

1 **KELLER BENVENUTTI KIM LLP**
TOBIAS S. KELLER (Cal. Bar No. 151445)
2 (tkeller@kclkllp.com)
JANE KIM (Cal. Bar No. 298192)
3 (jkim@kclkllp.com)
THOMAS B. RUPP (Cal. Bar No. 278041)
4 (trupp@kclkllp.com)
425 Market Street, 26th Floor
5 San Francisco, California 94105
Telephone: (415) 496-6723
6 Facsimile: (650) 636-9251

7 *Proposed Attorneys for Debtors and*
8 *Debtors in Possession*

9 **UNITED STATES BANKRUPTCY COURT**
10 **NORTHERN DISTRICT OF CALIFORNIA**
11 **SAN FRANCISCO DIVISION**

12 In re:

13 SHIFT TECHNOLOGIES, INC., *et al.*,¹

14 Debtors.

Case No. 23-30687 (HLB) (Lead Case)

(Joint Administration Requested)

**DECLARATION OF JASON CURTIS IN
SUPPORT OF CHAPTER 11 PETITIONS
AND FIRST DAY MOTIONS**

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25 ¹ The last four digits of Shift Technologies, Inc.'s tax identification number are 5852. Due
26 to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors
27 and the last four digits of their federal tax identification numbers is not provided herein. A
28 complete list of such information may be obtained on the website of the Debtors' proposed claims
and noticing agent at <https://omniagentsolutions.com/Shift>. The Debtors' service address is 290
Division Street, Suite 400, San Francisco, California 94103.

1 I, Jason Curtis, do hereby declare as follows:

2 1. I am Chief Financial Officer of Shift Technologies, Inc., a corporation organized
3 under the laws of Delaware ("Shift Technologies"), and the Chief Financial Officer for each of
4 the direct and indirect subsidiaries of Shift Technologies, Inc.: Shift Platform, Inc.; Shift
5 Operations LLC; Shift Transportation LLC; Shift Insurance Services LLC; Shift Finance LLC;
6 Shift Marketplace Holdings, LLC; Shift Marketplace, LLC; Fair Dealer Services, LLC; CarLotz,
7 Inc. (Delaware); CarLotz Group, Inc.; CarLotz, Inc. (Illinois); CarLotz Nevada, LLC; CarLotz
8 California, LLC; Orange Peel, LLC; Orange Grove Fleet Solutions, LLC; and CarLotz Logistics
9 (collectively, with Shift Technologies, "Shift," the "Company," or the "Debtors").

10 2. I joined Shift as its Chief Accounting Officer on June 1, 2021. I was appointed as
11 Chief Financial Officer effective September 27, 2023, and I also continue to serve as Chief
12 Accounting Officer of Shift. I am generally familiar with the day-to-day operations of the
13 Debtors and their affairs, books, and records.

14 3. I submit this declaration pursuant to 28 U.S.C. § 1746 in support of the First Day
15 Motions (as defined below). Except as otherwise indicated, all facts set forth in this declaration
16 are based upon my personal knowledge, information supplied to me by other members of the
17 Debtors' management, employees, and professionals, or learned from my review of relevant
18 documents or upon my opinion based upon my experience and knowledge of the Debtors'
19 operations and financial condition. If called upon to testify, I could and would testify
20 competently to the facts set forth herein. I am authorized by the Debtors to submit this
21 declaration.

22 4. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for
23 relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the
24 Northern District of California, thereby commencing the above-captioned chapter 11 cases (the
25 "Chapter 11 Cases"). The Debtors are operating their businesses and managing their properties as
26 debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee
27 or examiner has been appointed in these Chapter 11 Cases.
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1 9. In October 2020, Shift Technologies completed its de-SPAC transaction, as a
2 result of which Shift Technologies became a public company.² Shift Technologies, Inc. is listed
3 under the trade symbol “SFT” on the Nasdaq Capital Market.

4 10. The Company aimed to provide digital solutions on a national basis throughout the
5 car ownership lifecycle by operating platforms that allowed customers to: (a) find the right car
6 and test drive it before purchasing, (b) access a seamless digitally-driven purchase transaction,
7 including financing and vehicle products, and (c) utilize the Company’s digital trade-in/sale
8 transaction, with support services from the Company during ownership.

9 11. Shift invested significantly in its technology platforms, as well as focusing on
10 finding new ways to expand through investments and mergers, in an attempt to drive growth
11 through volume and presence. This included Shift’s acquisition of Fair Dealer Services, LLC, in
12 May 2022, and Shift’s December 2022 merger with CarLotz, Inc., a consignment-to-retail used
13 vehicle marketplace that operated a technology-enabled buying, sourcing, and selling model with
14 an omnichannel experience. The Fair Dealer Services acquisition was intended to help Shift build
15 a digital marketplace where both dealers and independent sellers could list their cars alongside
16 Shift’s owned inventory, offering customers access to a greater selection of owned and third-party
17 vehicles. The CarLotz merger was intended to allow Shift to leverage the Company’s presence
18 and dealer marketplace platform on the East Coast through a new omnichannel experience, rather
19 than the Company’s previous sole ecommerce platform.

20 12. Unfortunately, as Shift continued to expend its available cash on technology
21 development, capital markets in early-mid 2023 tightened and focused on profitability over
22 growth, according to Shift’s advisors, which, along, with other factors impacting the industry,
23 made it increasingly difficult to find capital to fund growth and operations absent immediate cash
24 returns. Other companies in the auto ecommerce industry, such as Carvana and Vroom,
25 experienced their own liquidity and operational challenges, and Shift needed additional capital
26 and time (neither of which it had) to reach scale and build technology to compete effectively with

27 ² A de-SPAC transaction is a merger of a privately-held operating company into a shell
28 publicly-traded company (called a SPAC, or Special Purpose Acquisition Company).

1 those companies. It therefore became apparent that the Company would have significant
2 difficulty continuing to invest in its ecommerce platform.

3 13. After the Company brought in new management experienced in the car dealership
4 industry in June 2023, Shift decided to pivot entirely to a dealership model focused on profitable
5 growth. By discontinuing its ecommerce investment, Shift's new business model became
6 substantially less capital-intensive.

7 14. Even with the pivot to a dealership model, the Company's liquidity had already
8 deteriorated, and Shift needed capital to see if the significant changes made to the operations of
9 the business (under the leadership of new management) would make Shift profitable. Shift and
10 its advisors spent months negotiating with the holders of the Company's convertible notes and
11 senior unsecured notes, in the hopes that the noteholders would reach an agreement to restructure
12 the outstanding debt and provide additional financing to support an out-of-court or in-court
13 reorganization. The Company also pursued other potential sources of liquidity during this time,
14 including potential debt and equity investments.

15 15. Ultimately, the Company's noteholders were unwilling to provide additional
16 financing, and the Company was unable to secure any additional source of capital. As a result,
17 the Debtors filed these Chapter 11 Cases to begin an orderly winddown.

18 **B. Shift's Corporate Structure and Business**

19 16. Shift Technologies is the ultimate corporate parent of each of the Debtors. A
20 corporate organization chart is attached hereto as Exhibit 1.

21 17. Prior to the Petition Date, the Company was organized into two business
22 segments: retail and wholesale. The retail segment represented retail sales of used vehicles
23 through the Company's retail locations and ecommerce platform, and fees earned on sales of
24 value-added products associated with those vehicle sales such as vehicle service contracts,
25 guaranteed asset protection waiver coverage, prepaid maintenance plans, and appearance
26 protection plans. The wholesale segment represented sales of used vehicles through wholesale
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1 auctions or directly to a wholesaler. In connection with the announcement that the Company
2 would file these Chapter 11 Cases, Shift ceased operation of its retail business.

3 **C. Shift's Secured and Unsecured Debt**

4 **1. Ally Flooring Line of Credit**

5 18. On December 9, 2021, the Company³ entered into a \$100.0 million flooring line of
6 credit facility with Ally Bank ("Ally") to finance its used vehicle inventory pursuant to Inventory
7 Financing and Security Agreements (as amended, restated, supplemented, or otherwise modified
8 from time to time, the "IFSA"), which is secured by substantially all of the Company's assets.
9 Borrowings under the IFSA bore interest at the Prime Rate (as defined in the agreement) plus
10 1.75%.

11 19. Under the IFSA, Ally provided inventory financing (*i.e.*, loans made pursuant to a
12 revolving line of credit) for the acquisition of vehicles for sale through Shift's retail automotive
13 sales business. Upon the sale of each vehicle, Shift agreed to repay Ally promptly for the amount
14 that was advanced to it.

15 20. Under the IFSA, and in order to secure all present and future obligations of Shift to
16 Ally, Shift granted Ally a continuing security interest in the following property, as well as any
17 proceeds from the sale of such collateral (collectively referred to as the "Ally Collateral"):

18 all Vehicles, including but not limited to those for which either of Ally provides
19 Inventory Financing; other inventory; equipment; fixtures; accounts, including
20 factory open accounts of Dealership; deposit and other accounts with banks and
21 other financial institutions; cash and cash equivalents; general intangibles; all
22 documents; instruments; investment property; and chattel paper.

23 21. In connection with the IFSA, certain of the Debtors entered into guaranties
24 (guaranteeing the obligations of the borrowers under the IFSA), and General Security Agreements
25 (granting Ally a security interest in substantially all assets of the guarantor Debtors). Certain of
26 the Debtors are also party to Credit Balance Agreements (as amended, restated, supplemented, or
27 otherwise modified from time to time, collectively, the "CBA"),⁴ whereby those Debtors agreed

27 ³ The Debtors that are party to the IFSA are Shift Technologies, Inc., Shift Operations LLC,
28 CarLotz, Inc. [DE], CarLotz Group, Inc., CarLotz, Inc. [IL], and CarLotz California, LLC.

⁴ The Debtors that are party to the Guaranties and the General Security Agreements are

1 to deliver funds to Ally to be held as principal payments on any outstanding balances Debtors
2 owed to Ally under the IFSA.

3 22. Ally perfected its security interests in the Ally Collateral by filing UCC-1
4 financing statements and amendments with the Office of the Secretary of State of Delaware, the
5 Office of the Secretary of State of Illinois, and the Office of the Secretary of State of California.

6 23. Separate from the IFSA financing, the Debtors entered into certain Ally Master
7 Retail Agreements (“Retail Agreements”) governing the terms under which Ally purchased
8 consumer retail installment sales contracts from those Debtors. The Debtors have ongoing
9 obligations to Ally under the Retail Agreements, and Ally asserts that the Debtors’ liability
10 thereunder will be \$449,647.60, based upon Ally’s predictive default formula. (The Debtors have
11 not taken a position on such assertion.) The Debtors’ liability to Ally under the Retail
12 Agreements is secured by cross-collateralization provisions contained in the IFSA and the
13 Guaranties.

14 24. As of October 5, 2023, the principal balance owed under the IFSA was
15 \$6,974,114.13 (“IFSA Principal Balance”). Under the terms of the CBA, Ally held
16 \$7,010,056.17 in funds delivered by Debtors as of October 6, 2023 (“CBA Balance”). Upon
17 Ally’s application of the CBA Balance, as described below, as of the Petition Date, the IFSA
18 Principal Balance is now \$0, and \$35,942.04 of the CBA Balance remains unapplied. After
19 applying existing credits, as of the Petition Date, the Debtors have no payments due to Ally.
20 However, as discussed in Part II, in connection with the Cash Collateral Stipulation Motion (as
21 defined below), Ally contends that the Debtors have continuing unliquidated and contingent
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26 Shift Technologies, Inc., Shift Platform, Inc., Shift Transportation LLC, Shift Finance, LLC, Shift
27 Insurance Services LLC, Shift Marketplace Holdings, LLC, Shift Marketplace, LLC, Fair Dealer
28 Services, LLC, CarLotz Nevada, LLC, and CarLotz Logistics, LLC. The Debtors that are party to
the CBA are Shift Operations LLC, CarLotz, Inc. [DE], CarLotz Group, Inc., CarLotz, Inc. [IL],
and CarLotz California, LLC.

1 obligations to Ally of nearly \$1 million. Other than the secured obligations owing to Ally, the
2 Debtors have no other secured debt.

3 **2. Convertible Notes**

4 25. On May 27, 2021, the Company completed a private offering of its 4.75%
5 Convertible Senior Notes due 2026 (the “Convertible Notes”). The aggregate principal amount of
6 the Convertible Notes sold in the offering was \$150.0 million. The Convertible Notes are senior
7 unsecured obligations of the Company and rank equally in right of payment with the Company’s
8 other senior unsecured indebtedness and senior in right of payment to the Company’s
9 indebtedness that is expressly subordinated to the Convertible Notes.

10 26. The Convertible Notes accrue interest payable semi-annually in arrears at a rate of
11 4.75% per year. The Convertible Notes are held by noteholders through U.S. Bank, N.A., as
12 indenture trustee.

13 **3. Senior Unsecured Notes**

14 27. On May 11, 2022, in connection with the Fair Acquisition, the Company entered
15 into a Note Purchase Agreement (the “Note Purchase Agreement”) by and between the Company,
16 certain of the Company’s subsidiaries party thereto as guarantors, and SB LL Holdco, Inc., a
17 Delaware corporation (“SB LL Holdco”). Pursuant to the Note Purchase Agreement and the terms
18 and conditions set forth therein, the Company agreed to issue and sell, and SB LL Holdco agreed
19 to purchase, 6.00% Senior Unsecured Notes due May 11, 2025, with a principal amount of \$20.0
20 million, and bearing interest at a rate of 6.00% per annum (the “Senior Unsecured Notes”). The
21 Senior Unsecured Notes are senior unsecured indebtedness of the Company.

22 **D. Events Leading Up to Chapter 11 Filing**

23 28. Since inception, Shift generated recurring losses as it pursued its investments in
24 building and expanding its ecommerce technology platform. Beginning in August 2022, Shift
25 began to enter into cost-saving measures to achieve long-term profitable growth. On August 9,
26 2022, in conjunction with the announcement of the merger with CarLotz, Shift announced the
27 closure of seven inventory inspection, reconditioning, and storage facilities, or “hubs,” as part of
28 a strategic review of the business. Shift intended to consolidate its operations around its most

1 efficient, online-centric fulfillment channel, and adjust its physical footprint and headcount
2 accordingly. The hub closures in Seattle, San Diego, Sacramento, Austin, Houston, San Antonio,
3 and Dallas resulted in an estimated workforce reduction of approximately 60%.

4 29. On May 11, 2023, Shift announced that its Board of Directors was exploring and
5 evaluating strategic alternatives to enhance stockholder value, which could include exploring a
6 potential sale of certain operating businesses, third party investment or partnership opportunities
7 and/or funding alternatives for the Company's marketplace business, or the continued execution
8 of the Company's business plans.

9 30. On May 31, 2023, the Company entered into confidentiality agreements and
10 commenced discussions with legal advisors for a group of holders of the Convertible Notes and
11 Senior Unsecured Notes (the "Noteholders") regarding a potential restructuring or refinancing
12 and related transactions. On July 24, 2023, the confidentiality restrictions terminated without the
13 Company and the Noteholders reaching an agreement.

14 31. While those discussions were ongoing, on July 11, 2023, the Company announced
15 a restructuring plan, pursuant to which it reduced its headcount by approximately 34% and
16 eliminated investment into the Company's dealer marketplace business, in order to focus on core
17 operations of sales of its own inventory to customers and wholesalers.

18 32. On September 5, 2023, Shift announced the closing of its Portland-based vehicle
19 storage and sales facility and additional streamlining of its corporate organization. These actions
20 resulted in an estimated workforce reduction of approximately 25%.

21 33. In late September 2023, Shift entered into confidentiality agreements with the
22 Noteholders to discuss whether the Noteholders would provide debtor-in-possession financing to
23 support the Company's reorganization through a chapter 11 proceeding. For the ensuing two
24 weeks, the Company and its advisors engaged with the Noteholders and provided financial
25 information and a proposed budget.

26 34. While those discussions were taking place, the Company also engaged with Ally to
27 discuss their plans to reorganize through a chapter 11 proceeding and the Debtors' need for Ally
28 to continue to extend floor financing during the pendency of the Chapter 11 Cases. Ally

1 subsequently informed the Debtors that Ally would not agree to continue to provide floor
2 financing to the Debtors, under the IFSA or otherwise, during or after the pendency of the
3 Chapter 11 Cases.

4 35. Ultimately, the Noteholders did not agree to provide any debtor-in-possession
5 financing to the Debtors.

6 36. On October 6, 2023, after the Debtors informed Ally that a chapter 11 filing was
7 imminent, Ally applied the CBA Balance to satisfy in full the IFSA Principal Balance pursuant to
8 the terms of the CBA.

9 37. Without financing from the Noteholders, floor financing from Ally, or any other
10 financing source, the Debtors had no choice but to begin an orderly wind-down and liquidation.
11 On October 6, 2023, Shift announced that it would close its website and car lots in Oakland and
12 Pomona and terminate approximately 80% of its workforce prior to filing these Chapter 11 Cases.
13 That reduction in workforce occurred on October 6. The remaining 24 employees of Shift are
14 those necessary to facilitate an orderly wind-down of the Company's business and liquidation of
15 its assets.

16 38. The Company determined that it was in the best interest of the Debtors' creditors
17 to use cash on hand and cash generated by the liquidation of inventory through wholesale
18 channels to provide the liquidity necessary to support the wind-down and the chapter 11 process,
19 and to file these Chapter 11 Cases instead of liquidating through a chapter 7 proceeding. The
20 Company concluded that its existing management and remaining employees will be able to obtain
21 greater value for the Debtors' estates than could be accomplished through a chapter 7 proceeding,
22 even net of the administrative expense of a chapter 11 proceeding. The Company's management
23 and employees have been engaged in, and are experienced in, the business of selling the Debtors'
24 cars in the ordinary course through wholesale channels and will be able to liquidate the Debtors'
25 assets – the value of which is comprised primarily of the vehicle inventory – at greater values and
26 more efficiently than could be accomplished through a chapter 7 proceeding. The Company's
27 existing management and remaining employees also will be able to collect accounts receivable,
28 title vehicles to realize value, use the proceeds of vehicle sales to pay Ally's secured obligations

1 quickly, and seek to sell intellectual property and other assets of the Debtors, all of which will
2 maximize the value of the Debtors' estates.

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4 **II.**
FIRST DAY MOTIONS⁵

5 **A. Joint Administration Motion**

6 39. By the *Motion of Debtors Pursuant to Fed. R. Bankr. P. 1015(b) for Entry of an*
7 *Order Directing Joint Administration of the Debtors' Chapter 11 Cases* (the "Joint
8 Administration Motion"), the Debtors request entry of an order directing the joint administration
9 of the Chapter 11 Cases and the consolidation thereof for procedural purposes only and granting
10 certain related relief.

11 40. Each Debtor other than Shift Technologies is a wholly owned direct or indirect
12 subsidiary of Shift Technologies.

13 41. The joint administration of the Chapter 11 Cases will have several benefits,
14 including (a) permitting the Clerk of the Court to utilize a single general docket for these Chapter
15 11 Cases and combine notices to creditors of the Debtors' respective estates and other parties in
16 interest; (b) avoiding the need for duplicative notices, motions and applications, thereby saving
17 the Debtors' estates time and expense; (c) enabling parties in interest to have a single point of
18 reference for all matters relevant to these Chapter 11 Cases; (d) significantly reducing the volume
19 of pleadings that otherwise would be filed with the Clerk of this Court; (e) rendering the
20 completion of various administrative tasks less costly; and (f) minimizing the number of
21 unnecessary delays associated with the administration of separate chapter 11 cases.

22 **B. Schedules of Assets and Liabilities and Statements of Financial Affairs Motion**

23 42. By the *Motion of Debtors Pursuant to 11 U.S.C. §§ 521(a) and 105(a), and Fed.*
24 *R. Bankr. P. 1007(c) for Entry of an Order Extending Time to File Schedules of Assets and*
25 *Liabilities and Statements of Financial Affairs* (the "Schedules and Statements Motion") the
26 Debtors request entry of an order substantially in the form attached to the Schedules and

27 _____
28 ⁵ Defined terms used in Part II of this Declaration shall have the meanings ascribed to them
in the motions to which the paragraphs relate.

1 Statements Motion as Exhibit A extending the initial fourteen (14) day period to file their
2 schedules of assets and liabilities and statements of financial affairs (collectively, the “Schedules
3 and Statements”) by thirty (30) days, allowing the Debtors a total of forty-four (44) days after the
4 Petition Date to file their Schedules and Statements (the “Schedules and Statements Deadline”),
5 without prejudice to the Debtors’ right to request additional time if necessary.

6 43. Prior to the Petition Date, a vast majority of the Debtors’ employees, including all
7 clerical and administrative staff, were terminated. The remaining staff, including those in
8 management, continue to focus their efforts on winding down its business locations and managing
9 its remaining inventory for wholesale liquidation of its assets.

10 44. I understand that collecting the necessary information to prepare the Schedules and
11 Statements requires an enormous expenditure of time and effort on the part of the Debtors, their
12 remaining employees, and their professionals. While the Debtors, with the assistance of their
13 professional advisors, have mobilized their remaining employees to work diligently and
14 expeditiously to prepare the Schedules and Statements, the 14-day deadline is not achievable
15 under the circumstances of these Chapter 11 Cases. As a practical matter, the Debtors are unable
16 to properly and accurately complete the Schedules and Statements within the initial statutory
17 period. The number of Debtors and the complexity of the Debtors’ businesses, coupled with the
18 limited time and staff available to the Debtors, necessitate an extension of the Schedules and
19 Statements Deadline.

20 **C. Creditor Matrix Motion**

21 45. By the *Motion of Debtors for Entry of Order (I) Authorizing the Debtors to (A)*
22 *File a Consolidated List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each*
23 *Debtor, (B) File a Consolidated List of the Debtors’ Thirty Largest Unsecured Creditors, and*
24 *(C) Redact Certain Personally Identifiable Information for Individual Creditors and Interest*
25 *Holder, (II) Implementing Certain Procedures for the Notice of Commencement, and (III)*
26 *Granting Related Relief* (the “Creditor Matrix Motion”), the Debtors request entry of an order,
27 substantially in the form attached to the Creditor Matrix Motion as Exhibit A, (i) authorizing the
28 Debtors to (a) file a consolidated list of creditors in lieu of submitting a separate mailing matrix

1 for each Debtor (the “Creditor Matrix”), and (b) file a consolidated list of the Debtors’ thirty (30)
 2 largest unsecured creditors in lieu of filing a separate top twenty creditor list for each Debtor (the
 3 “Top 30 List”); (ii) implementing certain procedures for the mailing of the notice announcing the
 4 commencement of these Chapter 11 Cases and the meeting of creditors to be held pursuant to
 5 section 341 of the Bankruptcy Code (the “Notice of Commencement”); and (iii) granting related
 6 relief.

7 46. In addition, the Debtors request that the Court establish the following procedures
 8 (the “Privacy Procedures”) to balance the Debtors’ legal obligation to protect its individual users’,
 9 employees’, equity holders’, and creditors’ personally identifiable information with the need to
 10 disclose information regarding these bankruptcy cases to the public:

- 11 (a) The Debtors shall redact from any paper filed or to be filed with the Court in these
 12 Chapter 11 Cases all personally identifiable information of the Debtors’ users who
 13 purchased from or sold vehicles to the Debtors (the “Users”), the Debtors’ current
 14 and former employees (the “Employees”), and Shift Technologies, Inc.’s
 15 individual equity security holders (the “Individual Holders,”) and all physical and
 16 email addresses of all other individual creditors (the “Other Individual Creditors,”
 17 and, together with the Users, Employees, and Individual Holders, the “Individual
 18 Noticing Parties”) from the Creditor Matrix, and from any certificate of service,
 19 subject to section (d) below.
- 20 (b) The Debtors shall make an unredacted copy of the schedule of assets and liabilities
 21 and statements of financial affairs (collectively, the “Schedules and Statements”) available to (i) the Court and to the United States Trustee upon request;
 22 (ii) counsel to the official committee of unsecured creditors appointed in these
 23 Chapter 11 Cases (if any); and (iii) any other party in interest only after this Court
 24 has entered an order, after notice and a hearing, authorizing or directing the
 25 Debtors to do so;
- 26 (c) The Debtors and/or their proposed claims and noticing agent⁶ shall maintain a list
 27 of Customers, Individual Holders, and Employees (collectively, the “Master List”) and shall make the Master List, or any portion thereof, available to any party in
 28 interest only after this Court has entered an order, after notice and a hearing,
 authorizing or directing the Debtors to do so; and
- (d) When the Debtors serve any paper upon any person listed on the Master List, the Debtors shall note in the respective certificate of service that the parties served include persons listed on the Master List, but shall not include the individual names or any other identifying information for Customers, Employees, or Individual Holders

6 Contemporaneously herewith, the Debtors have filed an application seeking the appointment of Omni Agent Solutions, Inc. (“Omni”) as their claims and noticing agent pursuant to 28 U.S.C. § 156(c).

1 47. There are seventeen (17) debtors in these Chapter 11 Cases: Shift Technologies
2 and sixteen wholly-owned subsidiaries of Shift Technologies. The Debtors operate as an
3 integrated business and share cash management and operational systems. The Debtors submit
4 that permitting them to maintain a single consolidated Creditor Matrix, in lieu of maintaining a
5 separate creditor matrix for each Debtor, is warranted. Requiring the Debtors to segregate and
6 convert their computerized records to a Debtor-specific creditor matrix format would be an
7 unnecessarily burdensome task and would result in duplicate mailings. Instead, the Debtors, in
8 consultation with Omni, their proposed claims and noticing administrative agent, have determined
9 that utilizing their existing records to generate a consolidated Creditor Matrix is in the best
10 interests of the estates and will not prejudice the Debtors' creditors. Accordingly, the Debtors
11 seek authority to maintain a single, consolidated Creditor Matrix.

12 48. Because many of the Debtors are co-obligors and/or guarantors with each other
13 under certain debt, contractual, and other obligations, the Top 20 Lists of the Debtors could
14 overlap. In addition, certain Debtors have fewer than twenty significant unsecured creditors (and,
15 indeed, many of the Debtors have no significant unsecured creditors at all). Accordingly, the
16 Debtors submit that filing separate Top 20 Lists for each Debtor would be of limited utility and,
17 instead, the exercise of compiling separate Top 20 Lists for each Debtor would be no more than
18 an unnecessary expenditure of the Debtors' limited time and resources. Further, the Debtors
19 believe that a single, consolidated list of the Debtors' thirty largest unsecured creditors will aid
20 the U.S. Trustee in its efforts to communicate with these Creditors.

21 49. Certain of the names and addresses of the Individual Noticing Parties constitute
22 confidential "commercial information." For example, the few remaining current Employees
23 provide a range of necessary functions to the Debtors that are essential to the successful
24 administration of these Chapter 11 Cases and wind-down of the Debtors' business and assets. As
25 such, it is critical that they not be hired away by a competitor during this critical time, and
26 therefore, the Employees' personally identifying information constitutes confidential
27 "commercial information." Additionally, the Debtors serviced thousands of Users, the names and
28 addresses of whom also constitute confidential "commercial information."

1 50. Personally identifiable information of the Individual Noticing Parties in any paper
2 filed or to be filed with the Court could be used, among other things, to perpetrate identity theft or
3 to locate survivors of domestic violence, perpetuate harassment, or stalking. The Debtors are
4 concerned that the dissemination of personal addresses and contact information would
5 unnecessarily render individuals more susceptible to identity theft and could jeopardize the safety
6 of individuals who, unbeknownst to the Debtors, are survivors of domestic violence or stalking by
7 publishing their home addresses without any advance notice or opportunity to opt out or take
8 protective measures.

9 51. The Debtors have a privacy policy (the “Privacy Policy”) published on its website
10 and linked through its on-line terms and conditions.⁷ The Privacy Policy states that Shift may
11 disclose a User’s personal information to only certain limited categories of other parties for a
12 business and/or commercial purpose. While the Debtors have advised consumers in the Privacy
13 Policy that they may disclose personal information for specified purposes, this does not cover
14 disclosure as part of a public court filing.

15 **D. Cash Management Motion**

16 52. By the *Motion of the Debtors for an Order (I) Approving Continued Use of Debtors’*
17 *Cash Management System, Bank Accounts, and Business Forms; (II) Authorizing the Debtors to*
18 *Open and Close Bank Accounts; and (III) Authorizing Banks to Honor Certain Prepetition*
19 *Transfers* (the “Cash Management Motion”), the Debtors seek entry of Interim and Final Orders,
20 substantially in the forms attached to the Cash Management Motion as Exhibit C and Exhibit D,
21 (i) approving the Debtors’ use of their current Cash Management System (as described below),
22 existing Bank Accounts, and business forms and waiving certain requirements set forth in the
23 operating guidelines for debtors in possession to facilitate the administration of chapter 11 cases
24 established by the United States Trustee (the “UST Guidelines”); (ii) authorizing, but not directing,
25 the Debtors to open and close Bank Accounts; and (iii) authorizing, but not directing, all Banks to
26 honor certain prepetition transfers.

27 _____
28 ⁷ As of October 6, 2023, the Debtors’ on-line website is unavailable. Copies of the
Debtors’ privacy policies can be made available upon request.

1 53. The Debtors currently have two (2) accounts (the “Wells Fargo Accounts”) open
2 with Wells Fargo Bank N. A. (“Wells Fargo”). Wells Fargo is an FDIC-insured institution and a
3 U.S. Trustee Authorized Depository for debtors in possession in the Northern District of California.

4 54. The Debtors’ main holding Bank Account (Wells Fargo Account 5854) is the Bank
5 Account into which receipts from the Debtors’ primary payment services, Stripe, Inc. (“Stripe”)
6 and Chosen Payments, are deposited on a daily basis and into which non-retail deposits (*e.g.*, sub-
7 lease income or insurance claim payments) and accounts receivable (*e.g.*, proceeds from cars sold
8 at auction and financing and insurance income). Finally, the vehicle floor plan financing payments
9 coming into the Debtors and loan payments going out to Ally CBA (“Ally”)⁸ are made to and from
10 this account. This account is also used to fund payments to car sellers, either through Stripe or
11 directly if the seller does not have access to Stripe.

12 55. The Debtors have a second Wells Fargo Bank Account (5797) for payroll,
13 disbursement of vendor payments, and employee reimbursements.

14 56. The Debtors maintain payment accounts with Stripe (UzYi, 9Pco and XJjy), Airbase
15 and Chosen Payment (collectively, the “Payment Accounts”), which the Debtors use to receive
16 payments from sales or pay for employees’ business expenses. The funds from the Payment
17 Accounts flow in to and out of the Wells Fargo Bank Accounts. Stripe (UzYi) is used to transfer
18 funds from car buyers to the Debtors’ Wells Fargo Bank Account (5854); Stripe (9Pco) is used to
19 transfer funds from Wells Fargo Bank Account (5854) to car sellers’ bank accounts; and Stripe
20 (XJjy) was intended to be used for transfers to and from Debtor Fair Dealer Services, LLC but that
21 account is no longer used.

22 57. In September 2023, the Debtors changed their dealership management system which
23 was connected to a different payment system, Chosen Payment,⁹ which they then used in place of
24

25 ⁸ The Debtors entered into a \$100 million flooring line of credit facility with Ally Bank to
26 finance their used vehicle inventory (the “Ally FLOC”), which is secured by substantially all of
27 the Debtors’ assets. The Debtors have or will shortly have a stipulation with Ally for the use of
28 its cash collateral. Further discussion of the Ally FLOC is contained in the motion to approve
that stipulation.

⁹ Chosen Payment does not have account numbers assigned to the Debtors’ accounts.

1 Stripe. The Debtors have maintained the Stripe accounts to collect money from individual car
2 sellers who owe the Debtors because their vehicles were worth less than the liens against them.

3 58. The Debtors use the Airbase account to reimburse employee business expenses.
4 Once those expenses are approved, funds are transferred from Airbase directly to the employee's
5 bank account. This streamlines the Debtors reimbursement process so that employees can be
6 reimbursed more quickly.

7 59. The Debtors are in the process of consolidating their banking activity with Wells
8 Fargo, however, the Debtors maintain three accounts (the "Chase Bank Accounts") with JPMorgan
9 Chase Bank N.A. ("Chase") (1727, 9086 and 5916). Chase is an FDIC-insured institution and a
10 U.S. Trustee Authorized Depository for debtors in possession in the Northern District of California.
11 These three Chase Bank Accounts are legacy Carlotz accounts and Debtors are in the process of
12 closing two of them. The third Chase Bank Account (1727) will remain open as a depository for
13 the Debtors' funds as adequate assurance of post-petition payment to the Utility Companies, as
14 defined in the *Motion of the Debtors for Interim and Final Orders Establishing Adequate Assurance*
15 *Procedures with Respect to the Debtors' Utility Providers* filed concurrently herewith.

16 60. The Debtors anticipate that it may become necessary and appropriate to consolidate
17 and close certain Bank Accounts during these Chapter 11 Cases. However, doing so prematurely
18 would cause receipts to be denied or deferred, payments (including those payments that the Debtors
19 seek authorization to make by the First Day Motions) would be rendered untimely because of
20 administrative delays, and the efficiency and efficacy of the Debtors' efforts would be affected.
21 Accordingly, while the Debtors may elect to rationalize their Cash Management System, requiring
22 them to do so immediately will cause unnecessary burden on the estates and put at risk the timely
23 collection of cash and the timely payment of important obligations, including employee payrolls.

24 61. From time to time, and in the ordinary course of business, the Debtors incur
25 obligations for the maintenance of the Cash Management System. These obligations primarily
26 consist of (a) amounts owed to the Banks for the maintenance of and services related to the Bank
27 Accounts ("Bank Fees"), together with other fees and obligations relating to the maintenance of the
28 Cash Management System (together with the Bank Fees, the "Cash Management Fees"). The Cash

1 Management Fees for the Wells Fargo Bank Accounts are withdrawn from each of those accounts
2 on the 11th day of the month following the month for which fees are accrued. The total of the
3 Wells Fargo fees averages approximately \$14,000 per month. The Cash Management Fees for the
4 Chase Bank Accounts are withdrawn from each of those accounts on the 15th day of the month
5 following the month for which fees are accrued. The total of the Chase fees averages approximately
6 \$4,000 per month. The Debtors estimate that, other than the October Wells Fargo and Chase Cash
7 Management Fees scheduled to be paid on October 11 and 15, respectively, there are no accrued,
8 unpaid, and undisputed prepetition amounts outstanding as of the date hereof on account of the
9 Cash Management Fees (“Cash Management Claims”). To safely pay all Cash Management
10 Claims, the Debtors seek authorization to pay any Cash Management Claims up to \$25,000 on an
11 interim basis.

12 62. In the ordinary course of business, the Debtors issue checks from time to time and
13 use a variety of correspondence and business forms, including, but not limited to, letterhead,
14 purchase orders, and invoices (collectively, the “Business Forms”). To minimize the expense to the
15 Debtors’ estates associated with developing and/or purchasing entirely new forms or otherwise
16 complying with Bankruptcy Local Rule 2015-1(a), the delay in conducting business prior to
17 obtaining such forms, and the confusion of suppliers and other vendors, pursuant to the Cash
18 Management Motion, the Debtors seek authority to continue using their Business Forms
19 substantially in the forms used immediately prior to the Petition Date, without reference therein to
20 the Debtors’ status as “Debtor in Possession.” The Debtors do not believe that any prejudice will
21 be suffered by any party if this relief is granted.

22 **E. Employee Wages Motion**

23 63. By the *Motion of Debtors for Interim and Final Orders Authorizing the Debtors to*
24 *(A) Pay Prepetition Employee Wages, Benefits, and Related Items; and (B) Continue Certain*
25 *Employee Compensation and Benefit Programs in the Ordinary Course* (the “Employee Wages
26 Motion”), the Debtors request entry of Interim and Final Orders, substantially in the forms
27 attached to the Employee Wages Motion as Exhibit A and Exhibit B, (A) authorizing them to pay
28 any outstanding (i) Prepetition Compensation; (ii) Prepetition Benefits; (iii) Payroll Tax

1 Obligations; and (iv) Reimbursable Expenses; and (B) authorizing, but not directing, the Debtors
2 to continue to provide their ordinary course employee compensation, benefits, and related
3 programs described herein (collectively, the “Employee Compensation and Benefit Programs”).

4 64. The Debtors’ employees are critical to maximizing the value of the Debtors’ estate
5 for the benefit of their creditors. The employees’ skills, knowledge, and understanding of the
6 Debtors’ infrastructure, operations and sales strategy are essential to the orderly liquidation of the
7 Debtors’ business. Without them, the Debtors would have no way to realize, let alone maximize,
8 the value of their remaining assets.

9 65. During 2022, the Company had an average of approximately 590 employees,
10 having completed the merger with CarLotz on December 9, 2022. The Debtors operated multiple
11 locations along the West Coast and throughout the United States as part of their omni-channel
12 used car sales strategy. During 2023, in an attempt to reduce losses and focus on their path to
13 profitability, the Debtors restructured, closed unprofitable stores, stopped the development of its
14 capital-intensive dealer marketplace strategy, and reduced expenses, including streamlining their
15 workforce in several rounds of layoffs. With the end of the marketplace strategy, engineering
16 staff were let go. With the closure of each store, individuals supporting sales and vehicle
17 reconditioning operations were let go. As the store base declined, centralized operations support
18 was also reduced.

19 66. Before announcing their intention to file the Petition, the Debtors had
20 approximately 144 people employed supporting the website and two locations in Oakland and
21 Pomona, California. On October 6, 2023, they conducted a round of layoffs as they ceased sales
22 operations, eliminating the majority of existing positions. All terminated employees received
23 payment in full for their wages, commissions, if applicable, and accrued time off on their last day
24 of employment. In order to wind down operations in an orderly fashion, 24 employees across
25 operations, finance/accounting, human resources, and technology were retained. All sales and
26 reconditioning positions were eliminated. The retained employees have the knowledge and
27 experience necessary to close the stores, liquidate the inventory, close title and registration
28 operations, prepare all required financial reporting, manage all data retention requirements, close

1 all technology resources, and wind down all technology infrastructure in place. All but two of the
2 remaining staff are salaried.

3 67. The Debtors' employees receive their paychecks on two different schedules:

4 (1) the hourly employees are paid in arrears for the 1st - 15th days of the month on the 25th of that
5 month and for the 16th - the last day of the month on the 10th of the following month (the "Hourly
6 Wages"); and (2) the salaried employees are paid current for the 1st -15th days of the month on the
7 15th of the month and the 16th - the last day of the month on the last business day of that month
8 (the "Salary Wages"). Anticipating the filing of the bankruptcy petitions, the Debtors paid their
9 employees on October 6, 2023, for work performed through and including October 6, 2023 (the
10 "Pre-Petition Payroll"). The Debtors are to pay the next Hourly Wages on October 25,
11 2023. These paychecks will cover work performed from October 7 – 15. The next Salary Wages
12 are scheduled to be paid on October 13, 2023, for work performed from the Petition Date through
13 October 15. As a result, the Debtors believe that substantially all prepetition wages have been
14 paid. However, in an abundance of caution, the Debtors seek authority to pay any unpaid
15 prepetition wages not to exceed \$15,150 to any individual (the maximum priority claim under
16 sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code, hereafter the "Section 507 Cap").

17 68. In addition to base wages, certain of the employees were eligible to earn variable
18 commissions based on the achievement of certain performance targets (the "Commissions"). The
19 Commissions are paid monthly by the second pay period of the month following the month in
20 which the Commissions are earned. Commissions earned through October 6, 2023, were paid as
21 part of the Pre-Petition Payroll; however, due to reporting delays, there may be certain former
22 employees who did not receive their full Commission payments prior to the Petition Date. In an
23 abundance of caution, the Debtors seek authority to pay any outstanding Commissions, in any are
24 identified, and in aggregate amount not to exceed the Section 507 Cap.

25 69. The Debtors offer vacation benefits (the "Vacation Benefits") to their full-time
26 employees. Certain employees receive unlimited Vacation Benefits and are not entitled to
27 payment for those benefits upon termination. The rest of the employees accrue vacation time
28 each pay period. As of the Petition Date, the Debtors do not believe that any current or former

1 employees are owed compensation for Vacation Benefits; however, to the extent they are, the
2 Debtors seek authority to pay the Vacation Benefits up to the amount of the Section 507 Cap, per
3 employee.

4 70. The Debtors take deductions from their employees' paychecks to make payments
5 on behalf of the employees for or with respect to, among other things, the Debtors' Prepetition
6 Benefits (defined below) and amounts due to federal, state and local taxing authorities for the
7 Employee Taxes (defined below). As of the Petition Date, the Debtors' payroll processor, UKG
8 Inc. ("UKG"), may be holding amounts deducted from their employees' Prepetition
9 Compensation that have not yet been remitted to the taxing authorities or benefits providers
10 (collectively, the "Prepetition Tax Obligations"). Such withheld funds, to the extent that they
11 remain in the Debtors' or UKG's possession, constitute moneys held in trust and, therefore, are
12 not property of the Debtors' estates. Thus, directing such funds to the appropriate parties should
13 not require Court approval. Nevertheless, the Debtors seek authority to direct that any Prepetition
14 Tax Obligations withheld from the employees' paychecks and owed to third party taxing
15 authorities or benefits providers, including those incurred prior to the Petition Date, be delivered
16 as required.

17 71. In the ordinary course of business, the Debtors maintain certain benefits for their
18 employees, including the following: (a) health-related benefits, such as medical, dental, vision;
19 and insurance benefits such as life insurance and short- and long-term disability insurance (the
20 "Health Benefits")¹⁰ and (b) provide access to a Health Savings Account ("HSA"), a Flexible
21 Spending Account ("FSA"), Commuter Benefits, and a 401(k) plan (the "Voluntary Benefits,"
22 and jointly with the Health Benefits, the "Employee Compensation and Benefit Programs").

23 72. The Debtors provide their employees with various health-related benefits. In
24 California, they offer medical insurance through Kaiser Permanente ("Kaiser"). For non-Kaiser
25 patients, they self-insure their medical benefits through a fronting policy administered by Cigna

26 _____
27 ¹⁰ The Debtors maintain workers' compensation insurance for their employees.
28 Authorization to pay prepetition amounts owed to the workers' compensation plan is requested in
the *Motion of Debtors for Interim and Final Orders Authorizing the Payment of Prepetition
Insurance Obligations* filed concurrently herewith.

1 Healthcare (“Cigna”). They also offer dental and vision coverage through Cigna. The Debtors
2 maintain stop-loss insurance for claims that exceed \$100,000 (the “Stop-Loss Amount”) through
3 Cigna which is addressed in the Insurance Motion. Even though the majority of their employees
4 have been terminated, the Debtors are obligated to cover various of their medical claims through
5 the end of October 2023; and all of the Debtors’ current employees’ claims going forward. While
6 the Debtors do not have an estimate of the amount that will be due to cover October or post-
7 petition claims, the incurred but not reported amounts owed to Cigna for September medical
8 claims was approximately \$200,000. Approximately \$45,000 is owed for Dental and Vision
9 coverage for October premium payment, and \$37,901 is owed to Kaiser for the for the October
10 premium payment. The Debtors seek authority to pay for the medical coverage provided by
11 Kaiser, the dental and vision coverage provided by Cigna, and the medical claims up to the Stop-
12 Loss Amount as they come due, all to the extent that they fall within the Section 507 Cap.

13 73. WEX Healthcare (“WEX”) provides an HSA on behalf of employees who have
14 elected such plans. The Debtors contribute \$2,500 per year for employee only accounts and
15 \$4,500 per year when a dependent is covered. The Debtors are not aware of any outstanding
16 obligations to WEX for the HSA; however, subject to the Section 507 Cap, the Debtors seek
17 authority to fund any residual obligations.

18 74. The Debtors provide their employees with life insurance and short- and long-term
19 disability insurance through New York Life. The amounts owed to New York Life for this
20 coverage for the September premium payments were paid prior to the Petition Date. The October
21 bill has not been issued as of the Petition Date, but the Debtors anticipate it will be approximately
22 \$6,825 based on previous months’ billings.

23 75. Debtors believe they are current on all of their other obligations under the Health
24 Benefits. However, out of an abundance of caution, the Debtors seek authority, without being
25 required, to pay all prepetition amounts under the Health Benefits that may be outstanding,
26 including any that were incurred but not reported prepetition, in order to ensure that there is no
27 disruption to employees’ health-related coverage, subject only to the Section 507 Cap.
28

1 76. The Debtors offer certain benefits to employees with contribution, such that the
2 cost is divided between the participants and the Debtors with the participants portion funded
3 through deductions from their paychecks. The Voluntary Benefits include, among others, an
4 FSA, Commuter Benefits, and access to a 401(k) plan. With respect to the FSA and Commuter
5 Benefits, employees have the option of putting pre-tax dollars into accounts to pay for either
6 medical expenses or public transportation. With respect to the 401(k) plan, employees are
7 automatically enrolled upon their hire and have the option to decline contributing to the plan.
8 WEX administers the FSA and Commuter Benefits programs, and Fidelity Brokerage Services
9 LLC administers the 401(k) plan.

10 77. The Debtors are currently undergoing an audit of the Carlotz 401(k) plan, and it
11 appears that they will have an unpaid obligation to fund up to \$20,000 for that plan. The Debtors
12 seek authority to pay up to that amount to fulfill its obligations to the Carlotz 401(k) plan, subject
13 to the Section 507 Cap.

14 78. The Debtors, as employers, are required by law to withhold federal, state, and local
15 taxes (the “Employee Taxes”) from wages for remittance to appropriate taxing authorities. These
16 withheld funds, to the extent that they are in the Debtors’ possession, constitute monies held in
17 trust and are not property of the Debtors’ bankruptcy estates. In addition to the Employee Taxes,
18 the Debtors are required to pay, from their own funds, social security and Medicare taxes and pay,
19 based on a percentage of gross payroll and subject to state-imposed limits, additional amounts for
20 state and federal unemployment insurance (together with the Employee Taxes, the “Payroll Tax
21 Obligations”) and remit the same to the appropriate state and federal taxing authorities. The
22 Debtors should be authorized to pay all Payroll Tax Obligations as they come due, including any
23 obligations arising from payment of the Prepetition Compensation pursuant to the Interim and
24 Final Orders on the Employee Wages Motion.

25 79. The Debtors’ employees pay for certain expenses for which the Debtors reimburse
26 them. They customarily reimburse their employees for a variety of business expenses incurred in
27 the ordinary course of their business, including airfare, hotels, meals during travel, other
28 transportation expenses, postage and packaging, office supplies and fuel (the “Reimbursable

1 Expenses”). To obtain reimbursement of business expenses, an employee is required to submit a
2 request, accompanied by itemized receipts for approval by the employee’s supervisors and/or
3 management. Reimbursement requests must be submitted through Airbase within 30 days from
4 when they are incurred. Once approved, reimbursements are paid directly to the employee’s bank
5 account. In a typical bimonthly payroll period, the Debtors reimburse employees for
6 approximately \$18,000 of expenses in the aggregate.

7 80. It is likely that certain employees have not been reimbursed for Prepetition
8 Business Expenses incurred prior to the Petition Date. It is difficult for the Debtors to determine
9 the exact amount of Prepetition Business Expenses that are outstanding because, among other
10 things, employees may not have submitted reimbursement forms for all accrued expenses. The
11 Debtors request that they be authorized to reimburse all such expenses when the reports are
12 submitted, in order to assure such employees that they will be reimbursed for their actual out-of-
13 pocket expenses incurred while acting within the scope of their employment.

14 81. The Debtors do not expect that their obligations for Prepetition Business Expenses
15 as of the Petition Date will exceed \$10,000.

16 **F. Insurance Motion**

17 82. By the *Motion of the Debtors Pursuant To 11 U.S.C. §§ 105(A), 362(D), 363(B),*
18 *363(C) And 503(B), and Fed. R. Bankr. P. 4001, 6003, and 6004 for Interim and Final Orders*
19 *(I) Authorizing the Debtors to Maintain Insurance Programs and Pay Obligations With Respect*
20 *Thereto; and (II) Granting Relief from the Automatic Stay with Respect to Workers’ Compensation*
21 *Claims* (the “Insurance Motion”), the Debtors request entry of interim and final orders, in
22 substantially the form attached to the Insurance Motion as Exhibit A and Exhibit B, authorizing
23 them to (I) maintain the Insurance Programs (as defined herein); (II) to pay the Insurance
24 Obligations (as defined herein); and (III) to modify the automatic stay imposed by section 362 of
25 the Bankruptcy Code to permit employees to proceed with their claims under the Debtors’ programs
26 established in compliance with various jurisdictions’ workers’ compensation requirements.

27 83. In connection with the operation of their businesses, the Debtors maintain multiple
28 property and liability insurance programs that provide the Debtors with insurance coverage for

1 claims relating to, among other things, workers' compensation, property liability, and health¹¹
2 (collectively, the "Insurance Programs") through different insurance carriers (the "Insurance
3 Carriers") including, but not limited to, the Insurance Programs and Insurance Carriers identified
4 in Exhibit C to the Insurance Motion. The Debtors also maintain directors' and officers' liability
5 insurance, but the Insurance Motion does not seek authority to purchase additional D&O insurance
6 at this time.

7 84. The Debtors are required to pay, either directly or through the Debtors' insurance
8 broker, premiums for coverage under the Insurance Programs (collectively, the "Insurance
9 Premiums"). The Insurance Premiums are based upon a fixed rate established and billed by each
10 Insurance Carrier. The premiums for most of the Insurance Programs are determined annually and
11 are paid at the inception of each policy, on a monthly basis, or pursuant to the terms of the applicable
12 insurance premium financing agreement. Because of the Debtors' very recent decision to liquidate
13 and the concomitant reduction in force, their insurance needs have changed and they are in the
14 process of negotiating a new, downsized program appropriate to their current status.

15 85. As of the Petition Date, the Debtors owe Cigna less than \$25,000 for stop-loss
16 coverage on the Debtors' self-insured health plan, and are not aware of any other outstanding
17 amounts owed with respect to any Insurance Program (the "Prepetition Insurance Obligations").
18 However, it is possible that Debtors may identify outstanding Prepetition Insurance Obligations as
19 of the Petition Date. Accordingly, the Debtors request authority to pay all Prepetition Insurance
20 Obligations, in a total amount not to exceed \$30,000, if and to the extent necessary to continue
21 operations.

22
23
24 ¹¹ The Debtors provide health insurance for their employees through a *self-insured* PPO with
25 Cigna (nationwide) and for its California employees, an HMO with Kaiser. The Debtors also
26 provide dental and vision plans with Cigna. These programs and policies are referenced in the
27 Employee Wages Motion, also filed by the Debtors on this date. Because the Cigna health
28 insurance is self-insured, the Debtors have direct insurance obligations to employees; those
obligations are discussed in the Employee Wage Motion. Cigna also provides the Debtors with
"stop loss" insurance on those obligations, which insurance is included in the Insurance Programs
and the premiums for which are included in the Insurance Premiums.

1 86. More critically, certain of the Insurance Programs will expire imminently (the
2 “Expiring Programs”), as provided below:

Insurance Program	Expiration Date
Workers’ Compensation ¹²	10/13/2023
General Liability and Property	10/13/2023
Errors and Omissions	10/13/2023
Cyber	10/13/2023
Crime	10/13/2023
Employment Practices	10/13/2023
Fiduciary	10/13/2023
Umbrella	10/13/2023

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9 87. The renewal and continuation of the Expiring Programs is critical to a successful
10 administration of these Chapter 11 Cases and required of chapter 11 debtors. The Debtors are
11 negotiating a downsized package for the Insurance Programs and are confident that they can
12 maintain them for six months for premiums that will not exceed, in the aggregate, \$800,000 (the
13 “Immediate Post-Petition Insurance Obligations” and, with the Prepetition Insurance Obligations,
14 the “Insurance Obligations”). Therefore, the Debtors request authority to renew the Expiring
15 Policies and pay the premiums associated with the Expiring Policies when they become owing and
16 due.

17 **G. Taxes Motion**

18 88. By the *Motion of the Debtors Pursuant to 11 U.S.C §§ 105, 363, 507(a), and 541(d)*,
19 *and Fed. R. Bankr. P. 6003 and 6004 for Interim and Final Authority to Pay Certain Prepetition*
20 *Taxes and Assessments* (the “Taxes Motion”), the Debtors request entry of interim and final orders,
21 in substantially the form attached to the Taxes Motion as Exhibit A and Exhibit B, respectively,
22 authorizing but not directing them to pay, in the ordinary course of business, certain prepetition
23

24 ¹² The Debtors pay Insurance Premiums for the Workers’ Compensation Program on an
25 annual basis through its insurance brokers at the inception of the policy. After the coverage
26 period is over, the Insurance Carriers will audit the period based on actual payroll obligations
27 which may produce either a refund or additional premiums owed by the Debtors. The Debtors do
28 not know whether the Workers’ Compensation Program for the coverage period ending October
13, 2023, will produce additional premiums. At the final hearing the Debtors will request
authority to pay (as an Insurance Obligation) all additional premiums owed with the respect to the
Workers’ Compensation Program for the coverage period ending October 13, 2023.

1 taxes, assessments, fees, including any such taxes, assessments, fees, and charges subsequently
 2 determined upon audit, or otherwise, to be owed (collectively, the “Taxes and Assessments”), and
 3 other related relief.

4 89. In the ordinary course of its businesses, the Debtors collect, withhold, and incur a
 5 variety of Taxes and Assessments that they remit periodically to various federal, state, and local
 6 taxing, licensing, and other governmental authorities (collectively, the “Taxing Authorities”). A
 7 list of the Taxing Authorities is annexed to the Taxes Motion as Exhibit C (the “Taxing Authorities
 8 List”).¹³

9 90. As set forth in further detail below, the Debtors generally pay the Taxes and
 10 Assessments monthly, quarterly,¹⁴ semi-annually, or upon registration of a vehicle, in each case, as
 11 required by applicable laws. As of the Petition Date, the Debtors estimate that an aggregate amount
 12 of approximately \$1,647,870 in Taxes and Assessments are due and owing to the various Taxing
 13 Authorities, some of which will come due within the thirty (30) days following the Petition Date.
 14 A chart outlining the various categories and approximate amounts of the Taxes and Assessments
 15 that the Debtors are seeking authority to pay pursuant to the Taxes Motion is set forth below. The
 16 amounts of the Taxes and Assessments set forth below are good faith estimates based on the
 17 Debtors’ books and records and remain subject to potential audits and other adjustments. As such,
 18 the Debtors also seek authority to pay any Taxes and Assessments due and owing following any
 19 such audit and adjustment.

Categories of Taxes and Assessments	Approx. Amount Seeking Authority to Pay on Final Basis
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23 ¹³ The Debtors have made an extensive and good faith effort to identify on Exhibit C any
 24 Taxing Authorities to which they owe any amounts as of the Petition Date. However, due to the
 25 size and complexity of the Debtors’ historical operations, certain Taxing Authorities may not be
 26 listed therein. Accordingly, Exhibit C is a non-exhaustive list of Taxing Authorities to which the
 Debtors may owe Taxes and Assessments. To the extent the Debtors identify additional Taxing
 Authorities not listed on Exhibit C, the Debtors seek authority to pay any Taxes and Assessments
 due and owing to such Taxing Authorities.

27 ¹⁴ Certain of the Taxing Authorities in the State of New York are paid on an off-quarter
 28 schedule, and those in the State of Arkansas are paid on an occasional basis, consistent with the
 applicable laws and regulations of those states.

Sales and Use Taxes	\$1,527,389
Personal Property Taxes	\$120,482
Total Taxes and Assessments	\$1,647,870

91. The Debtors collect sales taxes on account of the sale of tangible personal property, primarily vehicles, sold by the Debtors in the ordinary course of business (collectively, the “Sales Tax”). The Debtors incur use taxes on account of the purchase of tangible personal property utilized by the Debtors in the ordinary course of business from vendors who do not collect sales tax (the “Use Taxes” and, together with the Sales Taxes, the “Sales and Use Taxes”).

92. The Debtors estimate that, as of the Petition Date, they owe approximately \$1,527,389.00 in Sales and Use Taxes, \$57,156.76 of which is known to become due and payable within the first thirty (30) days of the Chapter 11 Cases.¹⁵ The Debtors seek authority to pay an additional \$15,000 for unidentified Sales and Use payments that may arise during the interim period.

93. Prior to the Petition Date, the Debtors operated in multiple locations in California, as well as in Florida, Louisiana, Oregon, Texas, Virginia, and Washington. The Debtors paid annual taxes to various Taxing Authorities on account of the Debtors’ personal property (collectively, the “Personal Property Taxes”). As of the Petition Date, the Debtors owe approximately \$120,482 in Personal Property Taxes, none of which the Debtors believe will become due and owing during the thirty (30) days after the Petition Date; however, the Debtors seek authority to pay an additional \$5,000 for unidentified Personal Property Tax payments that may arise during the interim period.

94. In addition, pursuant to the terms of leases held by various landlords for the leasing of car lots and buildings, the Debtors have an obligation to pay real property taxes on behalf of the

¹⁵ The Debtors entered into a payment agreement with the California Department of Tax and Fee Administration whereby the Debtors agreed to pay approximately \$685,881.12 of its \$1,261,851.00 in total tax liability (the “California Sales and Use Taxes”) over the course of twelve (12) months. Pursuant to the agreement, the Debtors’ first payment of \$57,156.76 is due October 20, 2023. Notwithstanding the agreement, at the final hearing on the Taxes Motion the Debtors will seek authority to pay the California Sales and Use Taxes due and owing, in the ordinary course.

1 landlords. Although those amounts are paid directly to the relevant county taxing authority, they
2 are obligations owed by the Debtors to the landlords, and, in turn, by the landlords to the taxing
3 authority. The Debtors are aware of real property taxes that are due and owing in connection with
4 certain leases as of the Petition Date. At this time, the Debtors request authority to pay real property
5 taxes required under their leases only to the extent they accrue post-petition, they do not seek
6 authority to pay any prepetition real property taxes.

7 95. Certain municipal and county governments require businesses to obtain business
8 licenses and pay corresponding business license fees (collectively, the "Business License Fees").
9 The Debtors are subject to such Business License Fees in certain local jurisdictions. As of the
10 Petition Date, the Debtors are not aware of any outstanding unpaid Business License Fees owing
11 to the Taxing Authorities. However, based on past experience, it is possible that Business License
12 Fees that are owing have not been communicated to the Debtors. Accordingly, the Debtors request
13 additional authority to pay all Business License Fees already due and any additional prepetition
14 obligations for business licenses as necessary to continue operations.

15 96. Many federal, state and local Taxing Authorities impose personal liability on
16 directors and/or responsible officers of entities responsible for collecting or paying certain taxes or
17 fees in the event that such taxes or fees are not paid by the Debtors. Thus, if such taxes or fees
18 remain unpaid, the Debtors' directors and officers may be subject to lawsuits or even criminal
19 prosecution on account of nonpayment during the pendency of these Chapter 11 Cases. Such
20 lawsuits or proceedings would constitute a significant distraction for the Debtors' directors and
21 responsible officers at a time when they should be focused on the Debtors' efforts to preserve and
22 maximize value for all stakeholders.

23 97. Although the Debtors believe that any such taxes and/or assessments for which the
24 Debtors' directors and/or responsible officers may be personally liable are described herein, it is
25 possible that other prepetition obligations, which carry similar liability, may be uncovered by the
26 Debtors subsequent to the filing of the Taxes Motion. To the extent that such prepetition obligations
27 exist, the Debtors seek authority to treat them as Taxes and Assessments as that term is defined and
28 used in the Taxes Motion and pay them as they are discovered or arise.

1 **H. Utilities Motion**

2 98. By the *Motion of the Debtors for Interim and Final Orders Establishing Adequate*
3 *Assurance Procedures with respect to the Debtors' Utility Providers* (the "Utilities Motion"), the
4 Debtors request an order (i) establishing procedures for addressing any requests that a utility
5 company (collectively, the "Utility Companies" and each, individually, a "Utility Company") may
6 make for additional assurance of payment; (ii) prohibiting the Utility Companies from altering,
7 refusing or discontinuing services to, or discriminating against the Debtors; (iii) approving an
8 adequate assurance deposit as adequate assurance of post-petition payment to the Utility
9 Companies; and (iv) granting certain related relief.

10 99. The Debtors rely on utility services, including, but not limited to, telephone, internet,
11 gas and electric, waste removal, and water (collectively, the "Utility Services") provided by the
12 Utility Companies, including those identified on Exhibit A to the Utilities Motion (the "Utility
13 Service List"), to operate their businesses. However, in the *First Omnibus Motion of the Debtors*
14 *for an Order Authorizing Rejection of Certain Unexpired Leases Effective Nunc Pro Tunc to the*
15 *Petition Date*, filed on the Petition Date, the Debtors have sought to reject the unexpired leases for
16 real property at all of their locations except for Beaverton, Oregon; Oakbrook, Illinois; Oakland,
17 California; San Francisco, California; and Pomona, California (the "Core Locations"). The Debtors
18 do not anticipate that they will continue to use Utility Services at locations except for the Core
19 Locations.

20 100. Uninterrupted service from the Utility Companies at the Core Locations is essential
21 to administering these Chapter 11 Cases. Any temporary or permanent discontinuation of utility
22 services could irreparably disrupt the orderly administration of these Chapter 11 Cases, damage the
23 Debtors' assets, and, as a result, diminish recoveries to the Debtors' stakeholders.

24 101. The Debtors propose to provide "adequate assurance" in two ways. First, they
25 intend to pay any post-petition obligations to the Utility Companies in a timely fashion in the
26 ordinary course of their business. Second, the Debtors propose to deposit, as adequate assurance
27 of payment, approximately \$14,005.00 (the "Adequate Assurance Deposit") into a segregated
28 account (the "Adequate Assurance Account") within 20 days of the Petition Date additional

1 adequate assurance. The Adequate Assurance Deposit equals approximately two weeks of the
2 Debtors' estimated utility expenses for those Utility Services at the Core Locations. The Adequate
3 Assurance Deposit equals approximately two weeks of the Debtors' estimated utility expenses for
4 those Utility Services at the Core Locations.

5 **I. First Lease Rejection Motion**

6 102. By the *First Omnibus Motion of the Debtors for Entry of an Order Authorizing*
7 *Rejection of Certain Unexpired Leases Effective Nunc Pro Tunc to the Petition Date* (the "Rejection
8 Motion"), the Debtors request entry of an order, in substantially the form attached as Exhibit A to
9 the Rejection Motion, authorizing but not directing them to reject the Leases effective *nunc pro*
10 *tunc* to the Petition Date.

11 103. The Debtors operated multiple locations across the United States as part of their
12 omni-channel used car sales strategy. The majority of these locations stored vehicles that were for
13 sale on the Debtors' platform. During 2023, in an attempt to reduce losses and focus on their path
14 to profitability, the Debtors restructured, closed unprofitable stores, stopped the development of
15 their capital-intensive dealer marketplace strategy, and reduced expenses, including streamlining
16 their workforce in several rounds of layoffs. As part of their restructuring, the Debtors closed
17 facilities in California, Florida, Louisiana, Oregon, Texas, Virginia, and Washington. One of these
18 Leases has expired but the rest remain active and continue to drain cash from the Debtors' estates.
19 With respect to the Leases in Pomona, California, and Miami, Florida, the Debtors have sublet the
20 property, and the tenants remain on the premises; however, the Debtors release all of their interest
21 in those properties. The Debtors have exited the premises of each of the other Leases on the
22 Contract Rejection Schedule and have turned over the property to the landlord.

23 104. The Debtors have reviewed their leases and have considered their cost in the context
24 of the Debtors' reduced operations. The Debtors have determined that the Leases are unnecessary
25 to the Debtors' ability to administer their estates and/or are burdensome to the Debtors' estates.
26 Accordingly, the Debtors believe that rejecting the Leases, as described below, will be in the best
27 interests of the Debtors, their creditors, and the estates:
28

1 (a) Seven leases for dealership buildings (e.g., showrooms, service facilities) and
2 vehicle lots located in Baton Rouge, Louisiana; San Antonio, Texas; Midlothian,
3 Virginia; Seattle, Washington; Houston, Texas; Whittier, California; and Miami,
4 Florida, that were closed prior to the Petition Date;

5 (b) One yard lease that the Debtors no longer need in Oakland, California (the "Oakland
6 Lot Lease"); and

7 (c) Three leases that were assigned to third parties prior to the Petition Date for which
8 the Debtors are guarantors located in Merritt Island, Florida, Reno, Nevada and
9 Tampa, Florida.

10 105. The Oakland Lot Lease is leased by Prologis Mesquite, LLC (the "Oakland
11 Landlord"). The Oakland Landlord also owns and leases the dealership building in Oakland (the
12 "Oakland Building Lease" and jointly with the Oakland Lot Lease, the "Oakland Leases"). The
13 Oakland Leases have cross-default provisions that purport to create an event of default in one lease
14 if the other is breached. Other than these cross-default provisions, the Oakland Leases are separate,
15 fully-integrated agreements with separate purposes and consideration.

16 106. The Debtors remain at the Debtors' building in Oakland and do not propose to reject
17 the Oakland Building Lease by the Rejection Motion.

18 107. By rejecting the Leases, the Debtors estimate that they will save approximately
19 \$850,000 for the real property leases in monthly expenses.

20 **J. Motion to Sell Inventory**

21 108. By the *Motion of the Debtors for Expedited Entry of an Order Pursuant to 11 U.S.C.*
22 *§§ 105(a), 363(b), and 363(c), and Fed. R. Bankr. P. 6003 and 6004 Authorizing Debtors to Sell*
23 *Inventory Wholesale Free and Clear of Liens, Claims, Encumbrances, and Interests* (the "Motion
24 to Sell Inventory"), the Debtors request entry of an order, in substantially the form attached as
25 Exhibit A to the Motion to Sell Inventory, (i) authorizing the Debtors to sell their vehicle inventory
26 through wholesale channels, at one or more auctions beginning as early as October 17, 2023, free
27 and clear of all liens, claims, encumbrances, and interests; and (ii) granting certain related relief.
28 In the alternative, in the event that the Court is unwilling to enter an expedited order granting the

1 Motion to Sell Inventory before October 17, 2023, the Debtors request a “comfort order” from the
2 Court, pursuant to section 363(c) of the Bankruptcy Code, authorizing the Debtors to sell up to 200
3 vehicles through wholesale channels in the ordinary course of business, without further notice or
4 hearing, while the balance of the Motion to Sell Inventory is pending hearing.

5 109. By and through the Motion to Sell Inventory, the Debtors seek to sell all or most of
6 their vehicle inventory (the “Wholesale Inventory Sale”), which, as of the Petition Date, consists
7 of approximately 400 used vehicles, at one or more auctions conducted through the established
8 wholesale market by ADESA (“ADESA”), the first of which is scheduled to take place on October
9 17, 2023 (collectively, the “Wholesale Auctions”), or immediately after the Wholesale Auctions at
10 no lower than the highest price offered for a vehicle at the Wholesale Auction, to the extent such
11 vehicle was unsold at the Wholesale Auction.

12 110. As discussed above, prior to the Petition Date, the Company was organized into two
13 business segments: retail and wholesale. The retail segment represented retail sales of used vehicles
14 through the Company’s ecommerce platform, and fees earned on sales of value-added products
15 associated with those vehicles sales such as vehicle service contracts, guaranteed asset protection
16 waiver coverage, prepaid maintenance plans, and appearance protection plans. The wholesale
17 segment represented sales of used vehicles through wholesale auctions or directly to a wholesaler.

18 111. Shortly before the commencement of these Chapter 11 Cases, on October 6, 2023,
19 Shift ceased operation of its retail business. Shift also no longer purchases vehicles for sale. As a
20 result, as of the Petition Date, Shift’s business now consists solely of selling vehicles through its
21 wholesale segment.

22 112. From January 2023 through the Petition Date, Shift sold over 1,000 cars through
23 wholesale channels, representing approximately 8% of the Debtors’ inventory. The aggregate
24 purchase price obtained from the Debtors’ wholesale sales in 2023 was approximately \$13
25 million.

26 113. Under the leadership of new management experienced in the car dealership
27 industry and Shift’s decision to pivot to a dealership model focused on profitable growth, Shift’s
28 use of wholesale channels accelerated. In August 2023, the Debtors sold approximately 350

1 vehicles through wholesale channels, representing \$5 million in purchase price proceeds and
2 approximately 25% of the Debtors' inventory at the time. In September 2023, the Debtors sold
3 more than 200 wholesale units, representing approximately \$1.6 million in purchase price
4 proceeds and approximately 25% of the Debtors' inventory. In the two weeks between
5 September 22 and the Petition Date, the Debtors sent 137 cars to wholesale auctions, of which
6 115 cars were sold. In other words, as of the Petition Date, the Debtors were engaged in the
7 business of selling used cars through wholesale channels.

8 114. The used car wholesale market is a well-established marketplace. Auctions are
9 conducted by ADESA – a well-known and reputable wholesale vehicle auction provider – at
10 various locations. ADESA will pick up the vehicles, prepare a condition report, and list the
11 vehicles on their website. During the Wholesale Auctions, Shift's management and/or employees
12 will be available online to watch the auction and answer any questions that may come up during
13 the sale. Any cars that do not sell on the date of the auction will then go to ADESA's online
14 auction, which will run until the unsold cars are able to run at the live auction the following week.

15 115. Historically, the Debtors have experienced an approximate sell rate of between
16 85% and 90% at these wholesale auctions. After cars are sold, the Debtors provide titles and
17 paperwork, to the extent available, and typically receive payment within 72 hours.¹⁶

18 116. The first Wholesale Auction at which the Debtors propose to sell their vehicle
19 inventory will take place at ADESA Golden Gate in Tracy, CA, on October 17, 2023. The
20 Debtors propose to sell their vehicle inventory located in Oakland at this Wholesale Auction. The
21 Debtors propose to sell their vehicle inventory located in Pomona at a Wholesale Auction that
22 will take place on October 20, 2023, at ADESA Los Angeles in Mira Loma, CA.

23 117. The Debtors anticipate that the sales at the Wholesale Auctions will maximize
24 recoveries on the vehicle inventory. In addition, the longer that the Debtors hold the vehicle
25

26 ¹⁶ For cars that are sold without titles, payment may occur later than 72 hours. In addition,
27 cars that are sold "green light," i.e., with guarantees, are typically sold subject to an arbitration
28 period and right to refund. Cars that are sold "red light," i.e., as-is, where-is, are sold on a final
basis but typically at lower prices.

1 inventory, the more likely it is that the value of the cars will depreciate and obtain lower purchase
2 prices if sold at a later date. Moreover, delaying the sale of the vehicle inventory may expose the
3 Debtors to security concerns; for example, vehicles that remain on the Debtors' lots are at risk of
4 theft or damage. Finally, there is seasonality to the wholesale auto market, which softens in
5 November and December, as auto dealers typically slow down on wholesale purchases during the
6 holiday season.

7 118. Because the Company's plan is to use cash generated by the liquidation of
8 inventory through wholesale channels to provide the necessary liquidity to support the winddown
9 and the chapter 11 process, the Debtors must sell at least a substantial part of their vehicle
10 inventory at the upcoming Wholesale Auctions, beginning on October 17, 2023, in order to both
11 (1) ensure that they have sufficient liquidity to pay essential administrative expenses as they come
12 due in the first few weeks of the Chapter 11 Cases, including, for example, unpaid sales taxes,
13 insurance, and payroll, and (2) immediately reduce the foregoing and other administrative
14 expenses, including rent, which could materially reduce distributions available to creditors if not
15 swiftly addressed.

16 **K. Stipulation/Motion to Use Cash Collateral of Ally Bank**

17 119. By the *Motion for an Interim Order Authorizing Debtors to Enter into Stipulation*
18 *for Use of Cash Collateral and for Adequate Protection (Ally); and for a Final Hearing Thereon*
19 (the "Cash Collateral Motion"), the Debtors request entry of an order, in substantially the form
20 attached as Exhibit A to the Cash Collateral Motion, authorizing use of Cash Collateral (as
21 defined in the Cash Collateral Motion), setting of a final hearing, and other relief as set forth
22 therein and in the Stipulation for Use of Cash Collateral and for Adequate Protection (the
23 "Stipulation") by and among certain of the Debtors and Ally Bank and Ally Financial Inc.
24 (collectively referred to as "Ally").

25 120. As indicated in the Budget, the Debtors believe that their only outstanding
26 obligations to Ally, the Contingent Obligations, are secured many times over by anticipated
27 liquidation proceeds. The Debtors further believe that such funds, after satisfaction of the
28

1 Contingent Obligations will be sufficient to pay all priority and administrative claims and to
2 provide for a small distribution to unsecured creditors.

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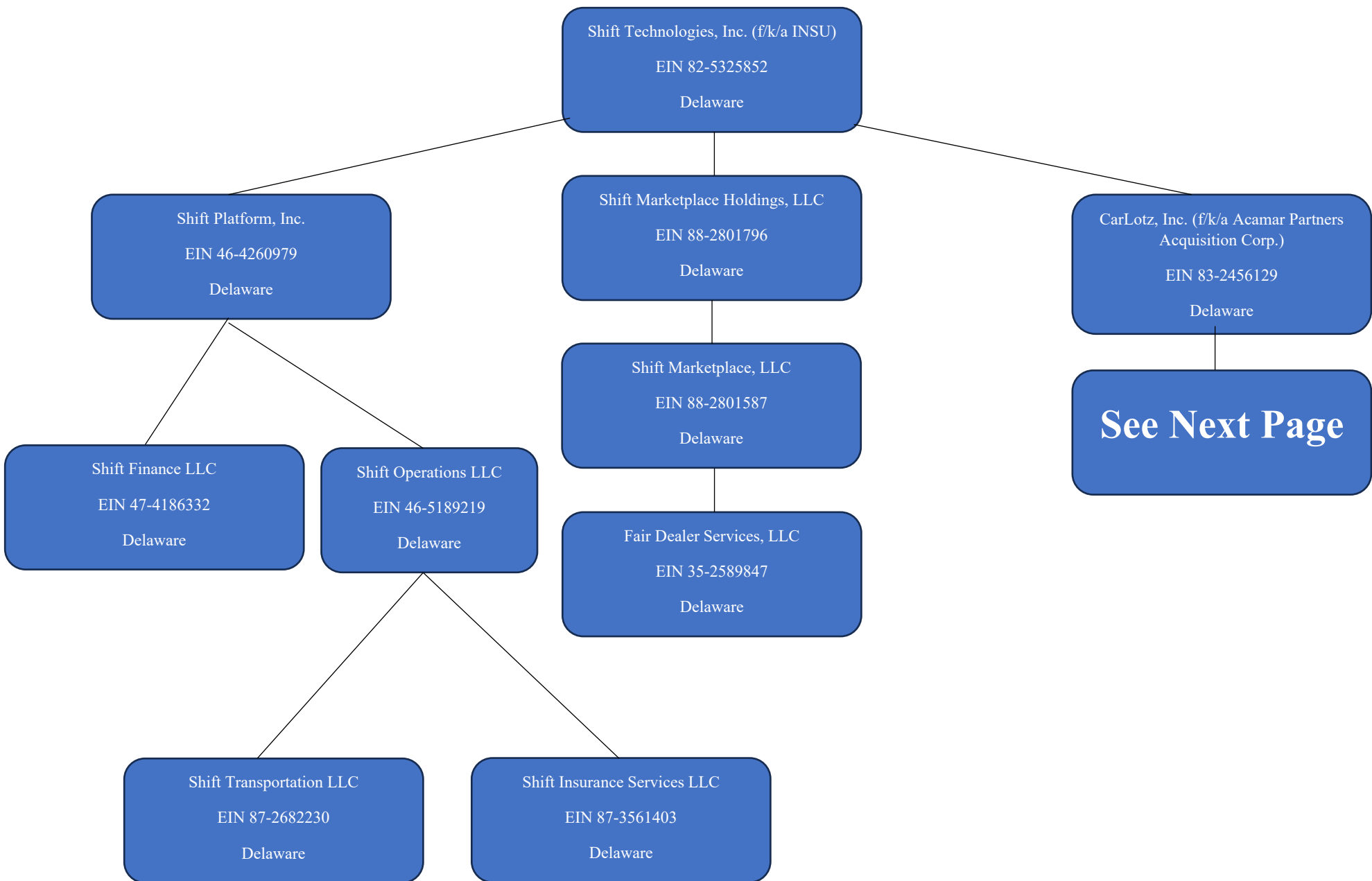
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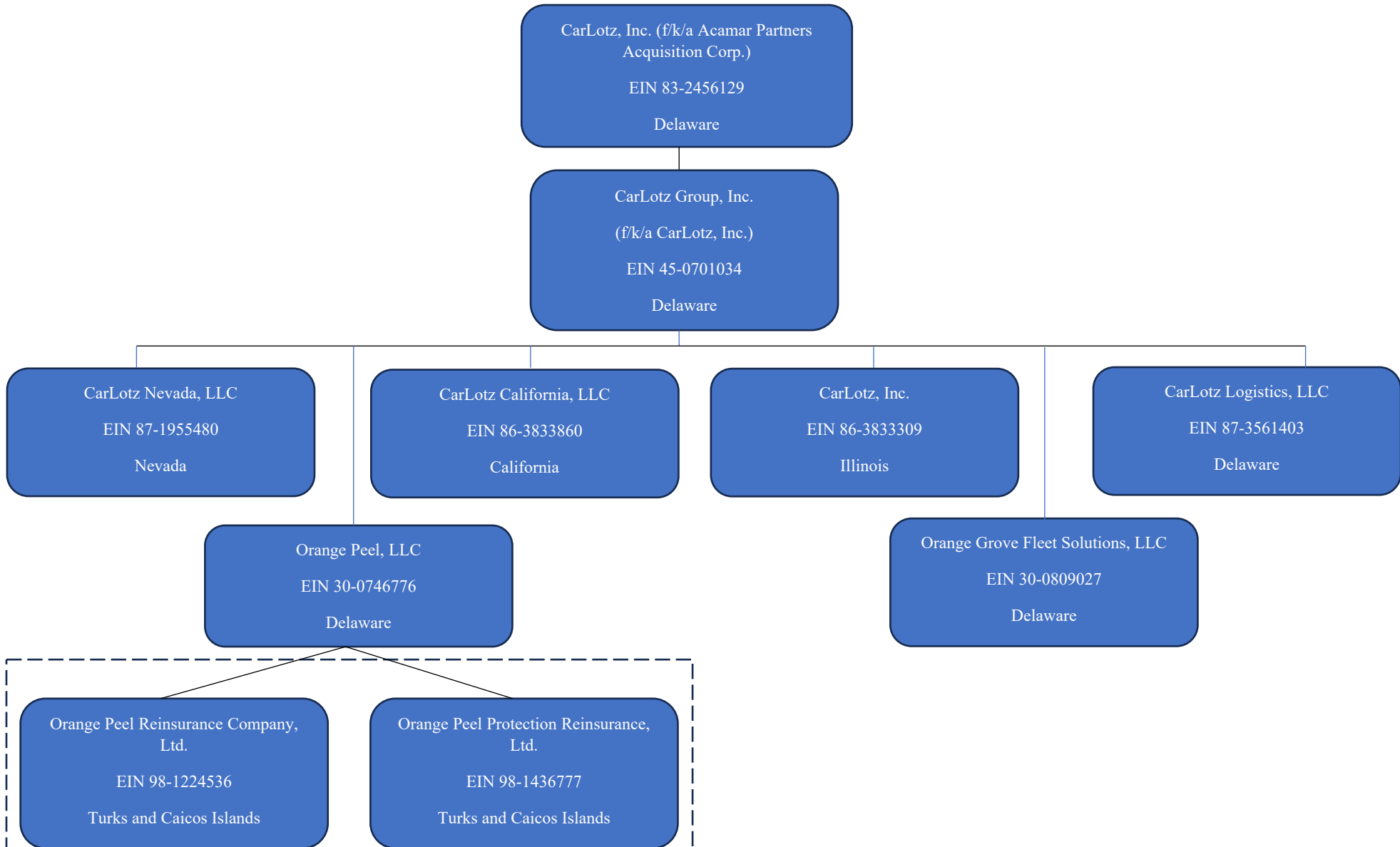
I declare under penalty of perjury that the foregoing is true and correct. Executed in
Houston, Texas, on October 9, 2023.

/s/ Jason Curtis
Jason Curtis

Exhibit 1
(Corporate Organization Chart)



CarLotz Entities:



* Non-Debtor Subsidiaries