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CASE TYPE: CIVIL OTHER

STATE OF MINNESOTA — DISTRICT COURT

COUNTY OF HENNEPIN — FOURTH JUDICIAL DISTRICT

In Re: Wayzata Home Products, LLC and cliqstudios.com LLC

Court File No.: 27-CV-20-4326
Judge: David L. Piper

ASSIGNEE'S FIRST OMNIBUS OBJECTION TO CLAIMS (REVISED AMOUNTS)

INTRODUCTION

Lighthouse Management Group, Inc. ("**Lighthouse**" or the "**Assignee**"), by and through its undersigned counsel, files this first omnibus objection (the "**Objection**") and seeks entry of an order revising **28** claims in which the filed claim amount provided by the claimant has been revised by the Assignee because the filed claim amount was not consistent with all books, records and documentation available to the Assignee. In connection with the claim process, creditors were instructed to provide the necessary information and documentation in support of the claims they submitted. Assignee has reviewed all information available to it, including, but not limited to the books and records of Assignor, filed claims and documents provided by creditors and publicly available information to verify the validity of the claims in amounts submitted. The revised amounts included in this objection reflect the amounts after Assignee's review.

These claims (the "**Revised Claims**") are included on Exhibit A to the Declaration of Samuel J.H. Sigelman in Support of Assignee's First Omnibus Objection to Claims (Revised Amounts) (the "**Sigelman Declaration**") under the heading "*Claim #*." The filed claim amount is listed on Exhibit A to the Sigelman Declaration under the heading "*Submitted Claim Amount*". The amounts for the Revised Claims are consistent with all information and records available to

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the Assignee and are listed on Exhibit A to the Sigelman Declaration under the heading "*Revised Claim Amount*." Accordingly, the Assignee seeks an order revising the Submitted Claim Amount to the Revised Claim Amount listed on Exhibit A.

BACKGROUND

On March 13, 2020, in accordance Minnesota Statutes § 577.12, Wayzata Home Products, LLC, and its subsidiaries, including cliqstudios.com LLC (together with the other subsidiaries, Square Cabinets LLC f/k/a Itasca Cabinets LLC and Wayzata Cabinetry LLC, collectively the "**Assignors**"), as the assignors, and Lighthouse, as the Assignee, entered into an Assignment for Benefit of Creditors (the "**Assignment**"). [Sigelman Declaration. ¶ 2.] As part of its duties, the Assignee proposed procedures for the resolution and treatment of claims against the assignment estate. [*Id.* at ¶ 5.] On June 26, 2020, the Court entered that certain Order Granting Assignee's Motion to Establish a Claims Process (the "**Claims Order**").

The Claims Order required the Assignee to prepare an initial schedule of claims that sets forth the known creditors of the Assignors and the amounts owing to such creditors based upon the books and records of the Assignor (the "**Preliminary Schedule**"). [*Id.* at ¶ 6.] On June 29, 2020, the Assignee sent each known claimant a Notice of Claim, Proof of Claim Form, and Proof of Claim Instructions (as those terms are defined in the Claims Order) ("**Claims Notice**"). [*Id.* at ¶ 10-11.] Pursuant to the Claims Order, creditors whose claims were listed on the Preliminary Schedule were not required to file a claim if they did not object to the amount of their claim as listed on the Preliminary Schedule. [*Id.* at ¶ 15.] However, if a creditor disputed the claim as set forth on the Preliminary Schedule, or the creditor was not listed on the Preliminary Schedule, the creditor was required to file a proof of claim on or before July 29, 2020, which was 30 days after the date that the Assignee sent the Claims Notice to all known creditors and other parties in interest

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of the Assignors (the "**Claims Deadline**"). [*Id.* at ¶ 16.] The Claims Notice directed creditors to provide the Assignee with necessary information and documentation in support of their asserted claims when filing their claims. [*Id*. at ¶ 17.] On August 28, 2020, the Assignee filed a schedule of all claims, which includes all claims included on the Preliminary Schedule as well as all claims filed with the Assignee (the "**Schedule of All Claims**"). [*Id*. at ¶ 18.] In general, if a claimant filed a claim for an amount that was already included on the Preliminary Schedule, only the filed claim amount was included on the Schedule of All Claims. [*Id.* at ¶ 19.]

Pursuant to the Claims Order and Minnesota Statutes § 576.50, the Assignee and other interested parties are authorized to object to claims and present the basis for their objection to the Court. The Claims Order provides for the following deadlines that the deadline for Assignee and any other interested parties to file written objections to claims shall be on September 27, 2020, which is 60 days after the Claims Deadline.

As of the Claims Deadline, the Assignee received approximately 150 claims filed against one or more of the Assignor entities. [*Id*. at ¶ 20.] The Assignee has reviewed those claims, as well as late filed claims, including the supporting documentation, and reconciled the filed claims with the Assignor's books and records in order to determine the validity and amount of the filed claims. [*Id*. at ¶ 21.] Based on its review, the Assignee has determined that the 28 Revised Claims are objectionable on the grounds set forth below.

OBJECTION

Pursuant to Minnesota Statutes § 576.50, the Assignee objects to the Revised Claims because upon Assignee's review of the books, records and documentation available, Assignee has determined the Submitted Claim Amount should be changed to the Revised Claim Amount. [*Id*. at ¶ 24.] Accordingly, the Assignee objects to the Revised Claims, which are identified in detail

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on Exhibit A to the Sigelman Declaration, and seeks an order revising the Submitted Claim Amount to the Revised Claim Amount listed on Exhibit A.

A. Claimants have the burden to establish the validity and amount of their claims.

Pursuant to the Claims Order and Minnesota Statutes § 576.49, Subdivision 3, the claims included on the Preliminary Schedule were based on the books and records of the Assignor. Claimants asserting a right to a payment in a different amount have the obligation to establish validity of their claims. *See, e.g.*, *Lowder v. All Star Mills, Inc.*, 405 S.E.2d 794, 796 (N.C. Ct. App. 1991) (stating N.C.G.S. § 1-507.6 requires claimants to a receivership to prove their claims); *see also Acad. Life Ins. Co. v. Odiorne*, 797 P.2d 727, 732 (Ariz. Ct. App. 1990) (explaining the claimant has the burden of proving the validity of its claim); *In re Bristol*, 37 Minn. 248, 249 (1887) (denying a creditor's claim for failure to establish liability on the alleged debt); 75 C.J.S. *Receivers* § 275 (2019) (explaining that the claimant has the obligation to prove the validity of its claim and that the receiver does not have the obligation to investigate claims). Here, the claimants asserting the Revised Claims have failed to meet their burden to establish the validity and amount of their claims.

B. The Revised Claims should be revised consistent with the Assignee's review of the books, records, and documents.

Each of the Revised Claims are similarly situated in that the claimant asserting the Submitted Claim Amount failed to provide the Assignee with adequate support for the validity or amount claimed therein after Assignee's review of all books, records and documents available to it. [Sigelman Decl. ¶ 23.]

As set forth above, a claimant has the burden to establish the validity and amount of its claim. In addition to this legal requirement, the Claims Notice specifically directed claimants to

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"[a]ttach to the Proof of Claim form all documents that show the Debtor owes the amount claimed. If documents are not available, you must attach an explanation as to why they are not available." [Sigelman Decl. ¶ 17.] The Assignee is not obligated to seek out independent verification of a deficient claim beyond what was made available to the Assignee in connection with the Assignment. *See, e.g.*, 75 C.J.S. *Receivers* § 275 (2019). Failure to revise the Submitted Claim Amount to the Revised Claim Amount could result in the applicable claimants receiving undue recoveries to the detriment of other claimants or could result in the claimant not receiving funds it would otherwise be entitled to.

C. Objection may be withdrawn upon delivery of adequate documentation.

Throughout the claim objection process the Assignee anticipates an ongoing dialogue with claimants regarding objections. [*Id*. at ¶ 26.] If a claimant whose claim is the subject of this Objection provides the Assignee with adequate support or evidence of the validity and amount of its claim prior to the hearing on the Objection, the Assignee reserves the right to withdraw its objection in the event and to the extent that the support for the applicable claim is adequate.

CONCLUSION

Based on the foregoing, the Assignee respectfully requests that the Court sustain the Objection and enter the proposed order revising the Revised Claims in the amounts listed on Exhibit A.

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Date: September 25, 2020

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