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

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In re:))	Chapter 11
HOLLANDER SLEEP PRODUCTS, LLC, <i>et al.</i> , ¹))	Case No. 19-11608 (___)
Debtors.))	(Joint Administration Requested)

**DEBTORS’ MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS
(I) AUTHORIZING THE DEBTORS TO (A) CONTINUE TO OPERATE
THEIR CASH MANAGEMENT SYSTEM, (B) HONOR CERTAIN
PREPETITION OBLIGATIONS RELATED THERETO, (C) MAINTAIN
EXISTING BUSINESS FORMS, AND (D) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) respectfully state as follows in support of this motion:

Relief Requested

1. By this motion, the Debtors seek entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, (a) authorizing the Debtors to (i) continue to operate their cash management system as illustrated on **Exhibit 1** to both **Exhibit A** and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Dream II Holdings, LLC (7915); Hollander Home Fashions Holdings, LLC (2063); Hollander Sleep Products, LLC (2143); Pacific Coast Feather, LLC (1445); Hollander Sleep Products Kentucky, LLC (4119); Pacific Coast Feather Cushion, LLC (3119); and Hollander Sleep Products Canada Limited (3477). The location of the Debtors’ service address is: 901 Yamato Road, Suite 250, Boca Raton, Florida 33431.

Exhibit B attached hereto (the “Cash Management System”) and maintain their existing bank accounts, (ii) honor certain prepetition obligations related thereto, (iii) maintain existing business forms, and (iv) continue to perform intercompany transactions with each other and with a non-debtor affiliate consistent with historical practice, and (b) granting related relief. In addition, the Debtors request that the Court (as defined herein) schedule a final hearing within approximately 25 days from the date hereof (the “Petition Date”) to consider approval of this motion on a final basis.

Jurisdiction and Venue

2. The United States Bankruptcy Court for the Southern District of New York (the “Court”) has jurisdiction over 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 Southern District of New York*, dated January 31, 2012. The Debtors confirm their consent, pursuant to Rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), to the entry of a final order by the Court in connection with this motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

3. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The bases for the relief requested herein are sections 105, 345, and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), Bankruptcy Rules 6003 and 6004, and Rule 9013-1(a) of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”).

Background²

5. Hollander Sleep Products is the largest pillow and mattress pad manufacturer in North America. The Debtors also manufacture comforters and other basic bedding products. The Debtors have their own brands, including Great Sleep®, I AM®, LC®, PCF®, and Restful Nights®, and also manufacture and sell licensed brands, including Simmons®, Ralph Lauren®, CHAPS®, Calvin Klein®, Therapedic®, Nautica®, 37.5®, and Dr. Maas®. The Debtors are headquartered in Boca Raton, Florida, operate a main showroom in New York City, and have thirteen manufacturing facilities throughout the United States and Canada. The Debtors generated approximately \$527 million in net revenue in fiscal year 2018 and currently employ more than 2,300 people across the United States and Canada. As of the date hereof, the Debtors have approximately \$233 million in funded debt.

6. On the Petition Date, each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors have concurrently filed a motion requesting procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b).

The Cash Management System

7. The Debtors and their non-debtor affiliates operate an integrated, centralized Cash Management System to collect, transfer, and disburse funds generated by their operations. The Cash Management System facilitates cash monitoring, forecasting, and reporting and enables the Debtors to maintain control over the administration of approximately 18 bank accounts in the name

² The facts and circumstances supporting this motion are set forth in the *Declaration of Marc Pfefferle, Chief Executive Officer of Hollander Sleep Products, LLC, in Support of Debtors' Chapter 11 Petitions and First Day Motions* (the "First Day Declaration"), filed contemporaneously herewith and incorporated by reference herein.

of the Debtors and two bank accounts in the name of a non-debtor affiliate (together with any other bank accounts the Debtors may open in the ordinary course of their businesses or pursuant to any order of the Court, the “Bank Accounts”)³ owned by the Debtors and maintained with Wells Fargo Bank National Association (“Wells Fargo”) and Royal Bank of Canada (“RBC,” and together with Wells Fargo, the “Cash Management Banks”). As illustrated on the Cash Management System diagram attached as **Exhibit 1** to both **Exhibit A** and **Exhibit B** hereto, the Cash Management System is based around a Master Depository Account and a Master Operating Account held by Debtor Hollander Sleep Products, LLC and is organized to facilitate the seamless collection and disbursement of cash under the Debtors’ asset-based lending revolving credit facility (the “ABL Facility”), which ABL Facility is described in greater detail in the First Day Declaration. Pursuant to the credit agreement and other loan documents governing the ABL Facility between the Debtors and Wells Fargo, as administrative agent, (the “ABL Agent”) substantially all of the cash held in the Bank Accounts is subject to a properly perfected security interest in favor of the ABL Agent. The Debtors are currently under cash dominion under the ABL Facility. As a result, excess revenues are swept to and disbursements are made from the ABL Facility, which funds the Debtors’ daily operating obligations. Upon execution of that certain debtor-in-possession asset based revolving credit agreement (the “DIP ABL Credit Agreement”), the ABL Agent will continue exercising dominion over its cash collateral postpetition. As a result, each day, all of the Debtors’ cash receipts will be swept daily into an account maintained by Wells Fargo and applied in accordance with the DIP ABL Credit Agreement. The Debtors’ controller, who is located in

³ There are two Bank Accounts in the name of Hollander Sleep Products Trading (Shanghai) Co., Ltd., a non-debtor entity: Bank Account x0327 and Bank Account x0875. These accounts are Disbursement Accounts for the Chinese operations and are funded by the Debtors on a monthly basis.

Boca Raton, Florida, maintains daily oversight over the Cash Management System and implements cash management controls for entering, processing, and releasing funds.

8. The Cash Management System is similar to those commonly employed by businesses comparable in size and scale to the Debtors. Indeed, large multinational businesses use integrated systems to help control funds, ensure cash availability for each entity, and reduce administrative expenses by facilitating the movement of funds among multiple entities. The Cash Management System is vital to the Debtors' ability to conduct their operations around the globe. Any disruption of the Cash Management System would be materially detrimental to the Debtors' operations, as their businesses require prompt access to cash and accurate cash tracking.

I. The Bank Accounts and Flow of Funds.

9. The Cash Management System is tailored specifically to meet the Debtors' operating needs—enabling the Debtors to control and monitor corporate funds, ensure cash availability and liquidity, comply with the requirements of their financing agreements, reduce administrative expenses by facilitating the movement of funds, and enhance the development of accurate account balances. These controls are critical given the volume of cash transactions managed through the Cash Management System each day.

A. Overview of the Cash Management System.

10. The Cash Management System, generally, is based around (a) a Master Depository Account held by Debtor Hollander Sleep Products, LLC, which collects incoming funds from the Debtors' deposit accounts, and (b) a Master Operating Account held by Debtor Hollander Sleep Products, LLC, through which the Debtors manage their worldwide operating disbursements.

11. The Cash Management System is seamlessly integrated with the Debtors' prepetition ABL Facility. The Debtors collect funds from various collections accounts, which are collected in the Master Depository Account as described below. At approximately 11:00 a.m.,

prevailing Eastern Time, each day, any funds that are held in certain depository accounts, including the depository accounts ending in 2581, 2851, and 8066, respectively, and the Master Depository Account are automatically swept by the ABL Agent and applied to pay down the ABL Facility. As related to disbursements, each day, the Debtors estimate their required daily cash expenditures and submit a request to the ABL Agent to draw such amount from the ABL Facility. Any request—including multiple requests, as needed—to draw on the ABL Facility made prior to 1:00 p.m., prevailing Eastern Time, are deposited into the Master Operating Account (or such other disbursement account as directed by the Debtors) on the same day. The Debtors use these funds to make disbursements from their various disbursement accounts. The Debtors maintain any excess cash not disbursed on a given day in the Master Operating Account. Pursuant to this process, the Debtors estimate that they have approximately \$300,000 in the Master Operating Account at any given time.⁴ As of the Petition Date, the Debtors have approximately \$550,000 in aggregate in the Bank Accounts.

B. The Bank Accounts and Their Function.

12. As of the Petition Date, the Cash Management System includes a total of 20 Bank Accounts maintained by the Debtors and their non-debtor affiliate. The Debtors hold their Bank Accounts at various entities across the organizational structure. A complete list of the Debtors' Bank Accounts is attached as **Exhibit 2** to both **Exhibit A** and **Exhibit B**. The following is a table summarizing the number of Bank Accounts held by each Debtor:

Entity Name	# of Bank Accounts ⁵
Dream II Holdings, LLC	6

⁴ The Debtors' non-debtor international affiliate generally maintains cash on-hand to fund operations, which cash is remitted from the Debtors' domestic Bank Accounts as discussed more fully herein.

⁵ All accounts held by Pacific Coast Feather, LLC or Pacific Coast Feather Cushion, LLC are also held by Dream II Holdings, LLC. These accounts include those ending 2581, 2851, 0451, 8006, 2005, and 7339.

Entity Name	# of Bank Accounts ⁵
Hollander Sleep Products Canada Limited	8
Hollander Sleep Products, LLC	8
Pacific Coast Feather, LLC	3
Pacific Coast Feather Cushion, LLC	3

13. The Debtors' Cash Management Banks are Wells Fargo and RBC, as summarized in the following table:

Cash Management Banks	# of Bank Accounts
Wells Fargo	13
RBC	5

14. Each of the Bank Accounts serve dedicated functions as described in the following table:

Accounts	Description of Accounts
<i>Master Operating Account</i>	
<u>Master Operating Account</u> <i>Account ending 4226</i>	The Debtors' Master Operating Account is the Debtors' primary account for funding operations. On a daily basis, the Debtors estimate their required daily cash expenditures and submit a request to the ABL Agent to draw such amount from the ABL Facility. Any request or requests made prior to 1:00 p.m., prevailing Eastern Time, are funded into the Master Operating Account on the same day. That cash is used to fund disbursements to the General Disbursement Accounts, the Payroll Disbursement Accounts, the Healthcare Disbursement Account, and rent payments. As discussed above, the Debtors maintain a daily balance of, on average, \$300,000 in their Master Operating Account.
<i>Depository Accounts</i>	
<u>Master Depository Account</u> <i>Account ending 4234</i>	The Master Depository Account is the Debtors' primary collections concentration account. Funds in the various other collection accounts are swept daily into the Master Depository Account. At approximately 11:00 a.m., prevailing Eastern Time, each day, any funds that are held in the Master Depository Account are automatically swept by the ABL Agent and applied to pay down borrowings under the ABL Facility.

Accounts	Description of Accounts
<p><u>Depository Accounts</u> <i>Accounts ending 2580, 2581, 2851, 7339, 7433, 7463, and 8066</i></p>	<p>The Debtors' Depository Accounts receive revenue from the Debtors' daily retail, wholesale, e-commerce, and the Pacific Coast Feather Cushion operations and include five lockbox accounts.</p> <p>Funds from the domestic Depository Accounts are automatically transferred into the Master Depository Account daily, often at approximately 11:00 a.m., prevailing Eastern Time, with the exception of the Canadian Depository Account, ending in 7433, which the Company manually transfers to the Master Depository Account on a daily basis.</p>
<p><u>Disbursement Accounts</u></p>	
<p><u>Disbursement Accounts</u> <i>Accounts ending 1471, 8373, 3216, 7425, and 7471</i></p>	<p>Each of the Debtors' Disbursement Accounts are funded from the Master Operating Account and are used to make payments, intercompany transfers, and general operating expenditures, including for general expenses, professional fees, and certain rent payments. These Disbursement Accounts are funded on an as-needed basis as described above.</p> <p>Payments related to the Debtors' utilities, employee benefits (including 401(k) benefits), payroll for the corporate offices and certain plants, and federal and state taxes are debited from the account ending 1471 on a daily basis.</p> <p>The accounts ending 7425 and 7471 are Canadian Disbursement Accounts that are used for payroll and similar payments.</p>
<p><u>Payroll Disbursement Accounts</u> <i>Accounts ending 2005, 6169, 7455</i></p>	<p>The Debtors' Payroll Disbursement Accounts are funded from the Master Operating Account on an as-needed basis and are used to make manual payroll payments, as applicable, for certain of the Debtors' plants. The Payroll Disbursement Account ending in 2005 relates to the Pacific Coast Feather Cushion operations and typically contains a balance of \$6,500. The Payroll Disbursement Account ending in 6169 typically contains a balance of between \$20,000 and \$30,000. The Payroll Disbursement Account ending in 7455 is a zero balance account.</p>
<p><u>Healthcare Disbursement Account</u> <i>Account ending 0451</i></p>	<p>The Debtors' Healthcare Disbursement Account is funded from the Master Operating Account on an as-needed basis and used to make payments related to healthcare claims that arose when Pacific Coast Feather LLC had a self-insured health insurance plan. This account is a zero balance account.</p>

II. Compliance with the U.S. Trustee Guidelines and Section 345 of the Bankruptcy Code.

15. The United States Trustee for the Southern District of New York's (the "U.S. Trustee") *Operating Guidelines and Reporting Requirements for Debtors in Possession and*

Trustees (the “U.S. Trustee Guidelines”) generally require chapter 11 debtors to, among other things, deposit all estate funds in an account with an authorized depository that agrees to comply with the U.S. Trustee’s requirements. Section 345(b) of the Bankruptcy Code requires a debtor’s bank to post a bond unless a debtor’s funds are “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.” 11 U.S.C. § 345(b).

16. As of the Petition Date, the Debtors’ Bank Accounts generally comply with section 345(b) of the Bankruptcy Code. Wells Fargo is insured by the Federal Deposit Insurance Corporation (the “FDIC”), and all Bank Accounts maintained with Wells Fargo hold less than the insured amount at the end of each day. Wells Fargo, the Debtors’ primary Cash Management Bank, is also designated as an authorized depository by the U.S. Trustee. Although RBC is not an authorized depository under the U.S. Trustee Guidelines, it is a highly rated, global financial institution that is widely recognized as well-capitalized and financially stable. Because RBC is based outside of the United States, it is less likely to be identified by the U.S. Trustee as an authorized depository. Additionally, RBC is a member of the Canada Deposit Insurance Corporation (the “CDIC”), which protects eligible deposits up to CAD 100,000. All Bank Accounts maintained with RBC are zero balance accounts that are swept in the morning daily in accordance with the process described above. Accordingly, the RBC Bank Accounts do not pose a significant risk to the funds deposited therein. The Debtors believe that RBC is well positioned to perform the depository and cash management functions during the chapter 11 cases and respectfully submit that cause exists to allow the Debtors to continue utilizing the existing Bank Accounts consistent with historical practices. Given the international scope of the Debtors’ operations and cash management requirements, it is not feasible to consolidate all cash activities

to the named group of financial institutions approved in the U.S. Trustee Guidelines. In any event, the Debtors will continue to work in good faith with the U.S. Trustee to resolve any concerns regarding the continued use of these Bank Accounts on a postpetition basis.

III. Cash Management Bank Expenses.

A. The Debtors' Purchase Cards.

17. As part of the Cash Management System, the Debtors provide certain employees with credit cards (the "Purchase Cards") issued by Wells Fargo (the "Purchase Card Program") pursuant to the WellsOne Commercial Card Agreement, dated on or around April 14, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the "Card Agreement"), between the Debtors and Wells Fargo. As of the Petition Date, there are approximately 29 Purchase Cards in use by the Debtors' employees. The Purchase Cards are corporate cards for which the relevant employees do not have personal liability. The employees use the Purchase Cards for approved and legitimate business expenses. The expenses incurred on the Purchase Cards are essential to, among other things, the operation of the Debtors' operations related to their businesses. Costs incurred through use of the Purchase Cards are satisfied from the Debtors' Disbursement Accounts on a monthly basis.

18. On average, in the twelve months leading up to the Petition Date, the Debtors accrued and paid approximately \$120,000 per month on account of the Purchase Card Program. As of the Petition Date, the Debtors estimate they owe approximately \$120,000 on account of the Purchase Cards. The Debtors seek authority to continue the Purchase Card Program in the ordinary course on a postpetition basis consistent with past practice and to pay any prepetition amounts related to the Purchase Cards to avoid interrupted service. Payment and continued use of the Purchase Card Program will minimize disruption to the Debtors' relationship with Wells Fargo and ensure continuity, benefitting the Debtors' estates.

B. Bank Fees.

19. In the ordinary course of business, the Debtors incur periodic service charges and other fees in connection with the maintenance of the Cash Management System (the “Bank Fees”), which average approximately \$34,000 per month. The Bank Fees for each month are paid in arrears and are automatically deducted from the Debtors’ Bank Accounts as they are assessed. The Debtors estimate that they owe approximately \$20,000 as of the Petition Date, all of which will become due and payable within the first 25 days after the Petition Date. To ensure continued access to their Bank Accounts and to minimize disruptions to the Cash Management System, the Debtors’ seek authority to pay any such due and owing Bank Fees, including prepetition Bank Fees, in the ordinary course on a postpetition basis, consistent with historic practice.

IV. The Debtors’ Existing Business Forms.

20. The Debtors use a variety of preprinted business forms, including checks, letterhead, correspondence forms, invoices, and other business forms in the ordinary course of business (collectively, the “Business Forms”). The Debtors also maintain books and records to document their financial results and a wide array of necessary operating information, including their profits and expenses. To avoid the distraction and unnecessary expense to their estates, the Debtors request authorization to continue using all of the Business Forms in existence before the Petition Date, without reference to the Debtors’ status as chapter 11 debtors in possession, rather than requiring the Debtors to incur the expense and delay of ordering new Business Forms as required by the U.S. Trustee Guidelines. The Debtors submit that once they have exhausted their existing stock of Business Forms, they will ensure that any new Business Forms are clearly labelled “Debtor in Possession,” and with respect to any Business Forms that exist or are generated electronically, the Debtors shall ensure that such electronic Business Forms are clearly labelled “Debtor in Possession.”

V. The Debtors' Intercompany Transactions.

21. In the ordinary course of business, the Debtors maintain and engage in business relationships with each other and with their non-debtor affiliate (the "Intercompany Transactions") resulting in intercompany receivables and payables (the "Intercompany Claims"). These Intercompany Transactions occur as part of the daily operation of the Cash Management System, and at any given time there may be Intercompany Claims owing between Debtors or between a Debtor and a non-debtor affiliate in connection with the receipt and disbursement of funds, and there may be recognitions of offsets between Debtors or between a Debtor and a non-debtor affiliate.⁶ For example, since Debtor Hollander Sleep Products, LLC holds most of the Bank Accounts in the Cash Management System, when receipts come into one such Bank Account for another Debtor, an intercompany transaction is recorded between the two entities, namely, a payable from Hollander Sleep Products, LLC to the other Debtor. Similarly, when Debtor Hollander Sleep Products, LLC pays an expense on behalf of another entity, a receivable from the other entity to Hollander Sleep Products, LLC is recorded.

22. The structure of the Cash Management System routes most ordinary course payments through Debtor Hollander Sleep Products, LLC, which remits payments on behalf of certain of the Debtors and non-debtor affiliates on account of invoices due and payable by such affiliate. These disbursements are made from various disbursement accounts, as described above.

23. The Debtors also provide funding to their international non-debtor affiliate, Hollander Sleep Products Trading (Shanghai) Co., Ltd. This international non-debtor affiliate

⁶ Because the Debtors engage in Intercompany Transactions on a regular basis and such transactions are common among enterprises similar to the Debtors, the Debtors believe the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and, thus, do not require the Court's approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such transactions on a postpetition basis. The continued performance of the ordinary course Intercompany Transactions are integral to ensuring the Debtors' ability to operate their businesses.

primarily provides sourcing, product development, and quality control support to the Debtors. While the international operations maintain their own bank accounts, this entity is funded by the Debtors on a monthly basis. Historically, the Debtors provide approximately \$200,000 to \$220,000 per month to this international entity to cover certain operational costs, including employee payroll and benefits, and expenses incurred by the international office, such as copier use and bank fees. These support functions are crucial to the Debtors' overall business operations. The international non-debtor affiliate ensures timely procurement of goods, and they also test products to ensure they meet certain standards and criteria.

24. With respect to all transactions among the Debtors and non-debtor affiliate, the Debtors track all fund transfers electronically in their accounting system and can ascertain, trace, and account for Intercompany Transactions. The Debtors' Intercompany Transactions with their foreign affiliate is completely integrated within the Cash Management System. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted to the detriment of the Debtors' estates. Such disruption would affect the Debtors' ability to fund operations necessary to providing services to their customers, which would likely result in decreased revenue streams.

25. To ensure each individual Debtor will not permanently fund the operations of any affiliate, the Debtors respectfully request that, pursuant to sections 503(b) and 364(b) of the Bankruptcy Code, all postpetition payments between or among a Debtor and another Debtor or non-debtor affiliate as a result of ordinary course Intercompany Transactions be accorded administrative expense status, subject and junior to the claims, including adequate protection claims, granted in connection with the Debtors' proposed debtor in possession financing facilities (the "DIP Financing"), in accordance with any interim and final orders with respect thereto

(the “DIP Orders”). Notwithstanding the foregoing, the Canadian Intercompany Superiority Administrative Claims (as defined in the DIP Orders) shall be treated in accordance with the DIP Orders.

26. This relief will ensure that each entity receiving payments from a Debtor will continue to bear ultimate repayment responsibility for its ordinary course Intercompany Transactions, reducing the risk that these transactions would jeopardize the recoveries available to the Debtors’ creditors. Moreover, the Debtors request the authority to fund the postpetition payment of obligations to their non-debtor affiliate in a manner consistent with historical practice to enable the Debtors to smoothly transition into chapter 11 and ensure certain of the Debtors’ revenue streams are not impacted.

Basis for Relief

I. The Court Should Approve the Debtors’ Continued Use of the Cash Management System Because It Is Essential to the Debtors’ Operations and Restructuring Efforts.

27. The U.S. Trustee Guidelines require debtors in possession to, among other things:

- (a) close all existing bank accounts and open new debtor-in-possession bank accounts;
- (b) establish one debtor-in-possession account for all estate monies required for payment of taxes, including payroll taxes;
- (c) physically set aside all monies required by law to be withheld from employees or collected from others for taxes;
- (d) open a new set of books and records as of the commencement date of the case;
- (e) use new business forms indicating the debtor-in-possession status of the chapter 11 debtor; and
- (f) make all disbursements of estate funds by check with a notation representing the reason for the disbursement. *See* Region 2 Guidelines for Debtors-in-Possession. These requirements are intended to provide a clear line of demarcation between prepetition and postpetition transactions and operations and to prevent inadvertent payment of prepetition claims.

28. The continuation of the Cash Management System is nevertheless permitted pursuant to section 363(c)(1) of the Bankruptcy Code, which authorizes the 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). Bankruptcy courts routinely treat requests for authority to continue utilizing existing cash management systems as a relatively “simple matter.” *In re Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). In addition, 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); *see also In re Frigitemp Corp.*, 34 B.R. 1000, 1010 (S.D.N.Y 1983), *aff’d*, 753 F.2d 230 (2d Cir. 1985). The requirement to maintain all accounts separately “would be a huge administrative burden and economically inefficient.” *Columbia Gas*, 997 F.2d 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”).

29. Here, requiring the Debtors to adopt a new, segmented cash management system during these chapter 11 cases would be expensive, burdensome, and unnecessarily disruptive to the Debtors’ operations. Importantly, the Cash Management System provides the Debtors with the ability to quickly create status reports on the location and amount of funds, which, in turn, allows management to track and control such funds, ensure cash availability, and reduce administrative costs through a centralized method of coordinating the collection and movement of funds. As a result, any disruption of the Cash Management System would have a severe and adverse effect on the Debtors’ restructuring efforts. Indeed, absent the relief requested herein,

requiring the Debtors to adopt a new, segmented cash management system would cause the Debtors' operations to grind to a halt, needlessly destroying the value of the Debtors' business enterprise. By contrast, maintaining the current Cash Management System will facilitate the Debtors' transition into chapter 11 by, among other things, minimizing delays in paying postpetition debts and eliminating administrative inefficiencies.⁷ Finally, maintaining the current Cash Management System will allow the Debtors' treasury and accounting employees to focus on their daily responsibilities.

30. The Debtors respectfully submit that parties in interest will not be harmed by the Debtors' maintenance of the Cash Management System, including maintenance of the Bank Accounts and the Intercompany Transactions, because the Debtors have implemented appropriate mechanisms to ensure that unauthorized payments will not be made on account of prepetition obligations. Specifically, with the assistance of their advisors, the Debtors have implemented internal control procedures that prohibit payments on account of prepetition debts without the prior approval of the Debtors' controller. The Debtors will continue to work closely with the Banks to ensure that appropriate procedures are in place to prevent checks that were issued prepetition from being honored without the Court's approval. In light of such protective measures, the Debtors submit that maintaining the Cash Management System is in the best interests of their estates and creditors.

31. Accordingly, the Debtors respectfully request that the Court authorize the continued use of the existing Cash Management System to facilitate the Debtors' transition into chapter 11. Specifically, the Debtors respectfully request that the Court authorize the Cash

⁷ Notwithstanding the Debtors' use of a consolidated cash management system, the Debtors intend to calculate quarterly fees under 28 U.S.C. § 1930(a)(6) based on the disbursements of each Debtor, regardless of which entity pays those disbursements.

Management Banks to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course of business. The Debtors further respectfully request that the Court authorize each of the Cash Management Banks to receive, process, honor, and pay any and all checks, wire transfer, credit card, and other instructions, and drafts payable through, or drawn or directed on, such Bank Accounts after the Petition Date by holders, makers, or other parties entitled to issue instructions with respect thereto, irrespective of whether such checks, drafts, wires, or credit card payments are dated prior to or subsequent to the Petition Date, *provided* that sufficient funds are on deposit and standing in the Debtors' credit in the applicable bank accounts to cover such payments. The Debtors also respectfully request that, to the extent a Cash Management Bank honors a prepetition check or other item drawn on any Bank Account at the direction of the Debtors, in a good faith belief that the Court has authorized such prepetition check or item to be honored, or as the result of a mistake made despite implementation of reasonable item handling procedures, such bank will not be deemed to be liable to the Debtors, their estates, or any other party on account of such prepetition check or other item honored postpetition. Such relief is reasonable and appropriate because the Cash Management Banks are not in a position to independently verify or audit whether the Debtors may pay a particular item in accordance with a Court order or otherwise.

32. Finally, the Debtors respectfully request that the Court authorize the Debtors to continue to pay any obligations incurred in connection with the Bank Accounts and further authorize the Cash Management Banks to chargeback returned items to the Bank Accounts, whether such items are dated prior to, on, or subsequent to the Petition Date, in the ordinary course of business. The Debtors further request that the Court order that any liens on any of the Bank Accounts granted to creditors will not have priority over any obligations incurred in connection

with the Bank Accounts that become due and owing to the respective Cash Management Bank at which the Bank Account is located, if any.

33. In other large and complex chapter 11 cases, such as these, courts in this district routinely waive certain U.S. Trustee Guideline requirements and allow the continued use of cash management systems and prepetition bank accounts employed in the ordinary course of a debtor's prepetition business. See, e.g., *In re Windstream Holdings, Inc.*, 19-22312 (RDD) (Bankr. S.D.N.Y. Apr. 22, 2019) (allowing debtors to continue using their cash management system); *In re FULLBEAUTY Brands Holdings Corp.*, 19-22185 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2019) (same); *In re Aegean Marine Petrol. Network Inc.*, No. 18-13374 (MEW) (Bankr. S.D.N.Y. Dec. 17, 2018) (same); *In re Nine West Holdings, Inc.*, No. 18-10947 (SCC) (Bankr. S.D.N.Y. June 26, 2018) (same); *In re Cenveo, Inc.*, No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018) (same).⁸

II. Payment of Fees and Prepetition Obligations Related to the Bank Accounts Will Facilitate a Smooth Transition into Chapter 11 and Benefit the Estates.

34. Courts in this district generally acknowledge that it is appropriate to authorize the payment of prepetition obligations where necessary to protect and preserve the estate, including an operating business's going-concern value. See, e.g., *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (granting authority to pay prepetition wages); *Armstrong World Indus., Inc. v. James A. Phillips, Inc. (In re James A. Phillips, Inc.)*, 29 B.R. 391, 398 (S.D.N.Y. 1983) (granting authority to pay prepetition claims of suppliers); see also *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). In so doing, these courts have found that

⁸ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this motion. Copies of these orders are available upon request to the Debtors' proposed counsel.

sections 105(a) and 363(b) of the Bankruptcy Code support the payment of prepetition claims as provided herein.

35. Pursuant to section 363(b) of the Bankruptcy Code, courts may authorize payment of prepetition obligations where a sound business purpose exists for doing so. *See Ionosphere Clubs, Inc.*, 98 B.R. at 175 (noting that section 363(b) provides “broad flexibility” to authorize a debtor to honor prepetition claims where supported by an appropriate business justification); *see also James A. Phillips, Inc.*, 29 B.R. at 397 (relying upon section 363 as a basis to allow a contractor to pay the prepetition claims of suppliers who were potential lien claimants). Indeed, courts have recognized that there are instances when a debtor’s fiduciary duty can “only be fulfilled by the pre-plan satisfaction of a prepetition claim.” *CoServ*, 273 B.R. at 497.

36. Courts also may authorize payment of prepetition claims in appropriate circumstances based on section 105(a) of the Bankruptcy Code. Section 105(a) codifies the Court’s inherent equitable powers to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” Under section 105(a), courts may authorize pre-plan payments of prepetition obligations when essential to the continued operation of a debtor’s businesses. *See In re C.A.F. Bindery, Inc.*, 199 B.R. 828, 835 (Bankr. S.D.N.Y. 1996); *see also In re Fin. News Network Inc.*, 134 B.R. 732, 735–36 (Bankr. S.D.N.Y. 1991) (“The ‘doctrine of necessity’ stands for the principle that a bankruptcy court may allow pre-plan payments of prepetition obligations where such payments are critical to the debtor’s reorganization.”); *Ionosphere Clubs, Inc.*, 98 B.R. at 176 (holding that a court may authorize payments of prepetition obligations under section 105(a) of the Bankruptcy Code pursuant to the “necessity of payment” rule (also referred to as the “doctrine of necessity”)).

37. The Debtors' continued use of the Cash Management System will facilitate their transition into chapter 11 by, among other things, avoiding administrative inefficiencies and expenses and minimizing delays in the payment of postpetition debts. Certain payments to their Cash Management Banks, such as the payment of prepetition Bank Fees and balances related to the Purchase Cards, will ensure the continued support of the Debtors' Cash Management Banks on a go-forward basis at this critical juncture of the Debtors' chapter 11 cases. Moreover, the Purchase Cards play a role in the efficient and effective operations of the Debtors' businesses, allowing the Debtors' employees to focus their efforts on the tasks that make a difference to the Debtors' ultimate performance and minimizing administrative tasks. The Debtors believe that any interference or delay in any of these program is unnecessary and unduly burdensome.

38. Courts in this district have regularly allowed the continued use of cash management systems, prepetition bank accounts, and prepetition credit cards employed in the ordinary course of a debtor's prepetition business. *See, e.g., In re Windstream Holdings, Inc.*, 19-22312 (RDD) (Bankr. S.D.N.Y. Apr. 22, 2019) (allowing debtors to continue using their cash management system); *In re FULLBEAUTY Brands Holdings Corp.*, 19-22185 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2019) (same); *In re Aegean Marine Petrol. Network Inc.*, No. 18-13374 (MEW) (Bankr. S.D.N.Y. Dec. 17, 2018) (same); *In re Nine West Holdings, Inc.*, No. 18-10947 (SCC) (Bankr. S.D.N.Y. June 26, 2018) (same); *In re Cenveo, Inc.*, No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018) (same).

III. The Debtors Should Be Granted Authority to Use Existing Business Forms.

39. The Debtors submit that the continued use of the Business Forms will not prejudice parties in interest and such relief will avoid unnecessary expenses and administrative delays at this critical time. Furthermore, the Debtors' requested relief will not prejudice parties in interest because parties doing business with the Debtors undoubtedly will know of the Debtors' status as

a debtor in possession. Thus, changing the Business Forms is unnecessary and unduly burdensome. Once the Debtors have exhausted their existing stock of Business Forms, however, they shall ensure that any new Business Forms are clearly labeled “Debtor in Possession,” and with respect to any Business Forms that exist or are generated electronically, the Debtors shall ensure that such electronic Business Forms are clearly labeled “Debtor in Possession.”

40. Courts in this district regularly permit debtors to use their prepetition check forms without the “debtor in possession” label in similar large and complex chapter 11 cases. *See, e.g., In re Windstream Holdings, Inc.*, 19-22312 (RDD) (Bankr. S.D.N.Y. Apr. 22, 2019) (allowing debtors to continue using their cash management system); *In re FULLBEAUTY Brands Holdings Corp.*, 19-22185 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2019) (same); *In re Aegean Marine Petrol. Network Inc.*, No. 18-13374 (MEW) (Bankr. S.D.N.Y. Dec. 17, 2018) (same); *In re Nine West Holdings, Inc.*, No. 18-10947 (SCC) (Bankr. S.D.N.Y. June 26, 2018) (same); *In re Cenveo, Inc.*, No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018) (same).

IV. The Court Should Authorize the Debtors to Continue Performing Intercompany Transactions and Grant Administrative Priority Status to Postpetition Intercompany Claims.

41. At any given time, there may be balances due and owing between and among the Debtors and their non-debtor affiliate. These balances represent extensions of intercompany credit made in the ordinary course of business that are an essential component of the Cash Management System. Thus, the Debtors respectfully request the authority, in their sole discretion, to continue making all such Intercompany Transactions in the ordinary course of business without the need for further Court order. Courts routinely provide authority in other complex multi-debtor chapter 11 cases to continue ordinary course intercompany transactions. *See, e.g., In re Windstream Holdings, Inc.*, 19-22312 (RDD) (Bankr. S.D.N.Y. Apr. 22, 2019) (allowing debtors to continue using their cash management system); *In re FULLBEAUTY Brands*

Holdings Corp., 19-22185 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2019) (same); *In re Aegean Marine Petrol. Network Inc.*, No. 18-13374 (MEW) (Bankr. S.D.N.Y. Dec. 17, 2018) (same); *In re Nine West Holdings, Inc.*, No. 18-10947 (SCC) (Bankr. S.D.N.Y. June 26, 2018) (same); *In re Cenveo, Inc.*, No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018) (same). Thus, the Debtors submit that this Court should authorize them to continue to perform under the Intercompany Transactions.

42. The Debtors' funds are commingled in the Cash Management System with those of other Debtors and their non-debtor affiliates. If the Intercompany Transactions that permit use of the Cash Management System were to be discontinued, that system and related administrative controls would be disrupted to the detriment of the Debtors and their stakeholders. On the other hand, preserving the "business as usual" atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any substantial disruption in the Cash Management System will facilitate the Debtors' reorganization efforts.

43. To ensure each individual Debtor will not fund—at the expense of its creditors—the operations of another entity, out of an abundance of caution, the Debtors respectfully request that all Intercompany Claims against a Debtor by another Debtor or non-debtor affiliate arising after the Petition Date, as a result of ordinary course Intercompany Transactions through the Cash Management System, be accorded administrative expense status pursuant to sections 503(b) and 364(b) of the Bankruptcy Code, subject and junior to the claims, including adequate protection claims, granted in connection with the DIP Financing, in accordance with the DIP Orders. If Intercompany Claims are accorded administrative expense status, each entity utilizing funds flowing through the Cash Management System should continue to bear ultimate repayment responsibility for such ordinary course transactions.

44. Administrative expense treatment for Intercompany Transactions, as requested herein, has been granted in other chapter 11 cases comparable to these chapter 11 cases. *See, e.g., In re Windstream Holdings, Inc.*, 19-22312 (RDD) (Bankr. S.D.N.Y. Apr. 22, 2019) (allowing debtors to continue using their cash management system); *In re FULLBEAUTY Brands Holdings Corp.*, 19-22185 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2019) (same); *In re Aegean Marine Petrol. Network Inc.*, No. 18-13374 (MEW) (Bankr. S.D.N.Y. Dec. 17, 2018) (same); *In re Nine West Holdings, Inc.*, No. 18-10947 (SCC) (Bankr. S.D.N.Y. June 26, 2018) (same); *In re Cenveo, Inc.*, No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018) (same).

45. In addition, the Court should authorize the Debtors to preserve and exercise intercompany setoff rights, including in connection with the postpetition Intercompany Transactions. Section 553(a) of the Bankruptcy Code provides that “[e]xcept as otherwise provided in this section and in sections 362 and 363 of this title, this title does not affect any right of a creditor to offset a mutual debt owing by such creditor to the debtor that arose before the commencement of the case under this title against a claim of such creditor against the debtor that arose before the commencement of the case.” 11 U.S.C. § 553(a).

46. A creditor need only establish two elements before a setoff may be asserted—mutuality and timing. *See Official Comm. of Unsecured Creditors v. Mfrs. & Traders Tr. Co. (In re Bennett Funding Grp., Inc.)*, 212 B.R. 206, 212 (B.A.P. 2d Cir. 1997), *aff’d*, 146 F.3d 136 (2d Cir. 1998); *see also Verco Indus. v. Spartan Plastics (In re Verco Indus.)*, 704 F.2d 1134, 1139 (9th Cir. 1983); *In re Lundell Farms*, 86 B.R. 582, 584 (Bankr. W.D. Wis. 1988). Although courts have not uniformly defined the elements of mutuality, most courts require that the debts are owed between the same parties and in the same right or capacity. *See* 5 Collier on Bankr. ¶ 553.03[3][a] & n.86 (16th ed. rev. 2012) (citing, *inter alia*, *Davidovich v. Welton (In re Davidovich)*, 901 F.2d

1533, 1537 (10th Cir. 1990); *Lubman v. Sovran Bank, N.A. (In re A & B Homes, Ltd.)*, 98 B.R. 243, 248 (Bankr. E.D. Va. 1989)). Timing requires that both claims arise prepetition. *See, e.g., Packaging Indus. Grp., Inc. v. Dennison Mfg. Co. (In re Sentinel Prods. Corp.)*, 192 B.R. 41, 45 (Bankr. S.D.N.Y. 1996); *Scherling v. Hellman Elec. Corp. (In re Westchester Structures Inc.)*, 181 B.R. 730, 739 (Bankr. S.D.N.Y. 1995). In addition, courts allow parties to offset claims postpetition in the same manner as a prepetition setoff, so long as the mutuality requirements are met. *See, e.g., United States v. Gordon Sel-Way, Inc. (In re Gordon Sel-Way, Inc.)*, 239 B.R. 741, 751–55 (E.D. Mich. 1999), *aff'd*, 270 F.3d 280 (6th Cir. 2001); *Mohawk Indus., Inc. v. United States (In re Mohawk Indus., Inc.)*, 82 B.R. 174, 179 (Bankr. D. Mass. 1987).

47. The Cash Management System allows the Debtors to track all obligations owing between related entities and thereby ensures that all setoffs of Intercompany Transactions will meet both the mutuality and timing requirements of section 553 of the Bankruptcy Code. Therefore, the Debtors respectfully request that they be expressly authorized to set off postpetition obligations arising on account of Intercompany Transactions between a Debtor and another Debtor or between a Debtor and a non-debtor affiliate.

The Requirements of Bankruptcy Rule 6003 Are Satisfied

48. Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the Petition Date “to the extent that relief is necessary to avoid immediate and irreparable harm.” For the reasons discussed above, the Debtors believe an immediate and orderly transition into chapter 11 is critical to the viability of their operations and that any delay in granting the relief requested could hinder the Debtors’ operations and cause irreparable harm. Furthermore, the failure to receive the requested relief during the first 21 days of these chapter 11 cases would severely disrupt the Debtors’ operations at this important juncture. For the reasons discussed herein, the relief requested is necessary for the Debtors to operate their businesses in the ordinary

course and preserve the ongoing value of the Debtors' operations and maximize the value of their estates for the benefit of all stakeholders. Accordingly, the Debtors submit that they have satisfied the "immediate and irreparable" standard of Bankruptcy Rule 6003 to support granting the relief requested herein.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

49. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Reservation of Rights

50. Nothing contained herein or any actions taken pursuant to such relief requested is intended to or should be construed as (a) an admission as to the validity of any prepetition claim against a Debtor entity, (b) a waiver of the Debtors' or any other party in interest's right to dispute any prepetition claim on any grounds, (c) a promise or requirement to pay any prepetition claim, (d) an implication or admission that any particular claim is of a type specified or defined in this motion or any order granting the relief requested by this motion, (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code, (f) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law, or (g) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to the relief requested in this motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

Motion Practice

51. This motion includes citations to the applicable rules and statutory authorities upon which the relief requested herein is predicated and a discussion of their application to this motion. Accordingly, the Debtors submit that this motion satisfies Local Rule 9013-1(a).

Notice

52. The Debtors will provide notice of this motion to: (a) the Office of the United States Trustee for the Southern District of New York; (b) the holders of the 50 largest unsecured claims against the Debtors (on a consolidated basis); (c) the administrative agent for the Debtors' term loan facility and counsel thereto; (d) the administrative agent for the Debtors' asset-based loan credit facility and counsel thereto; (e) the administrative agent for the Debtors' proposed debtor in possession term loan financing facility and counsel thereto; (f) the administrative agent for the Debtors' proposed debtor in possession asset-based loan credit facility and counsel thereto; (g) the United States Attorney's Office for the Southern District of New York; (h) the Internal Revenue Service; (i) the attorneys general for the states in which the Debtors operate; (j) the Cash Management Banks; and (k) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

53. No prior request for the relief sought in this motion has been made to this or any other court.

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WHEREFORE, the Debtors respectfully request entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, respectively, granting the relief requested herein and granting such other relief as is just and proper.

New York, New York
Dated: May 19, 2019

/s/ Joshua A. Sussberg
Joshua A. Sussberg, P.C.
Christopher T. Greco, P.C.
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- and -

Joseph M. Graham (*pro hac vice* pending)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
300 North LaSalle Street
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Telephone: (312) 862-2000
Facsimile: (312) 862-2200

Proposed Counsel to the Debtors and Debtors in Possession

Exhibit A

Proposed Interim Order

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

In re:)	
)	Chapter 11
HOLLANDER SLEEP PRODUCTS, LLC., <i>et al.</i> , ¹)	Case No. 19-11608 (___)
)	
Debtors.)	(Joint Administration Requested)
)	
)	Re: Docket No. ___

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM,
(B) HONOR CERTAIN PREPETITION OBLIGATIONS RELATED THERETO,
(C) MAINTAIN EXISTING BUSINESS FORMS, AND (D) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an interim order (this “Interim Order”), (a) authorizing the Debtors to (i) continue to operate their Cash Management System as illustrated on **Exhibit 1** hereto and maintain their existing Bank Accounts, (ii) honor certain prepetition obligations related thereto, (iii) maintain existing business forms, and (iv) continue to perform Intercompany Transactions with each other and with a non-debtor affiliate consistent with historical practice, (b) scheduling a final hearing to consider approval of the Motion on a final basis, and (c) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over 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 Southern*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Dream II Holdings, LLC (7915); Hollander Home Fashions Holdings, LLC (2063); Hollander Sleep Products, LLC (2143); Pacific Coast Feather, LLC (1445); Hollander Sleep Products Kentucky, LLC (4119); Pacific Coast Feather Cushion, LLC (3119); and Hollander Sleep Products Canada Limited (3477). The location of the Debtors’ service address is: 901 Yamato Road, Suite 250, Boca Raton, Florida 33431.

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

District of New York, dated January 31, 2012; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; 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 final hearing (the "Final Hearing") on the Motion shall be held on _____, 2019, at ___:___ .m., prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion must be filed with the Court on or before 4:00 p.m., prevailing Eastern Time, on _____, 2019.
3. The Debtors are authorized, but not directed, to: (a) continue using the Cash Management System and honor any prepetition obligations related to the use thereof, including any Bank Fees; (b) designate, maintain, close, and continue to use on an interim basis their existing Bank Accounts, including, but not limited to, the Bank Accounts identified on **Exhibit 2** hereto, in the names and with the account numbers existing immediately before the Petition Date; (c) deposit funds in, and withdraw funds from, the Bank Accounts by all usual means, including checks, wire transfers, ACH transfers, and other debits; (d) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts; and (e) open new debtor in possession Bank Accounts.

4. The Debtors are authorized, but not directed, to continue using the Purchase Cards and to pay any prepetition or postpetition amounts in connection therewith in the ordinary course of business and consistent with prepetition practices. The Debtors are further authorized to continue to use the Purchase Card Program under the Card Agreement, subject to the terms and conditions thereof and further subject to the terms of any applicable debtor-in-possession financing orders and related loan documents pursuant to which the obligations arising under the Card Agreement are included as obligations thereunder. Wells Fargo may rely on the representations of the Debtors with respect to its use of the Purchase Card Program pursuant to the Card Agreement, and Wells Fargo shall not have any liability to any party for relying on such representations by a Debtor as provided for herein.

5. The Debtors are authorized, but not directed, to continue using, in their present form, the Business Forms, as well as checks and other documents related to the Bank Accounts existing immediately before the Petition Date, *provided, however*, that once the Debtors have exhausted their existing stock of Business Forms and checks, they shall ensure that any new Business Forms and checks are clearly labeled “Debtor in Possession” and *provided, further*, that with respect to any Business Forms and checks that are generated electronically, the Debtors shall ensure that such electronic Business Forms and checks are clearly labeled “Debtor in Possession.”

6. The Cash Management Banks at which the Bank Accounts are maintained are authorized to (a) continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay any and all checks, drafts, wire transfers, and ACH transfers issued, whether before or after the Petition Date, and drawn on the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be, and (b) 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 Cash Management 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 the Debtors' accounts with such Cash Management 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 applicable fees and expenses, including the Bank Fees, associated with the nature of the deposit and cash management services rendered to the Debtors, whether arising prepetition or postpetition, from the applicable Bank Accounts consistent with historical practice, and further, to charge back to the appropriate accounts of the Debtors any amounts resulting from returned checks or other returned items, including returned items that result from ACH transactions, wire transfers, or other electronic transfers of any kind, regardless of whether such returned items were deposited or transferred prepetition or postpetition and regardless of whether the returned items relate to prepetition or postpetition items or transfers.

7. The Debtors will instruct the Banks as to which checks, drafts, wire transfers (excluding any wire transfers that the Cash Management Banks are obligated to settle), or other items presented, issued, or drawn, shall not be honored. Except for those checks, drafts, wires, or other ACH transfers that are authorized or required to be honored under an order of the Court, no Debtor shall instruct or request any Cash Management Bank to pay or honor any check, draft, or other payment item issued on a Bank Account prior to the Petition Date but presented to such Cash Management Bank for payment after the Petition Date.

8. The Cash Management Banks may rely on the representations of the Debtors with respect to whether any check, draft, wire, transfer, or other payment order drawn or issued by the

Debtors prior to the Petition Date should be honored pursuant to this Interim Order or any other order of the Court, and such Cash Management Banks shall not have any liability to any party for relying on such representations by the Debtors as provided for herein, and should a Cash Management Bank honor a prepetition check or other item drawn on any account that is the subject of this Interim Order (a) at the direction of the Debtors to honor such prepetition check or item, (b) in a good faith belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of customary item handling procedures, the Cash Management Bank shall not be deemed to be nor shall be liable to the Debtors, their estates, or any other party on account of such prepetition check or other item being honored postpetition or otherwise be in violation of this Interim Order.

9. Those certain existing deposit agreements between the Debtors and the Cash Management Banks shall continue to govern the postpetition cash management relationship between the Debtors and the Cash Management Banks, and all of the provisions of such agreements, including, without limitation, the termination, right of offset, analysis fees, overdrafts, and fee and expense provisions, shall remain in full force and effect. Either the Debtors or the Cash Management Banks may, without further order of the Court, implement changes to the cash management systems and procedures in the ordinary course of business pursuant to the terms of those existing deposit agreements and the DIP Orders, as applicable, including, without limitation, the opening and closing of bank accounts.

10. As soon as practicable after entry of this Interim Order, the Debtors shall serve a copy of this Interim Order on the Cash Management Banks.

11. The requirement to establish separate accounts for tax payments is hereby waived.

12. The Debtors are authorized to (a) continue performing Intercompany Transactions in the ordinary course of business and (b) set off mutual postpetition obligations relating to intercompany receivables and payables through the Cash Management System. In connection therewith, the Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts. All Intercompany Claims arising after the Petition Date shall be accorded administrative expense status in accordance with section 503(b) and 364(b) of the Bankruptcy Code. Notwithstanding the foregoing, the Canadian Intercompany Superiority Administrative Claims (as defined in the DIP Orders) shall be treated in accordance with the DIP Orders.

13. The Debtors are authorized to open new bank accounts or close any existing Bank Accounts as they may deem necessary and appropriate in their reasonable business judgment, *provided* that any new bank account shall be at a bank that is an authorized depository or at a bank that is willing to execute a Uniform Depository Agreement with the U.S. Trustee.

14. Except as otherwise provided herein, in the event that a Bank Account does not comply or ceases to comply with the requirements of section 345(b) of the Bankruptcy Code, the Debtors shall have forty-five days thereafter, without prejudice to seeking an additional extension, to come into compliance with section 345(b) of the Bankruptcy Code or sufficient time, in the Debtors' sole discretion, to close such Bank Account or to seek appropriate relief from the Court.

15. Nothing in this Interim Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor entity; (b) a waiver of the Debtors' or any other party in interest's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type

specified or defined in this Interim Order or the Motion or a finding that any particular claim is an administrative expense or other priority claim; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the rights of any party in interest under the Bankruptcy Code or any other applicable law; or (g) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to the Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

16. Nothing contained in this Interim Order or any action taken by the Debtors in implementing this Interim Order shall be deemed a waiver of the rights of any party-in-interest to dispute the amount of, basis for, validity, or treatment of any Intercompany Claim or the allocation of expenses or other costs between any Debtor entities.

17. Notwithstanding the relief granted in this Interim Order, any payment made by the Debtors pursuant to the authority granted herein shall be subject to and in compliance with any orders entered by the Court approving the Debtors' entry into any postpetition debtor-in-possession financing facility and any budget in connection therewith and/or authorizing the Debtors' use of cash collateral and any budget in connection therewith.

18. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

19. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

20. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

21. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.

22. The Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

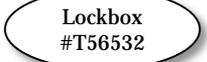
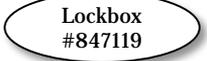
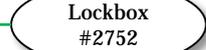
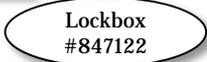
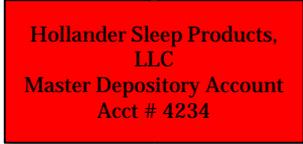
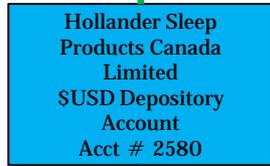
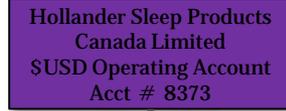
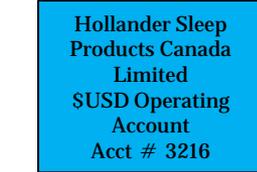
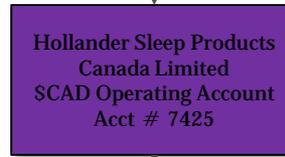
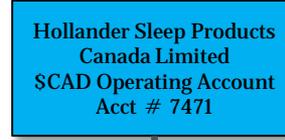
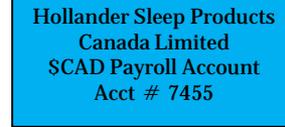
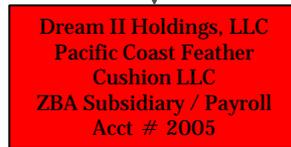
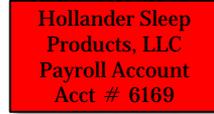
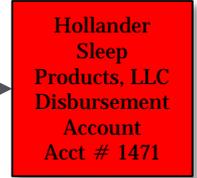
New York, New York

Dated: _____, 2019

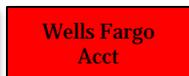
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Cash Management System Diagram



Legend:



Disbursement of funds from ABL Revolver

Disbursement of funds from depository accounts

Exhibit 2

Debtor and Non-Debtor Affiliate Bank Accounts

	Entity	Bank Name	Account Number	Account Type
1	Hollander Sleep Products, LLC	Wells Fargo	x4226	Operating
2	Hollander Sleep Products, LLC	Wells Fargo	x4234	Depository
3	Hollander Sleep Products, LLC	Wells Fargo	x1471	Checking
4	Hollander Sleep Products, LLC	Wells Fargo	x6169	Checking
5	Dream II Holdings, LLC Pacific Coast Feather Cushion, LLC	Wells Fargo	x2581	Depository
6	Dream II Holdings, LLC Pacific Coast Feather, LLC	Wells Fargo	x2851	Depository
7	Dream II Holdings, LLC Pacific Coast Feather, LLC	Wells Fargo	x0451	Checking
8	Dream II Holdings, LLC Pacific Coast Feather, LLC	Wells Fargo	x8006	Depository
9	Dream II Holdings, LLC Pacific Coast Feather Cushion, LLC	Wells Fargo	x2005	Checking
10	Dream II Holdings, LLC Pacific Coast Feather Cushion, LLC	Wells Fargo	x7339	Depository
11	Hollander Sleep Products Canada Limited	Wells Fargo	x7425	Checking
12	Hollander Sleep Products Canada Limited	Royal Bank of Canada	x7471	Checking
13	Hollander Sleep Products Canada Limited	Royal Bank of Canada	x7455	Checking
14	Hollander Sleep Products Canada Limited	Wells Fargo	x7433	Depository
15	Hollander Sleep Products Canada Limited	Royal Bank of Canada	x7463	Depository
16	Hollander Sleep Products Canada Limited	Wells Fargo	x8373	Operating
17	Hollander Sleep Products Canada Limited	Royal Bank of Canada	x3216	Operating
18	Hollander Sleep Products Canada Limited	Royal Bank of Canada	x2580	Depository

	Entity	Bank Name	Account Number	Account Type
19	Hollander Sleep Products Trading (Shanghai) Co., LTD.	Shanghai Pudong Development	x0327	Operating
20	Hollander Sleep Products Trading (Shanghai) Co., LTD.	Shanghai Pudong Development	x0875	Operating

Exhibit B

Proposed Final Order

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

In re:)
) Chapter 11
)
HOLLANDER SLEEP PRODUCTS, LLC., *et al.*,¹) Case No. 19-11608 (____)
)
Debtors.) (Joint Administration Requested)
)
) **Re: Docket No. ____**

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO
(A) CONTINUE TO OPERATE THEIR CASH MANAGEMENT SYSTEM,
(B) HONOR CERTAIN PREPETITION OBLIGATIONS RELATED THERETO,
(C) MAINTAIN EXISTING BUSINESS FORMS, AND (D) CONTINUE TO PERFORM
INTERCOMPANY TRANSACTIONS, AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an final order (this “Final Order”), (a) authorizing the Debtors to (i) continue to operate their Cash Management System as illustrated on **Exhibit 1** hereto and maintain their existing Bank Accounts, (ii) honor certain prepetition obligations related thereto, (iii) maintain existing business forms, and (iv) continue to perform Intercompany Transactions with each other and with a non-debtor affiliate consistent with historical practice, and (b) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over 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 Southern District of New York*, dated January 31, 2012; and this Court may enter a final order

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Dream II Holdings, LLC (7915); Hollander Home Fashions Holdings, LLC (2063); Hollander Sleep Products, LLC (2143); Pacific Coast Feather, LLC (1445); Hollander Sleep Products Kentucky, LLC (4119); Pacific Coast Feather Cushion, LLC (3119); and Hollander Sleep Products Canada Limited (3477). The location of the Debtors’ service address is: 901 Yamato Road, Suite 250, Boca Raton, Florida 33431.

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

consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted on a final basis only as set forth herein.
2. The Debtors are authorized, but not directed, to: (a) continue using the Cash Management System and honor any prepetition obligations related to the use thereof, including any Bank Fees; (b) designate, maintain, close, and continue to use on a final basis their existing Bank Accounts, including, but not limited to, the Bank Accounts identified on **Exhibit 2** hereto, in the names and with the account numbers existing immediately before the Petition Date; (c) deposit funds in, and withdraw funds from, the Bank Accounts by all usual means, including checks, wire transfers, ACH transfers, and other debits; (d) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts; and (e) open new debtor-in-possession Bank Accounts.
3. The Debtors are authorized, but not directed, to continue using the Purchase Cards and to pay any prepetition or postpetition amounts due in connection therewith. The Debtors are further authorized to continue to use the Purchase Card Program under the Card Agreement, subject to the terms and conditions thereof and further subject to the terms of any applicable debtor-

in-possession financing orders and related loan documents pursuant to which the obligations arising under the Card Agreement are included as obligations thereunder. Wells Fargo may rely on the representations of the Debtors with respect to its use of the Purchase Card Program pursuant to the Card Agreement, and Wells Fargo shall not have any liability to any party for relying on such representations by a Debtor as provided for herein.

4. The Debtors are authorized, but not directed, to continue using, in their present form, the Business Forms, as well as checks and other documents related to the Bank Accounts existing immediately before the Petition Date, *provided, however*, that once the Debtors have exhausted their existing stock of Business Forms and checks, they shall ensure that any new Business Forms and checks are clearly labeled “Debtor in Possession” and *provided, further*, that with respect to any Business Forms and checks that are generated electronically, the Debtors shall ensure that such electronic Business Forms and checks are clearly labeled “Debtor in Possession.”

5. The Cash Management Banks at which the Bank Accounts are maintained are authorized to (a) continue to service and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course, and to receive, process, honor, and pay any and all checks, drafts, wire transfers, and ACH transfers issued, whether before or after the Petition Date, and drawn on the Bank Accounts after the Petition Date by the holders or makers thereof, as the case may be, and (b) 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 Cash Management 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 the Debtors’ accounts with such Cash Management 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 applicable fees and expenses, including the Bank Fees, associated with the nature of the deposit and cash management services rendered to the Debtors, whether arising prepetition or postpetition, from the applicable Bank Accounts consistent with historical practice, and further, to charge back to the appropriate accounts of the Debtors any amounts resulting from returned checks or other returned items, including returned items that result from ACH transactions, wire transfers, or other electronic transfers of any kind, regardless of whether such returned items were deposited or transferred prepetition or postpetition and regardless of whether the returned items relate to prepetition or postpetition items or transfers.

6. The Debtors will instruct the Cash Management Banks as to which checks, drafts, wire transfers (excluding any wire transfers that the Banks are obligated to settle), or other items presented, issued, or drawn, shall not be honored. Except for those checks, drafts, wires, or other ACH transfers that are authorized or required to be honored under an order of the Court, no Debtor shall instruct or request any Cash Management Bank to pay or honor any check, draft, or other payment item issued on a Bank Account prior to the Petition Date but presented to such Cash Management Bank for payment after the Petition Date.

7. The Cash Management Banks may rely on the representations of the Debtors with respect to whether any check, draft, wire, transfer, or other payment order drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this Final Order or any other order of the Court, and such Cash Management Banks shall not have any liability to any party for relying on such representations by the Debtors as provided for herein, and should a Cash Management Bank honor a prepetition check or other item drawn on any account that is the subject of this Final Order (a) at the direction of the Debtors to honor such prepetition check or item, (b) in a good faith

belief that the Court has authorized such prepetition check or item to be honored, or (c) as the result of an innocent mistake made despite implementation of customary item handling procedures, the Cash Management Bank shall not be deemed to be nor shall be liable to the Debtors, their estates, or any other party on account of such prepetition check or other item being honored postpetition or otherwise be in violation of this Final Order.

8. Those certain existing deposit agreements between the Debtors and the Cash Management Banks shall continue to govern the postpetition cash management relationship between the Debtors and the Cash Management Banks, and all of the provisions of such agreements, including, without limitation, the termination, right of offset, analysis fees, overdrafts, and fee and expense provisions, shall remain in full force and effect. Either the Debtors or the Cash Management Banks may, without further order of the Court, implement changes to the cash management systems and procedures in the ordinary course of business pursuant to the terms of those existing deposit agreements and the DIP Orders, as applicable, including, without limitation, the opening and closing of bank accounts.

9. As soon as practicable after entry of this Final Order, the Debtors shall serve a copy of this Final Order on the Banks.

10. The requirement to establish separate accounts for tax payments is hereby waived.

11. The Debtors are authorized to (a) continue performing Intercompany Transactions in the ordinary course of business and (b) set off mutual postpetition obligations relating to intercompany receivables and payables through the Cash Management System. In connection therewith, the Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts. All Intercompany Claims

arising after the Petition Date shall be accorded administrative expense status in accordance with section 503(b) and 364(b) of the Bankruptcy Code. Notwithstanding the foregoing, the Canadian Intercompany Superiority Administrative Claims (as defined in the DIP Orders) shall be treated in accordance with the DIP Orders.

12. The Debtors are authorized to open new bank accounts or close any existing Bank Accounts as they may deem necessary and appropriate in their reasonable business judgment, *provided* that any new bank account shall be at a bank that is an authorized depository or at a bank that is willing to execute a Uniform Depository Agreement with the U.S. Trustee.

13. Except as otherwise provided herein, in the event that a Bank Account does not comply or ceases to comply with the requirements of section 345(b) of the Bankruptcy Code, the Debtors shall have forty-five days thereafter, without prejudice to seeking an additional extension, to come into compliance with section 345(b) of the Bankruptcy Code or sufficient time, in the Debtors' sole discretion, to close such Bank Account or to seek appropriate relief from the Court.

14. Notwithstanding the relief granted in this Final Order and any actions taken pursuant to such relief, nothing in this Final Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor entity; (b) a waiver of the Debtors' or any other party in interest's right to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Final Order or the Motion or a finding that any particular claim is an administrative expense or other priority claim; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the rights of any party in interest under the Bankruptcy Code or any other applicable law; or (g) a concession by the Debtors that any liens (contractual, common law,

statutory, or otherwise) satisfied pursuant to the Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

15. Nothing contained in this Final Order or any action taken by the Debtors in implementing this Final Order shall be deemed a waiver of the rights of any party-in-interest to dispute the amount of, basis for, validity, or treatment of any Intercompany Claim or the allocation of expenses or other costs between any Debtor entities.

16. Notwithstanding the relief granted in this Final Order, any payment made or to be made by the Debtors pursuant to the authority granted herein shall be subject to and in compliance with any order entered by the Court approving the entry into any postpetition debtor-in-possession financing facility and any budget in connection therewith and/or authorizing the Debtors' use of cash collateral and any budget in connection therewith.

17. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

18. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry.

19. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.

20. The Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

New York, New York

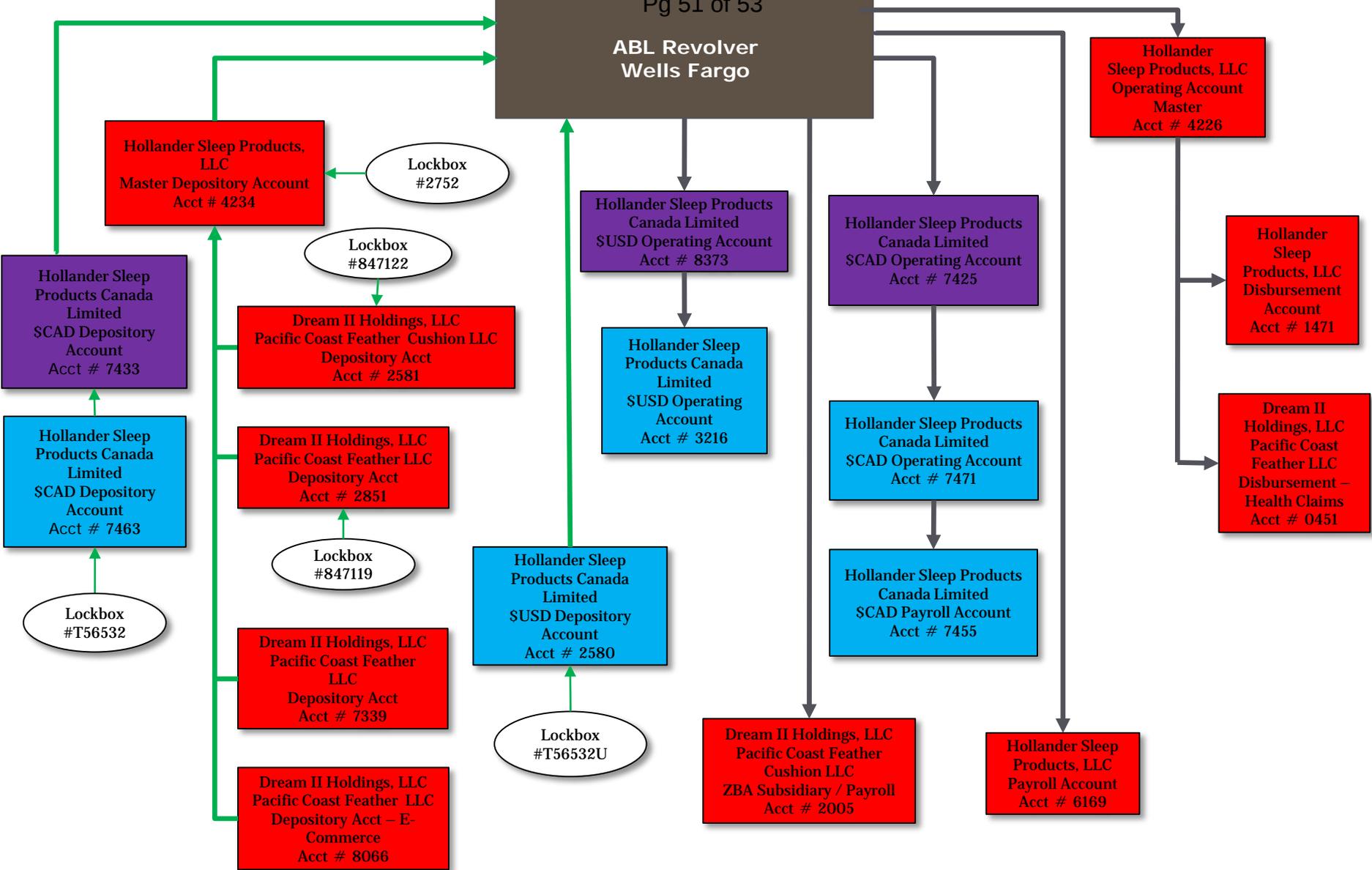
Dated: _____, 2019

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Cash Management System Diagram

**ABL Revolver
Wells Fargo**



Legend:

RBC Acct	Wells Fargo Acct	Canadian Wells Fargo Acct
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Disbursement of funds from ABL Revolver
Disbursement of funds from depository accounts

Exhibit 2

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