

CANDACE C. CARLYON (Nev. State Bar No. 002666)  
CLARK HILL PLLC  
3800 Howard Hughes Parkway, Suite 500  
Las Vegas, NV 89169  
Telephone: 702-862-8300  
Facsimile: 702-862-8400  
Email: CCARLYON@CLARKHILL.COM

JOHN-PATRICK M. FRITZ (Admitted *Pro Hac Vice*)  
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.  
10250 Constellation Boulevard, Suite 1700  
Los Angeles, California 90067  
Telephone: (310) 229-1234  
Facsimile: (310) 229-1244  
Email: JPF@LNBYB.COM

Counsel for Chapter 11 Debtors and  
Debtors in Possession

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re:  
  
STEAM DISTRIBUTION, LLC,  
  
Chapter 11 Debtor and Debtor in Possession

Lead Case No. 18-11598-abl

Chapter 11

Jointly Administered With:

18-11599 HAVZ, LLC dba STEAM  
WHOLESALE  
18-11600 ONE HIT WONDER, INC.

☐ Affects STEAM DISTRIBUTION, LLC,  
Only

☐ Affects HAVZ, LLC dba STEAM  
WHOLESALE Only

☐ Affects ONE HIT WONDER, INC. Only

☒ Affects All Debtors

Hearing Date: December 12, 2018

Hearing Time: 1:30 p.m.

Location: 300 Las Vegas Blvd. South  
Las Vegas, NV 89101  
Courtroom 1, Third Floor

**MOTION FOR, AND MEMORANDUM OF POINTS AND AUTHORITIES  
IN SUPPORT OF, ENTRY OF FINAL ORDER: (I) AUTHORIZING  
DEBTORS CONTINUED USE OF CASH COLLATERAL PURSUANT TO  
11 U.S.C. § 363; (II) GRANTING CONTINUED ADEQUATE PROTECTION  
TO PRE-PETITION SECURED CREDITORS PURSUANT TO 11 U.S.C.  
§§ 105, 361, 363, 503 AND 507; AND (III) GRANTING RELATED RELIEF**

1  
2 The Debtors (defined below), in each of their respective Chapter 11 cases, hereby move the  
3 Court (the "Motion") for entry of a final order (i) authorizing the Debtors to use continue to use  
4 cash collateral, (ii) providing continued adequate protection to secured creditors, and (iii) granting  
5 related relief.

6 This Motion is made and based upon the Points and Authorities filed herewith, the  
7 concurrently filed Declaration of Robert Hackett (the "Hackett Declaration") in support of the  
8 Motion, as well as the pleadings, papers and records on file in this action.

9 Respectfully submitted this 1<sup>st</sup> day of November, 2018.

10  
11 CLARK HILL PLLC

12 /s/ Candace C. Carlyon

Candace C. Carlyon (Nev. Bar No. 002666)

13 3800 Howard Hughes Parkway, Suite 500

Las Vegas, NV 89169

14 Telephone: 702-862-8300

Facsimile: 702-862-8400

15 CCARLYON@CLARKHILL.COM

16 -and-

17 LEVENE, NEALE, BENDER,  
18 YOO & BRILL L.L.P.

John-Patrick M. Fritz, Esq.

10250 Constellation Boulevard, Suite 1700

19 Los Angeles, California 90067

20 Telephone: (310) 229-1234

Facsimile: (310) 229-1244

21 JPF@LNBYB.COM

22 *Counsel for Debtors and Debtors in Possession*  
23  
24  
25  
26  
27  
28

## POINTS AND AUTHORITIES

I.SUMMARY

Pursuant to Rules 9006 and 9014 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Nevada (the “Local Rules”), sections 105, 361, 363(c), 503, and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (as amended, the “Bankruptcy Code”), and Rules 4001(b) and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Steam Distribution, LLC (“Steam”), Havz, LLC (“Havz”), and One Hit Wonder, Inc. (“OHW” and with Steam and Havz, collectively, the “Debtors” and each separately a “Debtor”), moved for interim and final approval of their use of cash collateral via motions filed on March 27, 2018. *See, e.g.*, docket entry no. 11 in the Steam Distribution, LLC matter, Case No. 18-11598-abl (the “Initial Motions”). Those Initial Motions were granted in accordance with the Debtors’ 13-week budget. *See, e.g.*, docket entry no. 49 (Interim Order) and docket entry no. 82 (Final Order). Thereafter, the Debtors sought and obtained approval for a six-month budget for the continued use of cash collateral, and continued provision of adequate protection to Debtors’ secured creditors, on the same terms previously approved, in accordance with the extended budget. *See, e.g.*, docket entry nos. 100, 101, and 146 (motion, declaration, and final order, respectively).

The Debtors have now developed a further six-month budget, and seek approval for the continued use of cash collateral, and continued provision of adequate protection to Debtors’ secured creditors, on the same terms previously approved, in accordance with the extended budget. A copy of Debtors’ ) six-month operating budget (the “Budget”), a copy of which is attached as **Exhibit “1”** hereto and to the separately and concurrently filed Declaration of Robert Hackett (the “Hackett Declaration”) in support of the Motion. A description of the Budget is set forth below in the annexed Memorandum of Points and Authorities. This Motion also relies on the separately filed declaration of John-Patrick M. Fritz, Esq. [docket entry no. 14], counsel for the Debtors, submitted in support of the Initial Motions. A form of proposed order is attached as **Exhibit “2”** hereto.

Pursuant to FRBP 4001, the Debtors submit that their requested interim relief pertaining to the Debtors' use of cash collateral does not (or does) contain any of the following provisions:

<b>Provision</b>	
Cross-collateralization clauses	Yes (to the same extent as existed prepetition)
Provisions or findings of fact that bind the estate or all parties in interest with respect to the validity, perfection or amount of the secured party's pre-petition lien or debt or the waiver of claims against the secured creditor.	No
Provisions or findings of fact that bind the estate or all parties in interest with respect to the relative priorities of the secured party's pre-petition lien.	No
Provisions that operate, as a practical matter, to divest the Debtors of any discretion in the formulation of a plan or administration of the estate or to limit access to the court to seek any relief under other applicable provision of law.	No
Waivers of 11 U.S.C. § 506(c), unless the waiver is effective only during the period in which the Debtors are authorized to use cash collateral or borrow funds.	No
Releases of liability for the creditor's alleged prepetition torts or breaches of Contract.	No
Waivers of avoidance actions arising under the Bankruptcy Code.	No
Provisions that deem prepetition secured debt to be postpetition debt or that use postpetition loans from a prepetition secured creditor to pay part or all of that secured creditor's prepetition debt	No
Provisions that provide disparate treatment for the professionals retained by a creditors' committee from that provided for the professionals retained by the Debtors with respect to a professional fee carve out	No
Provisions that prime any secured lien	No
Automatic relief from the automatic stay upon default, conversion to chapter 7, or appointment of a trustee.	No
Waivers of procedural requirements, including those for foreclosure mandated under applicable non-bankruptcy law, and for perfection of replacement liens.	No

Adequate protection provisions which create liens on claims for relief arising under 11 U.S.C. §§ 506(c), 544, 545, 547, 548 and 549.	No
Waivers, effective on default or expiration, of the Debtors' right to move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B) authorizing the use of cash collateral in the absence of the secured party's consent	No
Provisions that grant a lien in an amount in excess of the dollar amount of cash collateral authorized under the applicable cash collateral order.	No
Provisions providing for the paying down of prepetition principal owed to a creditor.	The payments to US Bank include regular monthly principal repayment.
Findings of fact on matters extraneous to the approval process.	No

## II.

### JURISDICTION

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. Pursuant to Local Rule 9014.2, the Debtors consent to the entry of a final order by Bankruptcy Judge on this Motion.

3. The statutory predicates for the relief requested in the Motion are 11 U.S.C. §§ 105 and 361, 363, 503, and 507.

## III.

### FACTS

4. Steam Distribution, LLC ("Steam"), Havz, LLC ("Havz"), and One Hit Wonder, Inc. ("OHW") and with Steam and Havz, collectively, the "Debtors" and each separately a "Debtor"), filed voluntary bankruptcy petitions commencing their chapter 11 bankruptcy cases on March 26, 2018 (the "Petition Date").

1           5.       The Debtors operate as a single joint enterprise in the business of manufacture,  
2 distribution, wholesale, and retail sale of vape juice for electronic cigarettes, also known as e-  
3 cigarettes or e-cigs. Steam manufactures the product and performs warehouse fulfillment with two  
4 warehouse employees. Havz is the wholesale distributor of the Debtors' enterprise. Havz also  
5 maintains the records for the Debtors, employs sales representatives, and operates a call center to  
6 market the products to other wholesale distributors and retail stores, with 17 employees. OHW has  
7 the website for retail sales and no employees. Hackett Declaration ¶¶ 8-9.

9           6.       On April 9, 2018, this Court entered orders granting the Debtors' Motions for Joint  
10 Administration. *See, e.g.*, docket entry no. 56. The United States Trustee formed an official  
11 committee of unsecured creditors in Steam's bankruptcy case on May 18, 2018. No trustee has  
12 been appointed. The Debtors are operating their business, managing their financial affairs, and  
13 administering their estates as debtors in possession pursuant to 11 U.S.C. §§ 1107 and 1108. The  
14 Court has entered orders jointly administering the Debtors' bankruptcy cases with Steam's case as  
15 the lead case.

17           7.       The Debtors have three secured creditors. *See* Hackett Declaration ¶¶ 27-30.

18           8.       U.S. Bank, National Association ("US Bank") has a claim of \$75,000 against Havz  
19 for a small business loan line of credit secured by a senior lien on Havz's accounts, inventory,  
20 equipment, fixtures, instruments, documents, chattel paper, investment property, deposit accounts,  
21 letter of credit rights, and all accessions to, replacements, and proceeds thereof.

23           9.       Mini-Gadgets, Inc. ("Mini-Gadgets") has a claim against all the Debtors for  
24 \$100,000 for a loan secured by a senior blanket lien on all the assets of Steam and OHW and by a  
25 senior lien on Havz's trademarks, intellectual property, and general intangibles (which is  
26 essentially all of the collateral not subject to US Bank's lien).



10. Ryan Alan Neely ("Neely") has a claim against all the Debtors for \$150,000 for a loan secured by a junior blanket lien on the same collateral that is subject to Mini-Gadgets' lien.

11. Additional facts in support of this Motion are set forth in the separately and concurrently filed declaration of Robert Hackett (the "Hackett Declaration") and are incorporated by reference.

#### IV.

#### DISCUSSION

##### **A. The Debtors Must Be Authorized to Use Cash Collateral to Operate, Maintain and Preserve Their Business in Accordance with the Budget and the Other Manners Described Above**

The Debtors' use of property of their estates is governed by section 363 of the Bankruptcy Code. Section 363(c)(1) provides in pertinent part:

If the business of the debtor is authorized to be operated under section. . .1108. . . of this title and unless the court orders otherwise, the trustee may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. §363(c)(1). A debtor in possession has all of the rights and powers of a trustee with respect to property of the estate, including the right to use property of the estate in compliance with Section 363. See 11 U.S.C. §1107(a).

"Cash collateral" is defined as "cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents in which the estate and an entity other than the estate have an interest. . . ." 11 U.S.C. §363(a). Section 363(c)(2) establishes a special requirement with respect to "cash collateral," providing that the trustee or debtor in possession may use "cash collateral" under subsection (c)(1) if:

(A) each entity that has an interest in such cash collateral consents; or

(B) the court, after notice and a hearing, authorizes such use, sale or lease in accordance with the provisions of this section.

See 11 U.S.C. §363(c)(2)(A) and (B).

It is well settled that it is appropriate for a Chapter 11 debtor to use cash collateral for the purpose of maintaining and operating its property. 11 U.S.C. § 363(c)(2)(B); In re Oak Glen R-Vee, 8 B.R. 213, 216 (Bankr.C.D.Cal.1981); In re Tucson Industrial Partners, 129 B.R. 614 (9th Cir.B.A.P.1991). In addition, where the debtor is operating a business, it is extremely important that the access to cash collateral be allowed in order to facilitate the goal of reorganization: “the purpose of Chapter 11 is to rehabilitate debtors and generally access to cash collateral is necessary to operate a business.” In re Dynaco Corporation, 162 B.R. 389 (Bankr.D.N.H.1993), quoting In re Stein, 19 B.R. 458, 459. (Bankr.E.D.Pa.1982).

The only sources of revenue available to the Debtors to use to operate, maintain and preserve their business are the Debtors’ cash existing on the Petition Date and the Debtors’ post-petition operating revenue. As a result, the Debtors have no ability to continue to operate their business and maintain and preserve the going-concern value of their business unless the Debtors have immediate access to and use of their cash to pay the Debtors’ ordinary operating expenses, including, but not limited to, payroll, utilities, insurance, equipment maintenance, and rent.

The expenses the Debtors currently project that they must be able to pay are those expenses set forth in the Budget. The Debtors’ inability to pay those expenses would cause irreparable harm to the Debtors, their business and these bankruptcy estates. Indeed, the Debtors’ inability to pay such basic and critical operating expenses such as payroll, utilities, insurance, and rent would result in the immediate closure of the Debtors’ business, termination of approximately 19 jobs, the loss of the Debtors’ good will, intellectual property, and well-regarded standing and reputation in their industry, and the decimation of the substantial overall going-concern value of the Debtors’ business.



1 In addition to those expenses set forth in the Budget, the Debtors also seek authority to use  
2 cash collateral to pay for the following: (a) all quarterly fees owing to the Office of the United  
3 States Trustee and all expenses owing to the Clerk of the Bankruptcy Court; and (b) all actual  
4 third-party, outside expenses incurred by the Debtors (or its counsel) directly related to the  
5 administration of the Debtors' bankruptcy estates (for items such as photocopying, postage,  
6 searches, etc.), not to exceed the total sum of \$5,000 per month. In addition, the Debtors seek  
7 authority to deviate from the line items contained in the budget by not more than 15%, on both a  
8 line item and aggregate basis. Finally, because the Debtors are engaged in the manufacture,  
9 marketing, and sale of products, it is possible (and hopeful) that the Debtors' actual business level  
10 and therefore revenue will be higher than projected in the Budget, in which case the Debtors would  
11 need to spend proportionally more on raw materials and logistics to serve this increased volume. It  
12 is not possible for the Debtors to project with exact certainty the level of business it will do over  
13 any period of time. The Debtors can only provide a reasonable estimate based upon all known  
14 facts and circumstances. As a result, to the extent the Debtors' actual business level and therefore  
15 revenue turn out to be higher than projected in the Budget, the Debtors request Court authority to  
16 increase the amount of its variable cost items related to raw materials, packaging, and logistics on a  
17 proportional basis.

21 **B. The Secured Creditors Are Adequately Protected by the Debtors' Continued Use of**  
22 **Cash Collateral, Proposed Payments, and Super-Priority Administrative Claim**

23 To the extent that an entity has a valid security interest in the revenues generated by  
24 property, those revenues constitute "cash collateral" under Section 363(a) of the Bankruptcy  
25 Code. Pursuant to Section 363(c)(2), the Court may authorize the debtor to use a secured  
26 creditor's cash collateral if the secured creditor is adequately protected. In re Mellor, 734 F.2d  
27  
28

1396, 1400 (9th Cir.1984). See also In re O'Connor, 808 F.2d 1393, 1398 (10th Cir.1987); In re McCombs Properties VI, Ltd., 88 B.R. 261, 265 (Bankr.C.D.Cal.1988) ("McCombs").

Pursuant to the Supreme Court case of United Savings Association v. Timbers of Inwood Forest Associates, 108 S.Ct. 626, 629 (1988) ("Timbers") and subsequent case law, the property interest that a debtor must adequately protect pursuant to sections 361(1) and (2) of the Bankruptcy Code is only the value of the lien that secures the creditor's claim. 108 S.Ct. at 630. See also McCombs, Id., at 266. Section 506(a) "limit[s] the secured status of a creditor (i.e., the secured creditor's claim) to the lesser of the [allowed amount of the] claim or the value of the collateral." McCombs, at 266.

In the case of an oversecured creditor, Section 506(a) and Timbers mandate that "there is no lack of adequate protection [even where there is] a decline in collateral value" provided the secured creditor remains oversecured. McCombs, Id., at 266; In re Chauncy Street Assoc. Ltd. Partnership, 107 B.R. 7, 8 (Bankr.D.Mass.1989). The Debtors believe that all of their assets are valued at \$4,100,000 going-concern value of their joint enterprise on a consolidated basis. The table below summarizes the Secured Creditors, their secured claims, and equity cushions providing adequate protection for the use of their cash collateral, on a consolidated basis.

Creditor	Claim	Value of Collateral Available	Equity Cushion
U.S. Bank	\$75,000.00	\$4,100,000.00	5366.67%
Mini-Gadgets	\$100,000.00	\$4,025,000.00	3925.00%
Neely	\$150,000.00	\$3,925,000.00	2516.67%

As demonstrated by the table above, each of the Secured Creditors is adequately protected by significant equity cushions. Moreover, even on a non-consolidated basis, the Secured Creditors are adequately protected by substantial equity cushions, as shown in these tables below, where U.S. Bank has a lien on inventory, with a liquidation value of \$600,000, and Mini-Gadgets and Neely

have a lien on IP, the company website, good will, and general intangibles (which liquidation value is calculated based on the pro-forma net profits until August 8, 2022, steeply discounted for a distressed sale, and then the \$600,000 of inventory value subtracted therefrom).

Creditor	Claim	Value of Collateral Available	Equity Cushion
U.S. Bank	\$75,000.00	\$600,000.00	700.00%
Mini-Gadgets	\$100,000.00	\$800,000.00	700.00%
Neely	\$150,000.00	\$700,000.00	366.67%

The Debtors believe that the collateral is not depreciating on a post-petition basis, and thus there is no need for the Debtors to be required to make adequate protection payments. Nonetheless, in order to provide the Secured Creditors with adequate protection against any potential post-petition decline in the value of their collateral, the Debtors propose to make regular monthly payments (with all parties reserving all rights to argue later as to the appropriate manner for those payments to be applied to the Secured Creditors' outstanding debt). The Debtors propose that U.S. Bank will receive regular monthly payments of principal and interest of \$1,451, and Mini-Gadgets will receive regular monthly interest-only payments of \$417. Neely will receive regular monthly interest-only payments of \$625.

Additionally, each of the Secured Creditors is adequately protected by the Debtors' continuation of its business as a going concern and maintenance of the collateral. The preservation of the value of a secured creditor's lien is sufficient to provide adequate protection to a secured creditor when a debtor seeks to use cash collateral. In re Triplett, 87 B.R. 25 (Bankr.W.D.Tex.1988). See also In re Stein, 19 B.R. 458 (Bankr.E.D.Pa.1982). Therefore, the very use of cash collateral to run the Debtors' business is itself adequate protection for the Secured Creditors.

Furthermore, in determining adequate protection, Courts have stressed the importance of

1 promoting a debtor's reorganization. In In re O'Connor, supra, the Tenth Circuit stated:

2  
3 In this case, Debtors, in the midst of a Chapter 11 proceeding, have proposed to  
4 deal with cash collateral for the purpose of enhancing the prospects of  
5 reorganization. This quest is the ultimate goal of Chapter 11. Hence, the  
6 Debtor's efforts are not only to be encouraged, but also their efforts during the  
7 administration of the proceeding are to be measured in light of that quest.  
8 Because the ultimate benefit to be achieved by a successful reorganization  
9 inures to all the creditors of the estate, a fair opportunity must be given to the  
Debtors to achieve that end. Thus, while interests of the secured creditor whose  
property rights are of concern to the court, the interests of all other creditors  
also have bearing upon the question of whether use of cash collateral shall be  
permitted during the early stages of administration.

10 808 F.2d at 1937.

11 While not required to do so as the above-described law makes clear, as additional  
12 adequate protection to the Secured Creditors, the Debtors propose to pay monthly interest-only  
13 payments to the Secured Creditors, as set forth in the Budget. Finally, to the extent that this  
14 payment does not protect the Secured Creditors against any post-petition diminution in the value  
15 of their collateral, the Secured Creditors will receive super-priority administrative claims  
16 pursuant to section 507(b) of the Bankruptcy Code, which provides them with yet another form  
17 of adequate protection.

18 The Debtors cannot preserve the going-concern value of their business or maintain the  
19 collateral and business unless the Debtors are able to use its cash collateral to pay for their  
20 operating expenses and the other purposes identified herein. Without use of the cash collateral to  
21 operate the Debtors' business, the Debtors will be forced to shut down their operations and  
22 terminate 25 employees and the substantial going-concern value of the Debtors' business will be  
23 lost. Such a result would be catastrophic. Therefore, the Debtors urge the Court to grant this  
24 Motion and allow the Debtors to use cash collateral in accordance with the Budget and the other  
25 manners described above.

26 ///

V.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court:

(1) Grant the Motion as requested herein on a final basis.

(2) Find that adequate notice of the Motion has been provided.

(3) Authorize the Debtors to continue to use cash collateral as set forth in the six-month Budget with a deviation of up to 15% on an aggregate and line item basis .

(4) Authorize the Debtors to increase the amount of their variable cost items related to materials and logistics on a proportional basis if the Debtors' actual business level and therefore revenue are higher than projected in the Budget.

(5) Authorize the Debtors to use cash collateral, in addition to those expenses set forth in the Budget, to pay for the following: (a) all quarterly fees owing to the Office of the United States Trustee and all expenses owing to the Clerk of the Bankruptcy Court; and (b) all actual third-party, outside expenses incurred by the Debtors (or its counsel) directly related to the administration of the Debtors' bankruptcy estates (for items such as photocopying, postage, searches, etc.), not to exceed the total sum of \$5,000 per month.

(6) Provide continued adequate protection to the Secured Creditors, as set forth in the proposed Order.

(7) Waive any applicable stay, including under Bankruptcy Rule 4001(b), and provide for the immediate effectiveness of the order; and

///

///

///

(8) Grant such other and further relief as is appropriate under the circumstances of this case.

Dated: November 1, 2018

**CLARK HILL PLLC**

/s/ Candace C. Carlyon

Candace C. Carlyon (Nev. Bar No. 002666)

3800 Howard Hughes Parkway, Suite 500

Las Vegas, NV 89169

Telephone: 702-862-8300

Facsimile: 702-862-8400

CCARLYON@CLARKHILL.COM

-and-

**LEVENE, NEALE, BENDER,**

**YOO & BRILL L.L.P.**

John-Patrick M. Fritz, Esq.

10250 Constellation Boulevard, Suite 1700

Los Angeles, California 90067

Telephone: (310) 229-1234

Facsimile: (310) 229-1244

JPF@LNBYB.COM

*Counsel for Debtors and Debtors in Possession*



# EXHIBIT “1”

EXHIBIT “1”

Steam Distribution, LLC; HAVZ, LLC; and One Hit Wonder, Inc.  
6 Month Average Cash Flow Budget

	12/10-1/6 Month 1	1/7-2/3 Month 2	2/4-3/3 Month 3	3/4-3/31 Month 4	4/1-4/28 Month 5	4/29-5/26 Month 6	Total
<b>Incoming Cash Flow:</b>							
Average Weekly Income	\$ 517,500	\$ 533,025	\$ 549,016	\$ 565,486	\$ 582,451	\$ 599,924	\$ 3,347,402
Retained Earnings from Prior Month	\$ 33,186	\$ 23,643	\$ 24,010	\$ 47,305	\$ 68,665	\$ 88,270	
<b>Outgoing Cash Flow:</b>							
Average Raw Material Purchase	\$ 258,750	\$ 258,750	\$ 274,508	\$ 282,743	\$ 291,225	\$ 299,962	\$ 1,665,939
Advertising	\$ 7,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 5,000	\$ 7,000	\$ 28,000
Auto and Truck Expenses	\$ 1,500	\$ 1,500	\$ 1,000	\$ 1,000	\$ 1,200	\$ 1,200	\$ 7,400
Bank Service Fees	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 3,000
BOE Tobacco Tax	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 15,000
Computer and Internet Expenses	\$ 14,168	\$ 14,168	\$ 14,168	\$ 14,168	\$ 14,168	\$ 14,168	\$ 85,008
Dues and Subscriptions (Software licensing)	\$ 2,500	\$ 2,500	\$ 2,500	\$ 14,500	\$ 2,500	\$ 2,500	\$ 27,000
Commissions	\$ 4,500	\$ 2,500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 9,000
Insurance Expense	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 11,700	\$ 70,200
Merchant Account Fees	\$ 10,350	\$ 10,661	\$ 10,980	\$ 11,310	\$ 11,649	\$ 11,998	\$ 66,948
Office Expense and Supplies	\$ 1,700	\$ 1,500	\$ 700	\$ 700	\$ 900	\$ 900	\$ 6,400
Payroll	[1] \$ 94,457	\$ 82,259	\$ 82,259	\$ 82,259	\$ 82,259	\$ 82,259	\$ 505,753
Payroll Tax	[2] \$ 10,154	\$ 8,843	\$ 8,843	\$ 8,843	\$ 8,843	\$ 8,843	\$ 54,368
Legal Fees	[3] \$ 12,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 12,000	\$ 7,000	\$ 52,000
Licenses and Permits	\$ 6,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ 8,000
Rent	\$ 22,072	\$ 22,072	\$ 22,072	\$ 22,072	\$ 22,072	\$ 22,072	\$ 132,432
Repairs and Maintenance	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 5,000	\$ 5,000	\$ 18,000
Royalties	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 7,200
Shipping Expense	\$ 25,875	\$ 26,651	\$ 27,451	\$ 28,274	\$ 29,123	\$ 29,996	\$ 167,370
Shipping Fulfillment Expense	\$ 17,554	\$ 36,161	\$ 37,246	\$ 38,364	\$ 39,515	\$ 40,700	\$ 209,540
Shipping Supplies	\$ 2,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 2,000	\$ 2,500	\$ 11,500
Storage Rent	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,000
Telephone Expenses	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,000
Trade Show	\$ 5,500	\$ 15,000	\$ 5,000	\$ -	\$ -	\$ 4,000	\$ 29,500
Travel	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 5,600	\$ 11,600
US Trustee Quarterly Fee	\$ -	\$ 11,600	\$ -	\$ -	\$ 11,600	\$ -	\$ 23,200
Utilities	\$ 2,000	\$ 2,400	\$ 2,400	\$ 2,200	\$ 1,700	\$ 1,500	\$ 12,200
Franchise Tax Board	\$ 4,870	\$ -	\$ -	\$ 2,100	\$ -	\$ -	\$ 6,970
<b>Secured Creditor Payments:</b>							
Mini Gadgets Interest Only	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 2,502
Ryan Neely Interest Only	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 3,750
US Bank Principal and Interest	\$ 1,451	\$ 1,451	\$ 1,451	\$ 1,451	\$ 1,451	\$ 1,451	\$ 8,706
<b>Net Cash Flow</b>	<b>\$ 23,643</b>	<b>\$ 24,010</b>	<b>\$ 47,305</b>	<b>\$ 68,665</b>	<b>\$ 88,270</b>	<b>\$ 120,102</b>	<b>\$ 371,994</b>

**Notes and Sources:**

[1] By December of 2018, Steam will slowly transition all its shipping and fulfillment to E-Cig. Steam will maintain one warehouse employee after the transition is complete.

It will cost \$0.38 per wholesale bottle and \$1.85 per retail bottle for E-Cig to provide its services.

[2] Payroll taxes of 10.75% include:

FICA	7.65%
FUTA	0.60%
STATE UI	2.50%
	<u>10.75%</u>

[3] Legal fees to be escrowed and paid as allowed by court order.

EXHIBIT “2”

EXHIBIT “2”

CANDACE C. CARLYON (Nev. State Bar No. 002666)  
 CLARK HILL PLLC  
 3800 Howard Hughes Parkway, Suite 500  
 Las Vegas, NV 89169  
 Telephone: 702-862-8300  
 Facsimile: 702-862-8400  
 Email: CCARLYON@CLARKHILL.COM

JOHN-PATRICK M. FRITZ (Admitted *Pro Hac Vice*)  
 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.  
 10250 Constellation Boulevard, Suite 1700  
 Los Angeles, California 90067  
 Telephone: (310) 229-1234  
 Facsimile: (310) 229-1244  
 Email: JPF@LNBYB.COM

Counsel for Chapter 11 Debtors and  
 Debtors in Possession

UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEVADA

In re	) Case No. 18-11598
	) Chapter 11
STEAM DISTRIBUTION, LLC,	) Jointly Administered With:
	)
	) 18-11599 HAVZ, LLC dba STEAM
	) WHOLESALE
_____ Affects STEAM DISTRIBUTION, LLC,	) 18-11600 ONE HIT WONDER, INC.
Only	)
	)
_____ Affects HAVZ, LLC dba STEAM	) Hearing Date: December 12, 2018
WHOLESALE Only	) Hearing Time: 1:30 p.m.
	) Location: 300 Las Vegas Blvd. South
_____ Affects ONE HIT WONDER, INC. Only	) Las Vegas, NV 89101
	) Courtroom 1, Third Floor
	)
<u>X</u> Affects All Debtors	)
	)
	)
	)

**FINAL ORDER: (I) AUTHORIZING DEBTORS' CONTINUED USE OF CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363; (II) GRANTING CONTINUED ADEQUATE PROTECTION TO PRE-PETITION SECURED CREDITORS PURSUANT TO 11 U.S.C. §§ 105, 361, 363, 503 AND 507; AND (III) GRANTING RELATED RELIEF**

At the above-captioned date and time, the Court held a final hearing (the "Hearing") to consider the Motion for Entry of Final Orders: (I) Authorizing Debtors Continued Use of Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Continued Adequate Protection to Pre-Petition Secured Creditors Pursuant to 11 U.S.C. §§ 105, 361, 363, 503 and 507; and (III) Granting Related Relief (the "Motion") [ECF No. \_\_\_\_] filed by Steam Distribution, LLC, Havz, LLC, and One Hit Wonder, Inc. (collectively, the "Debtors"). Appearances were made as set forth on the record of the Court at the Hearing.

The Court, having read and considered the Motion, the separately filed Declaration of Robert Hackett (the "Declaration") [ECF No. \_\_\_\_] in support of the Motion, the budget (the "Budget") attached as Exhibit "1" to the Motion and Declaration, the Declaration of John-Patrick M. Fritz, Esq. [ECF No. 14], in support of the Motion, the notice of the Motion and Hearing, all papers and evidence submitted in support of the Motion, the statements and arguments made orally at the Hearing, the docket in the cases, the record in the cases, and, having stated its findings of fact and conclusions of law on the record at the Hearing on the Motion, which findings of fact and conclusions of law are incorporated herein by this reference in accordance with Fed. R. Civ. P. 52, made applicable by Fed. R. Bankr. P. 9014, with good cause appearing, therefor,

**HEREBY FINDS** that Notice of the Motion and Hearing were good and proper under the circumstances of the case; and

**HEREBY ORDERS AS FOLLOWS:**

1. The Motion is granted on a final basis;
2. The Debtors are authorized to use cash collateral on a final basis as set forth in the Budget with a deviation of up to 15% on an aggregate and line item basis;

1           3.     The Debtors are authorized to increase the amount of their variable cost items  
2 related to materials and logistics on a proportional basis if the Debtors' actual business level and  
3 therefore revenue are higher than projected in the Budget;

4           4.     The Debtors are authorized to use cash collateral, in addition to those expenses set  
5 forth in the Budget, to pay for the following:

6               a.   all quarterly fees owing to the Office of the United States Trustee and all expenses  
7               owing to the Clerk of the Bankruptcy Court; and

8               b.   all actual third-party, outside expenses incurred by the Debtors (or its counsel)  
9               directly related to the administration of the Debtors' bankruptcy estates (for items  
10              such as photocopying, postage, searches, etc.), not to exceed the total sum of \$5,000  
11              per month;

12          5.     The Debtors are authorized to provide the Secured Creditors (as that term is defined  
13 in the Motion) with adequate protection as set forth in the Motion, including:

14              a.   Monthly payments of

15                   i.   Principal and interest to U.S. Bank, N.A.;

16                   ii.   Interest only to Mini-Gadgets, LLC;

17                   iii.   Interest only to Neely;

18              b.   Replacement liens to the Secured Creditors to the same validity, priority, and extent  
19              as the prepetition liens held by the Secured Creditors, subject to the "carve-out"  
20              provided in paragraph 6 of this Order; and

21              c.   To the extent that post-petition payments and replacement liens do not protect the  
22              Secured Creditors against any post-petition diminution in the value of their  
23              collateral, the Secured Creditors shall receive super-priority administrative claims  
24              pursuant to section 507(b) of the Bankruptcy Code;

25          6.     The replacement liens set forth in paragraph 5.b of this Order are subordinate to a  
26 "carve-out" for quarterly fees due pursuant to 28 U.S.C § 1930(a).

27          7.     The relief granted in this Order is without prejudice to the rights of any trustee  
28 appointed under 11 U.S.C. § 1104 or any official committee of unsecured creditors appointed



1 under 11 U.S.C. § 1102 to seek a carve-out from replacement liens in the future, via a properly  
2 noticed motion.

3 8. The stay imposed by Rule 4001(b) of the Federal Rules of Bankruptcy Procedure is  
4 waived to provide for the immediate effectiveness of this Order.

5 9. The arguments and rights of all parties in interest to investigate and challenge the  
6 secured claims of the Secured Creditors are hereby reserved.

7 **IT IS SO ORDERED.**

8  
9 Submitted by:

10  
11 **CLARK HILL PLLC**

12 By: /s/ Candace C. Carlyon  
13 Candace C. Carlyon (Nev. Bar No. 002666)  
14 3800 Howard Hughes Parkway, Suite 500  
15 Las Vegas, NV 89169  
16 Telephone: 702-862-8300  
17 Facsimile: 702-862-8400  
18 CCARLYON@CLARKHILL.COM

19 -and-

20 **LEVENE, NEALE, BENDER,**  
21 **YOO & BRILL L.L.P.**  
22 John-Patrick M. Fritz, Esq.  
23 Eve H. Karasik, Esq.  
24 10250 Constellation Boulevard, Suite 1700  
25 Los Angeles, California 90067  
26 Telephone: (310) 229-1234  
27 Facsimile: (310) 229-1244  
28 JPF@LNBYB.COM; EHK@LNBYB.COM

*Counsel for Debtors and Debtors in Possession*

**SUBMISSION TO COUNSEL FOR APPROVAL PURSUANT TO LR 9021**

In accordance with LR 9021, counsel submitting this document certifies that the order accurately reflects the court's ruling and that (check one):

☐ The court has waived the requirement set forth in LR 9021(b)(1).

☐ No party appeared at the hearing or filed an objection to the motion.

☒ I have delivered a copy of this proposed order to all counsel who appeared at the hearing, and any unrepresented parties who appeared at the hearing, and each has approved or disapproved the order, or failed to respond, as indicated below [list each party and whether the party has approved, disapproved, or failed to respond to the document]:

APPROVED/ DISAPPROVED:

ANDERSEN LAW FIRM, LTD.

\_\_\_\_\_  
Ryan A. Andersen, Esq.  
Nevada Bar No. 12321  
101 Convention Center Drive, Suite 600  
Las Vegas, Nevada 89109

☐ I certify that this is a case under Chapter 7 or 13, that I have served a copy of this order with the motion pursuant to LR 9014(g), and that no party has objected to the form or content of this order.

...

...

**SUBMITTED BY:**  
**CLARK HILL PLLC**  
/s/ Candace C. Carlyon  
Candace C. Carlyon (Nev. Bar No. 002666)  
3800 Howard Hughes Parkway, Suite 500  
Las Vegas, NV 89169  
Telephone: 702-862-8300  
Facsimile: 702-862-8400  
CCARLYON@CLARKHILL.COM

-and-

**LEVENE, NEALE, BENDER,  
YOO & BRILL L.L.P.**  
John-Patrick M. Fritz, Esq.  
10250 Constellation Boulevard, Suite 1700  
Los Angeles, California 90067  
Telephone: (310) 229-1234  
Facsimile: (310) 229-1244  
JPF@LNBYB.COM

*Counsel for Debtors and Debtors in Possession*