

Chapter 11 Cases.com

Quick, Easy Access to Bankruptcy Court Documents

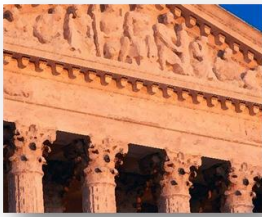
Signature Styles (Spiegel, Newport News & Shape Fx Brands) Creditors' Committee Challenges Company's Decision Not to Honor Gift Cards & Merchandise Credits Owing to Customers, Asks Court to Allow Committee to Assume Active Role in Sale Process

On Friday, the Official Committee of Unsecured Creditors appointed in the chapter 11 bankruptcy cases of Signature Styles, LLC and Signature Styles Gift Cards, LLC filed its initial pleadings responding to the companies' plans to sell all of their assets to an affiliate of their current owners, who are also affiliates of, among other things, their senior secured creditors and DIP lenders (all of whom are affiliated with Patriarch Partners). The Committee's pleadings also address the companies' decision to stop honoring their outstanding gift cards and merchandise credits owing to customers - a decision which the Committee calls "shocking" and sure to "negatively impact the public perception of this company and alienate its customer base." The debtors operate a catalog and internet retailer specializing in women's apparel and accessories sold under the [Spiegel](#), [Newport News](#) and [Shape Fx](#) brands (for more on the bankruptcy filing and sale proposal, [please see our earlier post on the topic which is available by clicking on this link](#)).

Addressing first the debtors' decision not to seek authority to continue honoring their customer programs (gift cards and merchandise credits), the Committee describes the decision as one of several "extraordinary measures designed to make the Debtors' assets appear less desirable to competing bidders." In court filings, the Committee states that it "is not aware of any other recent going concern sale process in this or any other district where the debtor decided to stop honoring gift cards and merchandise credits." Therefore, the Creditors' Committee asked the court in Friday's pleadings to force the debtors to honor outstanding gift cards, merchandise credits and other programs for Spiegel, Newport News and Shape Fx customers "in the ordinary course until the sale of substantially all of their assets."

Customers holding gift cards, merchandise credits or other credits from Spiegel, Newport News or Shape Fx should note that, at this time, this is only a request by the Creditors' Committee - it will have to be ruled upon by the bankruptcy court. A hearing to consider whether to force the companies to honor these obligations is scheduled for this Thursday afternoon.

The Committee also expressed much broader concerns about the proposed sale process, stating on the first page of its pleadings that it "is gravely concerned that the sale process currently proposed by the Debtors is woefully deficient, crafted solely to benefit Patriarch, provides no benefit to the Debtors' estates and is nothing more than half-hearted window dressing intended to cloak Patriarch's efforts to cleanse the Debtors' balance sheet of unsecured indebtedness with the appearance of fairness and equity." Therefore, the Committee has asked the court to authorize it to take an active role in the sale process and soliciting alternative sale proposals, stating that the Committee's active involvement is necessary to "restore balance and ensure an even playing field for potential bidders, while simultaneously protecting the interests of general unsecured creditors and maximizing value for



Chapter 11 Cases.com

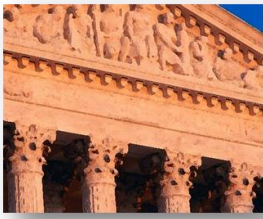
Quick, Easy Access to Bankruptcy Court Documents

the Debtors' estates." The specific authorizations from the court which the Committee requests in its court filings include:

- Subject to certain limitations, the Committee and its professionals be authorized to disseminate confidential information of the debtors to "third parties potentially interested in purchasing any or all of the Debtors' assets and/or sponsoring a plan of reorganization in these chapter 11 cases."
- The Committee and its professionals be authorized to "participate in all aspects of the sale process including, but not limited to (i) participate in all in-person and telephonic meetings with management, including management presentations, receive copies of any written materials provided in connection with the same and be provided with reasonable access to management in connection with the Committee's efforts to supplement the sale process, (ii) receive all correspondence from potential bidders within one (1) business day of receipt by the Debtors or their advisors, (iii) participate in weekly sale process update calls with Western Reserve [the debtors' financial advisors], (iv) receive weekly, written updates from Western Reserve concerning potential bidders contacted and the status of each contact, and (v) receive weekly data-room statistics, to the extent available, as reasonably requested by the Committee's advisors."
- The Committee's advisors be involved in preparing "all communications sent to potential bidders."

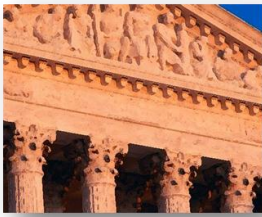
Separately, the Committee filed a motion asking for court authority to authorize it to conduct discovery and examination of the debtors and Patriarch pursuant to Bankruptcy Rule 2004. In the motion, the Committee notes that the stalking horse bid for the debtors' assets (from an affiliate of Patriarch) is "the assumption of purportedly secured indebtedness held by Patriarch that arose in connection with Patriarch's failed leveraged buyout of the company in 2009." This, according to the Committee, requires an "expedited investigation of the sanctity of such indebtedness." Therefore, the Committee has asked the court to direct the production of documents and the examination of individuals from the debtors and Patriarch, as well as to authorize the Committee to issue subpoenas, so far as the Committee deems necessary to investigate "the relationship between Patriarch and the Debtors, the purported prepetition indebtedness of Patriarch and the 2009 Acquisition which, upon information and belief, gave rise to a portion of the purported indebtedness and the negotiations between Patriarch and the Debtors concerning the sale process and stalking horse agreement." The motion notes that both the debtors and Patriarch have been cooperative with the Committee's requests thus far and that the motion is being filed "in an abundance of caution" given the expedited nature of the proposed sale process.

Yesterday, Judge Kevin Gross agreed to hear both of the Committee's motions on an expedited basis. The motions will be considered at a hearing to be held on Thursday, June 30th, beginning at 3:30 p.m. (Eastern). Objections must be filed and served so as to be received no later than noon (Eastern) on Thursday.



Chapter 1 1Cases.com

Quick, Easy Access to Bankruptcy Court Documents



Chapter 11 Cases.com

Quick, Easy Access to Bankruptcy Court Documents

To get copies some of the key court filings from the Signature Styles (Spiegel, Newport News & Shape Fx Brands) bankruptcy cases referenced in this article, please visit the following links:

- [Motion to Approve Sale / Motion of Debtors for Entry of an Order, Pursuant to 11 U.S.C. §§ 363 and 365, Rules 2002, 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure and Local Rule 6004-1, Authorizing \(I\) the Sale of Substantially all of the Debtors Assets Free and Clear of Liens, Claims and Encumbrances and \(II\) the Assumption and Assignment of Executory Contracts and Unexpired Leases Filed by Signature Styles, LLC. \(Attachments: # 1 Exhibit A# 2 Exhibit B\)](#)
- [Motion of Debtors for an Order \(I\) Approving Bidding Procedures for the Sale of Substantially all of the Debtors Assets, \(II\) Approving Certain Bidding Protections, \(III\) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases and \(IV\) Scheduling an Auction and Sale Hearing Filed by Signature Styles, LLC](#)
- [Motion of the Official Committee of Unsecured Creditors for an Order \(A\) Authorizing its Financial Advisor to Supplement the Sale Process and Solicit Alternative Proposals Using, Inter Alia, the Debtors Confidential Information, \(B\) Directing the Debtors to Provide Cooperation in Connection with Such Efforts, and \(C\) Authorizing and Directing the Debtors to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto Filed by Official Committee of Unsecured Creditors](#)
- [Motion for 2004 Examination Filed by Official Committee of Unsecured Creditors](#)
- [Objection of United States Trustee to Motion of the Debtors for an Order \(I\) Approving Bidding Procedures for the Sale of Substantially All of their Assets, \(II\) Approving Certain Bidding Protections, \(III\) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases and \(IV\) Scheduling an Auction and Sale Hearing \(related document\(s\)\[19\]\) Filed by United States Trustee](#)
- [Order Shortening Time With Respect to Motion of the Official Committee of Unsecured Creditors for an Order \(A\) Authorizing Its Financial Advisor to Supplement the Sale Process and Solicit Alternative Proposals Using, Inter Alia, the Debtors' Confidential Information, \(B\) Directing the Debtors to Provide Cooperation in Connection With Such Efforts, and \(C\) Authorizing and Directing the Debtors to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto in the Ordinary Course](#)
- [Order Shortening Time With Respect to Motion of the Official Committee of Unsecured Creditors For an Order \(I\) Directing the Production of Documents and Witnesses by Patriarch and the Debtors and \(III\) Authorizing the Issuance of Subpoenas](#)

To get copies of other significant court filings from these cases, please visit: http://www.chapter11cases.com/Signature-Styles-LLC-dba-Spiegel-Newport-News-Shape-Fx_c_26204.html