

IN THE UNITED STATES BANKRUPTCY COURT
OF THE DISTRICT OF DELAWARE

In re:

STICKY’S HOLDINGS LLC, *et al.*,

Debtors.¹

Chapter 11 (Subchapter V)

Case No. 24-10856 (JKS)

Jointly Administered

STATEMENT AND LIMITED JOINDER OF SUBCHAPTER V TRUSTEE
TO UNITED STATES TRUSTEE’S MOTION TO CONVERT DEBTORS’
SUBCHAPTER V CASES TO CHAPTER 7 CASES

Natasha M. Songonuga, the Subchapter V Trustee (“SCV Trustee”) appointed in the above-referenced chapter 11 cases (the “Chapter 11 Cases”), states as follows:

1. On April 25, 2024 (the “Petition Date”), the above-captioned debtors (the “Debtors” or the “Reorganized Debtors”) commenced voluntary cases under Subchapter V of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”).

2. On November 13, 2024, the Court entered the *Findings of Fact, Conclusions of Law, and Order Confirming Subchapter V Debtors’ Modified First Amended Plan of Reorganization* [Dkt. No. 398] (the “Confirmed Plan”) and thereafter, on December 2, 2024, the Reorganized Debtors filed the Notice of Effective Date with respect to the Confirmed Plan,

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number are as follows: Sticky’s Holdings LLC (3586); Sticky Fingers LLC (3212); Sticky Fingers II LLC (7125); Sticky Fingers III LLC (3914); Sticky Fingers IV LLC (9412); Sticky Fingers V LLC (1465); Sticky Fingers VI LLC (0578); Sticky’s BK I LLC (0423); Sticky’s NJ I LLC (5162); Sticky Fingers VII LLC (1491); Sticky’s NJ II LLC (6642); Sticky Fingers IX LLC (5036); Sticky’s NJ III LLC (7036); Sticky Fingers VIII LLC (0080); Sticky NJ IV LLC (6341); Sticky’s WC I LLC (0427); Sticky’s Franchise LLC (5232); Sticky’s PA GK I LLC (7496); Stickys Corporate LLC (5719); and Sticky’s IP LLC (4569). The Debtors’ mailing address is 21 Maiden Lane, New York, NY 10038.



providing that the Effective Date of the Confirmed Plan occurred on November 29, 2024. [Dkt No. 431].

3. Shortly thereafter, the Reorganized Debtors defaulted on their obligations under the Confirmed Plan.

4. On February 10, 2025, the Debtors filed a *Motion of Reorganized Debtors to Convert the Chapter 11 Cases to Cases Under Chapter 7 of the Bankruptcy Code* (the “Debtors’ Motion to Convert”) [Dkt. No. 481], which is still pending as of the date hereof.

5. On April 3, 2025, after several failed letters of intent, the Debtors sought approval to enter into a Letter of Intent with Harker Palmer Investors LLC (“Harker Palmer”), an insider, to sell substantially all of their assets for \$2 million (the “Original LOI”). [Dkt. No. 545].

6. The Original LOI contemplated non-refundable deposits totaling \$550,000 and confirmation of a modified chapter 11 plan. Although the SCV Trustee raised certain concerns, she ultimately supported the Debtors’ entry into the Original LOI because it presented a potentially viable path to preserve value and avoid conversion or dismissal.

7. At the Debtors’ request, the SCV Trustee worked diligently to obtain concessions from the Debtors’ largest administrative creditors—most notably, the landlords and US Foods, Inc. (“US Foods”). All of the landlords agreed to reduce their administrative claims to six months’ rent or less, resulting in approximately \$3 million in savings. US Foods also agreed to a meaningful reduction of its administrative claim. Unfortunately, 46 other administrative expense creditors, whose claims, while modest, were nevertheless impaired under the modified plan—were not solicited for consent. As a result, the modified plan could not be confirmed.

8. Rather than pursuing creditor consent, however, the Debtors have now abandoned the plan process entirely and seek to consummate a sale of substantially all assets, pursuant to a revised Letter of Intent with Harker Palmer (the “New LOI”), upon filing of a motion under section 363 of the Bankruptcy Code. [See Dkt. No. 644.]. If approved, this transaction would likely result in near-immediate conversion of the Debtors’ Chapter 11 Cases to chapter 7 and significantly reduce distributions to creditors, including administrative expense claimants.

9. While the SCV Trustee continues to believe that an orderly sale of the Debtors’ remaining assets may be the most viable path toward maximizing recovery for creditors, the SCV Trustee cannot support the proposed transaction as currently structured. The Debtors’ estates, and ultimately their creditors, are now being asked to not only absorb the significant costs of a failed modified plan process but also to now fund a section 363 sale—both steered by Harker Palmer, an insider of the Debtors—without sufficient creditor oversight or protection. Accordingly, and for the other reasons set forth below, the SCV Trustee submits that Harker Palmer, not the Debtors’ estates, should bear the burden of funding the proposed sale process. Alternatively, and only to the extent Harker Palmer refuses to fund the sale process, the SCV Trustee joins in the *Motion for Entry of an Order Converting Cases to Cases Under Chapter 7 Pursuant to 11 U.S.C. § 1112(b)* (the “Motion”) filed on June 30, 2025, by the Office of the United States Trustee for Region Three (the “UST Motion to Convert”). [Dkt. No. 646].

10. First, while the Debtors have not yet sought approval to enter into the New LOI, as written, the revised structure materially changes the transaction to the detriment of the Debtors’ estates and their creditors. Under the Original LOI, notwithstanding the concerns raised about the proposed modified plan process at the time, Harker Palmer insisted on pursuing confirmation

believing it did not need administrative creditors' consent, which consumed more than \$550,000 of the proposed sale proceeds. Now that the modified plan has failed, the New LOI proposes a section 363 sale with no additional funding from Harker Palmer and a process entirely funded from the balance of the \$2 million sale proceeds. Specifically, under the New LOI, Harker Palmer proposes allocating another \$197,000² from the sale proceeds to fund the Debtors' new counsel and other professionals, not for the benefit of the estates or creditors, but to shepherd a 363-sale process that leaves the estates with significantly less net cash for distribution to creditors but the same level of benefits to Harker Palmer.

11. This continued control by Harker Palmer over the use of estate funds and the priority of payment of estates' expenses raises serious concerns. For example, pages 5-6 of the New LOI prescribe how the Debtors may apply the Net Cash Portion of the purchase price, including preferences for certain professional fees. Specifically, pages 5 & 6 of the New LOI provides, in relevant part, that:

The Purchaser will pay to Reorganized Sticky's the Net Cash Portion of the Purchase Price on the closing of the Sale, **and Reorganized Debtors shall be authorized to use** (i) the Deposits as provided for herein (to the extent not previously used) and **the Net Cash Portion of the Purchase Price to pay the Reorganized Debtors' costs and expenses of the Sale not previously paid from the Deposits; and (ii) the balance of the Net Cash Portion of the Purchase Prices: (a) to pay up to \$50,000 for operating expenses of the Reorganized Debtors; (b) to pay up to \$100,000 (less the Further Initial Advance made) for professional fees and expenses of the Reorganized Debtors following the closing of the Sale, and (c) with the balance as further ordered by the Bankruptcy Court. Notwithstanding the foregoing, nothing herein**

² No budget has been provided to show that the Debtors in fact have accounted for all administrative expense amounts that the Debtors will incur between June 10 and the hearing on a potential sale motion, which motion has not been filed to date. Case in point, the New LOI allocates \$25,000 for the Debtors' operating costs (including salaries and other expenses). New LOI, pg. 3. However, upon information and belief, that amount represents roughly a month of the Debtors' CEO's salary and benefit expenses. As such, the \$25,000 allocation would be fully used on or before July 15, 2025, even before we get to a hearing on a yet to be filed motion to allow the Debtors to enter into the New LOI and motion for approval of the proposed section 363 sale. As such, the SCV Trustee is concerned that at the end of the day, the purported \$2 million of sale proceeds, will be significantly reduced leaving very little to be distributed to creditors.

shall operate as a cap on the fees and expenses of the Debtors' professionals, the claims agent and the SubChapter V Trustee, which such fees and expenses to the extent incurred from and after June 10, 2025 and not paid from the Deposits shall be paid by Reorganized Sticky's as a cost and expense of the Sale from the Net Cash Portion of the Purchase Price at closing.

[Emphasis added]. It is unclear if the Debtors can even follow this directive given that it would be preferring some administrative expense creditors over others, as the Debtors' professionals would have up to \$100,000 of their fees incurred after the sale approval paid while other administrative expense claimants, including the SCV Trustee, would potentially not be paid the same distribution. This approach could result in unequal treatment of administrative expense creditors and is likely to invite disputes over priority and allocation.

12. Second, given the Debtors no longer operate a going concern business and possess minimal intellectual property value, the primary residual value appears to be potential litigation claims, including possibly against insiders. If those causes of action are transferred through a section 363 sale, without defined valuation or creditor consent, the transaction risks operating as a *de facto* third-party release. If Harker Palmer wishes to acquire such claims, outside of a plan process, it should bear the cost of the sale process. To the extent Harker Palmer is unwilling to do so, and if conversion of the Chapter 11 Cases is the likely result upon approval of the proposed sale, then a Chapter 7 trustee should be appointed to supervise the sale, evaluate claims values, and assess the fairness of the proposed transaction.

13. Third, the New LOI impermissibly discriminates among professionals. It expressly allocates \$160,000 to the Debtors' newly retained counsel and other professionals for services rendered from June 10, 2025 through the sale hearing but sets no specific reserve for the SCV Trustee's fees for the same period. Instead, the SCV Trustee's fees for services rendered from June 10 through the sale hearing are folded into a \$50,000 "operating expense" advance, which is

both discretionary and not guaranteed. Should the sale not be approved, there is no mechanism ensuring payment of those expenses. Harker Palmer could simply walk away, leaving unpaid administrative claims resulting from a process it orchestrated. This should not be allowed.

14. Finally, the SCV Trustee is concerned that the integrity of the process has broken down. The proposed transaction lacks meaningful creditor involvement and provides no assurance of equal treatment for administrative expenses claimants. It risks depriving the Debtors' estates of material assets (including the portion of the sale proceeds being allocated to fund the sale process).

15. Accordingly, the SCV Trustee proposes that Harker Palmer revise the New LOI to eliminate the objectionable provisions and commit to fully funding the administrative costs of the sale process, including all professionals and the Debtors' operating expenses through the sale hearing. If Harker Palmer is unwilling to do so, the SCV Trustee respectfully joins the UST's Motion to Convert and urges the Court to grant such relief.

Dated: July 8, 2025

ARCHER & GREINER, P.C.

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Subchapter V Trustee