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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re:	Case No. 25-23630
United Site Services, Inc.,	Chapter 11
Debtors.[1]	(Joint Administration Requested)
	Hearing Date: December 30, 2025 at 10:00 a.m. ET

CASTLEKNIGHT MASTER FUND LP'S
PRELIMINARY OBJECTION TO FIRST DAY RELIEF

[1] The last four digits of the tax identification number of United Site Services, Inc. are 3387.

CastleKnight Master Fund LP ("CastleKnight" or "CKM"), as a holder or manager of debt obligations of PECF USS Intermediate Holding III Corporation (with its affiliated debtors in possession, the "Debtors"), specifically (i) $45,172,110 in Amended Term Loans[2], (ii) $109,175,885 Second-Out Term Loans, (iii) $101,207,484 in Third-Out Notes, and (iv) $121,390,000 in Amended Unsecured Notes, hereby files this preliminary objection to various first day relief the Debtors are requesting in these Chapter 11 Cases. CKM is continuing to review the Debtors' first day pleadings and reserves the right to object to any and all relief requested at the first day hearing and, thereafter, reserves all of its rights, and respectfully states as follows:

Preliminary Statement

1. As an initial matter, CKM was not provided advance notice of the Debtors' commencement of the Chapter 11 Cases. It is thus very difficult to credit statements submitted to this Court that "USS made every effort to achieve a fully consensual chapter 11 restructuring that included CastleKnight's support." Kelly Dec. ¶ 83. Indeed, it has been CKM, not the Debtors nor the Ad Hoc Group, that has been pursuing consensus prior to the filing of these Chapter 11 Cases. In fact, neither the Debtors nor the Ad Hoc Group saw fit to respond to CKM's last proposal—sent on November 19, 2025 (*more than a month prior to the Petition Date*)—which would have provided for a consensual restructuring. Rather, the Debtors ceased any pursuit of consensus, seeking instead financing for an accelerated chapter 11 timeline designed to steamroll CKM's rights. Moreover, at all times, CKM made clear to the Debtors it was amenable to advancing financing provided the treatment of its existing positions and related

[2] Unless defined herein, for ease of reference and without prejudice, CKM has used capitalized terms with the meanings given to them in the *Declaration of Chris Kelly*, Doc. 15 ("Kelly Dec.").

priority disputes were addressed, but the Debtors were interested only in appeasing the Ad Hoc Group. The proposed DIP financing, thus, does not work to resolve the major issues presented by the Chapter 11 Cases, most of which are the result of the Debtors' stunning, failed August 2024 liability management exercise, pursuant to which the Debtors saw fit to effectively *double* their obligations from approximately $2.7 billion to approximately $5 billion ("Double Dip LME"). That is disappointing conduct for a debtor, but raises issues that must be faithfully dealt with by a debtor in possession.

2. CKM is perhaps the Debtors' most significant creditor and, as such, has been a substantial supporter of the Debtors' enterprise. Of immediate import, CKM is the holder and/or manager of substantially all of the term loans under the Amended Term Loan Credit Agreement. The liens granted to secure the Amended Term Loans were transferred and perfected in 2021—years before the Double Dip LME. As such, CKM is the beneficiary of a first in time, first lien security interest in substantially all of the Debtors' assets.[3] Nevertheless, before filing their petitions with this Court, the Debtors *did not even attempt* to negotiate adequate protection with CKM or its administrative and collateral agent, UMB. The Debtors propose to pay the holders of the First-Out Debt post-petition interest at the contract rate, but only a small portion of that which accrues on the Amended Term Loans. Worse, the Debtors propose to pay a long-list of professionals' fees and expenses on account of the First-Out Debt *and* the Second-Out Loans, but not on account of the Amended Term Loans. Moreover, under the Debtors' proposed Plan, the Debtors do not attempt to grapple with, let alone satisfy, §

[3] *See* Uniform Commercial Code § 9-322 ("Conflicting perfected security interests … rank according to priority in time of filing or perfection."); *Empire Medi Holdings, LLC v. Bridge Funding Cap LLC*, 2022 NY Slip Op 32135 (N.Y. Sup. 2022) ("As such, since Empire's security interest was properly perfected prior to Defendants' security interests, a prima facie showing has been made that plaintiff's security interest in the accounts receivable (as well as the rest of the Collateral) has priority over Defendants' junior security interests.").

1129(b)(2)(A) with respect to the Amended Term Loans; rather, they propose classifying CKM with billions of dollars of Double Dip LME debt (of various priorities, and all subject to pay-over provisions to the First-Out Debt, unlike the Amended Term Loans), seeking to strip CKM, not just of its property rights, but of its fundamental right to vote on a Plan.

3. CKM is also the Debtors' largest unsecured creditor, holding substantially all of the Amended Unsecured Notes. The Debtors filed these Chapter 11 Cases proposing effectively zero recoveries on account of such claims. Worse, however, at the same time, the Debtors propose a $5.5 million distribution, and releases provided, to their current shareholder "to purchase 100% of their outstanding equity interests." Kelly Dec. ¶ 85. It is difficult to imagine a more thinly-veiled violation of the Code's absolute priority rule. Again here, the only way the Debtors can hope to obtain this Court's approval of this unlawful payment is to resort to gerrymandering, proposing to classify CKM's Amended Unsecured Note claims with the billions of dollars of (deficiency claims associated with the) Double Dip LME debt. Either way—pursuant to § 1129 or § 1122—this is plainly not confirmable.

4. One of the issues that CKM sought to resolve prior to the surprise filing of these Chapter 11 Cases is the issue of lien priority. There is a significant property rights dispute that will have to be determined in these Chapter 11 Cases. Pursuant to the unlawful Double Dip LME, which provided for a stunning $2.7 billion *doubling* of the Debtors' funded debt obligations, and now these chapter 11 cases, the Debtors believe they can override property rights protected by the Bankruptcy Code and the U.S. Constitution. Incredibly, the Debtors seek to do so in less than two-months' time. But, that timeline is inconsistent with the Federal Rules of Bankruptcy Procedure, and fails to respect any sense of due process. Given that the Debtors have declined to properly join issue on the Double Dip LME, however, CKM is

preparing an adversary complaint—as is required—to property adjudicate their first lien security interest in substantially all of the Debtors' assets. *LW Cap., LLC v. Mansaray-Ruffin (In re Mansaray-Ruffin)*, 530 F.3d 230, 237 (3d Cir. 2008) ("…when an adversary proceeding is required under Rule 7001(2), courts are not free to disregard the Rule [and] the invalidation of a lien on the property of the debtor held by a specific creditor is a matter of particularly great consequence, in terms of the applicable legal principles and the practical result[] requiring a complaint and a summons, providing for an answer and discovery, and generally concluding only after trial or a dispositive motion.").

5. CKM was not informed in advance of the Debtors' bankruptcy filing, but will endeavor to file its complaint as soon as practicable. It is clear, however, that the Debtors' proposed timeline for these Chapter 11 Cases is unworkable and threatens deprivation of due process. This timeline cannot be approved—certainly not on the first day of these Chapter 11 Cases, before any statutory committee has been appointed and without fair notice to impaired creditors.

I. CastleKnight Has Not Consented To The Priming Or Use Of Their Collateral And The Debtors Have Failed To Provide Adequate Protection Which CastleKnight Hereby Demands.

6. The Debtors seek to prime CKM's security interest pursuant to section 364(d)(1) of the Bankruptcy Code, without CKM's, or its agent, UMB's[4] consent. In order to do so, adequate protection must be provided under Section 364(d)(1)(b), and the Code places the

[4] *See In re Premier Int'l Holdings, Inc.*, No. 09-12019 (CSS) [Docket No. 112], at 58-59 (Bankr. D. Del. June 23, 2009) ("[T]he security interest is actually held by the collateral agent . . . [the minority creditor] has a beneficial security interest in the collateral, and . . . that is sufficient to qualify as an entity . . . with an interest whose consent is required under [section 363](c)(2)(A).").

burden of proof upon the Debtor. 11 U.S.C. § 364(d)(1), (2); *see also In re Swedeland Development Group, Inc*., 16 F.3d 552, 557 (3d Cir. 1994)[5].

7. "[T]he concept of adequate protection … is derived from the fifth amendment protection of property interests . . . . The section, and the concept of adequate protection, is based as much on policy grounds as on constitutional grounds. Secured creditors should not be deprived of the benefit of their bargain." *In re Timbers of Inwood Forest Assocs., Ltd.*, 793 F.2d 1380, 1396 (5th Cir. 1986) (quoting H.R. Rep. No. 95-595, 338-39 (1977)); *see also In re Swedeland Dev. Grp., Inc*., 16 F.3d 552, 564 (3d Cir. 1994) (affirming district court's reversal of bankruptcy court's finding of adequate protection as clearly erroneous "because [debtor] offered no new consideration to [secured creditor] to offset its diminution of interest as a result of the superpriority lien given to" DIP lender and noting that "…a proposal depending upon a pre-petition lender having adequate protection, no matter its form, should as nearly as possible under the circumstances of the case provide the creditor with the value of his bargained for rights.").

8. Here, the proposed adequate protection is insufficient and does not even match what the Debtors are providing the 2024 First Lien Facilities. The Debtors admit that they possess only "limited unencumbered assets", Doc. 13 at ¶ 25, and otherwise offer nothing to compensate for the "loss of value caused by the superpriority given to the post-petition loan." *Swedeland*, 16 F.3d at 564. Merely pledging replacement liens in already encumbered property is insufficient. *Id.* at 567 ("The law does not support the proposition that a creditor, particularly

[5] *Id.* at 564. ("Section 364(d)(1) of the Code provides that the bankruptcy court may authorize post-petition financing supported by a superpriority lien only if 'there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.' Thus, for the bankruptcy court to have approved First Fidelity's lending money to Swedeland on a superpriority basis, the court had to find that Carteret's interests were adequately protected. A debtor has the burden to establish that the holder of the lien to be subordinated has adequate protection.").

one like Carteret undersecured by many millions of dollars, may be adequately protected when a superpriority lien is created without the provision of additional collateral by the debtor.").

9. The Debtors attempt to satisfy the requirements of the Constitution and the Bankruptcy Code by asserting that UMB and CKM are "deemed to consent to priming DIP Liens and to the Debtors' use of Cash Collateral under the Prepetition First Lien Intercreditor Agreement." Doc. 13 at 35. That is no answer, because neither CKM nor UMB consented to the Prepetition First Lien Intercreditor Agreement, which is null and void in view of the fact that the Double Dip LME violated various so-called "sacred rights" under the Amended Credit Agreement. Those sacred rights were exceptionally and purposedly broad, guarding not just against subordination but anything that "had the effect" of subordination and guarding not just against the release of guarantees, but anything that released the "value" of guarantees. Specifically, the Prepetition First Lien Intercreditor Agreement could not be changed, waived, discharged or terminated if such change, waiver, discharge, or termination would (i) "subordinate *or have the effect* of subordinating the Obligations [under the Existing Credit Agreement] to any other Indebtedness," (ii) "subordinate *or have the effect* of subordinating the Liens securing [those] Obligations to Liens securing any other Indebtedness," or (iii) "release all or substantially all of *the value of* the Guaranty [of the Obligations under the Existing Credit Agreement]." Existing Credit Agmt. § 13.12 (emphasis added).

10. It is clear that by entering into the Double Dip LME, the Debtors violated those rights by effectively subordinating CKM's debt and liens. Indeed, when the Debtors sought to induce participation beyond the Ad Hoc Group (on materially worse terms), the Debtors themselves stated that, as a direct result of the Double Dip LME, the new 2024 First Lien Facilities enjoyed an *"[i]mproved position in the capital structure compared to existing term*

loans and unsecured notes via [] claim enhancements from [the Vortex Borrower] pari 1L intercompany loan." In addition, counsel to the (then-new, now resigned) agent for the Amended Term Loans, Wilmington Savings Fund Society, FSB ("WSFS")—which is also the double dipping Intercompany Credit Agreement Agent for the Intercompany Credit Agreement Loans—conceded the subordination, boldly blaming CKM for the effect of the Double Dip LME, stating in an excited utterance that "*[CKM] subordinated itself by not consenting*." But, perhaps the best evidence of the constructive subordination is the Debtors' proposed Plan itself. The Debtors do not propose to provide treatment to the Amended Term Loan similar to the 2024 First Out Debt (*i.e.*, par treatment); rather, the Debtors classify (impermissibly) the Amended Term Loans with the payment-subordinated 2024 First Lien Facilities. *See* Doc. 17, Disclosure Statement at 15-16.

11. The Prepetition First Lien Intercreditor Agreement is the only basis for the Debtors to assert that CKM or UMB "consented" to being primed. However, given that the Double Dip LME had the effect of subordinating CKM's liens and obligations in violation of CKM's sacred rights, the changes to the Prepetition First Lien Intercreditor Agreement are null and void. *See Deutsche Bank AG v. JPMorgan Chase Bank*, 2007 U.S. Dist. LEXIS 71933 (S.D.N.Y., Sept. 27, 2007) (amendment entered into without impacted lender consent was "null and void") (*aff'd* 331 Fed. Appx. 39; 2009 U.S. App. LEXIS 11479 (2d Cir. 2009)); *Sphere Drake Ins. v. Clarendon Nat. Ins. Co*., 263 F.3d 26, 32 (2d Cir. 2001) (reciting the "rule" that where an agent acts outside the scope of its agency, "the contract is void — it never came into legal existence."); *Genesee Mgmt., Inc. v. Del Bello,* 60 A.D.2d 779, 400 N.Y.S.2d 642 (App. Div. 1977) (documents concerning real property interests signed by agents without authorization are void); *GSO Coastline Credit Partners LP v. Global A&T Elecs Ltd.*, 2016 NY Slip Op 6143

(N.Y. Appellate Div., 1st Dept., 2016) ("Because the second amendment to the ICA did not conform with, and sought to circumvent, the terms of the ICA concerning the priority scheme, GATE lacked the authority to enter into it.").[6]

12. Even under the Debtors' wrongful view of the world—*i.e.*, that the Amended Term Loans are of equal ranking with the 2024 First Lien Facilities—the Debtors still fail to provide adequate protection as a relative matter. The Debtors offer "cash interest at non-default contractual rates on the ABL Facility, First-Out Revolving Loans and First-Out Term Loans, and Prepetition First-Out Notes", but only "periodic cash payments to the Amended Term Loan Facility equal to 1.780% of the aggregate cash interest described above." Mot. at 11. That is, the Debtors pay full post-petition interest to the Cayman creditors, but only some portion of what is owed to the Amended Term Loans.

13. In addition, the Debtors propose to pay the fees and expenses of a litany of agents and advisors for the 2024 First Lien Facilities, including five law firms, two agents, and three financial advisors, but not one agent, law firm or financial advisor on account of the Amended Term Loans. Doc. 13 at 106/312.

14. The Debtors cannot meet their burden. At a minimum, any order entered by this Court should provide for the payment in full of UMB's and CKM's pre- and post-petition interest and fees and expenses.

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[6] In any event, the Prepetition First Lien Intercreditor Agreement provides that "the First Lien Secured Parties receiving adequate protection shall not object to any other First Lien Secured Party receiving adequate protection comparable to any adequate protection granted to such First Lien Secured Parties in connection with a DIP Financing and/or use of cash collateral." Prepetition First Lien Intercreditor Agreement at § 2.05. The Agreement further provides that it "only applies to the First Lien Secured Parties in their capacities as holders of the First Lien Obligations; this Agreement does not affect any First Lien Secured Party in any different capacity…." *Id.* at § 5.22.

II. Timeline for the Chapter 11 Cases is Unworkable

15. Notwithstanding the serious issues presented by the Chapter 11 Cases, the Debtors request that substantially all of the rules and requirements of the Bankruptcy Code and Federal Rules be swept aside. Specifically, the Debtors request that the Court enter—on the first day of these cases—a "proposed confirmation schedule", providing for, among other things, a January 30, 2026 deadline to object to the Plan and a February 10, 2026 confirmation hearing. The Debtors also request, in the interim, that fundamental bankruptcy rules and requirements be waived, including the requirements to convene a § 341 meeting of creditors and to file statements of financial affairs and schedules of assets and liabilities. Doc. 18 at 3.

16. The Debtors' assertion that these cases are "prepackaged" should be afforded no weight, because the "packaging" is unlawful. That is, even under the Debtors' view of their capital structure (which CKM disputes and will challenge), it is apparent their proposed Plan is premised on egregious gerrymandering designed to strip CKM of a voice in the Chapter 11 Cases.

17. With respect to CKM's secured claims, on the one hand, the Debtors seek to silence CKM's vote on its secured Amended Term Loan claims by classifying them with billions of dollars of purported "First Lien" debt issued under the Double Dip LME, notwithstanding that all of that debt—but not CKM's Amended Term Loans in the Debtors' view—are subject to payover provisions to the so-called First-Out debt. *See* Doc. 17, Disclosure Statement at 16 (describing Class 6, First Lien Secured Claims). On the other hand, the Debtors do not classify CKM's Amended Term Loans with the First-Out Term Loan/Notes Claims (which, like CKM's Amended Term Loans, are not subject to any payover provisions in the Debtors' view), because they seek to pay those claims 100%, but not CKM's Amended Term Loans. *Id.* at 15 (describing Class 5, First-Out Term Loan/Notes Claims). The Debtors cannot have it both

ways—either the existence of a payover provision under various intercreditor agreements is a valid legal basis for class distinction or it is not.

18. With respect to CKM's Amended Unsecured Note Claims, the gerrymandering is just as obvious. Here, the Debtors seek to classify such claims with the *deficiency* claims of the 2024 First Lien Facilities. *Id.* at 17 (describing Class 7, Unsecured Funded Debt Claims). In both instances, secured and unsecured, the Debtors assert that CKM should have no vote in these Chapter 11 Cases. *John Hancock Mut. Life Ins. Co. v. Route 37 Bus. Park Assocs*., 987 F.2d 154, 158 (3d Cir. 1993) (§1122(a) "expressly provides [] that claims that are not 'substantially similar' may not be placed in the same class" and also "it seems clear that the Code was not meant to allow a debtor complete freedom to place substantially similar claims in separate classes").

19. Thus, the Debtors' proposed timeline is patently deficient given the serious issues presented by confirmation, based on even a cursory review of the mounds of paper filed on the Court's docket this morning:

- The Plan does not respect CKM's first in time, first-lien, security interest, providing instead a mere 27% recovery, which the Debtors deem appropriate for First Lien Secured Claims that were issued pursuant to the Double DIP LME. Those claims of course were second in time and, in any event, are payment subordinated to the First-Out Debt, which the Amended Term Loans, under any circumstances, are not.

- The Plan purports to classify CKM's first lien claims with billions of dollars of (subordinated) claims arising out of the Double Dip LME. This is an obvious attempt to take from CKM its fundamental right to vote on the Debtors' Plan and an even more obvious attempt to void the requirement under § 1129(b) to respect CKM's property interests.

- The Plan provides for a $5.5 million payment to current equity owner, Platinum, in exchange for its existing equity interests. This is an obvious violation of the absolute priority rule and in furtherance thereof, the Debtors have classified the Amended Unsecured Note claims with billions of "deficiency" claims from the Double Dip LME.

20. There are no doubt may more issues to be resolved prior to, or in connection with, confirmation. The Debtors claim that these issues can be resolved "at the appropriate time—and on the appropriate timeline", Doc. 18 at ¶ 12, but their proposed timeline does not allow for as much. Due process is fundamental. The requested relief should be denied.

III. Other Objectionable Aspects Of Proposed DIP Financing.

21. To the extent the Court does enter an Interim Order, all relief granted therein should be approved on an interim basis only, allowing parties in interest, including a yet-to-be-formed unsecured creditors committee (the "UCC"), a full and fair opportunity to object.

22. Notwithstanding the foregoing, the following should be rectified:

- ***Debtors Stipulations.*** The Debtors stipulate to the legitimacy of all of their secured debt, including the $2,435,649,347 of "Prepetition Intercompany Credit Agreement Loans", which loans are so patently disallowable in bankruptcy that the beneficiaries of such loans agreed to waive them rather than present them to this Court for distributions under the proposed Plan. *See The Northwestern Mut. Life Ins. Co. v. Delta Airlines, Inc. (In re Delta Airlines, Inc.)*, 608 F.3d 139, 150 (2d Cir. 2010) ("While Delta is correct that the aggregate amounts claimed by the Owner Participants and the Indenture Trustees exceeded their proper aggregate share to the extent of the duplication of the Owner Participants' claims under the TIAs, the proper remedy was disallowance of the claims of the Indenture Trustees to the extent they were predicated on the Owner Participants' TIA entitlements."); *In re Handy Andy Home Imp. Ctrs., Inc*., 222 B.R. 571, 575 (Bankr. N.D. Ill. 1998) ("[I]t is axiomatic that one can not recover for the same debt twice.")..

- ***Challenge Deadline.*** The proposed Interim Order provides that all of the varied and broadly drafted stipulations contained anywhere in the order will be binding on all parties in interest unless a Committee or other party in interest "with requisite standing" challenges the claims, rights, or liens of the Prepetition Secured Parties "by no later than the earlier of (x) seventy-five (75) calendar days from the entry of this Interim Order or (y) the date on which objections to confirmation of the Debtors' chapter 11 plan", the latter of which the Debtors propose to be January 30, 2026. Kelly Dec. ¶ 90. Under the Debtors' proposed schedule, where objections to confirmation are due January 30, 2026, these provisions do not provide the estate with any protection.

Dated: December 29, 2025
New Jersey

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