

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
Greenbelt Division**

IN RE:)	
)	
FEDERATED SPORTS & GAMING, INC.)	Case No. 12-13521-WIL
)	(Chapter 11)
Debtor)	
*****)	
IN RE:)	
)	
FEDERATED HEARTLAND, INC.)	Case No. 12-13523-PM
)	(Chapter 11)
Debtor)	

**DEBTORS’ MOTION FOR EMERGENCY INTERIM
AND PERMANENT USE OF CASH COLLATERAL**

Federated Sports & Gaming, Inc. (“Federated Sports”) and Federated Heartland, Inc. (“Federated Heartland”), debtors and debtors-in-possession in the above-styled Chapter 11 cases (collectively, the “Debtors”), by counsel, file this motion for emergency interim and permanent use of cash collateral (“Motion”), and in support thereof state:

Jurisdiction

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this case and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
2. The relief sought in this Motion is based upon sections 105(a) and 363 of Title 11 of the United States Code (“Bankruptcy Code”).

The Chapter 11 Case

3. On February 28, 2012, the Debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. The Debtors are Delaware corporations with their principal place of business at 2 Wisconsin Circle, Suite 300, Chevy Chase, Maryland. Federated Sports is a leading gaming and sporting company that serves players and fans through nationally, internationally and regionally televised events, interactive digital programming and social media gaming. Federated Sports, founded in 2010, has broken new ground in gaming industry with the launch of the Epic Poker League – an exclusive tournament series that serves the world’s top-ranking professional poker players as determined by a set of objective analytically rigorous qualifying criteria. The Epic Poker League programming is televised worldwide on various networks. Federated Sports is maintaining and improving its brand by developing a new, high-quality gaming application on Facebook, an industry-leading social media website. Federated Sports has developed and launched the USA Today Poker Index (GPI) – a proprietary patent-pending ranking systems that is distributed and tracks the weekly performance of the world’s top live-poker tournament players. Federated Heartland operates the Heartland Poker Tour.

5. As of the Debtors’ last payroll, the Debtors employed approximately 22 employees.

Relief Requested

6. The following creditors may have an interest in Debtors' cash collateral which consists exclusively of cash on hand of approximately \$15,000 and receivables totaling approximately \$115,000¹ ("Cash Collateral"):

i. All In Production, LLP ("AIP"): Pursuant to the terms of a Senior Secured Promissory Note dated June 10, 2011, the Debtors promised to pay AIP the principal amount of \$2,950,000.00, plus interest (the "AIP Note"). The AIP Note was executed in connection with an Asset Purchase Agreement dated April 28, 2011 by and among AIP and Federated Sports, pursuant to which Federated Sports purchased assets from AIP. Pursuant to the terms of the AIP Note, by September 30, 2011, the Debtors were required to pay AIP the lesser of \$1,000,000.00 in principal and interest, or the then outstanding principal amount, plus all accrued unpaid interest. The AIP Note was to mature on December 15, 2011 at which time all unpaid principal and interest was due.

The Debtors and AIP also executed a Security Agreement dated June 10, 2011 (the "AIP Security Agreement") pursuant to which AIP obtained a first position security interest in all of the assets of Federated Heartland, except for certain liens granted to Starion Financial. AIP also filed a UCC Financing Statement with the Delaware Department of State on June 3, 2011.

On September 30, 2011, the Debtors did not pay the \$1,000,000.00 to AIP pursuant to the terms of the AIP Note and on December 15, 2011, Debtors did not pay all principal, interest and all other amounts due under the AIP Note.

¹ Federated Sports has two receivables, one in the approximate amount of \$70,000 and another in the approximate amount of \$45,000

On January 9, 2012, the Debtors and AIP entered into a Forbearance and Settlement Agreement (the "AIP Forbearance Agreement"), pursuant to which, among other things, the Debtors paid AIP \$1,000,000.00, to be applied to their obligations under the AIP Note. Pursuant to the terms of the AIP Forbearance Agreement, provided no defaults occurred, the maturity date was extended to March 30, 2012.

As of the Petition Date, the Debtors owed AIP a total of approximately \$1,966,052.00.

ii. PNK Development 10, LLC, a wholly owned subsidiary of Pinnacle Entertainment, Inc. ("Pinnacle"): Pursuant to the terms of a Secured Promissory Note dated January 9, 2012, the Debtors promised to pay Pinnacle the principal amount of \$2,000,000.00 (the "Pinnacle Note"). The Pinnacle Note matures on February 29, 2012. In accordance with the Pinnacle Note, Pinnacle advanced \$2,000,000.00 to Debtors. \$1,000,000.00 of the funds Pinnacle advanced were utilized by the Debtors to pay down the AIP Note by \$1,000,000.00, as set forth above.

Pursuant to the Pinnacle Note, Federated Sports granted Pinnacle a security interest in certain collateral (including cash and accounts) as security for the payment of the obligation under the Pinnacle Note. Pinnacle also filed a UCC Financing Statement with the Delaware Department of State on January 10, 2012. As of the Petition Date, the Debtors owed Pinnacle a total of approximately \$2,000,000.00.

7. The Debtors are not aware of any other creditors who claim to have an interest in Cash Collateral.

8. The Debtors require the use of Cash Collateral in order to meet their expenses and maintain the operation of its business. Without the use of Cash Collateral, the Debtors' operations

would be required to terminate, and approximately 22 employees would immediately become unemployed. The continued operation of the Debtors' business is essential to its reorganization efforts. The Debtors anticipate selling substantially all of their assets, or an equity interest, in order to reorganize. Prior to the Petition Date, the Debtors engaged in substantial negotiations with several prospective purchasers. These efforts are continuing. These cases were filed to prevent the potential piecemeal liquidation of Debtors' assets. The sale of Debtors' assets, or an equity interest in the Debtors, in an orderly controlled fashion, will enable all parties in interest to realize maximum distributions.

9. In order to avoid immediate and irreparable harm to the Debtors' bankruptcy estate pending a final hearing on this Motion, the Debtors require the interim use of Cash Collateral to pay, among other things, payroll, utilities, taxes, insurance and other ordinary business costs and expenses.

10. Attached hereto as Exhibit 1 is a budget for a 90-day period commencing on March 1, 2012, and continuing monthly through May of 2012, which reflects Debtors' projected revenues and expenses on a cash receipts and disbursements basis. As the budget reflects, Debtors have sufficient anticipated revenues to cover their anticipated operating expenses. Although the budget is for approximately three (3) months, Debtor seeks on an emergency basis only the interim use of Cash Collateral until a final hearing on Debtors' use of Cash Collateral.

11. The Debtors believe, and therefore aver, that AIP's and/or Pinnacle's interest in Cash Collateral is adequately protected for any Cash Collateral that the Debtors may use. As adequate protection, Debtors propose to grant to AIP and Pinnacle replacement liens in the Debtors' post-petition assets, and proceeds of same, to the same extent, priority and validity as their pre-petition

liens, to the extent Debtors' use of Cash Collateral results in a decrease in the value of AIP's and/or Pinnacle's interest in the Cash Collateral.

12. Emergency authority to use Cash Collateral is necessary to further prevent an extreme hardship upon the Debtors, their creditors, and their employees.

Applicable Standards

13. Pursuant to Section 363(c)(2) of the Bankruptcy Code, a debtor-in-possession may not use cash collateral without the consent of the secured party or, absent such consent, court approval. 11 U.S.C. § 363(c)(2).

14. Section 363(e) of the Bankruptcy Code provides that, upon request of an entity that has an interest in the property to be used by a debtor, the Court "shall prohibit or condition such use ... as is necessary to provide adequate protection of such interest." 11 U.S.C. § 363(e). What constitutes adequate protection is determined on a case by case basis. *See In re O'Connor*, 808 F.2d 1393, 1396-97 (10th Cir. 1987). Adequate protection may be provided in a number of ways. *See e.g.* 11 U.S.C. 361; *In re Briggs Transportation Co.*, 780 F. 2d 1339 (8th Cir. 1985). The focus of this process is on the protection of the secured creditor from diminution in value of its interest in the collateral during the period of its use. *See In re Kain*, 86 B.R. 506, 513 (Bankr. W.D. Mich. 1988). If the secured party has a substantial equity cushion, the need for any further adequate protection may be obviated. Adequate protection may be further afforded by "providing to such entity an additional or replacement lien to the extent that such stay, use, sale, lease or grant results in a decrease in the value of such entity's interest in such property." 11 U.S.C. § 361(2). "The important question, in determination of whether the protection to a creditor's secured interest is adequate, is whether that interest, whatever it is, is being justifiably jeopardized." *In re Aqua Associates*, 123 B.R. 192, 196

(Bankr. E.D. Pa. 1991). The Debtors believe that the protections outlined herein are fair and reasonable under the circumstances and will be sufficient to protect the interests of AIP and/or Pinnacle from diminution in value during the period of its use by the Debtors. Moreover the Debtors are taking immediate steps to liquidate the AIP's and Pinnacle's collateral in a manner calculated to maximize the value of the collateral for the benefit of them and other stakeholders. Accordingly, under the circumstances of these Chapter 11 cases, the granting of the relief requested in the Motion is warranted.

Notice and Hearing

15. Pursuant to Federal Rule of Bankruptcy Procedure 4001(b), a Final Hearing on a motion to use cash collateral pursuant to Section 363 of the Bankruptcy Code may not be commenced earlier than fifteen (15) days after service of such motion. Fed. R. Bankr. Pro. 4001(b). Upon such request, however, a bankruptcy court is empowered to conduct a preliminary expedited hearing on such motion and authorize the obtaining of credit and use of cash collateral to the extent necessary to avoid immediate and irreparable harm to the debtor's estate. Fed. R. Bankr. Pro. 4001(b)(2). The Debtors request that the Court (a) conduct an expedited hearing with respect to the Motion (as described herein) and (b) schedule the Final Hearing at the earliest possible date in accordance with Federal Rule of Bankruptcy Procedure 4001(b). The Debtors have provided notice of the Motion to: (a) the Office of the United States Trustee; (b) AIP; (c) Pinnacle; (d) the creditors holding the twenty (20) largest unsecured claims against the Debtors; and (e) those persons who have requested notice pursuant to Federal Rule of Bankruptcy Procedure 2002.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing **Debtors' Motion for Emergency Interim and Permanent Use of Cash Collateral** and **proposed Order** were delivered via FedEx (or via first class mail if to a P.O. Box), this 29th day of February, 2012, to:

Office of the United States Trustee
6305 Ivy Lane, Suite 600
Greenbelt, Maryland 20770

Office of the Attorney General of Maryland
200 St. Paul Place
Baltimore, Maryland 21201

Maryland SDAT
301 West Preston Street
Baltimore, Maryland 21201

Security Exchange Commission
100 F Street, NE
Washington, DC 20549
Attn: Bankruptcy Specialist

Internal Revenue Service
Insolvency Unit
31 Hopkins Plaza, Room 1150
Baltimore, MD 21201

And to the attached list of 20 Largest Unsecured Creditors of the Debtors.

/s/ Stephen A. Metz
Stephen A. Metz

20 Largest Unsecured Creditors of the Debtors

441 Productions, Inc.
627 Salter Place
Westfield, NJ 07090

Kirkland & Ellis
655 Fifteenth Street, NW
Washington, DC 20005

All Access Staging Productions
1320 Storm Parkway
Torrance, CA 90501

Project Support Team
6 Berkshire Boulevard South
Bethel, CT 06801

All In Production, LLP
4180 58th Street South
Fargo, ND 58104

Rogers & Cowan
8687 Melrose Avenue, 7th Fl
West Hollywood, CA 90069

Amalia Rosen
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Rothwell Figg Ernst & Manbeck
1425 K Street, NW, Suite 800
Washington, DC 20005

Creativeputty
89 Hendrickson Avenue
Rockville Centre, NY 11570

Sandeep Aggarwal
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Digitaria Interactive, Inc.
350 Tenth Avenue, Suite 1200
San Diego, CA 92101

Savage Tournaments, Inc.
6648 Samba Avenue
Las Vegas, NV 89139

Eric Faulkner
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Scott Becher
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Daniel Perini
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

SportsBlogs, Inc.
1740 N Street, NW
Washington, DC 20036

Joanne Priam
32 Prince Crd
Brampton ON L7A 2C9
CANADA

Vito Iaia
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Katherine Kowal
2 Wisconsin Circle, Suite 300
Chevy Chase, MD 20815

Wiener & Garg
6000 Executive Boulevard, #520
Rockville, MD 20852

**Federated Sports + Gaming:
March-May 2012 Budget**

Category	Mar-12	Apr-12	May-12	Mar - May Totals
Cash Balance at Beginning of Period	15,085	40,625	1,574	15,085
Revenue/Cash inflow				
Revenue - HPT	285,000	100,000	290,000	675,000
Total inflow	285,000	100,000	290,000	675,000
Expenses / Cash outflow				
Business insurance	3,184	120	120	3,424
Computer expense	250	3,250	250	3,750
Database license	8,333	-	-	8,333
Employee health benefits	11,766	11,424	11,424	34,614
Equipment rental	690	690	690	2,070
Expense reimbursement	6,000	6,000	7,500	19,500
HPT - Event Labor	18,000	-	24,000	42,000
HPT - Expense Reimb.	11,800	8,000	8,000	27,800
Marketing and design	875	875	875	2,625
Rent	4,446	4,446	4,446	13,338
Salaries and wages	170,611	80,741	206,741	458,092
SMG Marketing	500	500	500	1,500
Hosting expense	2,000	2,000	2,000	6,000
Telephone and utilities	3,005	3,005	3,005	9,015
TV broadcasting	6,000	6,000	6,000	18,000
Website contents	3,000	3,000	3,750	9,750
Fargo Operating Expenses	1,500	1,500	1,500	4,500
DC Operating Expenses	7,500	7,500	6,000	21,000
	-			
Total Outflow	259,460	139,051	286,801	685,312
Cash, balance	40,625	1,574	4,773	4,773

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Debtor)	
*****)	
IN RE:)	
)	
FEDERATED HEARTLAND, INC.)	Case No. 12-13523-PM
)	(Chapter 11)
Debtor)	

**ORDER APPROVING DEBTORS' INTERIM USE OF CASH
COLLATERAL AND PROVIDING ADEQUATE PROTECTION
THEREFOR AND SETTING FURTHER HEARING**

WHEREAS, the Debtors, Federated Sports & Gaming, Inc. (“Federated Sports”) and Federated Heartland, Inc. (“Federated Heartland”) (collectively, the “Debtors”), have moved pursuant to 11 U.S.C. Sections 361, 362 and 363, and Federal Rules of Bankruptcy Procedure 4001(b) and 9014 for Interim and Final Orders authorizing the Debtors’ use of cash collateral and providing adequate protection therefor and scheduling a final hearing (the “Motion”) and

WHEREAS, after having held a preliminary hearing on the Motion, it appears that:

- (i) The Debtors filed Voluntary Petitions for relief under Chapter 11 of the United States Bankruptcy Code “Bankruptcy Code”) on February 28, 2012 (the “Petition Date”);
- (ii) Since the Petition Date, the Debtors have operated their businesses as Debtors-in-Possession;
- (iii) No trustee or examiner has been appointed and no official committee of creditors has been established;
- (iv) Cash collateral consists of cash on hand of approximately \$15,000 and accounts receivable totaling approximately \$115,000 (the “Cash Collateral”);
- (v) All In Production, LLP (“AIP”): Pursuant to the terms of a Senior Secured Promissory Note dated June 10, 2011, the Debtors promised to pay AIP the principal amount of \$2,950,000.00, plus interest (the “AIP Note”). The AIP Note was executed in connection with an Asset Purchase Agreement dated April 28, 2011 by and among AIP and Federated Sports, pursuant to which Federated Sports purchased assets from AIP. Pursuant to the terms of the AIP Note, by September 30, 2011, the Debtors were required to pay AIP the lesser of \$1,000,000.00 in principal and interest, or the then outstanding principal amount, plus all accrued unpaid interest. The AIP Note was to mature on December 15, 2011 at which time all unpaid principal and interest was due. The Debtors and AIP also executed a Security Agreement dated June 10, 2011 (the “AIP Security Agreement”) pursuant to which AIP obtained a first position security interest in all of the assets of Federated Heartland, except for certain liens granted to Starion Financial. AIP also filed a UCC Financing Statement with the Delaware Department of State on June 3, 2011. On September 30, 2011, the Debtors did not pay the \$1,000,000.00 to AIP pursuant to the terms of the AIP Note and on

December 15, 2011, Debtors did not pay all principal, interest and all other amounts due under the AIP Note. On January 9, 2012, the Debtors and AIP entered into a Forbearance and Settlement Agreement (the "AIP Forbearance Agreement"), pursuant to which, among other things, the Debtors paid AIP \$1,000,000.00, to be applied to their obligations under the AIP Note. Pursuant to the terms of the AIP Forbearance Agreement, provided no defaults occurred, the maturity date was extended to March 30, 2012. As of the Petition Date, the Debtors owed AIP a total of approximately \$1,966,052.00.

(vi) PNK Development 10, LLC, a wholly owned subsidiary of Pinnacle Entertainment, Inc. ("Pinnacle"): Pursuant to the terms of a Secured Promissory Note dated January 9, 2012, the Debtors promised to pay Pinnacle the principal amount of \$2,000,000.00 (the "Pinnacle Note"). The Pinnacle Note matures on February 29, 2012. In accordance with the Pinnacle Note, Pinnacle advanced \$2,000,000.00 to Debtors. \$1,000,000.00 of the funds Pinnacle advanced were utilized by the Debtors to pay down the AIP Note by \$1,000,000.00, as set forth above. Pursuant to the Pinnacle Note, Federated Sports granted Pinnacle a security interest in certain collateral (including cash and accounts) as security for the payment of the obligation under the Pinnacle Note. Pinnacle also filed a UCC Financing Statement with the Delaware Department of State on January 10, 2012. As of the Petition Date, the Debtors owed Pinnacle a total of approximately \$2,000,000.00.

(vii) The Debtors require the use of cash collateral, as defined in Section 363(a) of the Bankruptcy Code, in the ordinary course of its business to pay wages and expenses and to continue to operate their businesses; and

(viii) The Debtors' cash, and the proceeds of the other collateral, constitute cash collateral as defined in the Bankruptcy Code.

NOW, THEREFORE, upon consideration of the Motion, and having held a preliminary hearing on the Motion, and it appearing that the Motion and notice of the preliminary hearing were served on Pinnacle and AIP and all other parties entitled to be served with the Motion pursuant to Rule 4001(b) of the Federal Rules of Bankruptcy Procedure (collectively, "Notice Parties"), and it appearing that it is appropriate for this Court to approve the Debtors' use of cash collateral pursuant to the terms and conditions set forth below, it is by the United States Bankruptcy Court for the District of Maryland, hereby:

ORDERED, that the Debtors are authorized to use cash collateral provided that the Debtors strictly comply with the following terms and conditions of this Order:

1. Use of Cash Collateral by Debtors. The Debtors, until _____, 2012 (the "Interim Period"), shall be entitled to use the Cash Collateral in the ordinary course of their business for the purpose of paying operating expenses in accordance with the following terms and conditions. The Debtors, Pinnacle and AIP may extend the use of the Cash Collateral, without further order of the Court, upon the agreement of the Debtors, Pinnacle and AIP, which shall be evidenced by a Line filed with the Court extending the time period for use of the Cash Collateral. Debtors need not apply for permission to use cash or receivables generated from post-petition operations as such revenues/cash do not constitute cash collateral.

2. Payment of Budget Expenses. The Debtors may use the Cash Collateral only for the purposes set forth in the monthly operating budget (the "Budget") attached to the Motion as Exhibit 1. In addition, the Debtors may use Cash Collateral for purposes or in amounts not set forth

in the Budget (“Off Budget Items”), but only for such purposes and in such amounts as may be consented to in writing by Pinnacle and AIP and provided that notice is given to any creditors’ committee that may be formed in this case and the office of the United States Trustee.

3. Grant of Replacement Liens in Favor of Pinnacle and/or AIP.

Notwithstanding the provisions of Section 552(a) of the Bankruptcy Code, the Debtors hereby grant in favor of Pinnacle and/or AIP replacement liens in all assets of the Debtors which are or have been acquired, generated or received by the Debtors subsequent to the Petition Date, and proceeds of same, to the same extent, priority and validity as their pre-petition liens, to the extent Debtors’ use of the Cash Collateral results in a decrease in the value of Pinnacle’s and/or AIP’s interest in the Cash Collateral (the “Adequate Protection Liens”).

4. Perfection of Replacement Liens; Priority of Liens. The security interests

granted in this Order are deemed perfected without the necessity for filing or execution of documents which might otherwise be required under non-bankruptcy law for the perfection of said security interests. Such security interests and perfection shall be binding, to the extent that the post-petition liens granted herein replace properly perfected pre-petition liens, upon any subsequently appointed trustee either in Chapter 11 or any other Chapter of the Bankruptcy Code and upon all creditors of the Debtors who have extended or who may hereafter extend credit to the Debtors or the Debtors-in-Possession.

5. Effect of Order. The provisions of this Order and any actions taken pursuant

hereto shall survive the entry of any order (i) converting these cases to a Chapter 7 case; or (ii) dismissing these cases, and the terms and provisions of this Order, as well as the Adequate Protection Liens granted pursuant to this Order shall continue in full force and effect notwithstanding

the entry of any such order, and such claims and liens shall maintain their priority as provided by this Order and to the maximum extent permitted by law.

6. Further Hearing on Final Order. A further hearing to consider the relief requested in the Motion is scheduled for _____, 2012, at _____, __.m., Eastern time, before this Court. The Debtors shall promptly mail copies of this Order (which shall constitute adequate notice of the final hearing) to those parties having been given notice of the emergency interim hearing on the Motion, any other person required by applicable rules of bankruptcy procedure to receive such notice and to any other party that has filed a request for notices with this Court. Any party-in-interest objecting to the relief sought at the final hearing shall serve and file written objections; which objections shall be served upon: (a) Stephen A. Metz, Esquire, Shulman, Rogers, Gandal, Pordy & Ecker, P.A., 12505 Park Potomac Avenue, Sixth Floor, Potomac, Maryland 20854; and (b) the Office of the United States Trustee, 6305 Ivy Lane, Suite 600, Greenbelt, Maryland 20770, and shall be filed with the Clerk of the United State Bankruptcy Court, in each case to allow actual receipt by the foregoing no later than _____, 2012, at 4:00 p.m., Eastern time.

Copies to:

Stephen A. Metz, Esquire
Shulman, Rogers, Gandal, Pordy & Ecker, P.A.
12505 Park Potomac Avenue, Sixth Floor
Potomac, Maryland 20854

Office of the United States Trustee
6305 Ivy Lane, Suite 600
Greenbelt, Maryland 20770

END OF ORDER