(e) (Optional)

**Filing Fee** (Check one box)

- ☒ Full Filing Fee attached
- ☐ Filing Fee to be paid in installments (Applicable to individuals only) Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form No. 3.

**Statistical/Administrative Information** (Estimates only)

- ☒ Debtor estimates that funds will be available for distribution to unsecured creditors.
- ☐ Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.

Estimated Number of Creditors	1-15	16-49	50-99	100-199	200-999	1000-over		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Estimated Assets	\$0 to \$50,000	\$50,001 to \$100,000	\$100,001 to \$500,000	\$500,001 to \$1 million	\$1,000,001 to \$10 million	\$10,000,001 to \$50 million	\$50,000,001 to \$100 million	More than \$100 million
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Estimated Debts	\$0 to \$50,000	\$50,001 to \$100,000	\$100,001 to \$500,000	\$500,001 to \$1 million	\$1,000,001 to \$10 million	\$10,000,001 to \$50 million	\$50,000,001 to \$100 million	More than \$100 million
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

THIS SPACE IS FOR COURT USE ONLY

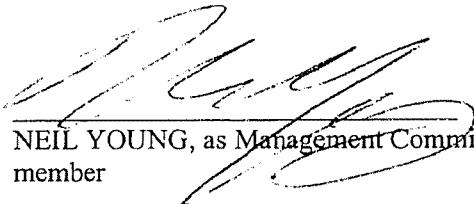
<b>Voluntary Petition</b> <i>(This page must be completed and filed in every case)</i>		Name of Debtor(s): <b>Lionel L.L.C., a New York limited liability company</b>	
<b>Prior Bankruptcy Case Filed Within Last 6 Years (If more than one, attach additional sheet)</b>			
Location Where Filed: <b>N/A</b>		Case Number: _____ Date Filed: _____	
<b>Pending Bankruptcy Case Filed by any Spouse, Partner or Affiliate of this Debtor (If more than one, attach additional sheet)</b>			
Name of Debtor: <b>Llontech Company</b>		Case Number: _____ Date Filed: <b>November 15, 2004</b>	
District: <b>Southern District of New York</b>		Relationship: <b>Subsidiary</b> Judge: <b>Same as assigned herein</b>	
<b>SIGNATURES</b>			
<b>Signature(s) of Debtor(s) (Individual/Joint)</b> I declare under penalty of perjury that the information provided in this petition is true and correct. [If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7. I request relief in accordance with the chapter of title 11, United States Code, specified in this petition. X _____ Signature of Debtor X _____ Signature of Joint Debtor _____ Telephone Number (if not represented by attorney) _____ Date _____		<b>Exhibit A</b> (To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11) <input type="checkbox"/> Exhibit A is attached and made a part of this petition	
X _____ Signature of Attorney X _____ Signature of Attorney for Debtor(s) <b>Adam C. Harris, Esq.</b> Printed Name of Attorney for Debtor(s) <b>O'Melveny &amp; Myers LLP</b> Firm Name <b>Times Square Tower - 7 Times Square</b> Address <b>New York, New York 10036</b>  <b>(212) 326-2182</b> Telephone Number <b>November 15, 2004</b> Date		<b>Exhibit B</b> (To be completed if debtor is an individual whose debts are primary consumer debts) I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. X _____ Signature of Attorney for Debtor(s) _____ Date _____	
<b>Signature of Debtor (Corporation/Partnership)</b> I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor. The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition. X _____ Signature of Authorized Individual <b>Scott Turkington</b> Printed Name of Authorized Individual <b>Chief Financial Officer</b> Title of Authorized Individual <b>November 15, 2004</b> Date		<b>Exhibit C</b> Does the debtor own or have possession of any property that poses a threat of imminent and identifiable harm to public health or safety? <input type="checkbox"/> Yes, and Exhibit C is attached and made a part of this petition. <input checked="" type="checkbox"/> No.	
<b>Signature of Non-Attorney Petition Preparer</b> I certify that I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110, that I prepared this document for compensation, and that I have provided the debtor with a copy of this document. _____ Printed Name of Bankruptcy Petition Preparer _____ Social Security Number _____ Address _____ Names and Social Security numbers of all other individuals who prepared or assisted in preparing this document: _____ If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person. X _____ Signature of Bankruptcy Petition Preparer _____ Date _____ A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. § 110; 18 U.S.C. § 156.			

**UNANIMOUS WRITTEN CONSENT  
IN LIEU OF A MEETING  
OF  
THE MANAGEMENT COMMITTEE  
OF  
LIONEL L.L.C.  
(a New York limited liability company)**

The undersigned, being all of the members of the Management Committee of Lionel L.L.C., a New York limited liability company (the "Company"), hereby waive any notice of meeting, and hereby consent, pursuant the limited liability operating company agreement of the Company, to the adoption of the preambles and the resolutions attached hereto as Exhibit A, and hereby authorize the taking of all actions specified therein.

This Written Consent may be executed in one or more counterparts (which counterparts, taken together, shall constitute one original) and shall be effective upon the execution by each of the individuals indicated below. This Written Consent shall be filed with the minutes of the Management Committee of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Written Consent as of the 10 day of November, 2004.

  
NEIL YOUNG, as Management Committee  
member

\_\_\_\_\_  
GREG S. FELDMAN, as Management  
Committee member

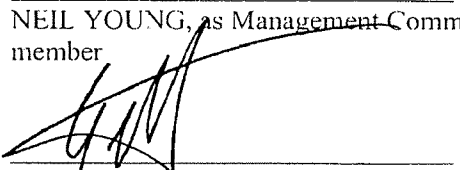
**UNANIMOUS WRITTEN CONSENT  
IN LIEU OF A MEETING  
OF  
THE MANAGEMENT COMMITTEE  
OF  
LIONEL L.L.C.  
(a New York limited liability company)**

The undersigned, being all of the members of the Management Committee of Lionel L.L.C., a New York limited liability company (the "Company"), hereby waive any notice of meeting, and hereby consent, pursuant the limited liability operating company agreement of the Company, to the adoption of the preambles and the resolutions attached hereto as Exhibit A, and hereby authorize the taking of all actions specified therein.

This Written Consent may be executed in one or more counterparts (which counterparts, taken together, shall constitute one original) and shall be effective upon the execution by each of the individuals indicated below. This Written Consent shall be filed with the minutes of the Management Committee of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Written Consent as of the 15 day of November, 2004.

\_\_\_\_\_  
NEIL YOUNG, as Management Committee member

  
\_\_\_\_\_  
GREG S. FELDMAN, as Management Committee member

Resolutions of the Management Committee  
of Lionel L.L.C. (the "Company")

**A. Voluntary Petitions for Relief Under Chapter 11 of the United States Bankruptcy Code**

RESOLVED, that the Company be, and it hereby is, authorized to: (a) file a voluntary petition (the "Petition") for relief under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, et. seq. (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York, or such other court as the appropriate officer or officers of the Company shall determine to be appropriate (the "Bankruptcy Court"); (b) if, prior to filing the Petition, circumstances arise making it necessary or convenient, either (i) consent to the entry of an order for relief in an involuntarily commenced chapter 11 case or (ii) consent to the entry of an order for relief and convert an involuntarily commenced chapter 7 case to a case under chapter 11 of the Bankruptcy Code; and (c) perform any and all such acts as are reasonable, advisable, expedient, convenient, proper or necessary to effect any of the foregoing;

**B. General**

RESOLVED, that any officer of the Company be, and each of them individually hereby is, authorized, in the name and on behalf of the Company, to: (a) execute and verify the Petition, as well as all other ancillary documents, and cause the Petition to be filed with the Bankruptcy Court and make or cause to be made prior to execution thereof any modifications to the Petition or ancillary documents as any such Designated Officer, in such officer's discretion, deems necessary or desirable to carry out the intent and accomplish the purposes of these resolutions (such approval to be conclusively established by the execution thereof by such Designated Officer); (b) execute (i) a consent to the entry of an order for relief in an involuntarily commenced chapter 11 case, if any, or (ii) a request for conversion of an involuntarily commenced chapter 7 case, if any, to a case under chapter 11 of the Bankruptcy Code; (c) execute, verify and file or cause to be filed all petitions, schedules, lists, motions, applications and other papers or documents (including debtor in possession loan agreements) necessary or desirable in connection with the foregoing; and (d) execute and verify any and all other documents necessary or appropriate in connection therewith in such form or forms as any such Designated Officer may approve;

FURTHER RESOLVED, that any officer of the Company shall be, and each of them hereby is, authorized, directed and empowered to retain, on behalf of the Company: (a) O'Melveny & Myers LLP; (b) Conway, Del Genio, Gries, & Co., LLC; and (c) such additional professionals, including attorneys, accountants, financial advisors, investment bankers, consultants or brokers, in each case as in such officer's or officers' judgment may be necessary in connection with the Company's chapter 11 case and other related matters, on such terms as such officer or officers shall approve;

FURTHER RESOLVED, that the law firm of O'Melveny & Myers LLP and any additional special or local counsel selected by the Designated Officers, if any, shall be, and

hereby are, authorized, empowered and directed to represent the Company, as debtor and debtor in possession, in connection with any chapter 11 case commenced by or against it under the Bankruptcy Code;

FURTHER RESOLVED, that in addition to the specific authorizations heretofore conferred upon the officers of the Company, each of the officers of the Company or their designees shall be, and each of them, acting alone, hereby is, authorized, directed and empowered, in the name of and on behalf of the Company, to take or cause to be taken any and all such further actions, to execute and deliver any and all such agreements, certificates, instruments and other documents and to pay all expenses, including filing fees, in each case as in such officer's or officers' judgment shall be necessary or desirable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted herein; and

FURTHER RESOLVED, that all actions previously taken by any member, director, officer, employee or agent of the Company in connection with or related to the matters set forth in or reasonably contemplated or implied by the foregoing resolutions be, and each of them hereby is, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the Company.



**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**LIONEL L.L.C.,**

**Debtor.**

**Chapter 11 Case No.**

**04-\_\_\_\_\_ ( )**

**LIST OF CREDITORS WITH  
LARGEST UNSECURED CLAIMS**

Lionel L.L.C. hereby files a list of its largest unsecured creditors, based on its books and records as of approximately October 31, 2004 (the "Top 20 List"). The Top 20 List was prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in the Debtors' chapter 11 case. The Top 20 List does not include: (1) persons who fall within the definition of "insider" set forth in 11 U.S.C. § 101; or (2) secured creditors, unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. The information presented in the Top 20 List shall not constitute an admission by, nor is it binding on, the Debtors. The failure of the Debtors to list the claim as contingent, unliquidated or unknown does not constitute a waiver of the Debtors' right to contest the validity, priority, and/or amount of the claim.

NAME OF CREDITOR AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE	NAME AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE, OF EMPLOYEE, AGENT OF DEPARTMENT OF CREDITOR FAMILIAR WITH CLAIM WHO MAY BE CONTACTED	NATURE OF CLAIM (TRADE DEBT, BANK LOAN, GOVERNMENT CONTRACT, ETC.)	INDICATE IF CLAIM IS CONTINGENT, UNLIQUIDATED, DISPUTED OR SUBJECT TO SET-OFF	AMOUNT OF CLAIM [IF SECURED ALSO STATE VALUE OF SECURITY]
1. MTH Electric Trains 7020 Columbia Gateway Dr. Columbia, MD 21046	Mike Wolf Phone: 410-381-2580 Address: MTH Electric Trains 7020 Columbia Gateway Dr. Columbia, MD 21046	Judgment	Disputed	\$40,775,665
2. Sanda Kan 1-7 Kwai Cheong Road 1st Floor, Kwai Chung New Territories, HONG KONG	Paul Chu Fax: 852-2480-4702 E-mail: paulchu@hksandakan.com Address: Sanda Kan 1-7 Kwai Cheong Road 1st Floor, Kwai Chung New Territories, HONG KONG	Trade		\$6,685,259.85

NAME OF CREDITOR AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE	NAME AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE, OF EMPLOYEE, AGENT OF DEPARTMENT OF CREDITOR FAMILIAR WITH CLAIM WHO MAY BE CONTACTED	NATURE OF CLAIM (TRADE DEBT, BANK LOAN, GOVERNMENT CONTRACT, ETC.)	INDICATE IF CLAIM IS CONTINGENT, UNLIQUIDATED, DISPUTED OR SUBJECT TO SET-OFF	AMOUNT OF CLAIM [IF SECURED ALSO STATE VALUE OF SECURITY]
3. Guggenheim Investment Management 135 East 57th Street New York, NY 10022	Adrian Duffy Fax: 212-644-8396 Address: Guggenheim Investment Management 135 East 57th Street New York, NY 10022	Notes		\$5,324,000
4. Dykema Gossett PLLC 39577 Woodward Avenue Suite 300 Bloomfield Hills, MI 48304	Luanne Teller Fax: 248-203-1763 E-mail: lteller@dykema.com Address: Dykema Gossett PLLC 39577 Woodward Avenue Suite 300 Bloomfield Hills, MI 48304	Professional Services		\$1,774,249.50
5. Conway MacKenzie & Dunleavy, P.C. 401 S. Old Woodward #340 Birmingham, MI 48009	Pat Dunleavy Fax: 248-433-3143 E-mail: pdunleavy@c-m-d.com Address: Conway MacKenzie & Dunleavy, P.C. 401 S. Old Woodward #340 Birmingham, MI 48009	Professional Services		\$162,110.07
6. Hagye Trading Co. Inc. 630-24 Chang-Dong Dobong-Ku SEOUL, KOREA 132-921	Mr. Cho Fax: 82-2-906-7710 Phone: 434-977-9864 E-mail: hgt001@hanafos.com Address: Hagye Trading Co. Inc. 630-24 Chang-Dong Dobong-Ku SEOUL, KOREA 132-921	Trade		\$31,930.00
7. Right Management Conslts. 40 Oak Hollow Ste. 210 Southfield, MI 48034	Meredith Krupic Phone: 248-948-1600 Address: Right Management Conslts. 40 Oak Hollow Ste. 210 Southfield, MI 48034	Trade		\$11,000.00
8. Proguard Security Service P.O. Box 1396 Troy, MI 48099-1396	Kevin Straub Fax: 586-254-7321 Address: Proguard Security Service P.O. Box 1396 Troy, MI 48099-1396	Trade		\$9,133.71

NAME OF CREDITOR AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE	NAME AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE, OF EMPLOYEE, AGENT OF DEPARTMENT OF CREDITOR FAMILIAR WITH CLAIM WHO MAY BE CONTACTED	NATURE OF CLAIM (TRADE DEBT, BANK LOAN, GOVERNMENT CONTRACT, ETC.)	INDICATE IF CLAIM IS CONTINGENT, UNLIQUIDATED, DISPUTED OR SUBJECT TO SET-OFF	AMOUNT OF CLAIM [IF SECURED ALSO STATE VALUE OF SECURITY]
9. Advance Freight Traffic Service, Co. P.O. Box 129 Hazel Park, MI 48030	Jeff Bogden Phone: 248-542-8989 Address: Advance Freight Traffic Service, Co. P.O. Box 129 Hazel Park, MI 48030	Trade		\$6,979.23
10. FedEx P.O. Box 371461 Pittsburgh, PA 15250-7461	Fax: 800-548-3020 Address: FedEx P.O. Box 371461 Pittsburgh, PA 15250-7461	Trade		\$6,442.33
11. Detroit Legal 450 West Fort Street Detroit, MI 48226	Kay Manecke Phone: 313-962-4020 Fax: 313-962-6331 Address: Detroit Legal 450 West Fort Street Detroit, MI 48226	Trade		\$5,904.20
12. Christmas Northeast 1028 E. Main Street P.O. Box 167 Palmyra, PA 17078	Michael Ross Phone: 717-838-9446 Address: Christmas Northeast 1028 E. Main Street P.O. Box 167 Palmyra, PA 17078	Trade		\$4,417.95
13. Ryan Polishing Corp. 10709 Capital Ave. Oak Park, MI 48237	Chuck Holmes Phone: 248-548-6832 Fax: 248-548-7458 Address: Ryan Polishing Corp. 10709 Capital Ave. Oak Park, MI 48237	Trade		\$3,046.83
14. Kalmbach Publishing P.O. Box 2902 Milwaukee, WI 53201-2902	Nanette Fax: 262-798-6640 Address: Kalmbach Publishing P.O. Box 2902 Milwaukee, WI 53201-2902	Trade		\$2,952.05
15. Coverall North America 13233 Collections Ctr. Dr. Chicago, IL 60693	Jane Fell Fax: 248-349-6590 Address: Coverall North America 13233 Collections Ctr. Dr. Chicago, IL 60693	Trade		\$2,860.00

NAME OF CREDITOR AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE	NAME AND COMPLETE MAILING ADDRESS INCLUDING ZIP CODE, OF EMPLOYEE, AGENT OF DEPARTMENT OF CREDITOR FAMILIAR WITH CLAIM WHO MAY BE CONTACTED	NATURE OF CLAIM (TRADE DEBT, BANK LOAN, GOVERNMENT CONTRACT, ETC.)	INDICATE IF CLAIM IS CONTINGENT, UNLIQUIDATED, DISPUTED OR SUBJECT TO SET-OFF	AMOUNT OF CLAIM [IF SECURED ALSO STATE VALUE OF SECURITY]
16. SBC Bill Payment Center Saginaw, MI 48663-0001	Address: SBC Bill Payment Center Saginaw, MI 48663-0001	Trade		\$2,481.63
17. Office Express 40622 Mound Road Sterling Heights, MI 48310	Gary Carr Fax: 586-795-2900 Address: Office Express 40622 Mound Road Sterling Heights, MI 48310	Trade		\$2,332.29
18. Robot Printing and Communications 12085 Dixie Redford, MI 48239	Ed Duffy Fax: 313-255-0470 Address: Robot Printing and Communications 12085 Dixie Redford, MI 48239	Trade		\$2,272.64
19. Sprint P.O. Box 88026 Chicago, IL 60680-1206	Rick Conn Fax: 800-448-1112 Address: Sprint P.O. Box 88026 Chicago, IL 60680-1206	Trade		\$2,177.68
20. United Parcel Service Lockbox 577 Carol Stream, IL 60132-0577	Address: United Parcel Service Lockbox 577 Carol Stream, IL 60132-0577	Trade		\$1,657.00

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re

LIONEL L.L.C.,

Debtor.

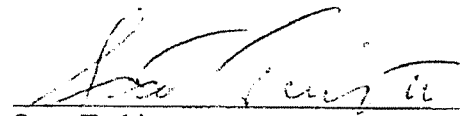
Chapter 11 Case No.

04-\_\_\_\_ ( )

**DECLARATION UNDER PENALTY OF PERJURY**

I, Scott Turkington, Chief Financial Officer of Lionel L.L.C., the limited liability company named as debtor in this case, declare under penalty of perjury under the laws of the United States of America that I have read the foregoing list of the 20 largest unsecured creditors (the "Top 20 List") and that the Top 20 List is true and correct to the best of my information and belief.

Date: November 15, 2004

  
\_\_\_\_\_  
Scott Turkington  
Chief Financial Officer of Lionel L.L.C.

O'MELVENY & MYERS LLP  
Proposed Attorneys for Debtors and Debtors In Possession  
Times Square Tower  
7 Times Square  
New York, NY 10036  
Telephone: (212) 326-2000  
Facsimile: (212) 326-2061  
Adam C. Harris, Esq. (AH4641)  
Robert E. Winter, Esq. (REW9937)  
Abbey W. Ehrlich, Esq. (AE8677)

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

<b>In re</b>  <b>LIONEL L.L.C.,</b>  <b>Debtor.</b>	<b>Chapter 11 Case No.</b>  04-_____ (   )
<b>In re</b>  <b>LIONTECH COMPANY,</b>  <b>Debtor.</b>	<b>Chapter 11 Case No.</b>  04-_____ (   )

**MOTION PURSUANT TO RULE 1015(b) OF THE  
FEDERAL RULES OF BANKRUPTCY PROCEDURE  
FOR JOINT ADMINISTRATION OF CHAPTER 11 CASES**

TO THE HONORABLE JUDGES OF THE UNITED STATES BANKRUPTCY COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK :

Lionel L.L.C. ("Lionel") and Liontech Company ("Liontech", and together with  
Lionel, the "Debtors"), as debtors in possession, respectfully represent:

**Jurisdiction**

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C.  
§§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper  
before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

## **Background**

2. On the date hereof (the “Commencement Date”), each of the Debtors commenced a case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. Lionel is America’s preeminent marketer of model train products, including steam and diesel engines, rolling stock, operating and non-operating accessories, track, transformers and electronic control devices. The Lionel™ name was established in 1900 and has become an American icon with the most recognized brand in the model train industry and is synonymous in consumers’ minds with electric trains. Lionel is currently headquartered in Chesterfield, Michigan.

4. Lionel offers a line of more than 600 stock keeping units (“SKU’s”) of model trains and accessories made from an inventory of more than 27,000 proprietary tools and dies. Lionel distributes its products through approximately 110 specialty retail and mail order houses and 15 wholesalers that in turn sell to approximately 1,500 hobby shops, as well as through direct sales via its Century and Railroader clubs and on its e-commerce site.

5. Lionel trains are equipped with Trainmaster Command Control™ (“TMCC”), which allows up to 99 trains and 9 accessories to be run simultaneously via a wireless hand held remote control, and RailSounds™, a digitally synthesized audio system that provides realistic sound broadcast from the train. TMCC and RailSounds are proprietary technology developed and owned by Liontech.

6. Historically, the Debtors manufactured their products in a facility located near its headquarters in Chesterfield, Michigan. Due to competition from high quality, lower

priced merchandise manufactured in Asia, Lionel terminated its domestic manufacturing and moved the work to suppliers in Asia. By the end of 2001, Lionel's Asian suppliers were sufficiently developed to absorb all design and production.

7. One of Lionel's main competitors is Mike's Train House ("MTH"). In 2000, MTH sued Lionel in the United States District Court for the Eastern District of Michigan (the "Michigan District Court"), accusing Lionel, among other things, of violating the Michigan Uniform Trade Secrets Act, Mich. Comp. Laws § 445.1901 et seq. MTH's suit is based upon allegations that Korea Brass—one of Lionel's Korean suppliers stole confidential design drawings and scheduling information from MTH's Korean supplier, Samhongsa, and then used that information to design and build trains for Lionel. MTH further alleged that Lionel knew or should have known that its trade secrets were being incorporated into Lionel products, and contended that it had experienced both lost sales and an erosion of its overall profitability as a result of the misconduct. Lionel strongly disputed all of MTH's allegations.

8. On June 9, 2004 the jury returned a verdict in favor of MTH in the amount of \$40,775,665, and on November 3, 2004, the Michigan District Court entered judgment in favor of MTH in the amount of the jury verdict. The Michigan District Court also granted MTH certain injunctive relief against Lionel. Lionel believes that its has both substantive and procedural grounds for appeal of the judgment and the injunctive relief. As such, Lionel intends to appeal both the verdict and the injunction to the United States Court of Appeals for the Sixth Circuit.

9. Lionel does not, however, have sufficient liquidity or financial strength to post a bond to stay enforcement of the judgment pending appeal. Furthermore, the entry of the judgment is a default under the Debtors' financing facilities, enabling the Debtors' prepetition



lenders to exercise their remedies. Moreover, the Debtors' customers and suppliers are understandably concerned over the effect of the judgment. In order to provide protection against precipitous efforts to collect on the judgment (including, without limitation, through attachment and possibly foreclosure), and to provide suppliers and customers with a degree of certainty while the Debtors pursues an appeal, the Debtors have commenced these chapter 11 cases. The Debtors believe that this action will allow the Debtors to obtain the financing required to stabilize its businesses and to preserve its going concern value for the benefit of all creditors and other parties in interest while it prosecutes the appeal of the adverse judgment.

### **Joint Administration**

10. By this Motion, the Debtors seek entry of an order directing joint administration of these cases for procedural purposes only, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

11. Bankruptcy Rule 1015(b) provides, in relevant part, that "[i]f . . . two or more petitions are pending in the same court by or against . . . a debtor and an affiliate, the court may order a joint administration of the estates." Fed. R. Bankr. P. 1015(b). The Debtors are "affiliates" as that term is defined under section 101(2) of the Bankruptcy Code. Accordingly, this Court is authorized to grant the relief requested herein.

12. Entry of an order directing joint administration of these cases will avoid duplicative notices, applications, and orders, thereby saving the Debtors considerable time and expense. The rights of creditors will not be adversely affected as this Motion requests only joint administration of these cases, and not substantive consolidation of the estates. Moreover, each creditor may still file its claim against a particular estate. In fact, the rights of all creditors will be enhanced by the reduced costs that will result from the joint administration of these cases. The

Court also will be relieved of the burden of entering duplicative orders and maintaining duplicative files. Finally, supervision of the administrative aspects of these chapter 11 cases by the United States Trustee for the Southern District of New York (the “U.S. Trustee”) will be simplified.

13. The Debtors do not have any adverse claims against one another that would cause conflicts in the joint administration of their chapter 11 cases.

14. Accordingly, the Debtors respectfully request that the caption of their cases be modified to reflect the joint administration of these chapter 11 cases, as follows:

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**LIONEL L.L.C., et al.,  
Debtors.**

**Chapter 11 Case No.**

**04-\_\_\_\_\_ ( )**

**(Jointly Administered)**

15. The Debtors also seek the Court’s direction that a notation substantially similar to the following notation be entered on the docket of each of the Debtors to reflect the joint administration of these cases:

An Order has been entered in this case directing the procedural consolidation and joint administration of the chapter 11 cases of Lionel L.L.C. and Liontech Company. The docket in Case No. 04-\_\_\_\_\_ ( ) should be consulted for all matters affecting this case.

**Notice**

16. No trustee, examiner, or creditors’ committee has been appointed in the Debtors’ chapter 11 cases. Notice of this Motion has been provided to (i) the Office of the

United States Trustee for the Southern District of New York, (ii) Hahn and Hessen LLP, as counsel to PNC Business Credit, one of the Debtors' pre-petition senior secured lenders, (iii) Paul, Hastings, Janofsky and Walker LLP, as counsel to General Electric Commercial Finance, Inc., one of the Debtors' pre-petition senior secured lenders, (iv) Weil, Gotshal & Manges LLP, counsel to Guggenheim Investment Management, the holder of the debtors' pre-petition notes, (v) Kopple & Klinger LLP, as counsel for Neil Young, an equity holder of Lionel and guarantor of certain of the Debtors' obligations, (vi) Proskauer Rose LLP, as counsel for the Estate of Martin Davis, an equity holder of Lionel and guarantor of certain of the Debtors' obligations, (vii) Richard Kughn, as equity owner and guarantor of certain of the Debtors' obligations and (viii) each of the Debtors' twenty (20) largest unsecured creditors. The Debtors submit that no other or further notice need be provided.

17. This Motion does not raise any novel issues of law. Accordingly, the Debtors respectfully request that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that the Debtors file a separate memorandum of law in support of this Motion.

18. No previous motion for the relief sought herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request entry of an order granting the relief requested herein and such other or further relief as is just.

Dated: November 15, 2004  
New York, NY

Respectfully submitted,

O'MELVENY & MYERS LLP

s/Adam C. Harris

Adam C. Harris, Esq. (AH4641)

Robert E. Winter, Esq. (REW9937)

Abbey W. Ehrlich, Esq. (AE8677)

O'Melveny & Myers LLP

Times Square Tower

7 Times Square

New York, NY 10036

Telephone: (212) 326-2000

Facsimile: (212) 326-2061

Proposed Attorneys for Debtors and Debtors In  
Possession