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9 UNITED STATES BANKRUPTCY COURT
10 CENTRAL DISTRICT OF CALIFORNIA
11 LOS ANGELES DIVISION

12 In re:
13 B&B Liquidating, LLC,
14
15 Debtor and Debtor in Possession.

Case No. 2:18-bk-11744-NB
Chapter 11
SECOND STATUS REPORT
Status Conference
Date: May 29, 2018
Time: 2:00 PM
Place: Courtroom 1545
255 E. Temple Street
Los Angeles, CA 90012

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21 **TO THE HONORABLE NEIL W. BASON, UNITED STATES BANKRUPTCY**
22 **JUDGE, THE UNITED STATES TRUSTEE, ALL PARTIES-IN-INTEREST HEREIN,**
23 **AND THEIR RESPECTIVE COUNSEL:**

24 Debtor and Debtor-in-Possession B&B Liquidating, LLC, f/k/a B&B Bachrach, LLC, (the
25 “Debtor”) hereby submits this *Second Status Report* in connection with the Court’s status
26 conference to be held on May 29, 2018 at 2:00 p.m. in the above captioned courtroom.
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1 **I. GENERAL BACKGROUND**

2 On February 16, 2018 (the “Petition Date”) the Debtor filed a voluntary petition for relief
3 under chapter 11 of the Bankruptcy Code, commencing the within bankruptcy case. The Debtor is
4 in possession of its property and is operating and managing its business as a debtor in possession
5 pursuant to sections 1107 and 1108 of the Bankruptcy Code. No request for a trustee or examiner
6 has been made. On March 13, 2018, the United States Trustee filed a *Notice of Appointment of*
7 *Committee of Creditors Holding Unsecured Claims* [Docket No. 79] appointing the Official
8 Committee of Unsecured Creditors (the “Committee”). On May 3, 2018, the Court entered its bar
9 date order setting July 10, 2018 as the general bar date for the filing of claims in this case. *See*
10 Docket No. 155.

11 **II. STATUS REPORT**

12 **A. Resolution of Financing Stipulation Among the Debtor, the Committee and**
13 **Siena Lending Group LLC**

14 On or about the Petition Date, along with a series of other “first day” motions, the Debtor
15 filed its *Emergency Motion for Interim and Final Orders Approving Stipulation with Siena*
16 *Lending Group LLC; (1) Authorizing Post-Petition Financing; (2) Authorizing Debtor's Use of*
17 *Cash Collateral; and (3) Related Relief* [Docket No. 21] (the “Financing Motion”) pursuant to
18 which the Debtor sought approval of the accompanying *Stipulation Regarding Continuance of*
19 *Financing of Debtor and Debtor in Possession, Priority of Advances Made, Modification of the*
20 *Automatic Stay and Adequate Protection* (the “Financing Stipulation”) entered into between the
21 Debtor and Siena Lending Group LLC (“Siena”). On February 22, 2018, following the Court’s
22 emergency hearing on the matter, the Court entered its *Interim Order Authorizing Use of Cash*
23 *Collateral and Continuance of Financing of Debtor and Debtor in Possession, Granting Security*
24 *Interests, According Priority Status Pursuant to Bankruptcy Code Section 364(c) and Affording*
25 *Adequate Protection, and Giving Notice of Rule 4001(c)(2) Final Hearing* [Docket No. 36] (the
26 “Interim Order”).

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1 After the Committee was appointed, the Debtor, the Committee and Siena engaged in
2 extensive negotiation regarding concerns of the Committee relating the Financing Motion and
3 Financing Stipulation. The parties resolved those concerns and filed an agreed-upon *Second*
4 *Amended Stipulation Regarding Continuance of Financing of Debtor and Debtor in Possession,*
5 *Priority of Advances Made, Modification of the Automatic Stay and Adequate Protection* [Docket
6 No. 141) (the “Amended Financing Stipulation”), with an accompanying updated budget. The
7 resolution of the Financing Motion and Financing Stipulation was the last outstanding issue
8 regarding the Debtor’s “first day” motions, which have all been approved on a final basis.

9 **B. Background of Store Closing Sales and Lease Rejection Procedures**

10 **1. The Store Closing Sale Motion**

11 On or about the Petition Date, along with a series of other “first day” motions, the Debtor
12 filed its *Emergency Motion for Interim and Final Order Authorizing: (1) The Conduct of*
13 *Inventory Liquidation, Store Closing or Similar Themed Sales; (2) Approving the Assumption of*
14 *the Consulting Agreement with Liquidation Consultant Great American Group, LLC/Tiger*
15 *Capital Group, LLC; and (3) Related Relief* [Docket No. 17] (the “Store Closing Sale Motion”).
16 The Store Closing Sale Motion anticipated that the various inventory liquidation sales (the “Store
17 Closing Sales”) would be conducted through the 13 locations¹ leased by the Company (the
18 “Closing Stores”) over a 16-week period, ending on or about June 8, 2018, with the Closing
19 Stores closed upon completion of each Store Closing Sale. On April 6, 2018, the Court approved
20 the Store Closing Sale Motion on a final basis. *See* Docket No. 115.

21 **2. The Lease Rejection Motion**

22 An additional “first day” motion filed by the Debtor on or about the Petition Date was
23 Debtor’s *Motion and Emergency Omnibus Motion for Order Authorizing Debtor: (1) to Reject*
24 *Certain Unexpired Leases of Nonresidential Real Property Retroactively to the Petition Date;*
25 *and (2) to Reject Certain Unexpired Leases of Nonresidential Real Property Pursuant to*
26 *Rejection Notice Procedures* [Docket No. 7] (the “Lease Rejection Motion”). The Lease

27 _____
28 ¹ As of the Petition Date, the Debtor operated from a fourteenth location, Store No. 20 located at the Fashion Outlets
of Chicago, in Rosemont, Illinois, but the Debtor subleased the premises from an affiliate of the Debtor.

1 Rejection Motion, among other things, sets forth certain procedures for the rejection of the
2 Debtor's leases by filing and service a lease rejection notice (each, a "Rejection Notice"). On
3 February 23, 2018, the Court granted the Lease Rejection Motion on a final basis. *See* Docket
4 No. 49.

5 **C. The Current Status of the Store Closing Sales and Associated Leases**

6 **1. The Slow Progress of the Store Closing Sales**

7 Though the Store Closing Sales have progressed without complication, the sales have
8 consistently not met the projections prepared by the Debtor's joint liquidation consultants, Great
9 American Group, LLC and Tiger Capital Group, LLC (collectively, the "Liquidation Consultant")
10 at the commencement of the case. These projections served as the basis upon which the Debtor
11 projected the Store Closing Sales' 16-week timeline. Through the week ending May 11, 2018,
12 cumulative weekly gross sales have equaled approximately 56% of budgeted sales for the same
13 period. This has left the Debtor with significantly more inventory than anticipated, and
14 accordingly significantly smaller payments to Siena. According to the Debtor's projections, the
15 Debtor was expected to have approximately \$1,960,023 in inventory through the week ending
16 May 11, 2018, but actual inventory levels for the same period totaled \$6,487,017. In addition, the
17 aggregate balance of the loans owing to Siena was expected to be approximately \$1,556,475
18 through the week ending May 11, 2018, but the actual aggregate loan balance totaled \$4,622,512
19 for the same period.

20 **2. Store Closing Sales Completed/ Leases Rejected**

21 Despite the relatively slow progress of the store closing sales, the Debtor was able to wrap
22 up the Store Closing Sales at three Closing Stores by the end of April. Therefore, the Debtor filed
23 its *First Notice of Rejection of Unexpired Leases* [Docket No. 145] (the "First Rejection Notice")
24 on April 27, 2018. As set forth in the First Rejection Notice, the Debtor concluded the Store
25 Closing Sales and vacated the following properties as of May 8, 2018: (i) Great Lakes Crossing
26 Outlets (Store No. 12); Opry Mills Mall (Store No. 21); and (ii) Menlo Park Mall (Store No. 82):
27 Also, on or about April 30, 2018, the Debtor vacated Store No. 20 at the Fashion Outlets of
28 Chicago, which the Debtor subleased from an affiliate of the Debtor. By mid-May, the Debtor

1 was able to conclude the Store Closing Sale at an additional location, the Houston Galleria (Store
2 No. 18), as reflected in the Debtor's *Second Notice of Rejection of Unexpired Leases* [Docket No.
3 159], which provided a lease rejection date of May 13, 2018.

4 **3. Remaining Store Closing Sales**

5 As to the remaining nine Closing Stores, Debtor will be unable to conclude the Store
6 Closing Sales by the expiration of the 16-week sale period (i.e. June 8, 2018). The Debtor
7 anticipates that the following Store Closing Sales will be concluded before the end of June 2018:
8 (i) Stonebriar Center (Store No. 31); (ii) Southlake (Store No. 37); (iii) Galleria Dallas (Store No.
9 76); and (iv) Woodfield (Store No. 79). The Debtor anticipates the following remaining Store
10 Closing Sales will be concluded by mid-September: (i) Twelve Oaks Mall (Store No. 8); (ii)
11 Fashion Mall at Keystone (Store No. 16); (iii) Mayfair Mall (Store No. 25); (iv) Somerset
12 Collection (Store No. 64) and (v) Fashion Center at Pentagon (Store No. 89).

13 **D. The Debtor's Motion to Extend the Store Closing Sales and Extend the Time** 14 **to Assume or Reject Corresponding Leases**

15 As discussed above, due to the slow progress of the sales, Debtor will be unable to
16 complete the Store Closing Sales in the original 16-week period expiring June 8, 2018.
17 Therefore, the Debtor has concurrently filed a motion to (1) extend the time to assume or reject
18 unexpired leases of nonresidential real property for an additional 90 days from June 18, 2018 to
19 September 14, 2018 pursuant to sections 365(d)(4)(B) of title 11 of the United States Code (the
20 "Bankruptcy Code"); and (2) extending of the term of the Store Closing Sales to the same date.
21 The Debtor anticipates these extensions of time will provide the Debtor with sufficient time to
22 both conclude the Store Closing Sales and seek either confirmation of a chapter 11 plan or an
23 alternative disposition of the chapter 11 case.

24 **E. Treatment of Remaining Inventory and Balance Due to Siena Following** 25 **Conclusion of Store Closing Sales**

26 The Debtor, working with its financial advisor, projects that, given the current rate of
27 sales, upon conclusion of the Store Closing Sales in September, a certain amount of inventory
28 will remain unsold and a significant debt will remain outstanding to Siena. Specifically, the

1 Debtor projects that approximately \$1,500,000 in inventory will be unsold as of September 30,
2 2018, and the balance owed on Siena's secured loan will total approximately \$ 2,750,000.

3 Given the strong likelihood of substantial remaining inventory and a large balance left on
4 the Siena loan, the Debtor and Siena are currently in negotiations regarding the final disposition
5 of the remaining collateral, including a possible sale of those assets or article 9 foreclosure. The
6 Debtor and Siena have made significant progress in that regard and expect to memorialize an
7 arrangement. Accordingly, the Debtor requests a further continuance of the status conference for
8 an additional 45 days to allow for finalization of an arrangement with Siena.

9
10 May 18, 2018

GREENBERG GLUSKER FIELDS
CLAMAN & MACHTINGER LLP

11 By: /s/ Brian L. Davidoff

12 BRIAN L. DAVIDOFF
13 KEITH PATRICK BANNER
14 Proposed General Bankruptcy Counsel for
15 Debtor and Debtor in Possession
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
1900 Avenue of the Stars, 21st Fl. Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **SECOND STATUS REPORT** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) May 18, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) _____, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

May 18, 2018
Date

Sherry Harper
Printed Name

/s/ Sherry Harper
Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):**

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.