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Quirky wants to maintain control of Chapter 11 case

Kelsey Butler

Former idea factory Quirky Inc. hopes to hang on to control of its case, arguing that it deserves an exclusivity extension because it has been focused on selling its assets.

The New York debtor, which developed and manufactured innovative products, on Tuesday, Jan. 5, filed a motion requesting an extension of its exclusive period to file a Chapter 11 plan through April 19 and to solicit creditor votes through June 18. Those periods are set to expire on Jan. 20 and March 20, respectively.

Quirky said it has been focused on selling its assets and needs more time to reach a consensual resolution with its official committee of unsecured creditors, which is investigating the extent and validity of the security interest of secured creditor Comerica Bank.

Quirky owes Comerica $19.93 million on a revolving line of credit due Oct. 22, 2015, and $9.33 million on a term loan due Oct. 22, 2017.

"The marketing, negotiation and consummation of the sales of the debtors' assets have consumed the vast majority of the debtors' time and energy since the petition date," the company said.

Quirky added, "Determination on the validity of the lien is necessary to determine any distribution under a Chapter 11 plan."

Judge Martin Glenn of the U.S. Bankruptcy Court for the Southern District of New York in Manhattan is set to consider the request at a Jan. 19 hearing.

Glenn on Dec. 10 signed an order approving the sale of the bulk of Quirky's assets to stalking-horse bidder Q Holdings LLC, an affiliate of HSA Partners II LLC. The buyer agreed to pay $2.13 million for the assets. (The initial $2.3 million purchase price was reduced by $175,000 to resolve an objection from General Electric Co. (GE). GE opposed the sale of Quirky assets that were co-branded with GE, according a Dec. 2 court filing.)

Glenn on Nov. 6 approved a sale of Quirky subsidiary Wink Inc. to Flextronics International USA Inc. for $15 million. Wink, founded in 2013, developed a platform that allows users to control household appliances through their mobile devices through partnerships with companies such as GE, Honeywell International Inc. (HON) and Nest Labs Inc., among others.

Flextronics separately has offered $365,000 for Quirky's furniture, fixtures and equipment. A hearing on that sale is set for Jan. 19.

The company said it faced "a number of operational challenges as the volume of more complicated products that Quirky brought to market increased and the product categories in which Quirky was involved became more diverse."

Quirky then branched out to accommodate the development of the new products by opening offices in San Francisco and Schenectady, N.Y., thus boosting overhead expenses.

At Fortune's Brainstorm Tech conference on July 14, then-CEO Ben Kaufman admitted Quirky was out of cash and attempting to raise cash for Wink, according to media reports. He stepped down from his role on July 31.

Starting in July, court papers show, Quirky began shopping Wink's assets with the aid of investment banker Centerview Partners LLC.

In court papers, Quirky listed $53.91 million in assets and $136.83 million in liabilities as of August.

Debtor counsel Jeffrey L. Cohen at Cooley LLP was not immediately available for comment. Klestadt Winters Jureller Southard & Stevens LLP is also debtor counsel.

FTI Consulting Inc. is Quirky's financial adviser. Hilco Streambank LLC is investment banker for Quirky's assets.

Robert Richards of Dentons US LLP represents Flextronics International.

Counsel to Q Holdings, Edward E. Neiger of ASK LLP, did not immediately return a request for comment.

Bill Wyatt of Sheppard, Mullin, Richter & Hampton LLP represents Comerica Bank.

Melanie L. Cyganowski and Kevin Zuzolo of Otterbourg PC are counsel to the creditors' committee, which comprises Eastfield Lighting (Hong Kong) Co. Ltd., Garthen Leslie, United Parcel Service Inc. (UPS), YellowHammer Media Group Inc. and Jacob D. Zien. PricewaterhouseCoopers LLP is the committee's financial adviser.

http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=13414931

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