IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
AMERICAN SIGNATURE, INC., *et al.*,[1]	)	Case No. 25-12105 (JKS)
Debtors.	)	(Jointly Administered)
	)	**Re: Docket No. 14**

OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO THE MOTION OF THE DEBTORS FOR ENTRY OF INTERIM AND FINAL ORDERS UNDER BANKRUPTCY CODE SECTIONS 105, 361, 362, 363, 364, 503, 506, 507, AND 552, AND BANKRUPTCY RULES 2002, 4001, 6003, 6004, AND 9014 (I) AUTHORIZING DEBTORS TO (A) OBTAIN POSTPETITION FINANCING AND (B) USE CASH COLLATERAL, (II) GRANTING (A) LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS AND (B) ADEQUATE PROTECTION TO PREPETITION SECURED CREDITORS, (III) MODIFYING AUTOMATIC STAY, (IV) SCHEDULING A FINAL HEARING, AND (V) GRANTING RELATED RELIEF

The Official Committee of Unsecured Creditors (the "Committee") of American Signature, Inc., *et al.*, the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), by and through its undersigned proposed counsel, hereby objects (the "Objection") to the *Motion of the Debtors for Entry of Interim and Final Orders Under Bankruptcy Code Sections 105, 361, 362, 363, 364, 503, 506, 507,and 552, and Bankruptcy Rules 2002, 4001, 6003, 6004, and 9014 (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting (A) Liens and Providing Superpriority Administrative Expense Status and (B) Adequate Protection to Prepetition Secured Creditors, (III) Modifying Automatic Stay, (IV) Scheduling a*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: American Signature, Inc. (6162); American Signature Home Inc. (8573); American Signature USA Inc. (6162); ASI Pure Promise Insurance LLC (6162); ASI Elston LLC (7520); ASI – Laporte LLC (6162); ASI Polaris LLC (6162); ASI Thomasville LLC (6162); and American Signature Woodbridge LLC (6162). The Debtors' business address is 4300 E. 5th Avenue, Columbus, OH 43235.

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Final Hearing, and (V) Granting Related Relief [Docket No. 14] (the "DIP Motion").[2] In support of this Objection, the Committee respectfully states as follows:

PRELIMINARY STATEMENT[3]

1. The Committee does not object to the proposed DIP financing per se. The Debtors clearly require new financing to run a court-supervised sale process and avoid a chapter 7 liquidation. However, the Committee has three primary objections to the proposed $50 million DIP Facility (only $8 million of which is new money availability)[4] to be provided by Second Avenue Capital Partners, LLC, an affiliate of the Schottenstein family, in connection with the Stalking Horse Bid submitted by another Schottenstein affiliate:[5] (i) it provides limited new money intended to finance the Schottensteins' "loan-to-own" strategy and a full-chain liquidation that is unlikely to benefit unsecured creditors, whatsoever; (ii) it creates a material risk of administrative insolvency following sale closing; and (iii) it grants the Secured Parties a host of benefits and

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[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the *Declaration of Rudolph Morando in Support of the Debtors' Chapter 11 Petitions and First Day Motions* [Docket No. 5] (the "First Day Declaration"), the *Declaration of J. Scott Victor in Support of Motion of the Debtors for Entry of Interim and Final Orders Under Bankruptcy Code Sections 105, 361, 362, 363, 364, 503, 506, 507, and 552, and Bankruptcy Rules 2002, 4001, 6003, 6004, and 9014 (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting (A) Liens and Providing Superpriority Administrative Expense Status and (B) Adequate Protection to Prepetition Secured Creditors, (III) Modifying Automatic Stay, (IV) Scheduling* [Docket No. 16] (the "DIP Declaration") or the DIP Motion, as applicable.

[3] Capitalized terms used in this Preliminary Statement shall have the meanings ascribed to them in the First Day Declaration, the DIP Declaration, the DIP Motion, and this Objection.

[4] While the DIP Facility provides the Debtors with $11 million in new money financing, only $8 million of that new money will be available for the Debtors to draw upon following the application of fees, interest, and other costs. *See In re Am. Signature, Inc.*, Case No. 25-12105 (Bankr. D. Del. Nov. 25, 2025) [Docket No. 112], Hr'g Tr. at 66:15-24 ("The Court: I actually -- so what is the ultimate new funding that is available to the Debtors? Once you take out all the fees and expenses . . . what is actually [the] new money being provided to this Debtor?" Mr. Litvak: So, Your Honor, as I mentioned, I think that the balance, just in terms of using math, will go from $39 to $47. So, that is $8 million of value that is provided to the debtors' estates."). A copy of the relevant portion of this hearing transcript is annexed hereto as **Exhibit 1**.

[5] Second Avenue Capital Partners, LLC ("SACP") is a subsidiary of SB360 Holdings, which is sixty-percent percent owned by the Schottenstein family. *See* First Day Declaration, ¶ 35. SB360 Capital Partners, LLC (the "Liquidation Agent"), the Debtors' liquidator, is also owned by SB360 Holdings. *Id.* ASI Purchaser LLC (the "Schottenstein Buyer" or the "Stalking Horse Bidder") is also wholly owned by the Schottenstein family. *Id.*

protections that, if approved, will eliminate the Committee's ability to seek recourse from this Court to ensure that administrative and unsecured creditors are not left holding the bag after the Secured Parties, most of whom are insiders, are paid in full. For the reasons set forth herein, the DIP Motion should be denied.

2. First, in considering approval of the DIP Facility, the Court should not ignore its purpose. The $8 million in new financing is intended to fund a brief sale process[6] through which the Schottensteins will acquire, subject to higher and better offers, substantially all of the Debtors' assets, including, among other things, valuable owned real estate and any and all litigation claims against the Schottensteins. The Committee is currently investigating these potential claims, including any arising from the approximately $48.9 million paid to Jay Schottenstein and other Schottenstein affiliates in the one-year period prior to the Petition Date. Critically, while the Schottenstein Bid provides for the satisfaction of the entirety of the Debtors' purported secured debt, this sale will not materially benefit unsecured creditors. Not only does the sale contemplate a full chain liquidation through ongoing GOB sales currently conducted by SB360, another Schottenstein affiliate, it will also leave the estates with little to no remaining assets. Absent a last-minute going concern bid, a significantly higher liquidation bid, or the identification of

[6] In connection with a settlement of the Committee's objections to the *Motion of the Debtors for Entry of Orders (I)(A) Approving Bid Procedures for the Sale of Substantially All of the Debtors' Assets, (B) Authorizing the Debtors to Enter into (I) Stalking Horse Asset Purchase Agreement and (II) Stalking Horse Agency Agreement and to Provide Bid Protections Thereunder, (C) Scheduling an Auction and Approving the Form and Manner of Notice Thereof, (D) Approving Assumption and Assignment Procedures, and (E) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof; (II)(A) Approving the Sale of Assets Free and Clear of Liens, Claims, Interests, and Encumbrances and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Granting Related Relief* [Docket No. 108] (the "Bid Procedures Motion"), including among other things, the proposed truncated sale process, the parties agreed to a consensual sale timeline.

valuable litigation claims, recoveries to general unsecured creditors will be challenging given the $236+ million in unsecured claims reported by the Debtors.[7]

3. Second, there is a material risk that, taken together, the Schottenstein Bid and the DIP Facility will leave these estates administratively insolvent following sale closing. The DIP Budget runs through February 21, 2026 and does not presently include payment of known administrative claims, namely Stub Rent Claims and 503(b)(9) Claims. These administrative claims are earmarked for payment during the first week of May 2026—roughly three months after the anticipated sale closing. This delay is telling. The Debtors intend to keep these cases open in chapter 11 and postpone payment of Stub Rent Claims and 503(b)(9) Claims until they recover the 10% Purchase Price Holdback, presumably because they may not have sufficient liquidity until that time. But both the timing and amount of the Purchase Price Holdback are speculative. The Schottenstein Buyer has until June 4, 2026 to remit the payment and the amount of the Purchase Price Holdback may be subject to significant downward adjustment depending on GOB sale performance and other factors. Simply put, the estates' ability to satisfy these known administrative expenses *five to six* months from now remains uncertain at best, and doubtful at worst. The Court should not approve postpetition financing that allows the DIP Lender (yet another insider) to shift the full risk of administrative insolvency onto administrative and unsecured creditors—stakeholders who stand to gain nothing from the purported insider sale.

4. Notwithstanding this looming threat of administrative insolvency, the Secured Parties seek to extract the full litany of benefits and protections from the estates that are wholly

[7] This estimate includes, among other things, over $50 million of priority unsecured claims on account of customer deposits. *See Schedules of Assets and Liabilities for American Signature, Inc. Case No. 25-12105 (JKS)* [Docket No. 228], Sch. E/F, Part 1. However, this estimate excludes amounts arising from lease rejection damages. *See* First Day Declaration, ¶ 23.

unwarranted under the circumstances. If approved in its current form, the DIP Facility will ensure that:

- The estates will waive their right to surcharge the Secured Parties' collateral under section 506(c) of the Bankruptcy Code, despite no guarantee that they will have sufficient liquidity to pay Stub Rent Claims and 503(b)(9) Claims.
- The outstanding $39 million in Prepetition ABL Obligations will be converted into postpetition debt encumbered by DIP Liens on all previously unencumbered assets, including insider litigation claims, through a 3-to-1 roll-up of insider debt.
- The estates will waive their right to assert the equitable doctrine of marshaling, and the DIP Lender will be entitled to satisfy the entirety of its $50 million claim (including $39 million of rolled-up debt) from cross-collateralization of valuable assets that were not part of its prepetition collateral package, as well as new unencumbered assets that could otherwise be made available to satisfy unpaid administrative expenses and/or unsecured claims.
- All of the Secured Parties, certain of whom are insiders, will receive backdoor releases through the provision of DIP Liens and Adequate Protection Liens on, and claims to the proceeds of, causes of against such parties and their affiliates.
- The Committee will have insufficient funds to fulfill its statutory mandate to, among other things, investigate estate claims proposed to be sold through the Schottenstein Bid.
- The DIP Lender will earn approximately $850,000 in fees (approximately 11% of their new money investment) in addition to the numerous other fees and expenses the Schottensteins are expected to recoup through its other roles in these cases, including the Stalking Horse Bidder and the Liquidation Agent.

5. While every chapter 11 case entails a certain number of risk factors and variables, those present here are too great to be ignored. Here, the primary solvency risk factor—the timing and amount of the Purchase Price Holdback—is entirely controlled by an affiliate of the DIP Lender and the Debtors' sole equity holder. The Committee has grave concerns about approval of an insider financing facility designed to fund an insider sale that likely requires these cases to languish in chapter 11 for *months*, subjecting the estates to further administrative exposure. At bottom, there is a significant risk that these cases will be run on an administratively insolvent basis following sale closing for the exclusive benefit of the Secured Parties, on the backs of landlords, vendors and other disfavored administrative creditors for whom payment depends, at least in part,

on recovery of the Purchase Price Holdback. The Court should review the DIP Motion with the heightened scrutiny it deserves and summarily deny the requested relief unless modified as requested herein.

BACKGROUND

I. The Chapter 11 Cases

6. On November 22, 2025 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7. On December 4, 2025, the Office of the United States Trustee for Region 3 (the "U.S. Trustee") filed a notice appointing a seven-member Committee consisting of: (i) Man Wah MCO; (ii) H317 Logistics, LLC; (iii) Riverside Furniture Corp.; (iv) Holland House; (v) Tempur World, LLC; (vi) Everest Technologies, Inc.; and (vii) Realty Income Corp.[8]

8. On December 5, 2025, the Committee selected Kelley Drye & Warren LLP as its lead counsel and Cole Schotz P.C. as co-counsel. On December 8, 2025, the Committee also selected Province, LLC as its financial advisor.

II. Company History and the Debtors' Prepetition Capital Structure

9. The Debtors are a national home furnishings retailer, owned and controlled by Schottenstein Stores Corporation, a holding company wholly owned by the Schottenstein family (the "Schottensteins").[9] As of the Petition Date, the Debtors operated more than 120 stores and had approximately 3,000 employees.[10]

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[8] *See* Docket No. 119.

[9] *See* First Day Declaration, ¶ 18.

[10] *Id*.

10. As of the Petition Date, the Debtors had approximately $117 million in funded purported secured debt, comprised of the following:

- Prepetition ABL Facility: $39 million under the Prepetition ABL Facility from SACP, an affiliate of SB360 Holdings, which is majority owned by the Schottensteins;[11]

- Prepetition LOC Facility: $24 million outstanding under the Prepetition LOC Facility, pursuant to which PNC issued certain letters of credit on behalf of Debtor ASI;[12] and

- Prepetition Term Loan Facility: $54 million outstanding under the Prepetition Term Loan Facility, from the Prepetition Term Loan Lenders.[13]

11. The Debtors report approximately $236[14] million in unsecured debt as of the Petition Date, comprised of, among other things, accounts payable, accrued liabilities, and intercompany claims. Upon information and belief, this amount includes approximately $24 million arising from purported "unsecured loans" made by certain of the Debtors' equity holders approximately two years prior to the Petition Date (the "Unsecured Insider Loans").[15] This amount also includes approximately $57 million in priority unsecured claims arising from deposits provided by customers to reserve purchased inventory in advance of its receipt.[16] The Debtors' estimate excludes anticipated lease rejection damages, which are expected to be material. [17]

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[11] *See* First Day Declaration, ¶ 20.

[12] *Id*. ¶ 21.

[13] *Id*. ¶ 22.

[14] *Id*. ¶ 23.

[15] *Id*. ¶ 30.

[16] *See Schedules of Assets and Liabilities for American Signature, Inc. Case No. 25-12105 (JKS)* [Docket No. 228], Sch. E/F, Part 1.

[17] *Id*.

III. The DIP Motion

A. The DIP Facility

12. On November 24, 2025, the Debtors filed the DIP Motion seeking approval of a $50 million revolving facility from SACP, as both administrative and collateral agent and sole lender (in its capacity as such, the "DIP Agent" and "DIP Lender" and with the Prepetition Secured Creditors, the "Secured Parties").[18] The DIP Facility contemplates approximately $8 million in new money availability[19] and a roll-up of the entire $39 million of outstanding Prepetition ABL Obligations.[20] In exchange, the Debtors seek to grant the DIP Lender liens on substantially all of their assets, which cross-collateralizes the rolled-up Prepetition ABL Facility with liens on materials assets that only secure the Prepetition Term Loan Facility (such as valuable owned real estate) and liens on previously unencumbered assets such as causes of action under chapter 5 of the Bankruptcy Code ("Avoidance Actions") and any proceeds therefrom ("Avoidance Proceeds"), commercial tort claims, and the proceeds of the sale or other disposition of any of the Debtors' leases.[21]

13. On November 26, 2025, the Court entered an order granting the DIP Motion on an interim basis (the "Interim DIP Order").[22]

B. Adequate Protection and Other Benefits

14. Through the DIP Motion, the Debtors seek to provide the Secured Parties with numerous benefits and protections. Among other things:

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[18] *See* DIP Motion, ¶ 22.

[19] As discussed, *supra* n.4, while the DIP Facility provides the Debtors with $11 million in new money financing, only $8 million of that new money will be made available to the Debtors.

[20] *Id*. ¶ 1(a)(ii).

[21] *Id*. ¶ 22.

[22] *See* Docket No. 83.

- The DIP Lender/Prepetition ABL Lender will receive a full roll-up of the $39 million in Prepetition ABL Obligations;

- The DIP Lender/Prepetition ABL Lender will receive the benefit of (i) cross-collateralization of assets that were not previously part of its collateral package and (ii) DIP Liens on all previously unencumbered assets;

- The Secured Parties will receive *de facto* backdoor releases through the provision of DIP Liens and Adequate Protection Liens on, and claims to the proceeds of, causes of action against such parties and their affiliates;[23]

- The estates will waive their rights to (i) surcharge the Secured Parties' collateral under section 506(c) of the Bankruptcy Code, (ii) assert the equitable doctrine of marshaling, and (iii) assert the equities of the case exception under section 552(b) of the Bankruptcy Code with respect to proceeds, products, offspring, or profits of the Secured Parties' collateral;[24]

- The DIP Lender will be paid approximately $850,000 in DIP fees, roughly 11% of the new money made available through the DIP Facility;[25]

- The Committee will be limited to an insufficient $50,000 for its budget to investigate claims against the Prepetition Secured Creditors, as well as the validity, priority, and extent of the liens securing the Prepetition Secured Obligations (the "Investigation Budget"); and[26]

- The Committee's professionals will be given a disproportionate allocation of fees, just 11% when compared to the Debtors' professionals,[27] which is intended to impede the Committee's ability to fulfill its statutory mandate and investigate any prepetition claims or causes of action.

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[23] *See* Interim DIP Order, ¶¶ 6, 12(a).

[24] *Id*. ¶ 35-37.

[25] *See* DIP Motion, ¶ 22; DIP Credit Agreement, § 2.09.

[26] *See* Interim DIP Order, ¶ 32.

[27] The Committee's professionals are allocated $1 million, only 11% of the amount budgeted for the Debtors' comparable professionals. If the approximately $3.7 million of prepetition payments to the Debtors' comparable professionals is included, the Committee allocation drops to 7.9%. *See Statement of Financial Affairs for American Signature, Inc. Case No. 25-12105 (JKS)* [Docket No. 229], Part 6, 11.1.

C. The DIP Budget

15. The DIP Budget[28] runs through the week ending February 21, 2026 (the "Budget Period"), approximately two weeks after the projected sale closing. The DIP Budget does not provide for the payment of any claims on account of stub rent obligations ("Stub Rent Claims") or claims arising under section 503(b)(9) of the Bankruptcy Code ("503(b)(9) Claims") during the Budget Period. Rather, the Committee understands that all Stub Rent Claims and 503(b)(9) Claims are contemplated to be paid during the week ending May 2, 2026—nearly four months after the final DIP hearing. The Committee understands that under the current DIP Budget, the Debtors have allocated approximately $1.5 million for payment of Stub Rent Claims and $3.2 million for payment of 503(b)(9) Claims.[29] The Committee is currently working to verify whether these estimates accurately capture all such allowed claims. Based on information provided to date, the Debtors intend to pay both Stub Rent Claims and 503(b)(9) Claims with the proceeds of the Purchase Price Holdback (as defined herein) from the Schottenstein Buyer—an amount that may be subject to material downward adjustment.

16. Notwithstanding the fact the DIP Budget runs only through February 21, 2026, it contains a column entitled "10-Wks Thru 5/02" that projects, among other things, approximately $19 million in net remaining liquidity as of May 2, 2026, approximately $14.7 million of which is attributable to the Purchase Price Holdback sometime in late April. However, the Committee's understanding is that the Debtors' projections regarding the estimated net ending liquidity have already been revised to reflect a materially lower figure. As discussed herein, the Committee has

[28] The "DIP Budget" shall mean the budget attached as Exhibit 3 to the Interim DIP Order.

[29] The Committee acknowledges that certain creditors have already filed claims approaching these amounts.

material concerns regarding the assumptions underlying the Debtors' net ending liquidity estimates and the administrative solvency of the estates following the closing of any sale.

17. In addition to the DIP Budget's failure to provide for payment of all known administrative expenses, it also provides extremely limited funding for the Committee's professionals. The DIP Budget presently allocates approximately $1 million for the Committee's professional fees and expenses, roughly 11% of the $9 million allocated for the Debtors' professionals.

18. On December 22, 2025, the Committee served discovery requests on the Debtors' financial advisor, Berkeley Research Group, LLC ("BRG"), requesting, among other things, (i) any wind down budget prepared by BRG, (ii) all reports, presentations, or analyses prepared by BRG relating to these cases, including any relating to the Debtors' business operations and liquidity needs, (iii) all communications between BRG and SACP regarding the DIP Budget, and (iv) all documents and analysis conducted by BRG regarding the $19 million in "Total Liquidity" in the DIP Budget, including the anticipated use of such funds, the assumptions underlying the amount, and the availability of such amount to satisfy priority and general unsecured claims. The Committee is continuing to diligence these items in advance of the final hearing on the DIP Motion.

IV. The Sale Process and the Schottenstein Bid

19. On November 26, 2025, the Debtors filed the Bid Procedures Motion, seeking approval to enter into the that certain *Asset Purchase Agreement* dated as of November 26, 2025 (the "APA") with the Schottenstein Buyer[30] for the sale of substantially all of the Debtors' assets

[30] As discussed, *supra* n.5, the Schottenstein Buyer is an entity wholly owned and controlled by the Schottensteins formed for the exclusive purpose of consummating the proposed sale. *See* First Day Declaration, ¶ 35.

(the "Schottenstein Bid" or the "Stalking Horse Bid" and any sale closed thereon, the "Schottenstein Sale") and approval of bid procedures in connection therewith. The Schottenstein Bid consists of a purchase price of $147,890,004.37 (the "Purchase Price"), of which $83,153,833.56 shall be paid in cash and $64,736,170.81 shall be paid through the assumption of certain assumed liabilities, namely the remaining purported secured debt.[31] The acquired assets under the APA include any and all causes of action against the Schottensteins and any other related entity.[32] The Schottenstein Bid includes a proposed *Agency Agreement* dated November 25, 2025, by and between the Debtors and the Schottenstein Buyer (the "Agency Agreement"), pursuant to which the Debtors' remaining stores and inventory will be liquidated.[33]

20. The cash component of the Purchase Price is dependent upon the Agency Agreement and is subject to material downward adjustment depending upon the results of the final cost value and mix of the merchandise sold to the Schottenstein Buyer, the cost factor associated with said merchandise, and the amount of cash held at the Debtors' retail stores following the GOB sales (collectively, the "Purchase Price Adjustments").[34]

21. As a result, upon the closing of the Schottenstein Sale, the Debtors will only receive 90% of the Purchase Price. The Schottenstein Buyer will holdback 10% of the Purchase Price (the "Purchase Price Holdback") pending the final inventory reconciliation to be conducted by the Schottenstein Buyer, the DIP Lender, and the Prepetition ABL Lender following conclusion of the

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[31] *See* APA, § 4.1.

[32] *See* § 3.1(r).

[33] *In re Am. Signature, Inc.*, Case No. 25-12105 (Bankr. D. Del. Nov. 25, 2025) [Docket No. 112], Hr'g Tr. at 44:19-21 ("The stalking horse bidder we have at the present time there would be a sale of the stores but it would be a winddown.").

[34] *See* Agency Agreement, § 3.1(d)-(g).

GOB sales on or about April 30, 2026 (the "Final Inventory Reconciliation").[35] The Schottenstein Buyer, the DIP Lender, and the Prepetition ABL Lender have until May 30, 2026[36] to conduct the Final Inventory Reconciliation.[37] Following the Final Inventory Reconciliation, whatever remains after application of the Purchase Price Adjustments[38] will be remitted to the estates five days thereafter.[39]

V. The Schottensteins' Roles in These Chapter 11 Cases and the Committee's Investigation

22. In addition to their roles as the Debtors' ultimate equity holders, DIP Lender, Prepetition ABL Lender, and Stalking Horse Bidder, Schottenstein-related parties also hold numerous other roles in these cases, including:

- The Liquidation Agent, a subsidiary of SB360 Holdings, and thereby majority-owned by the Schottensteins,[40] serves as the Debtors' liquidator;[41]
- Luxury Delivery Services Inc., an affiliate of the Debtors, is one of the Debtors' shippers with prepetition claims subject to the Shippers Motion;[42] and
- Certain of the Debtors' leased stores and distribution centers are owned by entities affiliated with the Schottenstein family.[43]

23. Because of these diverse roles, the Schottensteins will likely profit heavily through

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35 *See Id*., §§ 3.3(a), 3.4

36 Under the Agency Agreement, the Final Inventory Reconciliation must be completed by no later than 30 days following the end of the GOB sales at each of the Debtors' stores (the "Sale Termination Date"). *See* Agency Agreement, § 3.4. Under the Agency Agreement, the Sale Termination Date is April 30, 2025. *Id.* § 6.1

37 *Id*. § 3.4.

38 Only the cash portion of the initial 90% payment of the Purchase Price is guaranteed; there is no assurance the Debtors will receive all, or even some, of the expected $14.7 million Purchase Price Holdback. *Id.* § 3.1(i).

39 *Id*. §§ 3.1(h), 3.3.

40 *See* First Day Declaration, ¶ 7 n.2.

41 *Id*. ¶ 35.

42 The "Shippers Motion" shall mean the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Debtors to Pay Prepetition Claims of Shippers and Custom Representatives* [Docket No. 11]

43 *See* First Day Declaration, ¶ 35.

various facets of these cases, such as:

- The payment in full of both the DIP and Prepetition ABL Facility, including interest thereon, and approximately $850,000 in DIP fees;
- The profits derived by the Liquidation Agent from the GOB Sales, including material profits from the sale of augment goods; and
- The potential payment of prepetition amounts owed to Luxury Delivery Services Inc. through the Shippers Motion.[44]

24. On December 19, 2025, the Committee served requests for the production of documents on the Debtors to understand and analyze the merits of any potential claims against the Debtors' key stakeholders, including the Schottensteins, the DIP Lender/Prepetition ABL Lender, and any other Schottenstein-related party. The Committee's requests included all documents provided by the Debtors to counsel for the Conflicts Committee, as well as board materials, certain prepetition transaction documents, documents regarding available insurance coverage, and documents regarding the Schottenstein Bid. The Committee also obtained documents to investigate the validity, extent, and priority of the Prepetition Secured Creditors' liens on the Debtors' assets.

25. In particular, the Committee's investigation has focused on, among other things, the validity of the Prepetition Liens, payments made to the Schottenstein family and entities under their control, and claims to recharacterize the Unsecured Insider Loans.

26. The Committee understands that the Conflicts Committee[45] is also conducting an independent investigation, however the Committee is not currently aware of that investigation's scope or findings.

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[44] The Shippers Motion requests authority to pay up to $8,800,000 to shippers but does not indicate how much of that amount will be paid to Luxury Delivery Services Inc. *See* Shippers Motion, ¶ 15.

[45] The Conflicts Committee is comprised solely of the Debtors' independent director, Adam Zalev. *See* First Day Declaration, ¶ 33.

OBJECTION

27. A court should approve a proposed debtor in possession financing only if such financing is in the best interest of the general creditor body.[46] Moreover, the proposed financing must be "fair, reasonable, and adequate."[47]

28. Critically, where an insider is involved in the proposed financing, the transaction is subject to heightened scrutiny.[48] Given that the DIP Lender and the Debtors are both majority owned by the Schottensteins, the DIP Lender is an insider and heightened scrutiny must apply.[49] Thus, the proposed financing is not just subject to the Debtors' business judgment, but rather the entire fairness standard should be applied, which places the burden on the Debtors to show that both (a) the process leading to the transaction and (b) the price and terms of the transaction "not only appear fair but are fair."[50]

I. The DIP Facility Creates a Material Risk of Administrative Insolvency

23. As a preliminary matter, the Court should not approve the DIP Facility because the DIP Budget does not pay the freight or provide any reasonable assurance that reasonably known and anticipated administrative claims will be paid. Instead, the payment of 503(b)(9) Claims and

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[46] *In re Roblin Industries, Inc.*, 52 B.R. 241, 244 (Bankr. W.D.N.Y. 1985) (citing *In re Vanguard Diversified, Inc.*, 31 B.R. 364, 366 (Bankr. E.D.N.Y. 1983)); *see also In re Tenney Village Co., Inc.*, 104 B.R. 562, 569 (Bankr. D. N.H. 1989) ("The debtor's pervading obligation is to the bankruptcy estate and, derivatively, to the creditors who are its principal beneficiaries.").

[47] *In re Crouse Group, Inc*., 71 B.R. 544, 546 (Bankr. E.D. Pa. 1987).

[48] *See, e.g., Pepper v. Litton*, 308 U.S. 295, 306 (1939) (controlling shareholder's "dealings with the corporation are subjected to rigorous scrutiny"); *see also In re Winstar Commc'ns, Inc.*, 554 F.3d 382, 412 (3d Cir. 2009) ("A claim arising from the dealings between a debtor and an insider is to be rigorously scrutinized by the courts.").

[49] *See, e.g., In re Opus East, LLC*, 528 B.R. 30, 91 (Bankr. D. Del. 2015) (finding that entity was an insider where it shared common majority ownership with the debtor); *In re LATAM Airlines Grp. S.A.*, 620 B.R. 722, 771 (Bankr. S.D.N.Y. 2020) (finding certain affiliates funding portion of DIP financing transaction to be insiders where the Debtors and the financing parties shared common majority ownership).

[50] *LATAM.*, 620 B.R. at 769 (Bankr. S.D.N.Y. 2020) (quoting *In re Innkeepers USA Tr.*, 442 B.R. 227, 231 (Bankr. S.D.N.Y. 2010)); *see also In re Los Angeles Dodgers LLC*, 457 B.R. 308, 313 (Bankr. D. Del. 2011) ("[T]he Court must review Debtors' decision to accept the [insider financing] applying the entire fairness standard.").

Stub Rent Claims are inappropriately deferred for more than four months, until May 2026. While the DIP Budget has forecasted $19 million of liquidity at that time, such amount is almost entirely dependent on the Debtors' ability to recover the Purchase Price Holdback and the outcome of any Purchase Price Adjustments. As a result, creditors who are entitled to administrative priority status under the Bankruptcy Code, and are providing substantial postpetition benefits both to the Debtors and the Schottensteins, may ultimately receive nothing on account of their legitimate administrative claims due to an insufficient DIP Facility and an inappropriate DIP Budget.

24. The Court should deny the proposed financing absent compelling assurances of administrative solvency through the payment of, or the creation of reserves sufficient to pay, Stub Rent Claims and 503(b)(9) Claims promptly. The DIP Lender should not be permitted to obtain the broad protections proposed in the DIP Motion *and* run a sale process entirely for its benefit without funding all known administrative expenses. Such a result would be inequitable and contrary to the case law in this District that requires a secured lender to pay the freight as a condition to running a sale process to liquidate its collateral.[51]

25. As noted above, the DIP Facility, in and of itself, is insufficient to pay the freight. Instead, administrative creditors are being asked to wait for months after the DIP Facility is repaid in full to see if there is sufficient liquidity to pay their administrative claims. This liquidity, however, is primarily dependent upon the receipt of the $14.7 million Purchase Price Holdback

[51] *See, e.g.*, *In re Nova Wildcat Shur-Line Holdings, Inc.*, Case No. 23-10114 (CTG) (Bankr. D. Del. Mar. 2, 2023), Hr'g Tr. at 87:14-21 [Docket No. 212] (stating "if you're a secured creditor and want to invoke the bankruptcy process for the purpose of what will likely be maximizing the value of your collateral, you don't get to impose the costs of that on other people . . . you've got to pay the freight associated with [that] process . . ."); *In re Townsends, Inc.*, Case No. 10-14092 (CSS) (Bankr. D. Del. Jan. 21, 2011), Hr'g Tr. at 23:14-25:11 [Docket No. 338] (upon realizing that section 503(b)(9) claims would not be paid in full, the Court stated: "Well, we've got a problem. Not going to run an administratively insolvent estate."); *In re NEC Holdings Corp.*, Case No. 10-11890 (PJW) (Bankr. D. Del. July 13, 2010), Hr'g Tr. at 100:17-20 [Docket No. 224] (secured creditors have "got to the pay the freight, and . . . the freight is certainly an administratively solvent estate."). A copy of the relevant portions of the hearing transcripts are annexed hereto as **Exhibits 2-4**, respectively.

which may never materialize. The estates' right to receive this amount is speculative at best. Neither the Debtors nor the DIP Lender should be permitted to "bet" payment of known administrative claims on it.

26. In addition, if these cases are expected to remain open at least until at least May 2, 2026, the Committee expects this extended stay will result in additional administrative costs, including wind-down expenses associated with confirming a chapter 11 plan, dismissal or conversion. However, these wind-down expenses are completely absent from the DIP Budget. Indeed, the Debtors have made no reference to their wind-down strategy whatsoever.

27. Thus, the administrative solvency of these cases will hinge upon numerous variables: the results of the GOB sales and the Final Inventory Reconciliation (to be determined by the Debtors' insiders), the Debtors' time in chapter 11 and exit strategy, and the amount of allowed administrative claims—all of which the Committee has little insight into at this stage. Administrative solvency should not be a gamble. It must be reasonably assured. Given the facts and circumstances of these cases, the Schottensteins should bear the risk of administrative solvency; not the creditors. Absent assurances of administrative solvency, the DIP Motion is clearly not fair to all stakeholders and the Debtors have failed to meet their burden under the entire fairness standard.[52]

II. The Proposed 506(c) Waiver is Premature and Must Be Denied or Conditioned on the Funding of Stub Rent Claims and 503(b)(9) Claims in Full

28. In light of the material risk of administrative insolvency, the Court must deny the request to waive the estates' rights under section 506(c) of the Bankruptcy Code. This provision allows a debtor to recover from property securing a claim "the reasonable, necessary costs and

[52] *See LATAM*, 620 B.R. at 769 (finding that even where debtor's independent directors negotiated the proposed financing "an insider's dealings with the debtor are subject to ***rigorous*** scrutiny by the court, with the insider bearing the burden of showing the 'entire fairness' of the transaction at issue.") (emphasis added).

expenses of preserving, or disposing of, such property."[53] A rule of fundamental fairness for all parties in interest, section 506(c) of the Bankruptcy Code ensures that secured creditors share some of the burden of administrative expenses in a bankruptcy case and is designed to "prevent a windfall to the secured creditor."[54] To that end, the statute "understandably shifts to the secured party . . . the costs of preserving or disposing of the secured party's collateral, which costs might otherwise be paid from the unencumbered assets of the bankruptcy estate."[55] To be sure, "the general estate and unsecured creditors should not be required to bear the cost of protecting what is not theirs."[56]

29. Here, the Debtors seek to waive this critical estate right in connection with the DIP Motion *long before there will be any assurance* that the estates will be administratively solvent post-sale closing. The Debtors are seeking approval of a 506(c) waiver *now*, nearly four months before the Debtors even propose to pay Stub Rent Claims and 503(b)(9) Claims and well before any party will have clarity on the liquidity available to pay such claims. Such a waiver of perhaps creditors' only method of recovery if these cases do turn out to be administratively insolvent should not be approved. A 506(c) waiver is particularly egregious here given the Schottensteins' broad involvement. Approving the estates' waiver of this critical tool at this stage insulates the DIP Lender/Prepetition ABL Lender from a surcharge action, notwithstanding that its affiliate, the Schottenstein Buyer, is the entity most likely to benefit from postpetition use of landlords' premises and the sale of merchandise provided by suppliers in the 20-days prior to the Petition Date.

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53 11 U.S.C. § 506(c).

54 *Precision Steel Shearing, Inc. v. Fremont Fin. Corp. (In re Visual Indus., Inc.)*, 57 F.3d 321, 325 (3d Cir. 1995); *see also Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 11-12 (2000).

55 *In re Visual Indus., Inc.*, 57 F.3d at 325.

56 *In re Codesco, Inc.*, 18 B.R. 225, 230 (Bankr. S.D.N.Y. 1982).

30. Without certainty of payment, as previously recognized by this Court, the section 506(c) waiver is improper and should be denied, especially given the heightened scrutiny required by this transaction.[57] Absent payment of all known administrative claims in full, the Schottensteins should not receive the benefit of the requested 506(c) waiver while they profit off of the GOB sales, which are being run on the backs of the very landlords and vendors who have the greatest risk of non-payment.[58]

III. The Roll-Up Should Be Denied Unless the DIP Lender is Required to Marshal Away from Previously Unencumbered Assets

31. The Committee objects to the 3-to-1 roll up of Prepetition ABL Obligations when combined with the blanket waiver of the equitable doctrine marshaling. The DIP Lender should not be permitted to convert $39 million in Prepetition ABL Obligations into postpetition DIP Obligations in exchange for only $8 million in new financing *and* obtain the ability to recover first from the Debtors' assets that were not subject to its liens, including Prepetition Term Collateral and previously unencumbered assets. In exchange for the roll-up, the Committee requests that the DIP Lender be required to satisfy its claims as follows:

- *First*, from the DIP Agent and the Prepetition ABL Lender's own prepetition collateral and any proceeds thereof;
- *Second*, from the other Secured Parties' prepetition collateral and any proceeds thereof;

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[57] *See In re Christmas Tree Shops, LLC*, Case No. 23-10576 (TMH) (Bankr. D. Del. May 31, 2023), Hr'g Tr. at 47:20-24 [Docket No. 223] ("I'm not going to require that stub rent be paid under this budget. However, as is I believe to be the universal rule in this district, I am not going to permit a 506(c) waiver when there is no provision in the budget for payment of stub rent, so that's my ruling on the DIP."). A copy of the relevant portion of this hearing transcript is annexed hereto as **Exhibit 5**.

[58] *See In Brookstone Holdings Corp.*, Case No. 18-11780 (BLS) (Bankr. D. Del. Aug 29, 2018), Hr'g Tr. at 88:7-14 [Docket No. 336] ("I don't think there's anyone in this courtroom that expects that I would permit this matter to proceed without providing a measure of competence and comfort that stub rent in a [store] where GOB's are being conducted is going to be paid."). A copy of the relevant portion of this hearing transcript is annexed hereto as **Exhibit 6**.

- *Third*, from previously unencumbered assets and any proceeds thereof (excluding Avoidance Proceeds); and
- *Fourth*, from any Avoidance Proceeds.

32. Marshaling requires a "senior secured creditor to first collect its debt against the collateral other than that in which the junior secured creditor holds an interest, thereby leaving that collateral for the junior secured creditor's benefit."[59] This "prevent[s] the arbitrary action of a senior lienor from destroying the rights of a junior lienor or a creditor having less security."[60] If the DIP Motion is approved, the DIP Lender will receive liens on substantially all of the Debtors assets and will be entitled to recover first from assets which are uniquely preserved for unsecured creditors, such as Avoidance Proceeds.[61]

33. Thus, the net effect of the waiver of the doctrine of marshalling would be to eliminate a further avenue of recovery for the Debtors' estates if indeed they do turn out to be administratively insolvent, while providing the DIP Lender with a sweetheart deal by giving it access to the entirety of the Debtors' assets to satisfy its claims—regardless of whether it had valid prepetition liens on such assets. Simply put, the waiver of marshaling is prejudicial and unfair when paired with the roll-up of the full $39 million in Prepetition ABL Obligations. Moreover, estate claims have not yet been fully investigated by the Committee and may hold significant value for unsecured creditors. In light of the foregoing, marshaling may be a critical equitable remedy to ensure that unsecured creditors are not prejudiced by the roll-up of insider Prepetition ABL

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59 *In re Advanced Marketing Servs., Inc.*, 360 B.R. 421, 427 n.8 (Bankr. D. Del. 2007).

60 *Meyer v. United States*, 375 U.S. 233, 236 (1963).

61 *See, e.g., Official Comm. of Unsecured Creditors v. Chinery (In re Cybergenics Corp.)*, 330 F.3d 548, 573 (3d Cir. 2003) (finding that "avoidance actions are designed to protect" the interests of "unsecured creditors"); *Buncher Co. v. Official Comm. of Unsecured Creditors of GenFarm L.P. IV*, 229 F.3d 245, 250 (3d Cir. 2000) ("[A]ny recovery [under avoidance powers] is for the benefit of all unsecured creditors, including those who individually had no right to avoid the transfer.").

Obligations. Accordingly, the Debtors' have not met their burden that the roll-up is entirely fair, and it should be denied absent being conditioned on the marshaling provisions outlined herein.

IV. None of the Secured Parties Should Receive Liens On, or Claims to the Proceeds of, Claims or Causes of Action Against Themselves or Any Affiliated Party

34. Under no circumstance should any Secured Party receive liens on, or claims to the proceeds of, claims against itself or any other related entity or individual, which would effectively amount to a backdoor release of such claims. The Committee's investigation into the complex web of Schottenstein-related parties and transactions remains ongoing. The Committee is aware of at least $48.9 million of transfers made by the Debtors to the Schottensteins or their affiliates in the one-year period prior to the Petition Date and is currently investigating all claims subject to the Committee's Challenge Period, including claims to challenge the validity, priority, and extent of the Prepetition Liens and any claims against Prepetition Secured Creditors in connection with the Prepetition Secured Obligations. The Committee may ultimately identify colorable claims against the Secured Parties, the Schottensteins, or certain related entities or individuals. Despite this, if the DIP Motion is approved in its current form, it would *grant the Secured Parties liens and claims on causes of action against themselves,* and crucially, SACP would *control any claims against Schottenstein-related affiliates or parties and would be incentivized to bury such claims.*

35. It would be wholly inequitable for the Schottensteins and their affiliates to misuse the financing order to circumvent the Committee's investigation.[62] Any claims against the Prepetition Secured Creditors should not be released prior to the Committee's Challenge Deadline and any claims against the Schottensteins or their affiliates, other than the DIP Lender/ABL

[62] *See In re Ames Dept. Stores*, 115 B.R. 34, 38-39 (Bankr. S.D.N.Y. 1990) ("proposed financing will not be approved where it is apparent that the purpose of the financing is to benefit a creditor rather than the estate"); *see also Matter of Penn Transp. Co.*, 458 F. Supp. 1346, 1355 (E.D. Pa. 1978) ("The bankruptcy laws are intended to be a shield, not a sword.").

Lender, should not be released outside of a plan process. The Debtors have utterly failed to provide any evidence justifying these backdoor releases and clearly have not satisfied their burden that they are entirely fair. Thus, the Court should deny the DIP Motion unless the order expressly provides that no Secured Party shall receive any liens on, or claims to the proceeds of, causes of action against itself or any related party.

V. The Amounts Allocated for Payment of the Committee's Professional Fees are Disproportionate and Unfairly Prejudicial

36. The amounts included in the DIP Budget for Committee professional fees are inadequate, and highly prejudicial when compared to the amounts budgeted to pay the Debtors' professionals. The fee allocation in the DIP Budget for the Committee's professionals is presently 11% of the allocation for the Debtors' professionals. It is less than 8% when prepetition payments to the Debtors' professionals are considered. Courts in this District typically deem a committee professionals' fee budget adequate when it is approximately 33–40% of the debtors' professionals' fee budget.[63]

37. Absent this increase, the Committee will not have the ability to fulfill its statutory mandate and, among other things, investigate the Debtors' historical transactions. While the Conflicts Committee may be conducting its own analysis, neither the status nor the details of such investigation have been shared with the Committee's professionals. Given the timing of these cases, the Committee cannot take a wait and see approach. The Committee must expeditiously conduct an investigation and assess if any potential claims exist, which ultimately may be the only source of recoveries for unsecured creditors. The Committee's ability to conduct its investigation

[63] *See, e.g.*, *In re Eastern Outfitters, LLC*, Case No. 17-10243 (LSS) (Bankr. D. Del. Mar. 31, 2017) [Docket No. 260] (approving final DIP Financing order where the budget reflected committee professional fees being approximately 35% of the Debtors' professional fees); *In re The Wet Seal, LLC*, Case No. 17-10229 (CSS) (Bankr. D. Del. Feb. 2, 2017) [Docket No. 463] (cash collateral budget providing for committee fees and expenses of up to approximately 39% of those incurred by the Debtor's professionals for an eight-month period).

should not be limited by the very insiders that it will be investigating. Accordingly, the Committee respectfully requests that the amount allocated for the Committee's professional fees under the DIP Budget be modified to 30% of that of the Debtors' professionals or, if the parties cannot reach agreement on such amount, the Court should require all estate professionals to share pro rata in the aggregate amount designated to pay estate professionals as this Court has required in the past.[64]

VI. Certain Other Aspects of the Proposed DIP Facility are Prejudicial to the Committee and Should be Modified

38. In addition to the objections raised herein, the Committee has identified other objectionable provisions of the proposed DIP Facility that must be modified, as described below:

i. The Scope of the Challenge Period Must Be Clarified. The Final DIP Order[65] must be clarified to expressly carve-out D&O Claims, Avoidance Actions to clawback prepetition payments such as dividends, management payments, or executive compensation, and claims to recharacterize or equitably subordinate the Insider Unsecured Loans from the definition of a "Challenge." Such claims are not related to the Prepetition Credit Documents, the Prepetition Secured Obligations, nor the Prepetition Liens and should only ever be released in connection with a chapter 11 plan.

ii. The Proposed 552(b) Waiver Should Be Denied. The Debtors have failed to justify the need for a waiver of the "equities of the case" exception under section 552(b) of the Bankruptcy Code given the material risk of administrative insolvency in these cases and the insider status of the DIP Lender/Prepetition ABL Lender. The estates' 552(b) rights should not be waived and should remain available for use by the Committee or any other interested party.[66]

iii. The Committee's $50,000 Investigation Budget is Insufficient. The Interim DIP Order currently imposes a restrictive $50,000 budget cap for the Committee to

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64 *See In re Blink Holdings, Inc.*, Case No. 24-11686 (JKS) (Bankr. D. Del. Sep. 10, 2024) [Docket No. 376], Hr'g Tr. at 22-23 ("So what I'm going to do is require all estate professionals to share pro rata."). A copy of the relevant portion of this hearing transcript is annexed hereto as **Exhibit 7**.

65 The "Final DIP Order" shall mean any final order approving the DIP Motion.

66 *See, e.g., In re Linn Energy, LLC*, Case No. 16-60040 (DRJ) (Bankr. S.D. Tex. Jul. 28, 2016), Hr'g Tr. at 134:19-25 [Dkt. No. 746] (noting that preservation of the official committee's right to seek application of section 552(b) exception "really just conforms with applicable Circuit law anyway"); *In re Gen. Maritime Corp.*, Case No. 11-15285 (MG) (Bankr. S.D.N.Y. Nov. 18, 2011), Hr'g Tr. at 74:15-24 [Dkt. No. 54] ("[T]he parties cannot limit the Court's power with respect to the doctrine of the equities of the case. The debtor can agree that it will not assert the equities of the case doctrine under 552(b), but you can't preclude [the Court] from applying it."). A copy of the relevant portions of the hearing transcripts are annexed hereto as **Exhibits 8 and 9**, respectively.

investigate the claims and liens of the Prepetition Secured Creditors, and potential claims, counterclaims, causes of action or defenses against the Prepetition Secured Creditors. This amount is insufficient given the multiple tranches of purported insider secured debt and unsecured debt.[67] Based upon the information currently available to the Committee, the Final DIP Order should increase the Investigation Budget to $150,000 and should permit the Committee to seek further increases for cause shown following notice and a hearing.

iv. The Permitted Variances in the DIP Budget are Onerous and Should be Modified. The DIP Credit Agreement allows for a permitted variance of 90% for cash receipts and 110% for cash disbursements during any four-week period under the DIP Budget.[68] The Debtors have already reported variances for cash receipts exceeding this threshold through the first four weeks of these cases and are at risk of breaching the permitted variance threshold as early as this week. Accordingly, these permitted variances should be altered to 85% and 115%, respectively, to provide the Debtors with adequate cushion to ensure that they do not default under the DIP Facility.

RESERVATION OF RIGHTS

39. The Committee reserves all of its rights, including without limitation, the right to assert other and further objections to the DIP Motion, the right to supplement the legal or factual arguments set forth in the Objection, the right to submit testimony or evidence at the final hearing on the DIP Motion, and the right to respond to any reply filed by the Debtors, the DIP Agent/DIP Lender, the Prepetition Secured Creditors, or any other party in interest.

[67] *See, e.g., In re At Home Group, Inc.*, Case No. 25-11120 (JKS) (Bankr. D. Del. July 18, 2025) (Final DIP order providing $150,000 for Investigation Budget); *In re Big Lots, Inc.*, Case No. 24-11967 (JKS) (Bankr. D. Del. Oct. 22, 2024) ($100,000 for Investigation Budget); *In re Blink Holdings, Inc.*, Case No. 24-11686 (JKS) (Bankr. D. Del. Sept. 18, 2024) ($100,00 for Investigation Budget).

[68] *See* DIP Credit Agreement, § 6.26(a).

CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court sustain the Objection and deny final approval of the DIP Motion unless the Final DIP Order is modified as set forth herein.

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Dated: December 29, 2025
Wilmington, Delaware

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Proposed Counsel to the Official Committee of Unsecured Creditors

Exhibit 1

November 25, 2025 Hearing Transcript Excerpt
In re Am. Signature, Inc., Case No. 25-12105 (JKS) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	Chapter 11
	Case No. 25-12105 (JKS)
AMERICAN SIGNATURE, INC., *et al.*,	(Joint Administration Requested)
	Courtroom No. 6
	824 Market Street
Debtors.	Wilmington, Delaware 19801
	Tuesday, November 25, 2025
	3:31 p.m.

TRANSCRIPT OF HYBRID ZOOM HEARING
BEFORE THE HONORABLE J. KATE STICKLES
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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MS. DAVIS JONES: I appreciate that, Your Honor. I have not seen that but I hear you. Thank you, Your Honor.

Your Honor, that brings us to the wages motion. Your Honor, our blackline there -- our redline shows the changes that we made through comments to the U.S. Trustee's Office.

Your Honor, this is our wages, salaries and benefits, so forth, used in the ordinary course. As I mentioned, there are about 3,000 employees; 28 percent of which are salary rate and the others are hourly.

Your Honor, I don't think that there is anything you would find surprising in this redline. They did -- the U.S. Trustee's Office did ask us to bring the caps down a little bit, which we have. And then the other key thing was taking out the reference to the DIP order.

THE COURT: Might I ask: What is the plan with respect to -- the small plan with respect to employees.

MS. DAVIS JONES: It's going to depend how our sale turns out. The stalking horse bidder we have at the present time there would be a sale of the stores but it would be a winddown.

THE COURT: Okay.

MS. DAVIS JONES: We are hopeful -- maybe half too full on my part but we're hopeful that there may be someone that wants to buy a furniture store, and wants to keep all

revolver. So, the advance rates with respect to inventory are increased, which is good for the debtors estates, and also real estate for the first time is added to the borrowing base net of the PNC debt. There is still some anticipated value above the PNC debt in the real estate that is utilized for purposes of the borrowing base.

So, that gives additional capacity, borrowing capacity, to the debtors, which is critical. We would not be able to survive without this lifeline in the case. So, effectively, there is no money being given. This is not simply a rollup of the existing facility; it's a rollup and an expansion of the borrowing base. So, there is additional borrowing that will be made available.

Does that make sense to Your Honor?

THE COURT: I actually -- so what is the ultimate new funding that is available to the debtors? Once you take out all the fees and expenses, and once you take out a half a million dollar in indemnity accounts, and you apply all of those, what is actually new money being provided to this debtor?

MR. LITVAK: So, Your Honor, as I mentioned, I think that the balance, just in terms of using math, will go from $39 to $47. So, that is $8 million of value that is provided to the debtors estates. But what I would also propose is that I go ahead and put Mr. Morando on to

Exhibit 2

March 2, 2023 Hearing Transcript Excerpt
In re Nova Wildcat Shur-Line Holdings, Inc., Case No. 23-10114 (CTG) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	.	Case No. 23-10114 (CTG)
	.	
NOVA WILDCAT SHUR-LINE	.	824 North Market Street
HOLDINGS, INC., et al.,	.	Wilmington, DE 19801
	.	
Debtors.	.	
	.	March 2, 2023
. . . . .		10:00 a.m.

TRANSCRIPT OF MOTIONS HEARING
BEFORE HONORABLE CRAIG T. GOLDBLATT
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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MR. ANGELO: No, please --

THE COURT: -- it might be helpful if I shared some overarching thoughts, so that you all have a sense of sort of where we are and what the target is that everyone is shooting at here.

I am not one who believes that there necessarily needs to be a recovery for unsecureds in order to legitimately invoke the bankruptcy process. I think that we take the pre-petition capital structure as we find it. What we do care about is are we maximizing value and if the bankruptcy process is being used for the purpose of maximizing value, then that value falls the way it falls and there's nothing wrong with doing that.

On the flip side, if you're a secured creditor and want to invoke the bankruptcy process for the purpose of what will likely be maximizing the value of your collateral, you don't get to impose the costs of that on other people. So, you've got to pay the freight associated with running a process that will maximize your value. And that includes paying the expected administrative expenses and the administrative expenses include reasonable committee fees.

MR. ANGELO: Certainly.

THE COURT: And so, there's an issue we have here about the Committee budget and whether it's reasonable. I think that's a topic that I'm going to hear from both sides on

Exhibit 3

January 21, 2011 Hearing Transcript Excerpt
In re Townsends, Inc., Case No. 10-14092 (CSS) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

Case No. 10-14092(CSS)

- -x

In the Matter of:

TOWNSENDS, INC., et al.,

Debtors.

- -x

United States Bankruptcy Court

824 North Market Street

Wilmington, Delaware

January 21, 2011

1:09 PM

B E F O R E:

HON. CHRISTOPHER S. SONTCHI

U.S. BANKRUPTCY JUDGE

ECR OPERATOR: DANA MOORE

collateral, the same million-eight will be available for the 503(b)(9) claimants, given their administrative priority status is protected by the Code.

Unless Your Honor has any questions of the committee position, that's why we have come to difficult conclusions, and it's been a lot of conversation by the committee including direct conversation between the committee members and the bankers, yesterday, with no professionals on the phone call to discuss these issues.

THE COURT: Okay.

MR. BUECHLER: Thank you.

THE COURT: Thank you, Mr. Buechler. Anybody else wish to be heard?

Let me see if I understand, Mr. Abbott. Under no scenario will the 503(b)(9) creditors be paid in full?

MR. ABBOTT: Your Honor, technically, it's possible; practically, impossible. The range of values, given the amount of debt, here, we just don't see a buyer clearing the secured debt.

THE COURT: But other administrative claims will be paid in full?

MR. ABBOTT: Post-petition administrative claims, we expect to be paid in full under this revised budget, Your Honor.

THE COURT: Well, we've got a problem. Not going to

run an administratively insolvent estate. There are benefits to the current administrative claims that are accruing. There are benefits to the unsecured creditors. But it can't be done on the back of the 503(b)(9) admin claims, which are admin claims. Congress has made that determination. So certainly I would have a problem running any case that was administratively insolvent. But one that is both administratively insolvent and prefers one set of administrative creditors over another is doubly troubling. So that's -- well, I'm not going to do it.

MR. ABBOTT: To clarify --

THE COURT: I'm not making -- I'm not making the -- this came up on Goody's, for example, Goody's I, and it turned out we were all wrong. But the point there was there had to be a set aside to pay these claims in the plan that the evidence indicated was a reasonable estimate that they would get paid. Turns out, it was wrong. But the point being, I'm not making anyone guarantors or insurers of the fact that the case is administratively solvent. But to go in with a path forward that indicates -- and I certainly appreciate your candor to the Court -- that a certain type of administrative expense claim won't get paid in full but yet others will, I just -- I can't run that kind of case.

MR. ABBOTT: I understand that, Your Honor. Could I ask the -- well, is it --

THE COURT: Need help? Go ahead.

MR. ABBOTT: -- fair to say, Your Honor, that that is a denial, perhaps, without prejudice to our financing motion?

THE COURT: Well, it's hard for me to say. I haven't seen it. I haven't seen the final order. But if the final order indicates that that's what's going to be in it, I'm not going to approve it.

MR. ABBOTT: Understand, Your Honor.

THE COURT: And in addition, if it appears that the case is administratively insolvent, I would be inclined to either, upon motion or even sua sponte, either convert or dismiss the case. Mr. Buechler?

MR. BUECHLER: Maybe the parties need to talk, Your Honor, and maybe we need to adjourn this to the beginning of next week to do that. The only point I will make is if we get to that point where Your Honor is faced with conversion or dismissal, the committee has set forth in the objection that we did file regarding the DIP financing, made very clear what our preference was and why. And so we would ask the Court to -- if we get to that point, understanding Your Honor's position, and we appreciate that, and that's part of what we said in our objection, but we had to deal with reality, too, and tried to -- would clearly support dismissal as being in the best interest of the unsecured creditors in the estates for the reasons I stated before as well as in our response, or objection, if Your Honor gets to that fork in the road. But I

Exhibit 4

July 13, 2010 Hearing Transcript Excerpt
In re NEC Holdings Corp., Case No. 10-11890 (PJW) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

Case No. 10-11890-PJW

- -x

In the Matter of:

NEC HOLDINGS CORP, ET AL.,

Debtors.

- -x

U.S. Bankruptcy Court

824 North Market Street

Wilmington, Delaware

July 13, 2010

9:32 AM

B E F O R E:

HON. PETER J. WALSH

HON. CHRISTOPHER S. SONTCHI

U.S. BANKRUPTCY JUDGES

ECR OPERATOR: MICHAEL MILLER/LESLIE MURIN

that needs to be tempered with 503(b)(9) claimants being left out in the lurch.

THE COURT: All right.

MR. PALACIO: Thank you, Your Honor.

THE COURT: Anyone else? I assume the Term B issues have been resolved?

MR. ATHANAS: They have, Your Honor.

THE COURT: Okay. Just wanted to make sure.

Let me give you some thoughts, maybe, before you reply.

MR. ATHANAS: Certainly, Your Honor.

THE COURT: 503(b)(9), the lender is not a guarantor of the 503(b)(9) or any other admin claims, and neither is the debtor. Mr. Palacio's right in that I generally have held in the past that you can run a case for the benefit of a secured creditor. It's the crime of having collateral that some people seem to say that they can't. They've got to pay the freight, and the freight is, at least -- the freight is not necessarily a tip to the unsecureds, but the freight is certainly an administratively solvent estate. And while there's not a guarantee, there has to be something other than a wing and a prayer on the payment of the admin claims. And counsel very honestly and appropriately answered the question that at least it's unclear, as we stand here, and it's quite unclear whether 503(b)(9) claims would be paid. It doesn't need to be in the

Exhibit 5

May 31, 2023 Hearing Transcript Excerpt
In re Christmas Tree Shops, LLC, Case No. 23-10576 (TMH) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	.	Chapter 11
	.	
CHRISTMAS TREE SHOPS, LLC, et al,	.	Case No. 23-10576(TMH)
	.	
	.	824 Market Street
	.	Wilmington, Delaware 19801
Debtors.	.	
. . . . .	.	Wednesday, May 31, 2023

TRANSCRIPT OF HEARING RE:
SECOND-DAY MOTIONS
BEFORE THE HONORABLE THOMAS M. HORAN
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtors:	Evelyn J. Meltzer, Esq. Marcy J. McLaughlin Smith, Esq. TROUTMAN PEPPER HAMILTON SANDERS, LLP Hercules Plaza, Suite 5100 1313 Market Street, Suite 5100 Wilmington, Delaware 19801 Harold B. Murphy, Esq. Christopher M. Condon, Esq. MURPHY & KING, PC 28 State Street, Suite 3101 Boston, Massachusetts 02109
For the U.S. Trustee:	Benjamin Hackman, Esq. OFFICE OF THE U.S. TRUSTEE 844 King Street, Suite 2207 Wilmington, Delaware 19801

(Appearances Continued)

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Proceedings recorded by electronic sound recording, transcript produced by transcription service.

foreseeable and known that there's going to be an administrative expense for May rent, and so that should be budgeted.

And as the other counsel for the landlord has already argued, the landlords aren't asking for immediate payment. And just like professional fees or other administrative expenses, it can be covered in carveouts and escrows and reserves and things like that.

And so I don't think what the landlords are requesting, the relief we're requesting I don't think is unusual. It's standard practice. And it's a risk-shifting exercise. And this Court should not shift the entire risk onto the landlord body. The Court should shift the risk onto the party that's going to benefit the most, no matter what direction this case goes in. Thank you.

THE COURT: Thank you, Mr. Rosner.

Is there anybody else who would like to be heard?

(No verbal response)

THE COURT: Okay. I hear no response.

I'm not going to require that stub rent be paid under this budget. However, as is I believe to be the universal rule in this district, I am not going to permit a 506(c) waiver when there is no provision in the budget for payment of stub rent, so that's my ruling on the DIP.

In other respects, I understand that it's

Exhibit 6

August 29, 2018 Hearing Transcript Excerpt
In re Brookstone Holdings Corp., Case No. 18-11780 (BLS) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	Chapter 11
BROOKSTONE HOLDINGS CORP, *et al.*,	Case No. 18-11780 (BLS)
	Courtroom No. 1 824 N. Market St Wilmington, Delaware 19801
Debtors.	Wednesday, August 29, 2018 1:00 P.M.

TRANSCRIPT OF HEARING
BEFORE HONORABLE BRENDAN L. SHANNON
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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THE COURT: Hang on. Let me ask you a question about the end game.

Leave aside the subordination agreement --

MR. GILAD: I would be happy to do.

THE COURT: I expect.

But and we'll leave aside the KEIP for a moment, but I don't think there's anyone in this courtroom that expects that I would permit this matter to proceed without providing a measure of competence and comfort that stub rent in a source where GOB's are being conducted is going to be paid.

And, likewise, I would -- again, leaving all these issues aside -- be highly unlikely to support a scenario where 503(b)(9) claims were not, otherwise, provided for. And so, while we can have this debate, even in the absence of the subordination agreement, if you were just standing up here as a typical second lien lender. We got the first. We got the seconds. We expect the first will get paid out, but the seconds, you know, there's a question I have about how academic this discussion is because these are getting paid.

MR. GILAD: So, Your Honor, I think that's a fair question and I was going to address that.

The end game here what we were expecting is that market practice would prevail. There would be a discussion, as in every other case, identify who were the lenders that

Exhibit 7

September 10, 2024 Hearing Transcript Excerpt
In re Blink Holdings, Inc., Case No. 24-11686 (JKS) (Bankr. D. Del.)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	. Chapter 11
	. Case No. 24-11686 (JKS)
BLINK HOLDINGS, INC., *et al.*,	.
	. (Jointly Administered)
	.
	. Courtroom No. 6
	. 824 Market Street
Debtors.	. Wilmington, Delaware 19801
	.
	. Tuesday, September 10, 2024
. . . . .	. 2:30 p.m.

TRANSCRIPT OF HEARING
BEFORE THE HONORABLE J. KATE STICKLES
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtors: Michael R. Nestor, Esquire
Sean T. Greecher, Esquire
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ask the Court and Your Honor to do, please.

THE COURT: Thank you.

MR. WILSON: Thank you.

THE COURT: Anyone else?

(No verbal response)

THE COURT: Okay. Could you give me one minute to check on something and I will be right back.

(Recess taken at 4:11 p.m.)

(Proceedings resumed at 4:17 p.m.)

THE CLERK: All rise.

THE COURT: Please be seated. Thank you for that quick break.

With respect -- oh, that was Mr. (Indiscernible), I believe -- okay, with respect to the arguments raised today, I'm going to overall the Committee's objection with respect to unencumbered assets, but I am going to sustain the Committee's objection, with respect to the budget. I appreciate that this financing is a multi-pronged negotiation and that the Court cannot compel a lender to lend more money for professional fees, but the budget is insufficient and unfair, and potentially prejudices the Committee.

So what I'm going to do is require all estate professionals to share *pro rata*. And I don't anticipate, as a caveat, that the Committee's fees in this case are going to exceed approximately 30 percent. And I'm going to caution

Exhibit 8

July 28, 2016 Hearing Transcript Excerpt
In re Linn Energy, LLC, Case No. 16-60040 (DRJ) (Bankr. S.D. Tex.)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION

IN RE:	)	CASE NO: 16-60040
	)	CHAPTER 11
	)	
LINN ENERGY, LLC, ET AL.,	)	Houston, Texas
	)	
	)	Thursday, July 28, 2016
Debtors.	)	(2:03 p.m. to 3:56 p.m.)
	)	(4:09 p.m. to 4:56 p.m.)
	)	(5:03 p.m. to 5:30 p.m.)

HEARING

BEFORE THE HONORABLE DAVID R. JONES,
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES FOR: (Cont'd on page 2)

Debtors:
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Transcribed by:
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P.O. Box 18668
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So thank you for -- for conducting the trial over the last couple of days.

THE COURT: All right.

MR. LENNON: Yes, your Honor, there are a couple of points that still need to be included into the Order, Mr. Finestone's Noticing points and Mr. Donnell who I believe I may have forgotten to thank in my opening, but thank you to Mr. Donnell and thank you to Mr. Jaunal, his partner, for helping getting us over the finish line today.

The Section 552(b) provision in Paragraph 24, there is language about the Committee's right to -- it's about the Debtors' right to oppose any standing Motion filed by the Committee, and the lenders have asked just to be included in that provision as well. I believe the Committee has indicated that they're okay with that and I assume the other objecting parties are on board with it and --

MR. WOFFORD: Your Honor, yes, Keith Wofford for the Committee.

The 552(b) provision provides the Committee can seek to have the application of the equities of the case doctrine and the Debtors, of course, can oppose our seeking that, and including the lenders in that is acceptable to the Committee.

THE COURT: All right, thank you. I think that really just conforms with applicable Circuit law anyway, so that's just easy.

Exhibit 9

November 18, 2011 Hearing Transcript Excerpt
In re Gen. Maritime Corp., Case No. 11-15285 (MG) (Bankr. S.D.N.Y.)

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

Case No. 11-15285-mg

- -x

In the Matter of:

GENERAL MARITIME CORPORATION,

Debtors.

- -x

United States Bankruptcy Court

One Bowling Green

New York, New York

November 18, 2011

11:05 AM

B E F O R E:

HON. MARTIN GLENN

U.S. BANKRUPTCY JUDGE

hearing, we'll raise it at the final hearing. But I am not approving the payment for all purposes for any issues in this case throughout the case for the DIP lenders. It's just not going to happen. And they're going to have to convince me at the time of the final hearing why, because these are -- essentially, these are your pre-petition secured lenders.

I don't know why -- if they're oversecured, and their documents provide for it, they may well be able to recover their fees for the case. If they're undersecured, they don't. And I'm not going to change it by an order I'm going to enter.

MR. MANNAL: Thank you, Your Honor. In conferring with counsel, I think that's --

THE COURT: Okay.

MR. MANNAL: -- that's fine.

THE COURT: On page 45, subparagraph H, this is probably my pet peeve. I see it as paragraph -- in every DIP order. In my view, the parties cannot limit the Court's power with respect to the doctrine of the equities of the case. The debtor can agree that it will not assert the equities of the case doctrine under 552(b), but you can't preclude me from applying it. And if a committee comes in later in the case and it wants to raise it -- I've never applied it yet. If -- this is a hypothetical issue. But I don't believe that the parties can limit the power that the Court was given under 552(b).

So if you want to rewrite it, the substance of which