

BANKRUPTCY BLOG

The Rise (and Fall?) of Collectible Trading Cards

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Picture this scenario: the pandemic strikes, and stimulus checks are issued. A glut of disposable income floods the market. Gamestop and AMC stock goes parabolic and bitcoin and Ethereum hit all-time highs. However, beyond the world of mainstream investing in traditional stock, etfs, bonds and the like and even crypto, lies the world of collectible investments, more specifically trading cards.

Not surprisingly, considering the intrinsic value of sports memorabilia, mint condition Babe Ruth, Mickey Mantle, and Horus Wagnor sports cards can fetch millions of dollars. But, what about other trading cards? In 2021 Logan Paul spent \$5.2 million on a Pikachu Illustrator limited card, and that same year an alpha black lotus from Magic the Gathering sold for over \$500,000.00. In 2023, a one-of-a-kind Yu-Gi-Oh card was sold for over \$300,000.00.

Most trading card game companies release their product primarily in “booster packs” that are housed in “booster boxes.” Booster boxes with shrink wrap on them known as “sealed boxes” command a premium and the boxes are then stored in cardboard cases known as “booster cases.”

The rise of Trading Card Game or “TCG” investing has grown exponentially in popularity promoted through mediums like YouTube and Reddit. However, most people have missed the ability to purchase higher end trading cards so what was there to do but look for the next big thing?

In 2019 a company known as Legend Story Studios released a new game called Flesh and Blood. Developed with a unique new game system the game released quietly enough. Booster boxes could be purchased for \$80-\$100.00. Due to the rise in popularity, by fall of 2020 these boxes rose in value to over \$4,000.00 a box, on average.

Having missed another opportunity for investors, eyes were open for the next big thing. Then came Metazoo Games LLC ("Metazoo"), a kickstarter TCG. Funded in August of 2020, it boasted polarizing art and centered its gameplay around 4th wall breaking mechanics and cryptid lore. A booster box cost \$40.00. By late 2021, over one year later, booster boxes were selling for \$10,000.00. Online influencers like Alpha Investments, celebrities like Steve Aoki, and collaborations with Hello Kitty followed suit. Metazoo released poker sets, skateboards, and NFTs.

What followed will likely one day be the subject of a Netflix documentary, but allegations of poor management decisions, mass scale bans of commentors on discord servers, and failure to fulfill products lead to its eventual collapse.

MetaZoo filed for Chapter 7 bankruptcy in the Southern District of New York, case no. 24-10874. Skeleton petitions were filed on May 20, 2024, possibly to stop sale of MetaZoo's remaining assets. The case, if allowed to proceed, should be an interesting one. They list between 200-999 creditors and only \$500,000.00 of potential assets. There are allegations that an officer of the company is in control of all records and assets of the company. There has long been mass speculation that part of the reason the product was delayed or unfulfilled was due to the owners of the company withdrawing profits with no intention of funding future deliveries. What fraudulent conveyance and preferential transfer actions may arise from this?

Only time will tell, but due to the success of Metazoo, dozens of other Kickstarter TCGs have arisen, and some have already failed citing the inability to stay funded.

Sandberg's bankruptcy team strives to stay relevant and informed not only of relevant case law, but relevant knowledge of various new asset classes that may emerge and how those may affect companies wishing to file for relief or creditors affected by bankruptcies.