

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re

GameTech International, Inc. et al.¹

Debtors.

Chapter 11

Case No. 12-11964

(Joint Administration Pending)

**MOTION OF THE DEBTORS AND DEBTORS IN POSSESSION FOR ENTRY OF
INTERIM AND FINAL ORDERS (I) AUTHORIZING THE USE OF CASH
COLLATERAL, (II) GRANTING ADEQUATE PROTECTION PURSUANT TO 11 U.S.C
§§ 361, 362, 363 AND 507 AND (III) SCHEDULING A FINAL HEARING PURSUANT
TO BANKRUPTCY RULE 4001(b) AND LOCAL RULE 4001-2**

The above-captioned debtors and debtors-in-possession in these chapter 11 cases (collectively, the “**Debtors**” or “**GameTech**”), by this motion (the “**Motion**”) seek entry of an order, pursuant to sections 361, 362, 363 and 507 of title 11 of the United States Code (the “**Bankruptcy Code**”), and in accordance with Rule 4001(b) of the Federal Rules of Bankruptcy Procedures (the “**Bankruptcy Rules**”) and Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), (i) authorizing the Debtors’ use of cash collateral on an interim basis, effective as of the Petition Date (as defined below) through the time of the final hearing on the Motion and on a final basis; (ii) granting the Debtors authority to provide interim and final adequate protection and determining that such adequate protection is adequate under the circumstances of these cases; and (iii) scheduling a final hearing on the use of cash collateral. In support of this Motion, the Debtors respectively state as follows:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are GameTech International, Inc. (2983), GameTech Arizona Corp. (388-L), GameTech Canada Corp. (0001), and GameTech Mexico S. De R.L. de C.V. (5489).

BACKGROUND

General Background

1. On July 2, 2012 (the “**Petition Date**”), each of the Debtors filed a petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are in possession of their properties and continuing to operate their businesses as debtors and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. No trustee or official committee of unsecured creditors has been appointed in these cases.

2. GameTech International, Inc. (“**GII**”) was incorporated in 1994 and is a global gaming technology company dedicated to the development and manufacturing of cutting-edge gaming entertainment products and systems. GII and its affiliated Debtors are principally involved in two business segments: (1) the bingo market and (2) the video lottery terminal market.

3. GameTech’s bingo business leases electronic bingo equipment and licenses related software and games throughout the United States and Canada to charitable organizations, Native American tribes, the military, casinos and other licensed operators. GameTech’s products allow operators to provide a variety of playing options and GameTech continues to update its product lines to keep pace with customer demands.

4. GameTech’s video lottery terminal or “VLT” business includes traditional slot machines, video poker, keno and spinning wheel games, as well as the related software and game content.

5. GameTech’s total revenue for calendar year 2011 exceeded \$30 million. GameTech projects a modest decline in revenue in 2012 followed by increasing revenue in 2013.

6. GameTech has faced a competitive and difficult business environment since 2008. The impact of the general market conditions on the Debtors was exacerbated by problems

resulting from the acquisition of the VLT business in 2007. Despite these issues, however, the Debtors have a strong national platform, are leaders in the electronic bingo market (with approximately 26% of the total market), and have identified a number of growth opportunities for their businesses.

7. A more detailed factual background of the Debtors' business and operations, as well as the events precipitating the commencement of these Cases, is fully set forth in the *Declaration of Andrew E. Robinson in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief* (the "**First Day Declaration**"), filed contemporaneously herewith and incorporated herein by reference.

The Need for Cash Collateral

8. On June 15, 2011, GII, as borrower, entered into an Amended and Restated Loan Agreement (as amended, restated, supplemented, or otherwise modified from time to time, the "**Prepetition Loan Agreement**"), with the lenders from time to time party thereto (the "**Prepetition Lenders**"), and U.S. Bank National Association, as agent (in such capacity, the "**Original Agent**").

9. The other Debtors (the "**Guarantors**") are parties to a Guaranty Agreement, dated as of August 22, 2008, pursuant to which the Guarantors guaranteed the obligations under the Prepetition Loan Agreement (as amended, restated, supplemented, or otherwise modified from time to time, the "**Prepetition Guaranty**").

10. To secure GII's obligations under the Prepetition Loan Agreement, the Debtors granted security interests (the "**Prepetition Senior Liens**") in favor of the Prepetition Agent on substantially all of the Debtors' assets pursuant to the Security Agreement dated as of June 15, 2011 (as amended, restated, supplemented, or otherwise modified from time to time, the "**Prepetition Security Agreement**") including the Debtors' cash, accounts receivable and other

current assets (collectively, the “**Prepetition Collateral**”). The Prepetition Loan Agreement, the Prepetition Guaranty, the Prepetition Security Agreement, and the other Loan Documents (as defined in the Prepetition Loan Agreement) are collectively referred to as the “**Prepetition Loan Documents**”.²

11. The Debtors have been in default under the Prepetition Loan Agreement since April 2012 and had been operating under a forbearance from the Original Agent which expired on June 30, 2012.

12. On June 27, 2012, the Original Agent and the Prepetition Lenders sold their rights and obligations under the Prepetition Loan Documents to the Yuri Itkis Gaming Trust of 1993 (the “**Trust**”), which is the owner of one of the Debtors’ principal competitors. The Trust made the purchase at a discount and succeeded to the obligations of the Original Agent (in such capacity, the “**Prepetition Agent**”) under the Prepetition Loan Agreement.

13. Immediately thereafter and before the Debtors had even made a formal request for a forbearance, the Trust sent the Debtors a letter expressly stating that it was unwilling to further extend the forbearance period. Despite this, the Debtors reached out to the Trust to discuss a short extension of the forbearance period to allow for a meeting to discuss alternatives. While the Trust did agree to a meeting on July 2, 2012 (after the expiration of the forbearance period), the Trust again refused to extend the forbearance period.

14. On June 28, 2012, the Debtors received a thirty-eight (38) page Agreement and Plan of Merger (the “**Proposed Merger Agreement**”), pursuant to which the Trust indicated its intention to acquire the Debtors by merger. Upon an initial review of the Proposed Merger Agreement, it was clear that the transaction set forth therein could not be executed by the Debtors

² The Debtors have not completed their investigation respecting the extent, validity, priority, perfection and avoidability of the claims and liens evidenced by the Prepetition Loan Documents and reserve all rights. Nothing set forth herein shall be construed as a waiver or admission against interest on the part of the Debtors with respect thereto.

in its proposed form. The Debtors again requested a limited forbearance agreement to negotiate merger documents or an alternative transaction and to properly evaluate both the merger proposal and alternatives. The Debtors were informed that the Trust did not intend to further extend the forbearance period. The Trust's counsel also indicated that he didn't view the Proposed Merger Agreement as negotiable.

15. Despite being summarily rebuffed by the Trust, the Debtors attempted again to engage the Trust by responding in writing to the Proposed Merger Agreement in a letter from Debtors' counsel sent on June 29, 2012. In that letter, the Debtors identified some of the issues with the Proposed Merger Agreement and suggested an alternative structure that might achieve the needs of both the Debtors and the Trust. The Debtors also reiterated the need for a forbearance extension in order to allow for negotiations. No forbearance was forthcoming.

16. The outstanding amount of the Obligations as of the Petition Date was approximately \$16,000,000 in principal amount plus accrued and unpaid interest, costs, and fees.

17. The Debtors' ability to use their cash and cash collateral (as defined in the Proposed Interim Order described below, the "**Cash Collateral**") is critical to the Debtors' ability to continue operations as a going concern during the course of these chapter 11 cases and to implement their restructuring plan. The Cash Collateral will be used to fund ongoing working capital needs, including, but not limited to, employee payroll expenses, certain obligations to the Debtors' vendors, suppliers, customers, and taxing and regulatory authorities, fees payable to the United States Trustee, fees and expenses of professionals retained at the expense of the estates, and other costs of administering the Debtors' estates.

18. The Debtors currently do not have post-petition financing. Thus, the Cash Collateral is the Debtors' sole source of funding for their operations and the costs of administering the chapter 11 process. Absent authority to immediately use Cash Collateral, the

Debtors, their creditors and the estates generally would suffer irreparable harm because the Debtors would immediately cease operations which, in turn, would cause an immediate and pronounced deterioration in the value of the Debtors' business. Therefore, the Court should authorize the use of Cash Collateral on an interim and, following a final hearing, final basis.

JURISDICTION AND VENUE

19. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (M) and (O). Venue of this proceeding and this Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

20. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, and 507 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001 and 9014, and Local Rule 4001-2.

RELIEF REQUESTED

21. By this Motion, the Debtors seek emergency interim authorization to use Cash Collateral subject to a budget for the purpose of avoiding immediate and irreparable harm to their respective bankruptcy estates pending a final hearing, and further authorization pursuant to a final order on the Motion. In consideration for use of Cash Collateral, the Debtors seek authority from the Court to grant the Prepetition Agent adequate protection and a determination that such adequate protection is adequate under the circumstances of these cases. Further, the Debtors request that the Court schedule a final hearing on the use of Cash Collateral and, following such a hearing, enter a final order authorizing use of Cash Collateral.

22. The Debtors propose to use Cash Collateral immediately following the Court's entry of an interim order authorizing such use for general and administrative expenses related to the Debtors' operation of their businesses in the ordinary course and the administration of their

bankruptcy estates, the vast majority of which shall be used to preserve and maintain the value of the Debtors' operations. The Debtors' proposed use of Cash Collateral is for the purposes and amounts set forth in the Initial Budget, attached hereto as Exhibit 1 (the "**Initial Budget**" and any subsequent budget, a "**Budget**") and incorporated herein and subject to the terms and conditions detailed in the proposed Interim Order attached hereto (the "**Proposed Interim Order**").

23. Bankruptcy Code section 363(c)(2) provides that a debtor in possession may not use cash collateral unless an entity that has an interest in such cash collateral consents or the court approves the use, conditioned on the provision of adequate protection. 11 U.S.C. § 363(c)(2). Section 363(p) further provides that at a hearing on the use of cash collateral, the party asserting an interest in such cash collateral has the burden of proof on the issues of the validity, priority, or extent of such interest, and the debtor in possession has the burden of proof as to the issue of adequate protection. 11 U.S.C. § 363(p). Bankruptcy Rule 4001(b)(2) provides that a court may not hold a final hearing on a motion to use cash collateral earlier than fourteen (14) days after service of such motion, but may authorize the use of cash collateral prior to a final hearing as necessary to avoid immediate and irreparable harm to the debtor's estate pending a final hearing. Fed. R. Bankr. P. 4001(b)(2).

24. The Debtors recognize that it is likely that the Prepetition Agent asserts an entitlement to adequate protection of the security interests in the Prepetition Collateral within the meaning of sections 361 and 363 of the Bankruptcy Code.

25. In consideration for the Debtors' use of the Cash Collateral, the Debtors propose to grant the Prepetition Agent adequate protection to the extent of any diminution of the value of its interest in the Prepetition Collateral, in the form of additional and replacement security interests in and liens upon the Debtors' prepetition and postpetition real and personal, tangible

and intangible property and assets and causes of action (excluding actions for preferences, fraudulent conveyances, and other avoidance power claims under sections 544, 545, 547, 548, 550, 552(b) and 553 of the Bankruptcy Code (the “**Avoidance Actions**”) and the proceeds and recoveries from the Avoidance Actions (the “**Avoidance Action Proceeds**”), and the proceeds, products, offspring, rents and profits of all of the foregoing, including insurance proceeds (collectively, the “**Postpetition Collateral**”).

26. The adequate protection security interests and liens granted to the Prepetition Agent in connection with the Debtors’ use of Cash Collateral shall be subject to the Carve Out (as defined in the Proposed Interim Order), and shall be valid and perfected without the need for the execution or filing of any further documents or instruments.

Essential Terms of the Proposed Use of Cash Collateral

27. Consistent with Bankruptcy Rule 4001(b)(1) and the requirements of Local Rule 4001-2(a)(i) and (ii), the Debtors hereby highlight certain provisions in the Proposed Interim Order and provide a summary of the essential terms of the proposed use of Cash Collateral as follows:

(a) **Use of Cash Collateral:** Pursuant to ¶ 2 of the Proposed Interim Order,, the Debtors seek to use Cash Collateral to the extent set forth in the Initial Budget and in excess of the expenses set forth in the Initial Budget so long as the percentage deviation from the amount set forth in the Initial Budget, in the aggregate, does not exceed 10%. Notwithstanding the foregoing, in the event that the Debtors use Cash Collateral in an amount less than the amount set forth in the Initial Budget in any applicable category, the Debtors shall be entitled to roll-forward the amount of the difference between (i) the amount set forth in the Initial Budget in such category and (ii) the amount of Cash Collateral actually used in such category, and apply that amount toward the next weekly period.

(b) **Grant of Adequate Protection to Prepetition Lender:** Pursuant to ¶¶ 7 of the Proposed Interim Order the Debtors

propose to grant the Prepetition Agent adequate protection in the form of the following:

- (i) Replacement Liens. Pursuant to Sections 361(2), 362, 363(c)(2), and 363(e) of the Bankruptcy Code, continuing, valid, binding, enforceable and perfected first priority liens and security interests by each of the Debtors in and on all of the Postpetition Collateral to the same extent, priority and enforceability held on the Prepetition Collateral as of the Petition Date (the “**Adequate Protection Senior Liens**”). The Adequate Protection Senior Liens shall be subordinate only to the Prepetition Senior Liens, any valid, enforceable, and non-avoidable liens and security interests other than the liens held by the Prepetition Agent, in the Prepetition Collateral or any other property or assets of the Debtors that were perfected prior to the Petition Date (or perfected on or after the Petition Date to the extent permitted by section 546(b) of the Bankruptcy Code), which are not subject to avoidance, disallowance, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law and which, with respect to the Prepetition Senior Liens, are senior in priority to the Prepetition Senior Liens under applicable law and after giving effect to any lien release, subordination or inter-creditor agreements (the “**Prior Liens**”), any priming liens subsequently approved by the Bankruptcy Court, and the Carve Out.
- (ii) Adequate Protection Senior Claim. Pursuant to section 507(b) of the Bankruptcy Code, an allowed super-priority administrative expense claim (the “**Adequate Protection Senior Claim**”) against each Debtor and its respective estate to the extent of any diminution in the Prepetition Collateral and to the extent the Replacement Liens prove inadequate to adequately protect such interests. The Adequate Protection Senior Claim shall be subordinate only to the Carve Out.
- (iii) Adequate Protection Senior Obligations. The Adequate Protection Senior Liens and Adequate Protection Senior Claim shall secure the payment of the Adequate Protection Senior Obligations in an amount equal to any diminution in the value of the Prepetition Agent’s interests in the Prepetition Collateral from and after the Petition Date (the “**Adequate Protection Senior Obligations**”). Other than the Carve Out, Prior Liens, and any priming liens subsequently approved by the Bankruptcy Court, no other claims, administrative expenses, liens or security interests, whether for adequate protection or otherwise, shall be

senior or equal to or pari passu with the Prepetition Senior Liens, Adequate Protection Senior Liens or Adequate Protection Senior Claims, without approval of the Bankruptcy Court or the express written consent of the Prepetition Agent. All parties retain and reserve all their rights to dispute the validity, priority, enforceability and perfection of any asserted Prior Lien and the Prepetition Lender's claims and liens.

- (c) **Carve Out**: The Proposed Interim Order details the priority, extent, terms and conditions of the Carve Out. (See ¶ [10] of the Proposed Interim Order).

BASIS FOR RELIEF REQUESTED

A. Debtors' Need to Use Cash Collateral to Avoid Immediate and Irreparable Harm to their Properties and Estates

28. The availability to the Debtors of sufficient working capital, liquidity, and other financial accommodations are vital to their ability to continue their operations. Court approval of the use of Cash Collateral is critical to the Debtors' efforts to reorganize and maximize value for their estates, employees and creditors.

29. Absent obtaining use of Cash Collateral, the Debtors' businesses will be shut down, their ability to reorganize or realize going concern value in their enterprises will be hindered, and serious and irreparable harm to the Debtors, their estates and their creditors and equity holders will occur. The preservation and maintenance of the Debtors' businesses and their assets is necessary to maximize returns for all creditors, and is significant and necessary to a successful resolution of these cases.

B. The Court Should Approve the Motion Because the Prepetition Agent Has Been Adequately Protected

30. The Debtors propose to provide adequate protection as contemplated by sections 361 and 363(c)(2) of the Bankruptcy Code and hereby seek the Court's approval thereof. Further, the Debtors seek a determination that the adequate protection proposed and to be provided under the Proposed Interim Order and Final Order is adequate under the circumstances

of these cases. The Bankruptcy Code does not explicitly define “adequate protection,” but does provide a non exclusive list of the means by which a debtor may provide adequate protection, including “other relief” resulting in the “indubitable equivalent” of the secured creditor’s interest in such property. 11 U.S.C. § 361. What constitutes adequate protection must be evaluated on a case by case basis. In re Swedeland Dev. Group, Inc., 16 F.3d 552, 564 (3d Cir. 1994) (citing In re O’Connor, 808 F.2d 1393, 1396 97 (10th Cir. 1987)); In re Martin, 761 F.2d 472, 476 (8th Cir. 1985).

31. Adequate protection is meant to ensure that secured lenders receive the value for which they originally bargained. In re Swedeland, 16 F.3d at 564 (citing O’Connor, 808 F.2d at 1396) (“[T]he whole purpose of adequate protection for a creditor is to ensure that the creditor receives the value for which he bargained pre bankruptcy”). Courts have also noted that the “essence of adequate protection is the assurance of the maintenance and continued recoverability of the lien value during the interim between the filing, and the confirmation.” In re Arriens, 25 B.R. 79, 81 (Bankr. D. Or. 1982). The purpose of the adequate protection requirement is to protect secured creditors from diminution in value from the debtor’s use of the collateral during the administration of its case. See In re Kain, 86 B.R. 506, 513 (Bankr. W.D. Mich. 1988); In re Becker Indus. Corp., 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986); In re Ledgmere Land Corp., 116 B.R. 338, 343 (Bankr. D. Mass. 1990).

32. In this case, the Debtors’ request for use of Cash Collateral and the protections proposed under this Motion and described in greater detail in the Proposed Interim Order, under the circumstances, are reasonable, appropriate and sufficient to satisfy the standard of “adequate protection” and maintain the value of the Prepetition Collateral.

C. The Use of Cash Collateral Will Preserve the Value of the Debtors' Assets and Prepetition Lenders' Collateral

33. If the Debtors are not authorized to use Cash Collateral, the Debtors' businesses will immediately shut down. The use of Cash Collateral, therefore, is critical to the Debtors' ability to operate their businesses going forward and to maximize the value of their assets for the benefit of their creditors and other stakeholders.

34. Pursuant to section 363(c)(2) of the Bankruptcy Code a debtor may not use cash collateral unless "(A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section." 11 U.S.C. § 363(c)(2). As set forth in the First Day Declaration, the Debtors attempted to engage the Prepetition Agent in discussions regarding the Prepetition Loan Agreement, but to date have not been successful in their efforts to commence such negotiations. Accordingly, the Debtors do not know whether or not the Prepetition Agent will consent to the Debtors' use of Cash Collateral under the terms set forth herein.

35. It is well established that a bankruptcy court, if possible, should resolve issues in favor of preserving a debtor's business as a going concern. See, e.g., In re George Ruggiere Chrysler Plymouth, Inc., 727 F.2d 1017, 1019 (11th Cir. 1984) ("A debtor, attempting to reorganize a business under chapter 11, clearly has a compelling need to use 'cash collateral' in its effort to rebuild. Without the availability of cash . . . the congressional policy favoring rehabilitation over economic failure would be frustrated.").

36. As discussed above, the Debtors propose to use Cash Collateral, in the ordinary course of their businesses and to fund the administration of their cases, on an interim basis pending a final hearing. If the Debtors cannot use Cash Collateral during the interim period, they will have insufficient cash to sustain their day to day operations, will have to shut down their

operations, and may be forced to convert these chapter 11 cases to chapter 7. The cessation of business operations will irreparably harm the value of the Debtors' assets. The Debtors' use of Cash Collateral will allow the Debtors to maintain operations and preserve (and likely enhance) the value of their businesses and properties, and thereby, the value of their estates.

D. Interim Approval for the Use of Cash Collateral Should Be Granted And A Final Hearing Should Be Scheduled

37. Bankruptcy Rule 4001(b) provides that a final hearing on a motion to use cash collateral may not be commenced earlier than 14 days after the service of such motion. Upon request, however, the Court is empowered to conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral to the extent necessary to avoid immediate and irreparable harm to a debtor's estate pending a final hearing.

38. Pursuant to Bankruptcy Rule 4001(b), the Debtors request that the Court conduct an expedited preliminary hearing on the Motion and on an interim basis (a) authorize the Debtors to use the Cash Collateral in order to (i) maintain and finance the ongoing operations of the Debtors and the administration of their estates, and (ii) avoid immediate and irreparable harm and prejudice to the Debtors' estates and all parties in interest, and (b) schedule a Final Hearing.

39. In furtherance of this request, the Debtors shall, within three (3) business days of the entry of the Interim Order by the Court, serve by overnight mail, a copy of this Motion with its attachments, a copy of the entered Interim Order, and a notice of the Final Hearing on the date established by the Court on: (a) the Office of the United States Trustee; (b) counsel to the Debtors' prepetition secured lender; (c) creditors holding the twenty (20) largest unsecured claims as set forth in the consolidated list filed with the Debtors' petitions; (d) the Office of the United States Attorney General for the District of Delaware; (e) the Internal Revenue Service; (f)

the Securities and Exchange Commission; (g) the Nevada Gaming Commission; and (h) all parties requesting service in these Cases pursuant to Bankruptcy Rule 2002.

40. The Debtors further request that any party in interest who objects to the relief sought at the Final Hearing be required to file an objection by the date set in the Interim Order, which objection shall: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; and (iii) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware and served upon the following parties: (a) proposed counsel to the Debtors; (b) the Office of the United States Trustee; and (c) the Trust.

41. Accordingly, the Debtors respectfully request that the Court schedule the Final Hearing on this Motion at the Court's convenience no sooner than fourteen (14) days following the date hereof. Such relief is necessary in order to maintain and preserve the ongoing operations and avoid immediate and irreparable harm and prejudice to the Debtors' respective estates.

NOTICE

42. Notice of this Motion on an interim basis has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee; (b) counsel to the Debtors' prepetition secured lender; (c) creditors holding the twenty (20) largest unsecured claims as set forth in the consolidated list filed with the Debtors' petitions; (d) the Office of the United States Attorney General for the District of Delaware; (e) the Internal Revenue Service; (f) the Securities and Exchange Commission; and (g) the Nevada Gaming Commission. As this Motion is seeking first day relief, notice of this Motion and any order entered hereon will be served on all parties required by Rule 9013-1(m) of the Local Rules. The Debtors submit that notice of the interim hearing and the relief requested in the Motion is due and sufficient notice and complies with Section 102(1) of the Bankruptcy Code, Bankruptcy Rule 2002, and 4001(b)(1), and the Local Rules.

CONCLUSION

The Debtors respectfully request entry of the Proposed Interim Order granting the relief requested in this Motion and such other and further relief as the Court deems just and proper.

Dated: July 2, 2012

Respectfully Submitted,



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and Debtors-in-Possession*

EXHIBIT 1
INITIAL BUDGET
SEE ATTACHED

GameTech International Inc.
Summary of 21 Day Cash Forecast (\$ in Thousands)

	Projected			21 Day Projected 07/22/12
	07/08/12	07/15/12	07/22/12	
	1	2	3	
Bingo				
Receipts	330	340	315	985
Payroll and Related	(203)	(115)	(31)	(350)
Operating Disbursements	(94)	(92)	(81)	(267)
Net Cash Flow - Bingo	33	132	203	368
Cumulative Net Cash Flow - Bingo	33	165	368	
VLT-Slot				
Receipts	-	-	-	-
Payroll and Related	(24)	(12)	-	(36)
Operating Disbursements	-	-	(10)	(10)
Net Cash Flow - VLT	(24)	(12)	(10)	(46)
Cumulative Net Cash Flow - VLT	(24)	(36)	(46)	

Corporate				
Receipts	-	-	-	-
Payroll and Related	(79)	(67)	(8)	(154)
Priority Payments	(12)	(104)	(22)	(138)
Operating Disbursements	(12)	(134)	(22)	(168)
<i>Net Cash Flow - Corporate</i>	<u>(102)</u>	<u>(305)</u>	<u>(52)</u>	<u>(459)</u>

Cumulative Net Cash Flow - Corporate

(102)	(407)	(459)
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Consolidated

Receipts	330	340	315	985
Payroll and Related	(306)	(195)	(39)	(540)
Operating Disbursements	(106)	(226)	(113)	(445)
<i>Net Cash Flow - Consolidated</i>	<u>(81)</u>	<u>(81)</u>	<u>163</u>	<u>0</u>

Cumulative Net Cash Flow - Consolidated

(81)	(163)	0
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Selected Balance Sheet Data

Beginning Operating Cash Balance	278	197	115	278
Ending Operating Cash Balance	197	115	278	278

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re

GameTech International, Inc., *et al.*¹

Debtors.

Chapter 11

Case No. 12-11964

(Joint Administration Pending)

Ref. Docket No. _____

**INTERIM ORDER (A) AUTHORIZING DEBTORS TO
(I) USE CASH COLLATERAL PURSUANT TO
11 U.S.C. § 363 AND (II) PROVIDE ADEQUATE PROTECTION
PURSUANT TO 11 U.S.C. §§ 361, 362, 363, AND 507 AND (B) SCHEDULING
A FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

Upon the motion (the “**Motion**”)², of the above-captioned debtors and debtors in possession (each a “**Debtor**” and collectively, the “**Debtors**” or “**GameTech**”), seeking entry of an order pursuant to sections 361, 362, 363, and 507 of title 11 of the United States Code (as amended, the “**Bankruptcy Code**”), authorizing the use of Cash Collateral on an interim basis effective as of the Petition Date through the time of the final hearing on the Motion on a final basis; (ii) granting the Debtors authority to provide interim and final adequate protection and determining such adequate protection to be adequate under the circumstances of these cases; and (iii) scheduling a final hearing (the “**Final Hearing**”) to consider entry of a final order (the “**Final Order**”) authorizing the Debtors’ use of the Cash Collateral; and due and sufficient notice of the Motion and the hearing on the Motion having been given; and the hearing on the Motion having been held before this Court on July __, 2012; and upon the entire record made by the Debtors at the hearing, and this Court having found good and sufficient cause appearing therefor,

¹ The Debtors in these chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are GameTech International, Inc. (2983), GameTech Arizona Corp. (9812), GameTech Canada Corp. (0001), and GameTech Mexico S. De R.L. de C.V. (5489).

² Capitalized terms used but not otherwise defined herein shall have the meanings as set forth in the Motion.

THIS COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:³

A. **Commencement of Cases.** On July 2, 2012 (the “**Petition Date**”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are in possession of their properties and continuing to operate their businesses as debtors and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. No official committee of unsecured creditors (the “**Creditors’ Committee**”) has been appointed in these chapter 11 cases.

B. **Jurisdiction and Venue.** This Court has jurisdiction over the chapter 11 cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The predicates for the relief sought herein are sections 105, 361, 362, and 363 of the Bankruptcy Code and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure. Venue of the Chapter 11 Cases in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. **Adequate Notice.** On July 2, 2012, the Debtors filed the Motion with this Court and pursuant to Bankruptcy Rules 2002, 4001 and 9014, and the Local Rules of this Court, the Debtors provided notice of the Motion and the interim hearing by electronic mail, facsimile, hand delivery or overnight delivery to the following parties and/or to their counsel as indicated below: (a) the Office of the United States Trustee; (b) counsel to the Debtors’ prepetition secured lender; (c) creditors holding the twenty (20) largest unsecured claims as set forth in the consolidated list filed with the Debtors’ petitions; (d) the Office of the United States Attorney General for the District of Delaware; (e) the Internal Revenue Service; (f) the Securities and Exchange Commission; and (g) the Nevada Gaming Commission; and (h) all parties requesting service in these Cases pursuant to Bankruptcy Rule 2002 (collectively, the “**Notice Parties**”). Given the

³ Pursuant to Bankruptcy Rule 7052, any findings of fact contained herein that may be treated as conclusions of law as if set forth below, and vice versa.

nature of the relief sought in the Motion, this Court concludes that the foregoing notice was sufficient and adequate under the circumstances and complies with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable law, and no further notice relating to this proceeding and the hearing on this Motion is necessary or required.

D. **Cash Collateral Defined.** For purposes of this Order, the term “**Cash Collateral**” shall mean and include all “cash collateral” as defined by section 363(a) of the Bankruptcy Code and shall include and consist of, without limitation, all of the respective cash proceeds of the Postpetition Collateral and Prepetition Collateral in which the Prepetition Agent holds an interest.

E. **Exigent Circumstances.** If the Debtors’ use of Cash Collateral were not granted, the Debtors would not have sufficient working capital and liquidity to continue their operations. Accordingly, the Debtors and their estates would suffer immediate and irreparable harm unless the Debtors are immediately authorized to use Cash Collateral on the terms and conditions set forth herein and in accordance with the Initial Budget, defined below.

F. **Initial Budget.** Attached as Exhibit 1 hereto is a budget (the “**Initial Budget**”) setting forth on a line-item basis the Debtors’ anticipated cumulative cash receipts and expenditures on a weekly basis and all necessary and required cumulative expenses which the Debtors expect to incur during each weekly period under the Initial Budget. The Initial Budget is an integral part of this Order.

G. **Immediate Entry of this Order.** The Debtors have requested immediate entry of this Order pursuant to, and have complied with, Bankruptcy Rule 4001(b)(2) and Local Rule 4001-2. For the reasons stated above and as stated on the record at the hearing on the Motion, this Court concludes that immediate entry of this Order is in the best interests of the Debtors’ estates and creditors in order to avoid immediate and irreparable harm to the Debtors and their properties and estates.

Based upon the foregoing findings and conclusions, and upon the record made before this Court at the hearing on the Motion, and good and sufficient cause appearing therefore:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT;

1. Motion Granted. The Motion is granted on an emergency and interim basis. Subject to the terms hereof, this Order is valid immediately and is fully effective upon its entry. All objections to the entry of this Order that have not been withdrawn are hereby overruled.

2. Authorization. The Debtors are authorized to use Cash Collateral in accordance with and pursuant to the terms and provisions of this Order and the Initial Budget during the period (the “**Cash Collateral Period**”) from the Petition Date through and including the Termination Date (as defined in paragraph 8 of this Order). Until such time as the Court holds a final hearing with respect to the Motion, the Debtors are authorized to use Cash Collateral to the extent set forth in the Initial Budget and in excess of the expenses set forth in the Initial Budget so long as the percentage deviation from the amount set forth in the Initial Budget, in the aggregate, does not exceed 10%. Notwithstanding the foregoing, in the event that the Debtors use Cash Collateral in an amount less than the amount set forth in the Initial Budget in any applicable category, the Debtors shall be entitled to roll-forward the amount of the difference between (i) the amount set forth in the Initial Budget in such category and (ii) the amount of Cash Collateral actually used in such category, and apply that amount toward the next weekly period. Notwithstanding the foregoing, if the Prepetition Agent permits the use of Cash Collateral in excess of any terms and conditions set forth in this Order (including, without limitation, the Initial Budget), such use shall be governed by the rights, priorities, benefits and protections of this Order.

3. Deposit Accounts. All cash receipts, Cash Collateral and, all proceeds from the sale, transfer or other disposition of any Prepetition Collateral shall be promptly

deposited in the same bank accounts into which the collections and proceeds of the Prepetition Collateral were deposited under the Prepetition Loan Documents (the “**Deposit Accounts**”). Such collections and proceeds (a) shall remain subject to and (b) shall be treated in accordance with the terms and conditions of this Order. All Cash Collateral amounts may be used by the Debtors in accordance with the Initial Budget.

4. Accounting of Cash Collateral. The Debtors shall, pursuant to section 363(c)(4) of the Bankruptcy Code, segregate and account for all Cash Collateral which is now, and which may hereafter be, in their possession, custody or control, and other than in accordance with the Initial Budget shall not, without further order of this Court, transfer any of such Cash Collateral to any non-Debtor affiliates or subsidiaries. The Debtors shall provide to the Prepetition Agent, so as actually to be received within five business days following the end of each weekly period, weekly line-by-line variance reports for the preceding weekly periods and on a cumulative basis from the Petition Date to the report date, comparing actual cash receipts and disbursements to amounts projected in the Initial Budget.

5. Adequate Protection Senior Obligations. Until the repayment in full in cash of the value of the Prepetition Collateral securing the Prepetition Senior Obligations or the effective date respecting any order confirming a plan in the Debtors’ cases, as adequate protection, the Prepetition Agent is hereby granted the following:

a Replacement Liens. Pursuant to sections 361(2), 362, 363(c)(2), and 363(e) of the Bankruptcy Code, the Prepetition Agent is hereby granted by each of the Debtors, continuing valid, binding, enforceable and perfected first priority liens and security interests by each of the Debtors in and on all of the Postpetition Collateral to the same extent, priority and enforceability held on the Prepetition Collateral as of the Petition Date (the “**Adequate Protection Senior Liens**”). The Adequate Protection Senior Liens shall be

subordinate only to the Prepetition Senior Liens, the Prior Liens, any priming liens subsequently approved by the Bankruptcy Court, and the Carve-Out.

b Adequate Protection Senior Claim. Pursuant to section 507(b) of the Bankruptcy Code, the Prepetition Agent shall have an allowed super-priority administrative expense claim (the “**Adequate Protection Senior Claim**”) against each Debtor and its respective estate to the extent of any diminution in the Prepetition Collateral and to the extent the Replacement Liens prove inadequate to protect such interests. The Adequate Protection Senior Claim shall be subordinate only to the Carve-Out.

c Adequate Protection Senior Obligations. The Adequate Protection Senior Liens and Adequate Protection Senior Claim shall secure the payment of the Adequate Protection Senior Obligations in an amount equal to any diminution in the value of the Prepetition Agent’s interests in the Prepetition Collateral from and after the Petition Date (the “**Adequate Protection Senior Obligations**”). Other than the Carve-Out, any senior liens subsequently approved by the Bankruptcy Court, and Prior Liens, no other claims, administrative expenses, liens or security interests, whether for adequate protection or otherwise, shall be senior or equal to or *par passu* with the Prepetition Senior Liens, Adequate Protection Senior Liens or Adequate Protection Senior Claims, without approval of the Bankruptcy Court or the express written consent of the Prepetition Agent. All parties retain and reserve all their rights to dispute the validity, priority, enforceability and perfection of any asserted Prior Lien and the Prepetition Lender’s claims and liens.

6. Perfection. The Adequate Protection Senior Liens shall be, and they hereby are, deemed duly perfected and recorded under all applicable federal or state or other laws as of the Petition Date, and no notice, filing, mortgage recordation, possession, further order, or other act, shall be required to effect such perfection. The Prepetition Agent may (in its sole discretion

and at its expense), but shall not be required to, file a certified copy of this Order in any filing or recording office in any state, county or other jurisdiction in which any Debtor has real or personal property and such filing or recording shall be accepted and shall constitute sufficient evidence of perfection of such applicable parties' interests in the Postpetition Collateral at the time and on the date of entry of this Order, but with the priorities as set forth herein.

7. Attachment. To the extent the liens created by the Prepetition Loan Documents are valid, perfected and non-avoidable, such liens shall attach to any and all proceeds of the Prepetition Collateral realized by the estate of any Debtor in connection with the sale, transfer or other disposition of such Prepetition Collateral, subject to the lien priorities set forth herein.

8. Termination. Subject to the Carve-Out, the use of Cash Collateral authorized herein shall terminate (the effective date of such termination, the "**Termination Date**") effective the first business day after the Court holds a final hearing on this Motion.

9. Rights Reserved: The rights, objections and defenses of the Debtors or any other party-in-interest to challenge the extent, priority, validity, priority or perfection of the Prepetition Lender's claim and lien, are expressly reserved. Nothing in the Motion or this Order shall be deemed or construed to waive any right of the Debtors or constitute an admission against interest by the Debtors.

10. Carve -Out:

a Generally. Notwithstanding anything to the contrary contained in this Order or other order of this Court, the liens and claims of or granted to the Prepetition Agent in this Order and/or the Prepetition Loan Documents shall be subject and subordinate to the payment, without duplication, of the following fees and claims (the amounts set forth below, together with the limitations set forth therein, collectively, the "**Carve-Out**"):

(i) the claims of the respective retained professionals of the Debtors and any official committees appointed in these bankruptcy cases (collectively, the “**Retained Professionals**”) for fees and expenses incurred at any time on and after the Petition Date and prior to the Termination Date; provided that, in each case, such fees and expenses of the Retained Professionals are ultimately allowed on a final basis by this Court under sections 330 or 331 of the Bankruptcy Code (such fees and expenses described in this clause (i), the “**Pre-Termination Date Expenses**” and the permitted amount thereof, the “**Pre-Termination Date Amount**”);

(ii) the claims of the Retained Professionals for fees and expenses which were incurred on and after the Termination Date; provided that, in each case, such fees and expenses of the Retained Professionals are ultimately allowed on a final basis by this Court under sections 330 or 331 of the Bankruptcy Code and do not exceed \$125,000 in the aggregate for the Retained Professionals of the Debtors and Retained Professionals of the Creditors’ Committee plus the fees and expenses incurred by any professionals engaged by any successor to the Debtors, including, without limitation, any trustee appointed under Chapter 11 or 7 of the Bankruptcy Code or any examiner with expanded powers, in an aggregate amount not to exceed \$250,000 (such fees and expenses described in this clause (ii) the “**Post-Termination Date Expenses**” and the permitted amount thereof, the “**Post-Termination Date Amount**” and, together with the Pre-Termination Date Amount, the “**Carve-Out Amount**”);

(iii) the unpaid fees payable to the United States Trustee and Clerk of the Bankruptcy Court pursuant to Section 1930 of Title 28 of the United States Code; and

(iv) unpaid operating expenses in accordance with the Initial Budget that were incurred prior to the Termination Date, solely to the extent that such claims would have been authorized to be paid by the Debtors prior to such date, pursuant to the Initial Budget, if the Termination Date had not occurred.

b Payment of Carve-Out Upon Sale. In the event of a sale or sales of all or substantially all of the assets of the Debtors, there shall be set aside and made available to the Debtors an amount of Cash Collateral sufficient to enable the Debtors to reserve for the payment of the Carve-Out prior to giving effect to any such sale or sales.

c No Reduction of Amounts. Subject to the terms and conditions of this Order, the Debtors shall be permitted to pay compensation and reimbursement of reasonable fees and expenses of the Retained Professionals allowed and payable under sections 328, 330 or 331 of the Bankruptcy Code, as the same may be due and payable, that constitute Pre-

Termination Date Expenses and such payments shall not reduce or be deemed to reduce the Post-Termination Date Amount.

11. Survival. The provisions of this Order and any actions taken pursuant hereto shall: (a) survive the Termination Date and entry of any order (i) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code; (ii) substantively consolidating any of the Debtors or their respective estates; or (iii) dismissing or closing any of the chapter 11 cases; and (b) shall continue in full force and effect notwithstanding the Termination Date or entry of any such order.

12. Successors and Assigns. The provisions of this Order shall be binding upon and inure to the benefit of the Prepetition Agent, the Debtors and their respective estates, and their respective successors and assigns, including, without limitation, any trustee or other fiduciary hereafter appointed as a legal representative of any of the Debtors or their estates in these chapter 11 cases.

13. Final Hearing. The Motion is set for a final hearing (the “**Final Hearing**”) to be held at [--] [a.m./p.m.] (Eastern time) on [], 2012, with an objection deadline of 4:00 p.m. (Eastern time) on [], 2012 (the “**Objection Deadline**”). Any objection to entry of the Final Order shall be filed with this Court, and served upon the respective counsel to the Debtors, the Creditors’ Committee, if any, and the Prepetition Agent, on or before the Objection Deadline.

Wilmington, Delaware

July __, 2012

EXHIBIT 1

INITIAL BUDGET

SEE ATTACHED

GameTech International Inc.
Summary of 21 Day Cash Forecast (\$ in Thousands)

	Projected			21 Day Projected 07/22/12
	07/08/12	07/15/12	07/22/12	
	1	2	3	
Bingo				
Receipts	330	340	315	985
Payroll and Related	(203)	(115)	(31)	(350)
Operating Disbursements	(94)	(92)	(81)	(267)
Net Cash Flow - Bingo	33	132	203	368
Cumulative Net Cash Flow - Bingo	33	165	368	
VLT-Slot				
Receipts	-	-	-	-
Payroll and Related	(24)	(12)	-	(36)
Operating Disbursements	-	-	(10)	(10)
Net Cash Flow - VLT	(24)	(12)	(10)	(46)
Cumulative Net Cash Flow - VLT	(24)	(36)	(46)	

Corporate					
Receipts	-	-	-	-	-
Payroll and Related	(79)	(67)	(8)	(154)	
Priority Payments	(12)	(104)	(22)	(138)	
Operating Disbursements	(12)	(134)	(22)	(168)	
Net Cash Flow - Corporate	(102)	(305)	(52)	(459)	
Cumulative Net Cash Flow - Corporate	(102)	(407)	(459)		
Consolidated					
Receipts	330	340	315	985	
Payroll and Related	(306)	(195)	(39)	(540)	
Operating Disbursements	(106)	(226)	(113)	(445)	
Net Cash Flow - Consolidated	(81)	(81)	163	0	
Cumulative Net Cash Flow - Consolidated	(81)	(163)	0		
Selected Balance Sheet Data					
Beginning Operating Cash Balance	278	197	115	278	
Ending Operating Cash Balance	197	115	278	278	