

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
LOOT CRATE, INC., <i>et al.</i> , ¹)	Case No. 19- 11791 ()
)	
Debtors.)	(Joint Administration Requested)
)	

**MOTION OF THE DEBTORS FOR INTERIM AND FINAL ORDERS: (I)
APPROVING THE CONTINUED USE OF THE DEBTORS’ CASH
MANAGEMENT SYSTEM, BANK ACCOUNTS, AND BUSINESS
FORMS; (II) EXTENDING THE DEBTORS’ TIME TO COMPLY WITH
SECTION 345(b) OF THE BANKRUPTCY CODE;
AND (III) GRANTING RELATED RELIEF**

Loot Crate, Inc., Loot Crate Holdings, Inc., LC Funding, Inc., and Loot Crate Parent, Inc. (collectively, the “*Debtors*”) file this Motion (the “*Motion*”) for interim and final orders (substantially in the form attached hereto as Exhibit A, the “*Interim Order*” and “*Final Order*,” respectively), authorizing the Debtors to continue to use their existing bank accounts and business forms, extending time to comply with Section 345 of the Bankruptcy Code, and for related relief. In support of this Motion, the Debtors respectfully represent as follows:

Background

1. On August 11, 2019 for Loot Crate Inc. and Loot Crate Holdings, Inc., and on August 12, 2019 for LC Funding, Inc. and Loot Crate Parent, Inc. (for each Debtor, the “*Petition Date*”), the Debtors filed voluntary petitions with this Court under Chapter 11 of Title 11 of the United States Code (the “*Bankruptcy Code*”). By a motion filed on the *Petition Date*, the Debtors have requested that their Chapter 11 cases (collectively, the “*Cases*”) be consolidated

¹ The Debtors are the following four entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Loot Crate, Inc. (7119); Loot Crate Holdings, Inc.; LC Funding, Inc.; and Loot Crate Parent, Inc. The Debtors’ noticing address in these Chapter 11 cases is 3401 Pasadena Avenue, Los Angeles, CA 90031.

for procedural purposes only and administered jointly. The Debtors are authorized to continue to operate and manage their businesses and assets as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. The Debtors operate a subscription box service that caters to fandom and enthusiasts through “crates” curated with “geek and gamer products” each month. The Debtors partner with industry leaders in entertainment, gaming, sports, and pop culture to deliver monthly themed crates, produce interactive experiences and digital content, and film original video productions. Products include exclusive shirts, gear, and gadgets, as well as limited edition collectibles. Since 2012, more than 32 million crates have been shipped. The Debtors are the worldwide leader in pop-culture subscription boxes, and currently have over 250,000 subscribers.

3. Further information about the Debtors and these Cases, a corporate chart showing the structure of the Debtors, and pertinent facts in support of this Motion can be found in the *Declaration of Stuart Kaufman in Support of First Day Motions and Related Relief* (the “*First Day Declaration*”)² D.I. 4, which is incorporated by reference.

4. No Committee, trustee, or examiner has been appointed in these Cases.

Jurisdiction, Venue, and Statutory Predicate

5. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(A) and (M).

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the First Day Declaration.

6. Venue of these Cases is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

7. The statutory predicates for the relief requested in this Motion are Sections 345 and 363(c)(1) of the Bankruptcy Code, Rules 6004 of the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and Rule 2015-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “*Local Rules*”).

Relief Requested

8. By this Motion, the Debtors respectfully request the entry of the Interim Order and Final Order:

(a) approving the Debtors’ continued use of their current cash management system and business forms;

(b) granting the Debtors a thirty day extension to comply with the requirements of Section 345(b) of the Bankruptcy Code with respect to the Debtors’ deposit practices and certain requirements in the Operating Guidelines for Chapter 11 Cases for the District of Delaware (the “*UST Guidelines*”) maintained by the Office of the United States Trustee for Region 3 (the “*U.S. Trustee*”) with respect to the Debtors’ existing bank accounts (the “*Bank Accounts*”); and

(c) authorizing all banks participating in the Debtors’ cash management system to honor certain transfers and charge bank fees and certain other amounts.

Facts Relevant to This Motion

9. The Debtors, as affiliated entities, historically have employed a consolidated cash management system (the “*Cash Management System*”) encompassing four domestic bank accounts (the “*Bank Accounts*”) at financial institutions insured by the Federal Deposit Insurance Corporation (the “*FDIC*”), which are used in the collection, management, and disbursement of funds in the day-to-day operation of the Debtors’ businesses. A schematic of the Cash Management System is set forth on Exhibit B.

10. The following is a detailed description of the various Bank Accounts within the Cash Management System:

(a) **Depository Account**. As more fully described in the First day Declaration, the Debtors operate on a pre-paid subscription basis; these payments are made exclusively via credit card (making up the vast majority), PayPal, and then one-off electronic payment systems such as Stripe and Amazon Pay. The applicable processor for these payment systems charges the consumer for the crate (or other goods) plus applicable sales taxes, and then deposits such funds, less a holdback for credit card chargebacks and the like, into a depository account maintained at First Republic Bank (account number ending in 5897, the “*Depository Account*”). The Depository Account is subject to a deposit account control agreement with the successor to the Debtors’ prepetition secured lender, Midtown Madison Management LLC.

(b) **Operating Account**. As and when the Debtors require cash for operations, they submit draw requests for funds to be transferred from the Depository Account into the Debtors’ primary operating account maintained with JPMorgan Chase (account number ending in 7016, the “*Operating Account*”). The Operating Account is used to fund the Payroll Account (described below), and all operating expenses – *i.e.*, vendor payments, rent payments, tax payments, and the like. From time to time, the Debtors will also receive one-off checks or refunds (such as from a refunded deposit after a trade show) that they deposit directly into the Operating Account, but this is typically a *de minimis* amount each month.

(c) **Payroll Account**. The Debtors maintain a separate payroll account with JPMorgan Chase (account number ending in 7016, the “*Payroll Account*”). The Debtors do not maintain a significant balance in the Payroll Account; rather it is a “zero balance account” from

which the Debtors' payroll processor pulls funds directly at each pay period, and such funds are automatically pulled from the Operating Account.

(d) **Unused Account.** The Debtors maintain an operating account with First Republic Bank that is largely dormant and carries a *de minimis* balance (account number ending in 6820, the "*Unused Account*"). As the Debtors continue to evaluate their Cash Management System in connection with their efforts to maximize value for stakeholders in these Cases, the Debtors may close the Unused Account.

11. The Debtors also maintain a corporate credit card with JPMorgan Chase, which is used for vendors that must be paid immediately, vendors that require "auto-charging" on a regular basis, or vendors that only accept or require credit cards (the "*Credit Card*"). The Credit Card is required to have a credit balance of \$60,000 on it; as and when the Debtors use the Credit Card or vendors debit such card, the Debtors deposit more funds on the Credit Card so that the balance remains at or above \$60,000. The Credit Card is not a "Bank Account" for which relief is technically sought under this Motion or Section 345, but reference to it is included in the interests of completeness in understanding how the Debtors receive funds and pay bills.

Basis for Relief

A. The Continued Use of the Cash Management System Is in the Best Interests of the Debtors' Respective Estates and Creditors.

12. The UST Guidelines require all Chapter 11 debtors to: (a) close existing bank accounts; (b) open new debtor in possession accounts; and (c) maintain separate debtor in possession accounts for various items. *Operating Guidelines for Chapter 11 Cases*, pp. 1-2.³ Similarly, the Guidelines require all checks by Chapter 11 debtors to "bear the name of the

³ Available at https://www.justice.gov/ust-regions-r03/file/ch11opguide_de.pdf/download.

debtor, the designation “Debtor in possession,” the bankruptcy case number, and the type of account and must be pre-numbered by the bank.” *Id.* p. 2.

13. In contrast, this Court’s Local Rules provide that: “[w]here the debtor uses pre-printed checks, upon motion of the debtor, the Court may, without notice and hearing, permit the debtor to use its existing checks without the designation ‘Debtor-in-Possession’ and use its existing bank accounts. However, once the debtor’s existing checks have been used, the debtor shall, when reordering checks, require the designation ‘Debtor-in-Possession’ and the corresponding bankruptcy number on all such checks.” Del. Bankr. L.R. 2015-2(a). Pursuant to this Local Rule and the case law described below, the Debtors request that the Court allow them to continue to use their Cash Management System without being required to include the legend “Debtor-in-Possession” and the corresponding bankruptcy case number on any existing business forms or checks, provided that any new checks ordered by the Debtors will contain the designation “Debtor-in-Possession” and the corresponding bankruptcy case number.

14. Compliance with the UST Guidelines would significantly disrupt the Debtors’ Cash Management System. The Cash Management System enables the Debtors to (a) control and monitor corporate funds, (b) ensure cash availability, and (c) reduce costs and administrative expenses by facilitating the movement of funds, thereby increasing the efficiency of their business operations. It would be disruptive and administratively burdensome to require the Debtors to close their existing Bank Accounts and open new bank accounts at the very outset of these bankruptcy cases. Altering the Cash Management System may delay the receipt of payments from customers and disrupt payments to key vendors and employees (among others) at a time when the support of these key constituencies is most critical. Therefore, it is essential that

the Debtors be permitted to continue to use their Cash Management System in accordance with their existing cash management procedures.

15. Similarly, the Debtors use various pre-printed checks and other business forms. By virtue of the nature and scope of the Debtors' business operations and the large number of suppliers, as well as key parties with whom the Debtors deal on a regular basis, it is important that the Debtors be permitted to continue to use their existing checks and other business forms without alteration or change.

16. Bankruptcy courts routinely permit Chapter 11 debtors to maintain their existing cash management systems and generally treat requests for such relief as a relatively "simple matter." *In re Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). In granting such relief, courts recognize that an integrated cash management system "allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for the many different purposes that require cash." *In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *aff'd in relevant part*, 997 F.2d 1039, 1061 (3d Cir. 1993). And requiring separate accounts could "be a huge administrative burden and economically inefficient." *Id.* at 1061; *see also In re Southmark Corp.*, 49 F.3d 1111, 1114 (5th Cir. 1995) (stating that a cash management system allows a debtor "to administer more efficiently and effectively its financial operations and assets"); *Charter Co. v. Prudential Ins. Co. of Am. (In re Charter Co.)*, 778 F.2d 617, 621 (11th Cir. 1985) (holding that the debtors' post-petition use of their pre-petition "routine cash management system" was "entirely consistent" with applicable provisions of the Bankruptcy Code).

17. The Debtors further seek authority (although they do not expect to take such steps) to implement ordinary course changes to their Cash Management System as necessary to

maintain their continued operations. As part of these potential ordinary course changes, the Debtors request authority to open and close bank accounts; provided that (a) any new account must be established at a bank insured with the FDIC and organized under the laws of the United States or any state therein, and, in the case of accounts that may carry a balance exceeding the insurance limitations set thereby, at a bank that has executed a Uniform Depository Agreement with the U.S. Trustee or such bank that is willing to immediately execute such agreement, and (b) before opening or closing a bank account, the Debtors will give notice to the U.S. Trustee, their post-petition lender, and any official committees appointed in these Cases. The Debtors request that their banks and financial institutions (collectively, the “**Banks**”) be authorized to honor the Debtors’ requests to open or close any bank accounts.

18. The Debtors’ request for authorization to continue to use their Cash Management System is consistent with Section 363(c)(1) of the Bankruptcy Code, which authorizes a debtor in possession to “use property of the estate in the ordinary course of business, without notice or a hearing.” 11 U.S.C. § 363(c)(1). Section 363(c)(1) is intended to provide a debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business. *See, e.g., In re Roth Am., Inc.*, 975 F.2d 949, 952 (3d Cir. 1992); *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 796 (Bankr. D. Del. 2007). Included within the purview of Section 363(c) is a debtor’s ability to continue the routine transactions necessitated by its cash management system. *See Amdura Nat’l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.)*, 75 F.3d 1447, 1453 (10th Cir. 1996) (noting that certain post-petition transfers were “no more than a continuation of the routine transactions necessitated by the cash management systems the companies had adopted” and that a “debtor in possession under chapter 11 is generally authorized to continue operating its business”) (citing 11 U.S.C. § 363(c)).

19. The Debtors respectfully submit that the maintenance of the Cash Management System in substantially the same form as it existed prior to the Petition Date or as modified in the ordinary course of business is in the best interests of the Debtors' estates and creditors. Preserving a "business as usual" atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any substantial changes to the Cash Management System will (a) facilitate the Debtors' stabilization of their post-petition business operations and (b) assist the Debtors in their efforts to maximize value for the benefit of their stakeholders. Absent this relief, the Debtors' estates will be required to bear potentially significant and unnecessary expenses, which the Debtors respectfully submit is unwarranted.

20. The continued post-petition use of cash management systems and pre-printed checks and business forms requested here is similar to what has been approved as a routine matter in other Chapter 11 cases in this District. *See, e.g., In re FTD Companies, Inc.*, 19-11240 (LSS) [D.I. 281] (Bankr. D. Del. July 1, 2019) (allowing debtors to continue their existing cash management system); *In re M & G USA Corp.*, Case No. 17-12307 (BLS) [D.I. 1609] (Bankr. D. Del. June 22, 2018) (same).⁴

⁴ The referenced orders are voluminous and are accordingly not attached to this Motion. The Debtor's proposed counsel has copies of each order and will make them available to the Court or to any party that requests them.

B. The Court Should Allow the Debtors Thirty Days to Comply With the Requirements of Section 345(b) of the Bankruptcy Code.

21. The Debtors seek an initial thirty day extension from the Petition Date to: (a) comply with the requirements of Section 345(b) of the Bankruptcy Code and parallel requirements contained in the UST Guidelines (or make such other arrangements as agreed to with the U.S. Trustee's Office); (b) file a motion seeking authority to deviate from such requirements; or (c) seek a further extension or final waiver.

22. Pursuant to Section 345(b) of the Bankruptcy Code, for any deposit or other investment made by a debtor (except those insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States), the U.S. Trustee shall require from the debtor either (a) a bond in favor of the United States that is secured by the undertaking of a corporate surety approved by the U.S. Trustee or (b) the deposit of securities of the kind specified in Section 9303 of Title 31 of the United States Code.

23. Section 345(b) of the Bankruptcy Code provides further, however, that a bankruptcy court may allow the use of alternatives to these approved investment guidelines "for cause." 11 U.S.C. § 345(b)(2); *see also In re Serv. Merch. Co.*, 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999). In *Service Merchandise*, the court identified the following factors as a guide for determining whether "cause" exists to waive the requirements of Section 345(b) of the Bankruptcy Code:

- (a) the sophistication of the debtor's business;
- (b) the size of the debtor's business operations;
- (c) the amount of investments involved;

- (d) the bank ratings of the financial institutions where the debtor's funds are held;
- (e) the safeguards in place within the debtor's own business for ensuring the safety of the funds;
- (f) the debtor's ability to reorganize in the face of a failure of one or more of the financial institutions;
- (g) the benefit to the debtor of current practices;
- (h) the harm, if any, to the estate; and
- (i) the reasonableness of the debtor's request for relief from the Section 345(b) requirements in light of the overall circumstances of the case.

Serv. Merch., 240 B.R. at 896. Examining these factors, the *Service Merchandise* court concluded that “cause” existed because the debtors were “large, sophisticated [companies] with a complex cash management [system]” that had the ability to shift money as needed to ensure the safety of their funds. *Id.* Moreover, the benefits to the debtor of waiving the Section 345(b) requirements far outweighed any potential harm to the estate, and the failure to waive the requirements “would [have] needlessly handcuffed] the[] debtors’ reorganization efforts.” *Id.* at 896-97.

24. Local Rule 2015-2(b) provides that if a motion for a waiver under Section 345(b) of the Bankruptcy Code is filed on the first day of the case and there are more than 200 creditors — as is the case here — the court may grant an interim waiver. In light of the safety of the Debtors’ Bank Accounts, the Debtors respectfully request that, to the extent their practices do not comply with the requirements of Section 345(b) of the Bankruptcy Code, the Court extend the Debtors’ time to comply with Section 345(b) to thirty days from the Petition Date, without prejudice to the

Debtors' ability to seek a further or final waiver of those requirements. During the extension period, the Debtors will engage in discussions with the U.S. Trustee's Office and any statutory committee appointed in these Cases to determine whether modifications to their banking practices are appropriate under the circumstances.

25. Courts in this District have approved similar relief in other Chapter 11 cases. *See, e.g., In re Diesel USA, Inc.*, Case No. 19-10432 (MFW) [D.I. 80] (Bankr. D. Del. Apr. 3, 2019) (final order granting extension of forty-five days from entry of order, i.e., seventy-four days from the petition date); *In re Egalet Corp.*, Case No. 18-12439 (BLS) [D.I. 161] (Bankr. D. Del. Nov. 29, 2018) (final order granting extension of sixty days from the petition date); *In re Gulfmark Offshore, Inc.*, Case No. 17-11125 (KG) [D.I. 61] (Bankr. D. Del. May 18, 2017) (interim order granting extension of forty-five days from entry of the order, i.e. forty-six days from the petition date, before final order granted a full waiver).⁵

C. The Court Should Authorize Banks Participating in the Cash Management System to Honor Certain Transfers and Charge Bank Fees and Certain Other Amounts.

26. Contemporaneously with the filing of this Motion, the Debtors have filed various motions for authorization to pay certain pre-petition obligations in the ordinary course of business. With respect to certain of these obligations, the Debtors issued checks prior to the Petition Date that have yet to clear the banking system. With respect to other obligations, the Debtors intend to issue checks post-petition on account of such pre-petition obligations once the Court enters an order permitting the Debtors to take such action. The Debtors intend to inform their Banks which pre-petition checks the Banks should honor pursuant to orders of the Court authorizing such payment.

⁵ The referenced orders are voluminous and are accordingly not attached to this Motion. The Debtor's proposed counsel has copies of each order and will make them available to the Court or to any party that requests them.

27. As a result of the foregoing, the Debtors request that the Banks be authorized to accept and honor all representations from the Debtors as to which checks, drafts, wires, or ACH transfers (each, a “*Disbursement*”) should be honored or dishonored consistent with any order of this Court and governing law, whether such Disbursements are dated prior to, on, or after the Petition Date; provided, however, that, to the extent the Debtors direct the Banks to dishonor any Disbursements or the Banks inadvertently dishonor any Disbursements, the Debtors may issue a replacement Disbursement consistent with the orders of this Court. Pursuant to the relief requested in this Motion, the Banks will not be liable to any party on account of (a) following the Debtors’ instructions or representations as to any order of this Court, (b) honoring any pre-petition check or item in a good-faith belief that the Court has authorized such pre-petition check or item to be honored, or (c) making an innocent mistake despite implementation of reasonable item-handling procedures. Such relief is reasonable and appropriate because the Banks are not in a position to independently verify or audit whether a particular item may be paid in accordance with a Court order or otherwise.

28. Additionally, the Debtors request authority for the Banks to charge and the Debtors to pay or honor both pre-petition and post-petition service and other fees, costs, charges, and expenses to which the Banks may be entitled under the terms of and in accordance with their contractual arrangements with the Debtors (collectively, the “*Bank Fees*”). The Debtors pay only a few thousand in Bank Fees per month – the attached schematic shows that the Debtors do not have a complex cash management system - and expect to pay approximately that amount on a monthly basis going forward. The Debtors also request the Banks be authorized to charge back returned items to the Bank Accounts in the normal course of business. The Debtors require this relief to minimize disruption of the Cash Management

System and their Bank Accounts and to assist them in accomplishing a smooth transition to operating in Chapter 11.

29. Courts in this District have approved similar relief in other Chapter 11 cases. *See, e.g., In re Diesel USA*, Case No. 19-10432 (MFW) [D.I. 80] (Apr. 3, 2019) (authorizing the debtor's banks to honor certain transfers, charge certain fees, and charge back returned items); *In re The Bon-Ton Stores, Inc.*, Case No. 18-10248 (MFW) [D.I. 307] (Mar. 6, 2018) (same).⁶

Requests for Immediate Relief and Waiver of Stay

30. Bankruptcy Rule 6003 provides that, “[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, grant relief regarding . . . a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate” Fed. R. Bankr. P. 6003(b). The Debtors submit that, because the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein, Bankruptcy Rule 6003 has been satisfied. In addition, in order to implement the foregoing successfully, the Debtors respectfully request a waiver of the fourteen-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h). Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). As set forth above, the use of estate property and the payments proposed herein are essential to prevent potentially irreparable damage to the operations and value of the Debtors. Accordingly, the

⁶ The referenced orders are voluminous and are accordingly not attached to this Motion. The Debtor's proposed counsel has copies of each order and will make them available to the Court or to any party that requests them.

Debtors submit that cause exists to justify a waiver of the fourteen-day stay imposed by Bankruptcy Rule 6004(h), to the extent applicable.

Reservation of Rights

31. Nothing in this Motion: (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to Section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors, (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to the validity, priority, or amount of any claim against the Debtors and their estates, or (c) shall be construed as a promise to pay a claim.

No Prior Request

32. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

Consent to Jurisdiction

33. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court would lack Article III jurisdiction to enter such final order or judgment absent consent of the parties.

Notice

34. Notice of this Motion will be given to the following parties, or to their counsel: (a) the Office of the United States Trustee for the District of Delaware; (b) the Debtors' thirty largest unsecured creditors on a consolidated basis, as identified in their Chapter 11 petitions; (c) counsel to Money Chest, LLC, the Debtors' proposed post-petition Lender; and (d) Wells Fargo Bank, National Association. As this Motion is seeking first-day relief, notice of this Motion and any order entered hereon will be served on all parties entitled to notice pursuant to

Local Rule 9013-1(m). In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form attached hereto, granting the relief requested herein and granting the Debtors such other relief as the Court deems appropriate.

Dated: August 12, 2019
Wilmington, Delaware

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Proposed counsel to the Debtors and Debtors in Possession

EXHIBIT A
Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
LOOT CRATE, INC., <i>et al.</i> , ¹)	Case No. 19- 11791 ()
)	
Debtors.)	(Joint Administration Requested)
)	
)	Related Docket No. 7

**INTERIM ORDER GRANTING MOTION OF THE DEBTORS FOR (I) CONTINUED
USE OF THE DEBTORS’ CASH MANAGEMENT SYSTEM, BANK ACCOUNTS,
AND BUSINESS FORMS; (II) EXTENDING THE DEBTORS’
TIME TO COMPLY WITH SECTION 345(b)
OF THE BANKRUPTCY CODE; AND (III) RELATED RELIEF [D.I. 7]**

Upon the Motion (the “*Motion*”)² of the above-debtors in possession (collectively, the “*Debtors*”) for entry of this Order pursuant to Sections 345 and 363(c)(1) of the Bankruptcy Code, Bankruptcy Rule 6004, and Local Rule 2015-2, authorizing the Debtors to continue to use their existing bank accounts and business forms, extending time to comply with Section 345 of the Bankruptcy Code, and related relief, as further described in the Motion; and this Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012; and consideration of the Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(A) and (M); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and

¹ The Debtors are the following four entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Loot Crate, Inc. (7119); Loot Crate Holdings, Inc.; LC Funding, Inc.; and Loot Crate Parent, Inc. The Debtors’ noticing address in these Chapter 11 cases is 3401 Pasadena Avenue, Los Angeles, CA 90031.

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and upon the record of any hearing held to consider the relief requested in the Motion and upon the First Day Declaration and all proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and the relief as requested in the Motion is necessary and appropriate to prevent immediate and irreparable harm to the Debtors' business operations and will serve to protect and preserve the Debtors' estates for the benefit of all stakeholders and, thus, cause exists to authorize the Debtors continued use of the Cash Management System and business forms immediately notwithstanding Bankruptcy Rule 6003; and there being good cause to waive the 14-day stay imposed by Bankruptcy Rule 6004(h) to the extent applicable; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation, and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. The Debtors are authorized to maintain the Cash Management System as described in the Motion.
3. The Debtors are authorized to maintain and continue to use the Bank Accounts under the pre-petition account numbers, pay any associated fees for such Bank Accounts, and otherwise treat the Bank Accounts as the accounts of the debtors in possession for all purposes. Those certain existing deposit agreements between the Debtors and the Banks shall continue to govern the post-petition cash management relationship between the Debtors and the Banks, and

all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect.

4. Either the Debtors or the Banks may, without further order of this Court, implement changes to the Debtors' Cash Management System in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, in accordance with the terms of any orders governing the Debtors' use of cash collateral or post-petition financing.

5. The Banks are hereby authorized to continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession without interruption and in the usual and ordinary course, and to receive, process, honor, and pay any and all checks and drafts drawn on, or electronic transfer requests made on, the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be. The Banks are authorized to rely on the Debtors' representations as to whether any pre-petition checks or other amounts drawn on the Bank Account should be honored or dishonored.

6. Notwithstanding any other provision of this Interim Order, no Bank that honors a pre-petition check or other item drawn on any account that is the subject of this Interim Order (a) at the direction of the Debtors, (b) in good faith belief that the Court has authorized such pre-petition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of reasonable item handling procedures, shall be deemed to be liable to the Debtors, their estates, or any other party on account of such pre-petition check or other item being honored post-petition, or otherwise deemed to be in violation of this Interim Order.

7. Each of the Debtors' Banks is authorized to debit the Debtors' accounts in the ordinary course of business without the need for further order of this Court for: (i) all checks

drawn on the Debtors' accounts which are cashed at such Bank's counters or exchanged for cashier's checks by the payees thereof prior to the Petition Date; (ii) all checks or other items deposited in one of Debtor's accounts with such Bank prior to the Petition Date which have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtor was responsible for such items prior to the Petition Date; and (iii) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System.

8. For any Banks at which the Debtors hold bank accounts that are party to a Uniform Depository Agreement with the U.S. Trustee, within fifteen days of the date of entry of this Order the Debtors shall (a) contact each bank, (b) provide the bank with each of the Debtors' employer identification numbers, (c) identify each of their bank accounts held at such banks as being held by a debtor in possession in a bankruptcy case, and (d) provide the bankruptcy jointly administered case number.

9. For banks at which the Debtors hold accounts that are not party to a Uniform Depository Agreement with the U.S. Trustee, the Debtors shall use their good-faith efforts to cause the banks to execute a Uniform Depository Agreement in a form prescribed by the U.S. Trustee within forty-five days of the date of this Order. The U.S. Trustee's rights to seek further relief from this Court on notice in the event that the aforementioned banks are unwilling to execute a Uniform Depository Agreement in a form prescribed by the U.S. Trustee are fully reserved.

10. The Debtors are authorized to use existing check stock and forms in their current fashion, without stamping debtor in possession or DIP on such items, provided that if the

Debtors re-order any such stock or forms, they shall so stamp such items or include other appropriate legend.

11. The Debtors shall have a thirty day extension of time to otherwise comply with Section 345(b) of the Bankruptcy Code.

12. Notwithstanding anything contained herein, despite the Debtors' use of consolidated Cash Management System, the Debtors shall calculate quarterly fees under 28 U.S.C. § 1930(a)(6) based on the disbursements of each Debtor, regardless of which Debtor pays those disbursements.

13. Nothing in this Interim Order: (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to Section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors, (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to the validity, priority, or amount of any claim against the Debtors and their estates, or (c) shall be construed as a promise to pay a claim.

14. Notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise, the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry and the requirements of Bankruptcy Rule 6004(h) are hereby waived.

15. The notice described in the Motion is sufficient and any requirement of further or different notice is hereby waived.

16. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

17. The Debtors are directed, within forty-eight hours of the entry of this Interim Order, to serve a copy hereof upon all the parties that were served with the Motion, along with

any parties that have filed notices of appearance in these Cases since the filing of the Motion, the foregoing constituting all parties required to be served pursuant to Local Rule 9013-1(m)(iii).

18. This Court shall retain exclusive jurisdiction with respect to any and all matters, claims, rights, or disputes arising from or related to the implementation or interpretation of this Interim Order.

19. A hearing to consider entry of a final order on the Motion is scheduled for _____, 2019, at __:__ __.m. (prevailing Eastern Time) before the Honorable _____, United States Bankruptcy Judge, _____, at the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801. Objections to final relief on the Motion shall be in writing and filed with the Clerk of the Court no later than on _____, 2019, at 4:00 p.m. (prevailing Eastern Time), with copies served upon: **(i)** proposed counsel to the Debtors, (a) Robinson & Cole LLP, 1000 N. West Street, Suite 1200, Wilmington, Delaware 19801 (Attn: Jamie L. Edmonson, email: jedmonson@rc.com), and (b) Bryan Cave Leighton Paisner LLP, 1201 W. Peachtree Street, NW, 14th Floor, Atlanta, Georgia 30309-3471 (Attn: Mark Duedall, email: mark.duedall@bclplaw.com and Andrew J. Schouler, email: andrew.schouler@bclplaw.com), **(ii)** counsel for the DIP Lender, (a) Cooley LLP, 1114 Avenue of the Americas, New York, NY 10036 (Attn: Cathy Hershcopf, email: chershcopf@cooley.com), and (y) Bayard P.A., 600 North King Street, Ste. 400, Wilmington, DE 19801 (Attn Erin R. Fay email: efay@bayardlaw.com; **(iii)** counsel to any statutory committee appointed in these Cases; and **(iv)** the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Building, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801 (Attn: _____, email: _____).

_____@usdoj.gov). If no objections to entry of a final order on the Motion are timely received, this Court may enter such final order without further notice or hearing.

EXHIBIT B
Cash Management System Schematic

