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**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

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	:	Chapter 11
In re:	:	
	:	Case No. 19-71020 (REG)
Décor Holdings, Inc., et al.,¹	:	Case No. 19-71022 (REG)
	:	Case No. 19-71023 (REG)
Debtors.	:	Case No. 19-71024 (REG)
	:	Case No. 19-71025 (REG)
	:	
	:	Joint Administration Requested
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DEBTORS' MOTION FOR ENTRY OF (A) AN ORDER (I) APPROVING BID PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (II) AUTHORIZING DEBTORS TO ENTER INTO STALKING HORSE AGREEMENTS AND APPROVING CERTAIN BID PROTECTIONS, (III) SCHEDULING AN AUCTION FOR AND HEARING TO APPROVE SALE OF ASSETS, (IV) APPROVING NOTICE OF AUCTION AND HEARING ON APPROVAL OF SALE, (V) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (VI) APPROVING FORM AND MANNER OF NOTICE THEREOF, AND (VII) GRANTING RELATED RELIEF; AND (B) AN ORDER AUTHORIZING AND APPROVING (I) THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS, RIGHTS, ENCUMBRANCES, AND OTHER INTERESTS, (II) THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND (III) GRANTING RELATED RELIEF

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Décor Holdings, Inc. (4174); Décor Intermediate Holdings LLC (5414); The Robert Allen Duralee Group, Inc. (8435); The Robert Allen Duralee Group, LLC (1798); and The Robert Allen Duralee Group Furniture, LLC (2835). The corporate headquarters and the mailing address for the Debtors listed above is 49 Wireless Boulevard, Suite 150, Hauppauge, NY 11788. The Debtors also maintain a separate corporate office at 2 Hampshire Street, Suite 300, Foxboro, MA 02035.

Décor Holdings, Inc. and its affiliated debtors and debtors-in-possession (collectively, the “Debtors”), in the above-captioned chapter 11 cases, hereby submit this motion (the “Sale Motion”) for the entry of orders, pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6003, 6004, 6006, 9007, 9008 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rule 2002-1, 6004-1 and 9006-1 of the Local Bankruptcy Rules for the Eastern District of New York (the “Local Rules”), and the Sale Guidelines adopted as Administrative Order No. 557 of the United States Bankruptcy Court for the Eastern District of New York (the “Sale Guidelines”), (A) (i) authorizing and approving bid procedures in connection with the sale or disposition (the “Sale”) of substantially all of the Debtors’ assets (the “Assets”) or any portion thereof, (ii) authorizing the Debtors to enter into stalking horse agreements and approving certain customary bid protections for any stalking horse bidder(s) in connection with a sale transaction, (iii) scheduling an auction (the “Auction”) for and a hearing to approve the Sale, (iv) authorizing and approving the form and manner of notice of the respective date, time and place for the Auction and a hearing to approve the Sale, (v) approving procedures for the assumption and assignment of certain executory contracts and unexpired leases, (vi) approving the form and manner of notice of the assumption and assignment of certain executory contracts and unexpired leases, and (vii) granting related relief; and (B) authorizing and approving (i) the sale of the Assets free and clear of all claims, liens, liabilities, rights, interests and encumbrances (except any permitted encumbrances as determined by the Debtors and any purchaser of the Assets), (ii) the Debtors to assume and assign certain executory contracts and unexpired leases, and (iii) related relief.

In support of this Sale Motion, the Debtors rely on the *Declaration of Lee Silberman in Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), which was filed on February 12, 2019 (the “Petition Date”), and respectfully represent as follows:

JURISDICTION AND STATUTORY PREDICATES

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b). This is a core proceeding pursuant to 28 U.S.C. § 157(b).
2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory predicates for the relief requested herein are sections 105(a), 363, and 365 of the Bankruptcy Code, Bankruptcy Rules 2002, 6003, 6004, 6006, 9007, 9008 and 9014, and Local Rules 2002-1, 6004-1 and 9006-1.

BACKGROUND

I. General Background

4. On the Petition Date, each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code (the “Chapter 11 Cases”). Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession.
5. No trustee, examiner, or official committee of unsecured creditors has been appointed in the Chapter 11 Cases.
6. Information regarding the Debtors' history and business operations, capital structure and primary secured indebtedness, and the events leading up to the commencement of the Chapter 11 Cases can be found in the First Day Declaration.

II. Background Related to the Sale Process

A. Sale Process

7. Like many industries, the textile industry has been hard hit by the significant decrease in consumer spending and was severely affected by the global economic downturn. As a result, the Debtors have experienced declining sales and profitability over the last several years.

8. Prior to the commencement of the Chapter 11 Cases, the Debtors explored modifications to their business model, including closing duplicative showrooms, downsizing and scaling back operations, and eliminating unduly burdensome contracts and unexpired leases. Nonetheless, the Debtors have determined that they cannot effectuate such modifications to their business model on their own given the precipitous drop in revenue and their current cash crisis. These and other challenges caused the Debtors to seek protection under Chapter 11.

9. The Debtors have determined that a going concern sale is necessary to preserve their business, and is in the best interest of their estates and creditors. Accordingly, on January 28, 2019 the Debtors engaged SSG Advisors, LLC (“SSG”) to provide investment banking services. Upon its retention, SSG immediately began extensive due diligence on the company and operations, including onsite meetings and an extensive dialogue with the Debtors’ senior management team. The Debtors and SSG have also focused their efforts to date on identifying a going-concern buyer for the company (whether in its current state or with a reduced brick and mortar footprint).

10. In addition, an electronic data room has been made available for potential bona fide bidders subject to their entry into non-disclosure agreements. Despite the strong interest from multiple potential interested bidders, they are still conducting due diligence and no party

has yet submitted a formal proposal for a sale transaction that the Debtors have deemed to be feasible.

B. Postpetition Financing and Sale Timeline

11. In the ordinary course of business, the Debtors require cash on hand and cash flow from their operations to fund their liquidity needs and operate their businesses. In addition, the Debtors require access to sufficient liquidity to fund these Chapter 11 Cases while working towards a potential sale transaction. Accordingly, the Debtors have filed contemporaneously herewith a motion (the “DIP Motion”) for entry of an interim order on an expedited basis (the “Interim DIP Order”), and a final order (the “Final DIP Order” and, together with the Interim Order, the “DIP Orders”), (i) authorizing the Debtors to (a) obtain post-petition financing in the form of a revolving credit and letter of credit facility in accordance with the terms and conditions set forth in the Existing Credit Agreement (as defined in the DIP Motion and referred to herein as the “Pre-Petition Credit Agreement”), as ratified and amended by that certain Ratification and Amendment, dated as of February 12, 2019 (the “Ratification Agreement”) (the Pre-Petition Credit Agreement as ratified, the “Credit Agreement”) with Wells Fargo Bank, National Association, as agent and co-collateral agent (“Agent”), and the lenders party thereto (the “DIP Lenders”) and (b) use Cash Collateral (as defined in the DIP Motion), (ii) granting liens and providing super-priority administrative expense status to DIP Lenders, (iii) granting adequate protection to the Agent and the DIP Lenders under the Credit Agreement, (iv) scheduling a final hearing pursuant to Bankruptcy Rule 4001, and (v) granting related relief.

12. The post-petition financing pursuant to the Credit Agreement and the use of Cash Collateral (together, the “DIP Financing”) will enable the Debtors to ensure continuity of service to their valuable customer base while securing a purchaser for the companies’ assets,

thus maximizing asset values for the benefit of their creditors and estates. The DIP Financing is necessary in order for the Debtors to have access to sufficient liquidity to maintain ongoing day-to-day operations, ensure proper servicing of customers post-petition, and fund working capital needs. Absent post-petition financing and the use of cash collateral, the Debtors will be forced to wind-down their operations due to a lack of funds.

13. Following extensive, arms'-length negotiations, the Debtors and the DIP Lenders reached agreement on a case timeline that adequately balances the Debtors' need to execute a robust marketing process for their business with the need of their secured lenders to have certainty on how and when the Debtors will emerge from these Chapter 11 Cases. To that end, the DIP Financing is conditioned on the following case milestones relevant to the sales process:

- On or Before February 19, 2019 – The Debtors shall disseminate bid packages to all potential bidders in connection with the sale or sales of all or substantially all of the Debtors' assets and properties;
- On or Before March 1, 2019 – The Court shall have entered a final order, in form and substance acceptable to the Agent approving the Bid Procedures;
- On or Before March 8, 2019 — The Debtors shall have received a letter of intent, in form and substance acceptable to the Agent, with a stalking horse bidder(s) for the purchase of all or substantially all of Debtors' assets by a party acceptable to the Agent;
- On or Before March 23, 2019 – The Debtors shall have entered into an asset purchase agreement (the "Stalking Horse APA"), in form and substance acceptable to the Agent, with a stalking horse bidder, acceptable to the Agent in its sole discretion, committing to purchase all or substantially all of the Debtors' assets (the "Stalking Horse Bid Deadline");
- On or Before March 25, 2019 – The Debtors shall file with the Bankruptcy Court a notice of entry into the Stalking Horse APA, together with a copy of such Stalking Horse APA;

- On or Before April 22, 2019 — The Debtors shall have conducted an Auction (as defined below) in accordance with the Bid Procedures Order of all or substantially all of the Debtors’ assets;
- On or Before April 24, 2019 — The Court shall have entered an order approving the Sale to the successful bidder(s); and
- On or Before April 26, 2019 — The Debtors shall have consummated the Sale(s) of all or substantially all of the of the Debtors’ Assets and remitted the proceeds to Agent in a minimum cash amount not less than the amount required to satisfy Obligations (as defined in the DIP Motion) owed to Agent and Lenders for application against and permanent reduction of the outstanding Obligations.

RELIEF REQUESTED

14. By this Motion, the Debtors seek entry of two separate orders, as follows:

A. An order substantially in the form attached hereto as Exhibit A (the “Bid Procedures Order”):

- i. authorizing and approving bid procedures substantially in the form attached as Exhibit 1 to the Bid Procedures Order (the “Bid Procedures”);
- ii. authorizing the Debtors to designate a stalking horse bidder(s) (the “Stalking Horse”) for some or all of the Assets and, in the event a Stalking Horse is designated, approving the terms and conditions of the proposed break-up fee and reimbursement of expenses provided to the Stalking Horse;
- iii. approving the form and manner of notice of the Auction and Sale and hearing thereon, substantially in the form attached to the Bid Procedures Order as Exhibit 2 (the “Notice of Auction and Sale Hearing”);
- iv. authorizing and approving procedures for the assumption and assignment of the Assumed Contracts and Assumed Leases (defined below) in connection with the Sale;
- v. approving the form and manner of notice of the potential assumption and assignment of the Debtors’ executory contracts and unexpired leases, substantially in the form attached to the Bid Procedures Order as Exhibit 3 (the “Potential Assumption and Assignment Notice”);
- vi. setting the date, time and place of the Sale Hearing to consider the sale(s) of some or all of the Assets; and
- vii. granting related relief.

- B. An order, the proposed form of which shall be filed by the Debtors prior to the Sale Hearing, subject to modifications by the Debtors and the Successful Bidder(s) following the Auction (the “Sale Order”):
- i. authorizing the sale of the Assets free and clear of all claims, liens, liabilities, rights, interests and encumbrances (the “Encumbrances”) (except any permitted encumbrances as determined by the Debtors and any purchaser of the Assets);
 - ii. authorizing the Debtors to assume and assign Assumed Contracts and Assumed Leases and setting the cure amounts for such Assumed Contracts and Assumed Leases;
 - iii. In connection with the Closing on the sale of the Assets, authorizing and directing the Debtors to pay the Agent, for the benefit of itself and the DIP Lenders, the net proceeds of the sale as provided under the Successful Purchaser’s Asset Purchase Agreement (including any good faith deposit(s) previously received by the Debtors) as and to the extent provided in the Final DIP Order, which payment shall be in partial satisfaction of the Obligations under the Credit Agreement. In addition, upon the Closing of the sale transaction, authorizing and directing the Debtors to deliver to the Agent, for the benefit of the L/C Issuer (as defined in the Credit Agreement), cash or deposit account balances in an amount equal to 105% of the Outstanding Amount of all L/C Obligations (each as defined in the Credit Agreement) as cash collateral for the L/C Obligations (hereinafter, “L/C Cash Collateral”) as and to the extent provided in the Final DIP Order; and the automatic stay under Section 362(a) of the Bankruptcy Code shall be modified to enable the Agent and/or the L/C Issuer, as their interests may appear, to realize upon and apply the L/C Cash Collateral in satisfaction of Debtors’ Obligations and L/C Obligations, as applicable and as and to the extent provided in the Final DIP Order, under, inter alia, the Credit Agreement with respect to any outstanding and undrawn Letters of Credit and associated L/C Obligations. Net proceeds in excess of the payments and reserves necessary to satisfy the Obligations in full shall be retained by the Debtors, and no other payment of claims from net proceeds of the sale shall be made unless otherwise authorized by the Sale Order, the Final DIP Order, or subsequent order of the Court; and
 - iv. granting related relief.

III. Approval of Bid Procedures and Bid Protections

15. The Bid Procedures are intended to permit a fair and efficient competitive sale process, consistent with the timeline of the Chapter 11 Cases, and to promptly identify the bid or bids that constitute the highest or otherwise best offer for the Assets. Importantly, the Bid

Procedures recognize the Debtors' fiduciary obligations to maximize sale value, and, as such, do not impair the Debtors' ability to consider all qualified bid proposals and preserve the Debtors' right to modify the Bid Procedures as necessary or appropriate to maximize value for their estates in consultation with key parties set forth therein (the "Consultation Parties"), consistent with the terms of the DIP Financing Documents.

16. The Bid Procedures contemplate that the Debtors will, prior to the Stalking Horse Bid Deadline, continue to solicit "stalking horse" bids, which bid or bids, once accepted by the Debtors as a stalking horse bid (each, a "Stalking Horse Bid,") will be binding on such bidder (a "Stalking Horse Bidder") and will set the floor for all Qualified Bids for applicable Assets at the Auction. The Bid Procedures further provide that the Debtors, in their business judgment, may offer to any Stalking Horse a break-up fee of up to three percent (3%) of the total cash consideration provided in the Stalking Horse Bid (the "Break-up Fee"), plus an expense reimbursement in an amount to be determined in the Debtors' discretion, but in any event not to exceed \$250,000 (the "Expense Reimbursement" and together with the Break-Up Fee, the "Bid Protections").

17. On or before March 25, 2019, the Debtors will announce the designation of such Stalking Horse Bidder by filing a notice (a "Stalking Horse Bid Notice") on the Court's docket identifying the Stalking Horse Bidder(s) and the Assets that are the subject of the Stalking Horse Bid(s), and attaching any agreement accompanying the Stalking Horse Bid(s).

18. With respect to all Assets that are subject to an accepted Stalking Horse Bid, in order to meet the criteria of a Qualified Bid for the relevant Assets, all Potential Bidders on the relevant Assets will be required to submit a bid (each a "Stalking Horse Overbid") in the amount of at least the sum of (i) the Stalking Horse Bid, (ii) any break-up fee and/or expense reimbursement, and (iii) a reasonable minimum overbid amount to be calculated by the

Debtors, in consultation with the Consultation Parties, based on the aggregate price set forth in the Stalking Horse Bid.

19. In the event that no Stalking Horse Bid is selected prior to the Stalking Horse Bid Deadline with respect to any particular Assets, the Debtors will select the highest or otherwise best Qualified Bid for substantially all of the Assets or a portion thereof, or alternatively, a combination of the highest or otherwise best Qualified Bids for non-overlapping subsets of the Assets to open the Auction (collectively, the “Starting Bids”).

20. As soon as reasonably practicable following conclusion of the Auction, the Debtors propose to file a notice on the Court’s docket identifying the Successful Bidder(s) for the Assets (or subset thereof) and any applicable Next-Highest Bidder(s).

21. The Bid Procedures contain the following provisions, which are more fully described in the Bid Procedures and the proposed Bid Procedures Order:

- a. **Provisions Governing Qualification of Bidders.** In order to become a “Potential Bidder,” each person or entity must deliver to the Debtors, on or before the Bid Deadline, an executed confidentiality agreement in form and substance satisfactory to the Debtors. Each Potential Bidder must, on or before the Bid Deadline, satisfy the “Bid Requirements” by submitting to the Debtors certain documents, including a duly executed binding agreement for the Sale of Assets and information about the Potential Bidder’s financial condition evidencing the financial wherewithal of the Potential Bidder to consummate the Sale. (*see* Bid Proc., at 2, 4-7).
- b. **Provisions Governing Qualified Bids.** To participate in the Auction, each Potential Bidder must:
 - i. deliver to the Debtors by the Bid Deadline an irrevocable, good faith and bona fide offer to purchase all or a portion of the Assets, which Bid is accompanied by a letter: (A) stating with specificity the Assets such Potential Bidder wishes to bid on and the liabilities and obligations to be assumed by the Potential Bidder; (B) accompanied by a duly executed purchase agreement (the “Purchase Agreement”) and, solely in the event that a Stalking Horse Bid Notice has been filed prior to the Bid Deadline with respect to the relevant Assets, a redline marked to reflect any proposed amendments and modifications to the Stalking Horse Agreement and the applicable schedules and exhibits; (C) solely in the event that a Stalking Horse

Bid Notice has been filed prior to the Bid Deadline with respect to the relevant Assets, specifying Bid terms that the Potential Bidder believes to be substantially the same or better than the terms of the Stalking Horse Agreement (it being understood that the ultimate determination of whether Bid terms are the same or better shall be made by the Debtors in the exercise of their reasonable business judgment after consultation with the Consultation Parties); (D) agreeing that the Potential Bidder's offer is binding and irrevocable until the later of (x) the Closing Date, or (y) twenty (20) days after the Sale Hearing (unless selected as the Next-Highest Bidder (as defined below) in which case such offer will remain open until the Closing Date); (E) providing for a Closing Date that is consistent with the schedule contemplated herein; (F) offering to pay a price equal to or greater than (x) the Stalking Horse Overbid in the event that a Stalking Horse Bid Notice has been filed prior to the Bid Deadline with respect to the relevant Assets, or (y) an amount that the Debtors determine, after consultation with the Consultation Parties, constitutes a fair and adequate price, the acceptance of which would be in the best interests of the estates; (G) providing that such Bid is not subject to any due diligence or financing contingency; and (H) providing that the Potential Bidder agrees to serve as a backup bidder (the "Next-Highest Bidder") if the Potential Bidder's Qualified Bid is the next highest or otherwise best bid after the Successful Bid (the "Next-Highest Bid") with respect to the relevant Assets (*see* Bid Proc., at 3-7);

- ii. provide adequate assurance of future performance information (the "Adequate Assurance Information"), including (A) information about the Potential Bidder's financial condition, such as federal tax returns for two years, a current financial statement, or bank account statements, (B) information demonstrating (in the Debtors' reasonable business judgment) that the Potential Bidder has the financial capacity to consummate the proposed Sale, (C) evidence that the Potential Bidder has obtained authorization or approval from its board of directors (or comparable governing body) with respect to the submission of its Bid, (D) the identity and exact name of the Potential Bidder (including any equity holder or other financial backer if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale), and (E) such additional information regarding the Potential Bidder as the Potential Bidder may elect to include. By submitting a Bid, Potential Bidders agree that the Debtors may disseminate their Adequate Assurance Information to affected landlords and contract counterparties in the event that the Debtors determine such bid to be a Qualified Bid (*see* Bid Proc., at 5);
- iii. deliver (A) a Good Faith Deposit in the form of a certified check or wire transfer, payable to the order of the Debtors, in the amount of ten percent (10%) of the cash consideration in the Bid, which funds will be deposited into an interest bearing escrow account to be identified

and established by the Debtors, and (B) written evidence, documented to the Debtors' satisfaction, that demonstrates the Potential Bidder has available cash, a commitment for financing if selected as the Successful Bidders (as defined below) with respect to the relevant Assets, and such other evidence of ability to consummate the transaction(s) as the Debtors may request, including proof that such funding commitments or other financing are not subject to any internal approvals, syndication requirements, diligence or credit committee approvals (provided that such commitments may have covenants and conditions acceptable to the Debtors) (*see* Bid Proc., at 6); and

- C. **Modification of Bid and Auction Procedures.** The Debtors may, in consultation with the Consultation Parties and with the consent of the Agent, which consent shall not be unreasonably withheld, announce at the Auction additional procedural rules (e.g., the amount of time to make Subsequent Bids, the amount of the Incremental Overbid, or the requirement that parties submit "best and final" Bids) for conducting the Auction or otherwise modify the Bid Procedures; provided that such rules (1) are not materially inconsistent with these Bid Procedures, the Bankruptcy Code or any order of the Court, and (2) are disclosed to each Qualified Bidder at the Auction. The Debtors and their estates, in consultation with the Consultation Parties and with the consent of the Agent, which consent shall not be unreasonably withheld, reserve the right to modify the Bid Procedures at or prior to the Auction, including, without limitation, to extend the deadlines set forth in the Bid Procedures, modify bidding increments, waive terms and conditions set forth herein with respect to any or all Potential Bidders (including, without limitation, the Bid Requirements), impose additional terms and conditions with respect to any or all potential bidders, adjourn, postpone or cancel the Auction at or prior to the Auction, and adjourn the Sale Hearing. *See* Bid Proc., at 8-10.
- D. **Closing with Alternative Backup Bidders.** At the Auction, the Debtors may, in consultation with the Consultation Parties, designate the Next-Highest Bid (and the corresponding Next-Highest Bidder). In the event that a Successful Bidder(s) fails to close prior to the date designated in writing by the Debtors (the "Outside Closing Date") (or such date as may be extended by the Debtors), the Debtors, upon written notice to the Next-Highest Bidder, may designate the applicable Next-Highest Bid as the Successful Bid for the Assets (or subset thereof), the Next-Highest Bidder will be deemed to be a Successful Bidder for such Assets, and the Debtors will be authorized, but not directed, to close the Next-Highest Bidder subject to the terms of the Next-Highest Bid without the need for further order of the Court and without the need for further notice to any interested parties other than the Consultation Parties. *See* Bid Proc., at 9-10, 12.
- E. **Provisions Governing the Auction.** If at least two Qualified Bids (or one Qualified Bid if there is also a Stalking Horse Bid) are received by the Bid

Deadline with regard to any particular Assets (or subset of Assets), the Debtors will conduct an auction at the offices of proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave., 14th Floor, New York, NY 10022 at 10:00 a.m. (prevailing Eastern Time) on April 22, 2019 (or such later time or such other place as the Debtors shall designate and notify to all Qualified Bidders who have submitted Qualified Bids) for consideration of the Qualified Bids, each as may be increased at such Auction. *See Bid Proc.*, at 8.

IV. Approval of Notice Procedures for the Auction, and Sale Hearing

22. The Debtors request approval of the Notice of Auction and Sale Hearing, substantially in the form attached to the Bid Procedures Order as Exhibit 2. Within two (2) business days of entry of the Bid Procedures Order, the Debtors will serve the Notice of Auction and Sale Hearing by first-class mail upon: (a) Office of the United States Trustee; (b) holders of the 30 largest unsecured claims on a consolidated basis against the Debtors; (c) counsel to any official committee that may be appointed in these cases; (d) counsel to the DIP Lenders; (e) all parties known or reasonably believed to have asserted an interest in any of the Assets; (f) the Non-Debtor Counterparties to the Debtors' unexpired leases; (g) the Attorneys General in the State(s) where the Assets are located; (h) all state and local taxing authorities in the State(s) where the Assets are located; (i) the Internal Revenue Service; (j) all parties that have asserted liens against the Assets; and (k) all parties that have filed a notice of appearance and request for service of papers pursuant to Bankruptcy Rule 2002 (collectively, the "Notice Parties")

23. The Debtors shall also post the Notice of Auction and Sale Hearing and the Bid Procedures Order on the website of the Debtors' claims and noticing agent, Omni Management Group, Inc.

24. Not later than five (5) business days following the entry of the Bid Procedures Order, the Debtors shall cause the Notice of Auction and Sale Hearing to be published once in the national edition of [*The New York Times*].

V. Approval of Assumption and Assignment Procedures

25. The Debtors seek authority to assume and assign to the Successful Bidder(s) certain executory contracts and unexpired leases as selected by such Successful Bidder(s) in its Successful Bid(s) (respectively, the “Assumed Contracts” and the “Assumed Leases”) in accordance with the following procedures (the “Assignment Procedures”):

- a) On or before April 2, 2019 the Debtors shall file with the Court and serve on each non-debtor counterparty (each a “Non-Debtor Counterparty”) to each of the Debtors’ executory contracts and unexpired leases (each a “Contract”) the Potential Assumption and Assignment Notice. In the event that the Debtors identify any Non-Debtor Counterparties which were not served with the Potential Assumption and Assignment Notice, the Debtors may subsequently serve such Non-Debtor Counterparty with a Potential Assumption and Assignment Notice, and the following procedures will nevertheless apply to such Non-Debtor Counterparty; provided, however, that the Cure Cost/Assignment Objection Deadline (defined below) with respect to such Non-Debtor Counterparty shall be 4:00 p.m. (prevailing Eastern Time) on the date that is the later of April 17, 2019 or fourteen (14) days following service of the Potential Assumption and Assignment Notice.
- b) The Potential Assumption and Assignment Notice served on each Non-Debtor Counterparty shall (i) identify each Contract; (ii) list the proposed calculation of the cure amounts that the Debtors believe must be paid to cure all defaults outstanding under the Contract as of such date (the “Cure Costs”); (iii) include a statement that assumption and assignment of such Contract is not required or guaranteed; and (iv) inform such Non-Debtor Counterparty of the requirement to file any Cure Cost/Assignment Objections (defined below) by the Cure Cost/Assignment Objection Deadline (defined below). Service of a Potential Assumption and Assignment Notice does not constitute an admission that a particular Contract is an executory contract or unexpired lease of property, or confirm that the Debtors are required to assume and/or assign such Contract.
- c) Objections (a “Cure Cost/Assignment Objection”), if any, to (i) the scheduled Cure Costs, and/or (ii) the potential assumption, assignment and/or transfer of such Contract (including the transfer of any related rights or benefits thereunder), other than objections that relate specifically to the identity of the Successful Bidder(s), must (x) be in writing; (y) state with specificity the nature of such objection, including the amount of Cure Costs in dispute and (z) be filed with the Court and properly served on the Notice Parties (as defined in the Bid Procedures Order) so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on April 17,

2019 (the “Cure Cost/Assignment Objection Deadline”), subject to the proviso in subparagraph (a) above.

- d) Objections (a “Post-Auction Objection”) of any Non-Debtor Counterparty related solely to the identity of and adequate assurance of future performance provided by the Successful Bidder(s) must (x) be in writing; (y) state with specificity the nature of such objection, and (z) be filed with the Court and properly served on the Notice Parties so as to be received no later than 10:00 a.m. (prevailing Eastern Time) on April 24, 2019 (the “Post-Auction Objection Deadline”), subject to the proviso in subparagraph (a) above; provided, however, that in the event that the Debtors obtain a Stalking Horse Bid and provide notice of the identity of the Stalking Horse Bidder in the Potential Assumption and Assignment Notice, any objection of a Non-Debtor Counterparty related to the Stalking Horse Bid (including with respect to the identity of and adequate assurance of future performance provided by the Stalking Horse Bidder) must be filed as a Cure Cost/Assignment Objection by the Cure Cost/Assignment Objection Deadline.
- e) Any Non-Debtor Counterparty to a Contract who fails to timely file and properly serve a Cure Cost/Assignment Objection or Post-Auction Objection as provided herein will (i) be forever barred from objecting to the Cure Costs and from asserting any additional cure or other amounts with respect to such Contract in the event it is assumed and/or assigned by the Debtors and the Debtors shall be entitled to rely solely upon the Cure Costs, and (ii) be deemed to have consented to the assumption, assignment and/or transfer of such Contract (including the transfer of any related rights and benefits thereunder) to the relevant Successful Bidders and shall be forever barred and estopped from asserting or claiming against the Debtors or such Successful Bidder that any additional amounts are due or defaults exist, or conditions to assumption, assignment, and/or transfer must be satisfied under such Contract, or that any related right or benefit under such Contract cannot or will not be available to the relevant Successful Bidder. If a Cure Cost/Assignment Objection is timely filed and properly served, the Resolution Procedures (as defined below) will apply.
- f) If a Non-Debtor Counterparty files a Cure Cost/Assignment Objection satisfying the requirements of these Assignment Procedures, the Debtors and the Non-Debtor Counterparty shall meet and confer in good faith to attempt to resolve any such objection without Court intervention (the “Resolution Procedures”). If the applicable parties determine that the objection cannot be resolved without judicial intervention in a timely manner, the Court shall make all necessary determinations relating to such Cure Cost/Assignment Objection at a hearing scheduled pursuant to the following paragraph.

- g) Consideration of unresolved Cure Cost/Assignment Objections and Post-Auction Objections relating to all Contracts, if any, will be held at the Sale Hearing, provided, however, that (i) any Contract that is the subject of a Cure Cost/Assignment Objection with respect solely to the amount of the Cure Cost may be assumed and assigned prior to resolution of such objection and (ii) the Debtors, in consultation with the Consultation Parties, may adjourn a Cure Cost/Assignment objection in their discretion, in consultation with the Consultation Parties.
- h) A timely filed and properly served Cure Cost/Assignment Objection or Post-Auction Objection will reserve the filing Non-Debtor Counterparty's rights relating to the Contract, but will not be deemed to constitute an objection to the relief generally requested in the Motion with respect to the approval of the Sale.
- i) The Debtors' assumption and/or assignment of a Contract is subject to approval by the Court, consummation of the Sale and receipt of a Confirmation Notice (as defined below). Absent consummation of the Sale, receipt of a Confirmation Notice and entry of a Sale Order approving the assumption and/or assignment of the Contracts, the Contracts shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.
- j) Within ten (10) days following the assumption and assignment of any Contract to a relevant Successful Bidder, the Debtors shall file with the Court and shall serve each Non-Debtor Counterparty whose Contract the Debtors assumed and/or assigned with a notice of assumption and assignment of such Contract (the "Confirmation Notice"). Any Contract where no Confirmation Notice was served shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.
- k) The Debtors' decision to assume and assign the Contracts to the relevant Successful Bidder(s) is subject to the Court's approval and the closing of the Sale. Accordingly, absent the Court's approval and the closing of the Sale, the Contracts shall not be deemed assumed or assumed and assigned, and shall in all respects be subject to further administration by the Debtors and their estates under the Bankruptcy Code in connection with the Chapter 11 Cases.

BASIS FOR RELIEF REQUESTED

I. The Bid Procedures are Appropriate and in the Best Interests of the Debtors, Their Estates, and Creditors

A. The Bid Procedures are Reasonable, Appropriate and Will Maximize Value

26. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See In re Flour City Bagels, LLC*, 557 B.R. 53, 78 (Bankr. W.D.N.Y. 2016) (noting that “[i]n conducting an auction sale, debtors have a fiduciary duty to maximize the value of their assets.”) (citing *Lawsky v. Condor Capital Corp.*, No. 14 CIV. 2863 (CM), 2015 U.S. Dist. LEXIS 96347, at *24 (S.D.N.Y. July 21, 2015)); *see also In re Mushroom Transp. Co.*, 382 F.3d 325, 339 (3d Cir. 2004) (noting debtor in possession “had a fiduciary duty to protect and maximize the estate’s assets”); *Official Comm. of Unsecured Creditors of Cybergenics, Corp v. Chinery*, 330 F.3d 548, 573 (3d Cir. 2003) (same).

27. To that end, courts uniformly recognize that procedures to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate and therefore are appropriate in the context of bankruptcy transactions. *See In re 310 Associates*, 346 F.3d 31, 34 (2d Cir. 2003) (stating that a stalking horse bidder’s “initial research, due diligence, and subsequent bid may encourage later bidders.”); *Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.)*, 147 B.R. 650, 659 (S.D.N.Y. 1992) (stating bid procedures “encourage bidding and . . . maximize the value of the debtor’s assets”); *see also In re Fin. News Network, Inc.*, 980 F.2d 165, 169 (2d Cir. 1992) (recognizing that in the context of section 363 auctions, bankruptcy courts must have “broad discretion and flexibility . . . to enhance the value of the estates before it.”).

28. The Debtors believe that the Bid Procedures will provide an orderly and uniform mechanism by which interested buyers and investors can submit offers for the Assets and will ensure a competitive and fair bidding process. The Debtors also believe that the Bid Procedures will promote active bidding from seriously interested parties and will ensure the best and highest offer reasonably available for such Assets. The Bid Procedures will allow the Debtors

to conduct the Auction, subject to the terms of the Bid Procedures, in a controlled, fair and open manner that will encourage participation by financially capable bidders that demonstrate the ability to close a transaction. The Debtors believe that the Bid Procedures will encourage bidding, are consistent with other procedures routinely approved by courts in this and other districts, and are appropriate under the relevant standards governing auction proceedings and bidding incentives in bankruptcy proceedings.

29. As provided in the Bid Procedures, the Debtors and their estates, in consultation with the Consultation Parties and with the consent of the Agent, which consent shall not be unreasonably withheld, reserve the right to modify the Bid Procedures at or prior to the Auction, including, without limitation, to extend the deadlines set forth in the Bid Procedures, modify bidding increments, waive terms and conditions set forth herein with respect to any or all Potential Bidders (including, without limitation, the Bid Requirements), impose additional terms and conditions with respect to any or all potential bidders, adjourn, postpone or cancel the Auction at or prior to the Auction, and adjourn the Sale Hearing.

B. The Qualified Bid Requirements are Reasonable and Appropriate

30. The Debtors are seeking authority to sell the Assets without, at this time, the comfort of a stalking horse bid to set the floor for bidding. The Debtors, therefore, need the flexibility to disregard bids that - in the Debtors' business judgment - would result in an unreasonably low return to creditors and other stakeholders. Accordingly, in the event the Debtors determine, after consultation with their advisors and the Consultation Parties, that any particular bids are not for a fair and adequate price or the acceptance of such bids would not be in the best interests of the estates or the Auction, such bids shall not be "Qualified Bids" entitled to participation at the Auction.

31. In the event that the Debtors obtain more than one competing Qualified Bid with respect to any portion of the Assets (or all of the Assets) and the Auction is held, bidding shall commence at the amount of the highest or otherwise best bid received (the “Starting Bid”) for the relevant Assets, which determination will be communicated to Qualified Bidders prior to the commencement of the Auction, and the relevant Qualified Bidders may submit successive bids in higher increments (in amounts to be determined at or prior to the Auction).

C. The Flexibility to Obtain Stalking Horse Bids and offer Bid Protections is Appropriate and Warranted

32. As discussed above, the Bid Procedures contemplate that the Debtors will continue to solicit potential bidders to serve as Stalking Horse Bidders and deliver Stalking Horse Bids prior to the Stalking Horse Bid Deadline. Accordingly, in the event a Stalking Horse Bid is obtained prior to the Stalking Horse Bid Deadline with respect to particular Assets, all bidders with respect to the relevant Assets will be required to submit a bid in the amount of at least the Stalking Horse Overbid in order to meet the criteria of a Qualified Bid.

33. Further, the Bid Procedures contemplate that the Debtors may provide customary bid protections to any Stalking Horse Bidder, including but not limited to the Break-Up Fee and/or Expense Reimbursement.

34. The Debtors submit that (i) the flexibility to designate a Stalking Horse Bidder (or Bidders) and (ii) to provide bid protections for any such Stalking Horse Bidders are necessary and appropriate given the significant benefits that a Stalking Horse Bid may provide to the Debtors. A Stalking Horse Bid would provide a “floor” price that is desirable for the Debtors, thereby increasing the likelihood that the ultimate price obtained for the Assets will represent the true worth of the Assets.

35. Bidding incentives, including break-up fees and expense reimbursements encourage a potential buyer to invest the time, money and effort required to negotiate with a

debtor, and perform the necessary due diligence attendant to the acquisition of a debtor, despite the inherent risks and uncertainties of the chapter 11 process. Courts in this and other circuits regularly approve such bidding incentives. *See, e.g., In re Genco Shipping & Trading Ltd.*, 509 B.R. 455, 465 (Bankr. S.D.N.Y. 2014); *In re Ray Realty Fulton, Inc.*, No. 1-09-41225-DEM, 2009 WL 2600760, at *1 (Bankr. E.D.N.Y. Aug. 21, 2009) (break-up fee held reasonable and appropriate because it offered the best means of maximizing value for benefit of debtor's estate); *In re Metaldyne Corp.*, 409 B.R. 661, 670 (Bankr. S.D.N.Y. 2009) ("Bidder protections are granted when a bidder provides a floor for bidding by expending resources to conduct due diligence and allowing its bid to be shopped around for a higher offer.")

II. The Notice Procedures for the Sale, Bid Procedures, Auction and Sale Hearing are Reasonable and Appropriate

36. Pursuant to Bankruptcy Rules 2002(a) and 6004, the Debtors are required to give 21 days' notice of any proposed sale of property not in the ordinary course of business. Bankruptcy Rule 2002(c) further provides that such notice must include the time and place of any auction, a sale hearing, the terms and conditions of the sale, and the time fixed for filing objections to the sale. The Notice of Auction and Sale Hearing, as applicable, set forth all the information a potential bidder and any other party in interest should require about the bidding process, including: notice of the Bidding Procedures and information on how to obtain a copy of the Bidding Procedures; the Bid Deadline; the time, date, and location of the Auction; and the time, date, and location of the Sale Hearing.

37. The Debtors submit that the notice procedures described above fully comply with Bankruptcy Rule 2002 and the Sale Guidelines, and constitute good and adequate notice as such procedures are reasonably calculated to provide timely and adequate notice of the Sale, Bid Procedures, Auction, and Sale Hearing to the Debtors' creditors and all other parties in interest that are entitled to notice, as well as those parties that have expressed a bona fide

interest in acquiring the Assets. Because the Debtors propose to serve the Notice of Auction and Sale Hearing upon all Notice Parties and upon all other known creditors and parties in interest, the Debtors submit that the notice requirements of Bankruptcy Rules 2002(a)(2) and 6004 are satisfied. The Debtors also propose to publish the Notice of Auction and Sale Hearing in [The New York Times], national edition, pursuant to Bankruptcy Rule 2002(l). Accordingly, the Debtors respectfully request that the Court approve the notice procedures set forth in this Motion, including the form and manner of service and publication of the Notice of Auction and Sale Hearing, and that no other or further notice of the Sale, Bid Procedures, Auction or Sale Hearing is necessary or required.

III. The Assignment Procedures are Reasonable and Appropriate

38. As part of this Motion, the Debtors also seek authority under sections 105(a) and 365 of the Bankruptcy Code to assume and assign the Contracts to the Successful Bidder(s). The Bid Procedures Order specifies the process by which the Debtors will serve the Potential Assumption and Assignment Notice and the procedures and deadlines for Non-Debtor Counterparties to file Cure Cost/Assignment Objections and/or Post-Auction Objections.

39. The Assignment Procedures ensure that each Non-Debtor Counterparty will have sufficient notice of such potential assumption and assignment, and an opportunity to contest the Cure Amount, if any, for its Contract, as well as the ability of the relevant Successful Bidder(s) to provide adequate assurance of future performance with respect to such Contract.

40. Accordingly, the Debtors submit that the Assignment Procedures are fair and reasonable, and request that the Court approve such procedures.

IV. Approval of the Sale is Appropriate and in the Best Interests of the Debtors' Estates

a) There is a Compelling Business Justification for the Sale Because It Will Maximize Value to the Debtors' Estates

41. Section 363(b)(1) of the Bankruptcy Code provides that a debtor, “after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate[.]” 11 U.S.C. § 363(b)(1). Section 105(a) of the Bankruptcy Code in turn provides, in relevant part, that “[t]he court may issue any order, process, or judgement that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). Provided that a bankruptcy court does not employ its equitable powers to achieve a result not contemplated by the Bankruptcy Code, the exercise of its section 105(a) power is proper. *Pincus v. Graduate Loan Ctr. (In re Pincus)*, 280 B.R. 303, 312 (Bankr. S.D.N.Y. 2002).

42. Section 363 of the Bankruptcy Code does not set forth a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate. However, courts in this Circuit and elsewhere hold that the sale or use of property outside the ordinary course of business should be approved where the debtors can articulate a business justification for the transaction. *See Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re CPJFK, LLC*, 496 B.R. 290, 304 (Bankr. E.D.N.Y. 2011) (adopting *Lionel Corp.* standard for sound business justification); *In re Ionosphere Clubs, Inc.*, 100 B.R. 670, 680 (Bankr. S.D.N.Y. 1989). Whether or not there are sufficient business reasons to justify a transaction depends upon the facts and circumstances of each case. *Lionel*, 722 F.2d at 1071.

43. The Debtors submit that sound business justification exists to sell the Assets to a Stalking Horse Bidder or the Successful Bidder pursuant to the Bidding Procedures. As explained in the First Day Declaration, the Debtors commenced these Chapter 11 Cases to, among other things, undertake a going concern sale of their business in the belief that doing so

will preserve and maximize the value of its business for all stakeholders. As stated above, the textile industry has been hit hard by the significant decrease in consumer spending and was severely affected by the global economic downturn. As a result, the Debtors have experienced declining sales and profitability over the last several years. While the Debtors have implemented significant cost cutting measures in the two year period leading up to the commencement of these Chapter 11 Cases, the efforts of management to sustain the Debtors at their current reduced level of operations have been unavailing.

44. Prior to the commencement of these Chapter 11 Cases, the Debtors explored modifications to their business model, including closing duplicative showrooms, downsizing and scaling back operations, and eliminating unduly burdensome contracts and unexpired leases. Nonetheless, the Debtors have determined that they cannot effectuate such modifications to their business model on their own given the precipitous drop in revenue, their current cash crisis and large legacy obligations. These and other challenges caused the Debtors to seek protection under Chapter 11. Absent a prompt sale of the Assets, the Debtors will not have sufficient cash or available financing to continue to operate their business. In addition, without a clear exit strategy such as the proposed Sale, the Debtors risk losing the confidence of their vendors and customers that is vital to preserving the value of their business assets. Thus, the relief sought herein is not only reasonable, but necessary, to maximize the value of the Debtors' estates for the benefit of all stakeholders.

45. Under these circumstances, a compelling business justification exists for the expeditious sale of the Assets outside the ordinary course of business. Accordingly, the Debtors submit that the proposed sale of the Assets pursuant to section 363 of the Bankruptcy Code should be approved.

b) The Sale, Free and Clear of All Encumbrances, is Authorized by Section 363(f) of the Bankruptcy Code.

46. In the interest of attracting the highest and best bids for the Assets, the Debtors submit that the Sale should be free and clear of all Encumbrances in accordance with section 363(f) of the Bankruptcy Code, with any such Encumbrances attaching to the net proceeds of the Sale, as and to the extent applicable.

47. Section 363(f) of the Bankruptcy Code authorizes a debtor to sell assets free and clear of liens, claims, interests, and encumbrances if:

- a. applicable non-bankruptcy law permits sale of such property free and clear of such interests;
- b. such entity consents;
- c. such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;
- d. such interest is in bona fide dispute; or
- e. such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f); *Citicorp Homeowners Serv., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (E.D. Pa. 1988) (noting that section 363(f) of the Bankruptcy Code is written in the disjunctive; therefore, a court may approve a sale “free and clear” provided at least one of the subsections is met); *see also In re Dundee Equity Corp.*, No. 89-B-10233, 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6, 1992) (same); *In re Bygaph, Inc.*, 56 B.R. 596, 606 n.8 (Bankr. S.D.N.Y. 1986) (same).

48. Section 363(f) is supplemented by section 105(a) of the Bankruptcy Code, which provides that “[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). Courts concluding that section 363(f) does not empower them to convey assets free and clear of pre-petition claims, have nonetheless held that Bankruptcy Code section 105(a) provides them with

the equitable power to authorize sales free and clear of interests that are not specifically covered by section 363(f). *See, e.g., In re General Motors Corp.*, 407 B.R. 463, 499-504 (Bankr. S.D.N.Y. 2009) (discussing Second Circuit precedent permitting sale of assets “free and clear” of successor liability claims pursuant to section 363(f) and 105(a)) (internal citations omitted); *Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.)*, 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987).

49. The Debtors submit that one or more of the conditions set forth in section 363(f) of the Bankruptcy Code will be satisfied with respect to the Sale.² In particular, the Debtors believe that at least section 363(f)(2) will be satisfied because each of the parties holding liens on the Assets will consent, or absent any objection to the Sale, will be deemed to have consented to, the Sale. Any lienholder also will be adequately protected by having its liens, if any, attach to the proceeds of the Sale, in the same order of priority, with the same validity, force and effect that such creditor had prior to such sale, subject to any claims and defenses that the Debtors and their estates may possess with respect thereto. For the avoidance of doubt, nothing in this Motion, the Bid Procedures, or the Bid Procedures Order waives or modifies any party’s right to object to any sale proposed in connection herewith, with all such rights being expressly preserved.

50. Accordingly, the Debtors respectfully request that the Assets be sold free and clear of any Encumbrances pursuant to section 363(f) of the Bankruptcy Code.

² As noted, the net proceeds received by the Debtors from the sale will be applied at the Closing to satisfy the Debtors’ Obligations under the DIP Financing, with the balance, if any, to be held in escrow pending existing or further Court orders.

c) The Successful Bidder(s) will be Entitled to the Full Protection of Section 363(m) of the Bankruptcy Code, and the Sale Does Not Violate Section 363(n) of the Bankruptcy Code

51. The Debtors intend to negotiate any Purchase Agreement for the Assets at arm's length and in good faith with any Potential Bidder(s) and, thus, believe that any Successful Bidder(s), including a Stalking Horse Bidder, should be entitled to the protections of section 363(m) of the Bankruptcy Code.

52. Section 363(m) of the Bankruptcy Code provides:

The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

53. Section 363(m) of the Bankruptcy Code thus protects a good faith purchaser of assets sold pursuant to section 363 of the Bankruptcy Code from the risk that it will lose its interest in the purchased assets if the order allowing the sale is reversed on appeal.

54. While the Bankruptcy Code does not define "good faith," the Second Circuit instructs that a party would have to show fraud or collusion between a purchaser and the debtor in possession or trustee to demonstrate a lack of good faith. *See Kabro Assocs. of West Islip, L.L.C. v. Colony Hill Assocs. (In re Colony Hill Assocs.)*, 111 F.3d 269, 276 (2d Cir. 1997) ("Typically, the misconduct that would destroy a [buyer]'s good faith status at a judicial sale involves fraud, collusion between the [buyer] and other bidders or the trustee or an attempt to take grossly unfair advantage of other bidders."); (internal citations omitted); *see also In re Angelika Films 57th, Inc.*, No. 97 Civ. 2239 (MBM), 1997 WL 283412, at *7 (S.D.N.Y. May 29, 1997); *In re Bakalis*, 220 B.R. 525, 537 (Bankr. E.D.N.Y. 1998).

55. The Debtors submit, and the testimony presented at the Sale Hearing will demonstrate, that the terms and conditions of the Sale will have been negotiated by the Debtors and the Successful Bidder(s) at arm's-length and in good faith, with the assistance of the Debtors' professional advisors, and that the parties did not engage in any conduct that would cause or permit the Sale to be avoided under section 363(n) of the Bankruptcy Code.

56. Accordingly, the Debtors request that the Court make a finding at the Sale Hearing that the Successful Bidder(s) purchased the Assets in good faith and that such purchase will be entitled to the full protections of section 363(m) of the Bankruptcy Code.

V. Assumption and Assignment of the Contracts Is Authorized by Section 365 of the Bankruptcy Code

a) The Debtors' Sound Business Judgment Supports the Assumption and Assignment of the Contracts

57. Sections 365(a) and (b) of the Bankruptcy Code authorize a debtor in possession to assume, subject to the court's approval, executory contracts or unexpired leases of the debtor. Under section 365(a) of the Bankruptcy Code, a debtor, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). Section 365(b)(1) of the Bankruptcy Code, in turn, codifies the requirements for assuming an unexpired lease or executory contract of a debtor, providing that:

(b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee-

(A) cures or provides adequate assurance that the trustee will promptly cure, such default . . . ;

(B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and

(C) provide adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

58. The standard governing bankruptcy court approval of a debtor's decision to assume or reject an executory contract or unexpired lease is whether the debtor's reasonable business judgment supports assumption or rejection. *See, e.g., In re Stable Mews Assoc., Inc.*, 41 B.R. 594, 596 (Bankr. S.D.N.Y. 1984). If the debtor's business judgment has been reasonably exercised, a court should approve the assumption or rejection of an unexpired lease or executory contract. *See Group of Institutional Investors v. Chicago M St. P. & P.R.R. Co.*, 318 U.S. 523, 549 (1943). The business judgment test "requires only that the trustee [or debtor in possession] demonstrate that [assumption or] rejection of the contract will benefit the estate." *Stable Mews Assoc.*, 41 B.R. at 596. Any more exacting scrutiny would slow the administration of a debtor's estate and increase costs, interfere with the Bankruptcy Code's provision for private control of administration of the estate, and threaten the court's ability to control a case impartially. *See Richmond Leasing Co. v. Capital Bank, NA.*, 762 F.2d 1303, 1311 (5th Cir. 1985).

59. Once an executory contract is assumed, the trustee or debtor in possession may elect to assign such contract. *See In re Rickel Home Centers, Inc.*, 209 F.3d 291, 299 (3d Cir. 2000) ("[t]he Code generally favors free assignability as a means to maximize the value of the debtor's estate"); *see also In re Headquarters Dodge, Inc.*, 13 F.3d 674, 682 (3d Cir. 1993) (noting purpose of section 365(f) is to assist trustee in realizing the full value of the debtor's assets).

60. In the present case, the Debtors respectfully submit that the proposed assumption and assignment of the Contracts to the relevant Successful Bidder will meet the business judgment standard and satisfy the requirements of section 365 of the Bankruptcy Code. The assumption and assignment will likely be necessary for the Successful Bidder(s) to conduct business going forward, and since it is anticipated that no Successful Bidder(s) would

take the Assets without certain executory contracts and unexpired leases, the assumption and assignment of such agreements is essential to securing the highest or best offer for the Assets.

61. Accordingly, the Debtors submit that the Assignment Procedures are fair and reasonable, and respectfully request the Court to approve such procedures and authorize the Debtors to assume and assign the Contracts in the manner provided for herein.

b) Adequate Assurance of Future Performance Will Be Demonstrated With Respect to the Contracts

62. A debtor in possession may assign an executory contract or an unexpired lease of the debtor if it assumes the agreement in accordance with section 365(a) of the Bankruptcy Code, and provides adequate assurance of future performance by the assignee, whether or not there has been a default under the agreement. *See* 11 U.S.C. § 365(c)(2).

63. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given “practical, pragmatic construction.” *See In re Sapolin Paints, Inc.*, 5 B.R. 412, 420–21 (Bankr. E.D.N.Y. 1980); *see also In re Natco Indus., Inc.*, 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that the assignee will thrive and pay rent).

64. Significantly, among other things, adequate assurance of future performance may be provided by demonstrating the assignee’s financial health and experience in managing the type of enterprise or property assigned. *See, e.g., In re Bygaph, Inc.*, 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (stating that adequate assurance of future performance is present when the prospective assignee of a lease from the debtor has financial resources and has expressed willingness to devote sufficient funding to the business in order to give it a strong likelihood of succeeding).

65. Pursuant to the Bid Procedures, the Potential Bidders are required to provide to the Debtors such financial and other information providing adequate assurance of future

performance under any executory contracts and unexpired leases to be assumed pursuant to section 365 of the Bankruptcy Code in connection with the Sale, in a form requested by the Debtors, in consultation with the Consultation Parties, to allow the Debtors to serve, within one (1) business day after such receipt, such information on any Non-Debtor Counterparty that has requested, in writing, such information. Moreover, under the Assignment Procedures, the Non-Debtor Counterparties will have the opportunity to object to adequate assurance of future performance by the relevant Successful Bidder(s). The Assignment Procedures are necessary to give assurances to the Debtors' vendors, customers, and other contractual counterparties that their interests will not be unduly harmed by these proceedings, and thereby preserve the value for the of the Debtors' estates.

66. Accordingly, the Debtors submit that the assumption and assignment of the Contracts as set forth herein should be approved pursuant to section 365 of the Bankruptcy Code.

REQUEST FOR WAIVER OF BANKRUPTCY RULES 6004(h) and 6006(d)

67. Bankruptcy Rule 6004(h) provides that “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). Similarly, Bankruptcy Rule 6006(d) provides that “[a]n order authorizing the [debtor] to assign an executory contract or unexpired . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6006(d).

68. The Debtors submit that cause exists to justify a waiver of the fourteen (14) day stays under Bankruptcy Rules 6004(h) and 6006(d), as promptly closing the Sale is of critical importance. The Debtors therefore request that the Sale Order be effective immediately by

providing that the fourteen (14) day stays under Bankruptcy Rules 6004(h) and 6006(d) be waived.

RESERVATION OF RIGHTS

69. Nothing contained herein is intended, or should be construed, as an admission of the validity of any claim against the Debtors or a waiver of the Debtors' rights to dispute any claim. Nothing contained herein is intended, or should be construed, as an approval, assumption, or rejection of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

NOTICE

70. The Debtors have provided notice of this Motion to: (a) Office of the United States Trustee; (b) holders of the 30 largest unsecured claims on a consolidated basis against the Debtors; (c) counsel to the official or unofficial creditors' committee, if one has been appointed; (d) counsel to the DIP Lenders; (e) all parties known or reasonably believed to have asserted an interest in any of the Assets; (f) the Non-Debtor Counterparties to the Debtors' unexpired leases executory contracts; (g) the Attorneys General in the State(s) where the Assets are located; (h) all state and local taxing authorities in the State(s) where the Assets are located; (i) the Internal Revenue Service; (j) all parties that have asserted liens against the Assets; and (k) all parties that have filed a notice of appearance and request for service of papers pursuant to Bankruptcy Rule 2002. The Debtors submit that the notice provide herein is consistent with Section 2(b) of the Sale Guidelines. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is necessary.

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WHEREFORE, the Debtors respectfully request that the Court enter the Bid Procedures Order and the Sale Order, granting the relief requested herein and such other and further relief as the Court may deem just and proper.

Dated: February 12, 2019
New York, New York

Respectfully submitted,

/s/ Mark T. Power

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*Proposed Counsel to the
Debtors and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

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In re: : **Chapter 11**

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Décor Holdings, Inc., et al.,³ : **Case No. 19-71020 (REG)**

: **Case No. 19-71022 (REG)**

Debtors. : **Case No. 19-71023 (REG)**

: **Case No. 19-71024 (REG)**

: **Case No. 19-71025 (REG)**

:

: **Joint Administration Requested**

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ORDER (A) APPROVING BID PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (B) AUTHORIZING THE DEBTORS TO ENTER INTO STALKING HORSE AGREEMENTS AND APPROVING CERTAIN BID PROTECTIONS (C) SCHEDULING AN AUCTION FOR AND HEARING TO APPROVE SALE OF ASSETS, (D) APPROVING NOTICE OF RESPECTIVE DATE, TIME AND PLACE FOR AUCTION AND FOR HEARING ON APPROVAL OF SALE, (E) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (F) APPROVING FORM AND MANNER OF NOTICE THEREOF, AND (G) GRANTING RELATED RELIEF

³ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Décor Holdings, Inc. (4174); Décor Intermediate Holdings LLC (5414); The Robert Allen Duralee Group, Inc. (8435); The Robert Allen Duralee Group, LLC (1798); and The Robert Allen Duralee Group Furniture, LLC (2835). The corporate headquarters and the mailing address for the Debtors listed above is 49 Wireless Boulevard, Suite 150, Hauppauge, NY 11788. The Debtors also maintain a separate corporate office at 2 Hampshire Street, Suite 300, Foxboro, MA 02035.

Upon the Debtors' Motion, Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, Fed. R. Bankr. P. 2002, 6003, 6004, 6006, 9007, 9008 and 9014 and E.D.N.Y. Bankr. L.R. 2002-1, 6004-1 and 9006-1, for Entry of (I) an Order (A) Approving Bid Procedures in Connection with the Sale of Substantially All of the Debtors' Assets, (B) Authorizing the Debtors to Enter into Stalking Horse Agreements and Approving Certain Customary Bid Protections for Any Stalking Horse Bidder(s) in Connection With a Sale Transaction, (C) Scheduling an Auction for and Hearing to Approve Sale of Assets, (D) Approving Notice of Respective Date, Time and Place for Auction and for Hearing on Approval of Sale, (E) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (F) Approving Form and Manner of Notice Thereof and (G) Granting Related Relief; and (II) an Order Authorizing and Approving (A) the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Rights, Encumbrances, and Other Interests, (B) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (C) Related Relief (the "Motion")⁴ for entry of an order authorizing or approving, among other things, (a) the bid procedures (in the form attached hereto as Exhibit 1, the "Bid Procedures") in connection with the sale or disposition (the "Sale") of substantially all of the assets of the Debtors (as described further in the Motion, the "Assets"), (b) the notice of the Auction and Sale and hearing thereon (in the form attached hereto as Exhibit 2, the "Notice of Auction and Sale Hearing"), (c) the procedures (the "Assignment Procedures"), as set forth below, for the assumption and assignment of certain of the Debtors' executory contracts or unexpired leases (the "Contracts") and (d) the notice of the potential assumption and assignment of the Contracts

⁴ Capitalized terms used but not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

(in the form attached hereto as Exhibit 3, the “Potential Assumption and Assignment Notice”); and the Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157; and the Court having found that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and the Court having found that it may enter a final order consistent with Article III of the United States Constitution; and the Court having found that notice of the Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given except as set forth herein with respect to the Auction, the Sale Hearing and the potential assumption and assignment of the Contracts; and a reasonable opportunity to object to or be heard regarding the relief provided herein has been afforded to parties-in-interest pursuant to Bankruptcy Rule 6004(a); and the Court having considered the First Day Declaration; and upon the record of the hearing and all of the proceedings had before the Court; and the Court having found that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and the Court having found that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:⁵

A. The Bid Procedures attached hereto as Exhibit 1, are fair, reasonable and appropriate, and are designed to maximize the value to be achieved from the Sale.

B. The Bid Procedures comply with the requirements of Local Rule 6004-1.

C. The Assignment Procedures provided for herein are fair, reasonable and appropriate and consistent with the provisions of section 365 of the Bankruptcy Code.

D. The Debtors have articulated good and sufficient business reasons for the Court to approve (i) the Bid Procedures, including the scheduling of bid deadlines, auction and sale hearing with respect to the proposed Sale; and (ii) the establishment of procedures to assume and assign the Contracts and fix the Cure Costs (as defined below) to be paid pursuant to section 365 of the Bankruptcy Code.

E. The Notice of Auction and Sale Hearing, and the Debtors' proposed publication of the Notice of Auction and Sale Hearing, is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the Auction, the Sale, the Bid Procedures and the Assignment Procedures to be employed in connection therewith, including, without limitation: (i) the date, time and place of the Auction (if one is held); (ii) the Bid Procedures and the dates and deadlines related thereto; (iii) the objection deadline for the Sale and the date, time and place of the Sale Hearing; (iv) reasonably specific identification of the Assets; and (v) representations describing the Sale as being free and clear of liens, claims, interests and other encumbrances, with all such liens, claims,

⁵ The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

interests and other encumbrances attaching with the same validity and priority to the proceeds of the Sale; and no other or further notice of the Sale shall be required.

F. The Potential Assumption and Assignment Notice is appropriate and reasonably calculated to provide each non-debtor party to any Contracts, (such parties, collectively, the “Non-Debtor Counterparties”) with proper notice of the Assignment Procedures. The inclusion of any Contract on a Potential Assumption and Assignment Notice does not constitute an admission that a particular Contract is an executory contract or unexpired lease of property or require or guarantee that such Contracts will be assumed and assigned and all rights of the Debtors with respect thereto are reserved.

G. No further notice beyond that described in the foregoing paragraphs is required in connection with the Sale.

H. The entry of this order (the “Bid Procedures Order”) is in the best interests of the Debtors, their estates, their creditors, and other parties-in-interest.

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. All objections to the Motion or the relief provided herein, as they pertain to the entry of this Bid Procedures Order, that have not been withdrawn, waived or settled, and all reservations of rights included therein, hereby are overruled and denied on the merits.

The Bid Procedures

3. The Bid Procedures are incorporated herein and approved, and shall apply with respect to the Sale. The Debtors are authorized to take all actions reasonable and necessary or appropriate to implement the Bid Procedures.

4. The Debtors are authorized to conduct the Bidding Process (as defined in the Bid Procedures) in accordance with the Bid Procedures and without the necessity of complying with any state or local bulk transfer laws or requirements applicable to the Debtors.

5. Potential Bidders or Qualified Bidders (other than any Stalking Horse Bidder), shall not be allowed any break-up, termination or similar fee with respect to the Assets. Moreover, all Potential Bidders, Qualified Bidders, and any Stalking Horse Bidder (excluding any Bid Protections (as defined in the Bid Procedures) approved by the Bankruptcy Court) waive any right to seek a claim for substantial contribution pursuant to section 503 of the Bankruptcy Code or the payment of any broker fees or costs.

Assignment Procedures

6. The following Assignment Procedures shall govern the assumption and assignment of the Contracts in connection with the Sale, and any objections related thereto:

- a. On or before April 2, 2019, the Debtors shall file with the Court and serve on each Non-Debtor Counterparty to each of the Contracts the Potential Assumption and Assignment Notice. In the event that the Debtors identify any Non-Debtor Counterparties which were not served with the Potential Assumption and Assignment Notice, the Debtors may subsequently serve such Non-Debtor Counterparty with a Potential Assumption and Assignment Notice, and the following procedures will nevertheless apply to such Non-Debtor Counterparty; provided, however, that the Cure Cost/Assignment Objection Deadline (defined below) with respect to such Non-Debtor Counterparty shall be 4:00 p.m. (prevailing Eastern Time) on the date that is the later of April 17, 2019 or fourteen (14) days following service of the Potential Assumption and Assignment Notice.
- b. The Potential Assumption and Assignment Notice served on each Non-Debtor Counterparty shall (i) identify each Contract; (ii) list the proposed calculation of the cure amounts that the Debtors believe must be paid to cure all defaults outstanding under the Contract as of such date (the "Cure Costs"); (iii) include a statement that assumption and assignment of such Contract is not required or guaranteed; and (iv) inform such Non-Debtor Counterparty of the requirement to file any Cure Cost/Assignment Objections (defined below) by the Cure Cost/Assignment Objection

Deadline (defined below). Service of a Potential Assumption and Assignment Notice does not constitute an admission that a particular Contract is an executory contract or unexpired lease of property, or confirm that the Debtors are required to assume and/or assign such Contract.

- c. Objections (a “Cure Cost/Assignment Objection”), if any, to (i) the scheduled Cure Costs, and/or (ii) the proposed assumption, assignment and/or transfer of such Contract (including the transfer of any related rights or benefits thereunder), other than objections that relate specifically to the identity of a Successful Bidder, must (x) be in writing; (y) state with specificity the nature of such objection, including the amount of Cure Costs in dispute and (z) be filed with the Court and properly served on the Notice Parties (as defined below) so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on April 17, 2019 (the “Cure Cost/Assignment Objection Deadline”), subject to the proviso in subparagraph (a) above.
- d. Objections (a “Post-Auction Objection”) of any Non-Debtor Counterparty related solely to the identity of and adequate assurance of future performance provided by the Successful Bidder must (x) be in writing; (y) state with specificity the nature of such objection, and (z) be filed with the Court and properly served on the Notice Parties so as to be received no later than 10:00 a.m. (prevailing Eastern Time) on April 24, 2019 (the “Post-Auction Objection Deadline”), subject to the proviso in subparagraph (a) above; provided, however, that in the event that the Debtors obtain a Stalking Horse Bid and provide notice of the identity of the Stalking Horse Bidder in the Potential Assumption and Assignment Notice, any objection of a Non-Debtor Counterparty related to Stalking Horse Bid (including with respect to the identity of and adequate assurance of future performance provided by) the Stalking Horse Bidder must be filed as a Cure Cost/Assignment Objection by the Cure Cost/Assignment Objection Deadline.
- e. Any Non-Debtor Counterparty to a Contract who fails to timely file and properly serve a Cure Cost/Assignment Objection or Post-Auction Objection as provided herein will (i) be forever barred from objecting to the Cure Costs and from asserting any additional cure or other amounts with respect to such Contract in the event it is assumed and/or assigned by the Debtors and the Debtors shall be entitled to rely solely upon the Cure Costs, and (ii) be deemed to have consented to the assumption, assignment and/or transfer of such Contract (including the transfer of any related rights and benefits thereunder) to the relevant Successful Bidder and shall be forever barred and estopped from asserting or claiming against the Debtors or the Successful Bidder that any additional amounts are due or defaults exist, or conditions to assumption, assignment, and/or

transfer must be satisfied under such Contract, or that any related right or benefit under such Contract cannot or will not be available to the relevant Successful Bidder. If a Cure Cost/Assignment Objection is timely filed and properly served, the Resolution Procedures (as defined below) will apply.

- f. If a Non-Debtor Counterparty files a Cure Cost/Assignment Objection satisfying the requirements of these Assignment Procedures, the Debtors and the Non-Debtor Counterparty shall meet and confer in good faith to attempt to resolve any such objection without Court intervention (the "Resolution Procedures"). If the applicable parties determine that the objection cannot be resolved without judicial intervention in a timely manner, the Court shall make all necessary determinations relating to such Cure Cost/Assignment Objection at a hearing scheduled pursuant to the following paragraph.
- g. Consideration of unresolved Cure Cost/Assignment Objections and Post-Auction Objections relating to all Contracts, if any, will be held at the Sale Hearing, provided, however, that (i) any Contract that is the subject of a Cure Cost/Assignment Objection with respect solely to the amount of the Cure Cost may be assumed and assigned prior to resolution of such objection and (ii) the Debtors, in consultation with the Consultation Parties, may adjourn a Cure Cost/Assignment objection in their discretion in consultation with the Consultation Parties.
- h. A timely filed and properly served Cure Cost/Assignment Objection or Post-Auction Objection will reserve the filing Non-Debtor Counterparty's rights relating to the Contract, but will not be deemed to constitute an objection to the relief generally requested in the Motion with respect to the approval of the Sale.
- i. The Debtors' assumption and/or assignment of a Contract is subject to approval by the Court, consummation of the Sale and receipt of a Confirmation Notice (as defined below). Absent consummation of the Sale, receipt of a Confirmation Notice and entry of a Sale Order approving the assumption and/or assignment of the Contracts, the Contracts shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.
- j. Within ten (10) days following the assumption and assignment of any Contract to the relevant Successful Bidder, the Debtors shall file with the Court and shall serve each Non-Debtor Counterparty whose Contract the Debtors assumed and/or assigned with a notice of assumption and assignment of such Contract (the "Confirmation Notice"). Any Contract where no Confirmation Notice was served shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.

- k. The Debtors' decision to assume and assign the Contracts to the relevant Successful Bidder(s) is subject to the Court's approval and the closing of the Sale. Accordingly, absent the Court's approval and the closing of the Sale, the Contracts shall not be deemed assumed or assumed and assigned, and shall in all respects be subject to further administration by the Debtors and their estates under the Bankruptcy Code in connection with these Chapter 11 Cases.

Notice Procedures

7. Service and publication of the Notice of Auction and Sale Hearing are sufficient to provide effective notice to all interested parties of, *inter cilia*, the Bid Procedures, the Auction, the Sale Hearing, the Sale and the Assignment Procedures in accordance with Bankruptcy Rules 2002 and 6004, as applicable, and are approved.

8. On or before two (2) business days after entry of this Bid Procedures Order, the Debtors will cause the Notice of Auction and Sale Hearing to be sent by first-class mail postage prepaid, to the following: (a) Office of the United States Trustee; (b) holders of the 30 largest unsecured claims on a consolidated basis against the Debtors; (c) counsel to the official or unofficial creditors' committee, if one has been appointed; (d) counsel to the DIP Lenders; (e) all parties known or reasonably believed to have asserted an interest in any of the Assets; (f) the Non-Debtor Counterparties to the Debtors' unexpired leases executory contracts; (g) the Attorneys General in the State(s) where the Assets are located; (h) all state and local taxing authorities in the State(s) where the Assets are located; (i) the Internal Revenue Service; (j) all parties that have asserted liens against the Assets; and (k) all parties that have filed a notice of appearance and request for service of papers pursuant to Bankruptcy Rule 2002.

9. In addition to the foregoing, on or before five (5) business days after entry of the Bid Procedures Order, the Debtors shall, subject to applicable submission deadlines,

publish the Notice of Auction and Sale Hearing once in the national edition of *The New York Times*, and post the Notice of Auction and Sale Hearing and the Bid Procedures Order on the website of the Debtors' claims and noticing agent, Omni Management Group, Inc. <https://omnimgt.com/radg>.

10. Within 24 hours following conclusion of the Auction, the Debtors shall file a notice on the Court's docket identifying the Successful Bidder(s) for the Assets (or subset thereof) and any applicable Next-Highest Bidder(s).

11. The Potential Assumption and Assignment Notice, and the other Assignment Procedures set forth herein, are sufficient to provide effective notice pursuant to Bankruptcy Rules 2002(a)(2), 6004(a) and 6006(c) to the Non-Debtor Counterparties to the Contracts of the Debtors' intent to potentially assume and assign some or all of the Contracts and are approved.

Auction and Sale Hearing

12. **Stalking Horse Bid Deadline**. As further described in the Motion, the deadline by which all Stalking Horse Bids must be actually received by the Debtors is March 23, 2019 at 5:00 p.m. prevailing Eastern Time; provided, however, that the Debtors shall be permitted, with the consent of the Agent and in the exercise of their fiduciary duties, to select a Stalking Horse Bidder prior to the Stalking Horse Bid Deadline.

13. **Bid Deadline**. As further described in the Bid Procedures, the deadline for submitting bids for the Assets (the "Bid Deadline") is April 16, 2019 at 5:00 p.m. (prevailing Eastern Time). No bid shall be deemed to be a Qualified Bid unless such bid meets the requirements set forth in the Bid Procedures.

14. **Auction.** If at least two Qualified Bids (or one Qualified Bid if there is also a Stalking Horse Bid) are received by the Bid Deadline with regard to any particular Assets, the Debtors will conduct an Auction in accordance with the Bid Procedures, which Auction shall take place on April 22, 2019 at 10:00 a.m. (prevailing Eastern Time) at the offices of proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022, or such later time or such other place as the Debtors shall designate and notify to all Qualified Bidders (as defined in the Bid Procedures) who have submitted Qualified Bids. If the Debtors receive only a Stalking Horse Bid or one Qualified Bid with regard to any particular Assets (or all of the Assets), (a) the Debtors shall not hold an Auction with respect to such Assets; (b) the Stalking Horse Bid or the Qualified Bid, as applicable, will be the Successful Bid with respect to such Assets; and (c) the Stalking Horse Bidder or the Qualified Bidder, as applicable, will be named the Successful Bidder with respect to such Assets.

15. Each Qualified Bidder participating in the Auction will be required to confirm, in writing, that (a) it has not engaged in any collusion with respect to the Bidding Process or on the record at the Auction, (b) its Qualified Bid is a good faith bona fide offer that it intends to consummate if selected as the Successful Bidder, and (c) the Qualified Bidder agrees to serve as a backup bidder if its Qualified Bid is the next highest and best bid after the Successful Bid with respect to the relevant Assets.

16. **Sale Hearing.** The Sale Hearing shall be held before the Court on April 24, 2019 at _____ a.m. (prevailing Eastern Time) before the Honorable Robert E. Grossman, United States Bankruptcy Judge for the Bankruptcy Court for the Eastern District of New York, at 290 Federal Plaza, Central Islip, New York 11722. The Debtors shall file a form of

Sale Order before the Sale Hearing. At the Sale Hearing, the Debtors will seek the entry of the Sale Order approving and authorizing the Sale to the Successful Bidder(s). The Sale Hearing (or any portion thereof) may be adjourned by the Court or the Debtors from time to time without further notice other than by announcement in open court, on the Court's calendar or through the filing of a notice or other document on the Court's docket.

17. Sale Objection Deadline. The deadline to object to the relief requested in the Motion, including entry of the proposed Sale Order (a "Sale Objection") is April 17, 2019 at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline"). A Sale Objection must be filed with the Court and served in the manner set forth below so *actually received* no later than the Sale Objection Deadline.

18. Post-Auction Objection Deadline. The deadline to object only to (i) the conduct at the Auction (if held) or (ii) solely with respect to the Non-Debtor Counterparties to the Contracts, to the specific identity of and adequate assurance of future performance provided by the Successful Bidder with respect to the applicable Assumed Contract or Assumed Lease (a "Post-Auction Objection") is April 24, 2019 at 10:00 a.m. prevailing Eastern Time (the "Post-Auction Objection Deadline"). A Post-Auction Objection must be filed with the Court and served in the manner set forth below so *actually received* no later than the Post-Auction Objection Deadline.

Objection Procedures

19. Any party that seeks to object to the relief requested in the Motion pertaining to approval of the Sale shall file a formal written objection that complies with the objection procedures as set forth herein and in the Motion, as applicable.

20. Objections, if any, must be: (i) be in writing; (ii) signed by counsel or attested to by the objecting party; (iii) in conformity with the applicable provisions of the Bankruptcy Rules and the Local Rules; (iv) state with particularity the legal and factual basis for the objection and the specific grounds therefor; (v) be filed with the Clerk of the Court, 290 Federal Plaza, Central Islip, New York 11722, together with proof of service and (vi) be served, so as to be actually received on or before the applicable Objection Deadline, upon (a) proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022 (Attn: Mark T. Power and Janine. M. Figueiredo); (b) counsel to the official committee of unsecured creditors, if one is appointed; (c) the Office of the United States Trustee for the Eastern District of New York, Long Island Federal Plaza Courthouse, 560 Federal Plaza, Central Islip, New York 11722 (Attn: Christine H. Black); (d) counsel to Wells Fargo Bank, N.A. and PNC Bank, N.A., Otterbourg, P.C., 230 Park Avenue, New York, New York 10169-0075 (Attn: Daniel F. Fiorillo, Esq. and Jonathan N. Helfat, Esq., Fax: (212) 682-6104) (collectively, the “Notice Parties”).

21. Failure to file a Sale Objection on or before the Sale Objection Deadline (a) shall forever bar the assertion, whether at any Sale Hearing or thereafter, of any objection to the Motion, to entry of the Sale Order, and/or to the consummation and performance of the Sale with a Successful Bidder, and (b) for purposes of section 363(0(2) of the Bankruptcy Code, shall be deemed to be “consent” to entry of the Sale Order and consummation of the Sale and all transactions related thereto.

Other Relief Granted

22. This Bid Procedures Order shall be binding in all respects upon any trustees, examiners, “responsible persons” or other fiduciaries appointed in the Debtors’ bankruptcy cases or upon a conversion to chapter 7 under the Bankruptcy Code.

23. Nothing herein shall be deemed to or constitute the assumption, assignment or rejection of any executory contract or unexpired lease.

24. Notwithstanding any provision in the Bankruptcy Rules to the contrary, the stays provided for in Bankruptcy Rules 6004(h) and 6006(d) are waived and this Bid Procedures Order shall be effective immediately and enforceable upon its entry.

25. In the event of any conflict between this Order and the Bid Procedures, this Order shall govern in all respects.

26. The requirements set forth in Local Rules 6004-1, 9006-1, and 9013-1 are hereby satisfied or waived.

27. This Court shall retain exclusive jurisdiction over any matters related to or arising from the implementation of this Order.

EXHIBIT 1
Bid Procedures

(see attached)

BID PROCEDURES

Set forth below are the bid procedures (the “Bid Procedures”) to be used with respect to the sale or disposition (the “Sale”) of the Assets (as defined below) of Décor Holdings, Inc. (“Décor”); Décor Intermediate Holdings LLC; The Robert Allen Duralee Group, Inc.; The Robert Allen Duralee Group, LLC; and The Robert Allen Duralee Group Furniture, LLC (collectively, the “Debtors”).

Additional information regarding the Assets can be obtained by contacting the Debtors’ proposed investment banker, SSG Capital Advisors, LLC, Five Tower Bridge, Suite 420, 300 Barr Harbor Drive, West Conshohocken, PA 19428, Attn: J. Scott Victor and Teresa Kohl, Managing Directors,, O: 610-940-5802; jsvictor@ssgca.com and tkohl@ssgca.com,

I. Description of the Assets to be Sold

The Debtors are seeking to sell all or substantially all of their business as a going concern or subsets of the operating business, including but not limited to the inventory, receivables, equipment, intellectual property, unexpired leases, contract rights and other assets related to or necessary to operate the business currently operated by the Debtors, but excluding cash and causes of action arising under chapter 5 of the Bankruptcy Code (as defined below) (the “Assets”), in each case free and clear of all liens, claims and encumbrances thereon.

The Sale of the Assets shall be subject to a competitive bidding process as set forth herein and approval by the United States Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”) pursuant to sections 105, 363, and 365 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6003, 6004, 6006, 9007, 9008 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1, 6004-1 and 9006-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Eastern District of New York (the “Local Rules”). The Debtors may consider bids for the Assets (or any portion thereof) in a single bid from a single bidder, or in multiple bids from multiple bidders. The aggregate consideration offered must satisfy the requirements set forth in these Bid Procedures, including without limitation, by either (x) providing cash proceeds in an amount sufficient to pay in full in cash all outstanding obligations owed by the Debtors under the DIP Financing or (y) be approved and consented to by the Agent.

II. Timeline

Date	Event
March 23, 2019 at 5:00 p.m. (ET)	Stalking Horse Bid Deadline
April 2, 2019	Service of Potential Assumption and Assignment Notice
April 16, 2019 at 5:00 p.m. (ET)	Bid Deadline

April 22, 2019 at 10:00 a.m. (ET)	Auction
April 17, 2019, 4:00 p.m. (ET)	Sale Objection Deadline Cure Cost/Assignment Objection Deadline
April 24, 2019, 10:00 a.m. (ET)	Post-Auction Objection Deadline
April 24, 2019, _____. (ET)	Sale Hearing
April 26, 2019	Closing Date

III. Confidentiality Agreement

Unless otherwise ordered by the Bankruptcy Court for cause shown, to participate in the Bidding Process (as defined below), each person or entity must enter into (unless previously entered into) with the Debtors, on or before the Bid Deadline (as defined below), an executed confidentiality agreement in form and substance reasonably satisfactory to the Debtors (the “Confidentiality Agreement”). Each person or entity that enters into the Confidentiality Agreement with the Debtors on or before the Bid Deadline is hereinafter referred to as a “Potential Bidder.” The Debtors, in consultation with the Consultation Parties, expressly reserve the right to reject any “joint bids” by multiple Potential Bidders or bids submitted by joint ventures formed by more than one Potential Bidder.

After a Potential Bidder enters into the Confidentiality Agreement with the Debtors, the Debtors shall deliver or make available (unless previously delivered or made available) to each Potential Bidder certain designated information (including, if applicable, financial data) with respect to the Assets.

IV. Determination by the Debtors

As appropriate throughout the Bidding Process, the Debtors will consult with Wells Fargo Bank, National Association (“Wells Fargo”) and the official committee of unsecured creditors appointed in the Debtors’ chapter 11 cases, if any (the “Creditors’ Committee” and, collectively with Wells Fargo, the “Consultation Parties”) and shall (a) coordinate the efforts of Potential Bidders in conducting their respective due diligence, (b) evaluate bids from Potential Bidders on any or all of the Assets, (c) negotiate any bid made to acquire any or all of the Assets, and (d) make such other determinations as are provided in these Bid Procedures (collectively, the “Bidding Process”). Neither the Debtors nor their representatives shall be obligated to furnish any information of any kind whatsoever relating to the Assets to any party that is not a Potential Bidder or a Consultation Party.

V. Due Diligence

Up to and including the Bid Deadline (as defined below) (such period, the “Diligence Period”), the Debtors shall afford any Potential Bidder, and any Consultation Party, such

available due diligence access or additional information as may be reasonably requested by the Potential Bidder or Consultation Party, as applicable, that the Debtors, in their business judgment, and in consultation with the Wells Fargo, determine to be reasonable and appropriate under the circumstances. The Debtors will provide, in an electronic data room to be established for these purposes, a form asset purchase agreement for a sale of substantially all of the Debtors' Assets (the "Form APA"), and will grant each Potential Bidder or Consultation Party, as applicable, access to such data room. The Debtors may designate a representative or representatives to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders and/or Consultation Parties, as applicable. Each Potential Bidder shall be required to acknowledge that it has had an opportunity to conduct any and all due diligence regarding the Assets in conjunction with submitting its Bid (as defined below). Notwithstanding the foregoing, the Debtors reserve the right, in their reasonable discretion and following consultation with the Consultation Parties, to withhold or limit access to any information that the Debtors determine to be commercially sensitive or otherwise not appropriate to disclose to any Potential Bidder.

VI. Bid Deadline

A Potential Bidder that desires to make a Bid shall deliver copies of its Bid, in Microsoft Word format, by email to: (a) proposed counsel to the Debtors, (b) counsel to the official or unofficial creditors' committee, if one has been appointed; and (c) counsel to the DIP Lenders, Otterbourg P.C., 230 Park Avenue, New York, NY 10169 Attn: Jonathan N. Helfat, Esq, jhelfat@otterbourg.com; by no later than April 17, 2019 at 5:00 p.m. (prevailing Eastern Time) (the "Bid Deadline"). The Debtors, in turn, shall provide copies of all Bid materials to each Consultation Party so long as such party has not submitted a Bid, as set forth below.

VII. Stalking Horse Bidder(s)

The Debtors may solicit binding "stalking horse bids" for the Assets (any such bid, a "Stalking Horse Bid," and the provider of such bid, a "Stalking Horse Bidder") at any time up to and including March 23, 2019 at 5:00 p.m. (prevailing Eastern Time) (the "Stalking Horse Bid Deadline"); provided, however, that the Debtors expressly reserve the right to designate a Stalking Horse Bidder at any time prior to the Stalking Horse Bid Deadline in accordance with the exercise of their fiduciary duties, and with the consent of the Agent, even if all Stalking Horse Bids have not yet been received. The Stalking Horse Bid(s) shall set the floor for all bids for the relevant Assets at the Auction. Recognizing a Stalking Horse Bidder's expenditure of time, energy and resources, and that a Stalking Horse Bid provides a floor bid with respect to the relevant Assets, the Debtors, following consultation with the Consultation Parties, may provide any Stalking Horse Bidder with customary bid protections (collectively, the "Bid Protections") as may be agreed between the Debtors and the Stalking Horse Bidder, subject to the consent of the Agent, which consent shall not be unreasonably withheld, in the event the Stalking Horse Bid is contingent on such Bid Protections being awarded. In the event that a Stalking Horse Bid is obtained by the Debtors, the Debtors will announce the designation of the Stalking Horse Bidder(s) by filing a notice on the Bankruptcy Court's docket (a "Stalking Horse Bid Notice") no later than March 25, 2019. A Stalking Horse Bid Notice shall:

- i. state the identity of the Stalking Horse Bidder and identify the Assets that are subject to the Stalking Horse Bid;

- ii. attach an agreement accompanying the Stalking Horse Bid (a “Stalking Horse Agreement”) memorializing the proposed transaction by and between the Stalking Horse Bidder and the Debtors for the Assets or a subset thereof;
- iii. contain a statement setting forth the terms of the Bid Protections which the Debtors have agreed to (the “Bid Protection Amount”); and
- iv. contain a statement setting forth the adjusted Minimum Bid (as defined below), which amount shall equal the sum of (A) the value of the Stalking Horse Bid, (B) the Bid Protection Amount, and (C) a reasonable minimum overbid amount to be calculated in the Debtors’ sole discretion, following consultation with the Consultation Parties, based on the aggregate price set forth in the Stalking Horse Bid (a “Stalking Horse Overbid”).

VIII. Bid Requirements

All bids (each hereinafter, a “Bid”) must (collectively, the “Bid Requirements”):

- (a) be accompanied by a letter or email, or at the request of the Debtors, a non-binding letter of intent:
 - (i) stating with specificity the Assets (including the specific executory contracts and unexpired leases) such Potential Bidder wishes to bid on and the liabilities and obligations (including applicable cure costs) to be assumed by the Potential Bidder in the Sale;
 - (ii) detailing the following:
 - (A) solely in the event that a Stalking Horse Bid Notice has been filed prior to the Bid Deadline with respect to the relevant Assets, a redline of the Purchase Agreement marked to reflect any proposed amendments and modifications to the Stalking Horse Agreement and the applicable schedules and exhibits;
 - (B) solely in the event that the Bid being submitted is for the purchase of all or substantially all of the Debtors’ Assets and no Stalking Horse Bid Notice has been filed prior to the Bid Deadline with respect to a sale of all or substantially all of the Debtors’ Assets, a redline of the Purchase Agreement marked to reflect any proposed amendments and modifications to the Form APA and the applicable schedules and exhibits; and
 - (iii) agreeing that the Potential Bidder’s offer is binding and irrevocable until the later of (i) the Closing Date (as defined herein), or (ii) twenty (20) days after the Sale Hearing (unless selected as the Next-Highest Bidder (as defined below) in which case such offer will remain open until the Closing Date);
 - (iv) providing for a Closing Date that occurs on or before April 26, 2019;

- (v) offering to pay a price equal to or greater than the Stalking Horse Overbid in the event that a Stalking Horse Bid Notice has been filed prior to the Bid Deadline with respect to the relevant Assets (the “Minimum Bid”);
 - (vi) providing that such Bid is not subject to any due diligence or financing contingency; and
 - (vii) providing that the Potential Bidder agrees to serve as a backup bidder (the “Next-Highest Bidder”) if the Potential Bidder’s Qualified Bid (as defined below) is the next highest and best bid after the Successful Bid (as defined below) (the “Next-Highest Bid”) with respect to the relevant Assets.
- (b) be accompanied by any reasonable information requested by a consumer privacy ombudsman, if one is appointed pursuant to section 363(b)(1)(B) of the Bankruptcy Code;
- (c) be accompanied by adequate assurance of future performance information (the “Adequate Assurance Information”), including (i) information about the Potential Bidder’s financial condition, such as federal tax returns for two years, a current financial statement, or bank account statements, (ii) information demonstrating (in the Debtors’ reasonable business judgment) that the Potential Bidder has the financial capacity to consummate the proposed Sale, (iii) evidence that the Potential Bidder has obtained authorization or approval from its board of directors (or comparable governing body) with respect to the submission of its Bid, (iv) the identity and exact name of the Potential Bidder (including any equity holder or other financial backer if the Potential Bidder is an entity formed for the purpose of consummating the proposed Sale), and (v) such additional information regarding the Potential Bidder as the Potential Bidder may elect to include. By submitting a Bid, Potential Bidders agree that the Debtors may disseminate their Adequate Assurance Information to affected landlords, contract counterparties, and the Consultation Parties in the event that the Debtors determine such bid to be a Qualified Bid (as defined below); and
- (d) be accompanied by (a) a deposit in the form of a certified check or wire transfer, payable to the order of the Debtors, in the amount of ten percent (10%) of cash consideration portion of the Bid, which funds will be deposited into an interest bearing escrow account to be identified and established by the Debtors (a “Good Faith Deposit”) and (b) written evidence, documented to the Debtors’ satisfaction, that demonstrates the Potential Bidder has available cash, a commitment for financing if selected as the Successful Bidder (as defined below) with respect to the relevant Assets (provided, however, that the closing shall not be contingent in any way on the Successful Bidder’s financing) and such other evidence of ability to consummate the transaction(s) as the Debtors may request, including proof that such funding commitments or other financing are not subject to any internal approvals, syndication requirements, diligence or credit committee approvals (provided that such commitments may have covenants and conditions acceptable to the Debtors). The Debtors reserve the right to increase or decrease the Good Faith Deposit for one or more Qualified Bidders (as defined below) in their sole discretion after consulting with the Consultation Parties.

The Debtors, in consultation with the Consultation Parties, will review each Bid received from a Potential Bidder to determine whether it meets the requirements set forth above. A Bid received from a Potential Bidder that meets the above requirements, and is

otherwise satisfactory to the Debtors, will be considered a “Qualified Bid” and each Potential Bidder that submits a Qualified Bid will be considered a “Qualified Bidder.” The Debtors shall inform Qualified Bidders that their Bids have been designated as Qualified Bids no later than 48 hours after such Bids are received. For the avoidance of doubt, any Stalking Horse Agreement will be deemed a Qualified Bid and any Stalking Horse Bidder will be deemed a Qualified Bidder, for all purposes and requirements pursuant to the Bid Procedures, notwithstanding the requirements that a Potential Bidder must satisfy to be a Qualified Bidder. The Debtors shall, within two (2) calendar days following the Bid Deadline, inform any Stalking Horse Bidder of the Qualified Bids received and shall provide copies of the Starting Bid (as defined below) at the same time other Qualified Bidders receive such information.

For the avoidance of doubt, each of the Prepetition Secured Parties (As defined in the DIP financing Motion) will be deemed to be Qualified Bidders, for all purposes and requirements pursuant to the Bid Procedures, notwithstanding the requirements that a Potential Bidder must satisfy to be a Qualified Bidder, and any Bid submitted by any of the Prepetition Secured Parties will be deemed to be a Qualified Bid, for all purposes and requirements pursuant to these Bid Procedures, notwithstanding the requirements that a Bid must satisfy to be a Qualified Bid, including the requirements, among others, to deliver a confidentiality agreement and post a Good Faith Deposit.

A Qualified Bid will be valued by the Debtors based upon any and all factors that the Debtors, in consultation with the Consultation Parties, reasonably deem pertinent in their reasonable business judgment, including, among others, (a) the amount of the Qualified Bid, (b) the risks and timing associated with consummating the transaction(s) with the Qualified Bidder, (c) any excluded assets or executory contracts and leases, and (d) any other factors that the Debtors (in consultation with the Consultation Parties) may reasonably deem relevant.

The Debtors, in their business judgment, and in consultation with the Consultation Parties, reserve the right to reject any Bid (other than any Stalking Horse Bid) if such Bid, among other things:

- (a) is on terms that are more burdensome or conditional than the terms of the Stalking Horse Agreement, if applicable;
- (b) requires any indemnification of the Potential Bidder in its Purchase Agreement;
- (c) is not received by the Bid Deadline;
- (d) is subject to any contingencies (including representations, warranties, covenants and timing requirements) of any kind or any other conditions precedent to such party’s obligation to acquire the relevant Assets;
- (e) seeks any bid protections; or
- (f) does not, in the Debtors’ determination (after consultation with the Consultation Parties), include a fair and adequate price or the acceptance of which would not be in the best interests of the Debtors’ estates or the Auction.

Any Bid rejected pursuant to this paragraph shall not be deemed to be a Qualified Bid. In the event that any Bid is so rejected, the Debtors shall cause the Good Faith Deposit of such Potential Bidder (including all accumulated interest thereon) to be refunded to it within five (5) business days after the Bid Deadline.

If the Debtors do not receive any Stalking Horse Bid prior to the Stalking Horse Bid Deadline or Qualified Bids prior to the Bid Deadline with respect to a particular portion of the Assets (or all of the Assets), the Debtors may, in consultation with the Consultation Parties and consistent with the terms of the DIP Documents, among other things, (i) extend such Bid Deadline with respect to the subject Assets and postpone the Auction, or (ii) cancel the Auction and terminate the proposed Sale for the subject Assets.

IX. Credit Bidding

In connection with the Sale of all or any of the Assets, the DIP Lenders may seek to credit bid some or all of their claims for their respective collateral (each such bid, a "Credit Bid") pursuant to section 363(k) of the Bankruptcy Code. A Credit Bid may be applied only to reduce the cash consideration with respect to those Assets in which the party submitting such Credit Bid holds a security interest. The Agent for the DIP Lenders shall be considered a Qualified Bidder with respect to its right to acquire all or any of the Assets by Credit Bid.

X. Auction

Unless otherwise ordered by the Bankruptcy Court for cause shown, only the Qualified Bidders (including any Stalking Horse Bidder) are eligible to participate at the Auction (as defined below). The Consultation Parties shall be permitted to attend the Auction. At least three (3) days prior to the Auction, each Qualified Bidder, other than any Stalking Horse Bidder, must inform the Debtors in writing whether it intends to participate in the Auction. If the Debtors receive only a Stalking Horse Bid or one Qualified Bid with regard to any particular Assets (or all of the Assets), (a) the Debtors shall not hold an Auction with respect to such Assets; (b) the Stalking Horse Bid or the Qualified Bid, as applicable, will be deemed the Successful Bid with respect to such Assets; and (c) the Stalking Horse Bidder or the Qualified Bidder, as applicable, will be named the Successful Bidder with respect to such Assets.

If at least two Qualified Bids (or one Qualified Bid if there is also a Stalking Horse Bid) are received by the Bid Deadline with regard to any particular Assets, the Debtors will conduct an auction (the "Auction") with respect to such Assets and shall determine, after consultation with the Consultation Parties, which Qualified Bid is the highest or otherwise best Qualified Bid for the relevant Assets (the "Starting Bid"), which determination will be communicated to Qualified Bidders prior to the commencement of the Auction. The Auction shall take place at 10:00 a.m. (prevailing Eastern Time) on April 22, 2019 at the offices of counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022, or such later time or such other place as the Debtors shall designate and notify to all Qualified Bidders who have submitted Qualified Bids. Professionals and principals for the Debtors, the Stalking Horse Bidder(s) (if any), each Qualified Bidder and the Consultation Parties shall be able to attend and observe the Auction, along with any other parties the Debtors deem appropriate.

Each Qualified Bidder participating in the Auction will be required to confirm, in writing, and on the record at the Auction, that (a) it has not engaged in any collusion with respect to the Bidding Process, and (b) its Qualified Bid is a good faith *bona fide* offer that it intends to consummate if selected as the Successful Bidder.

Bidding at the Auction for the Assets (or subset thereof) that are subject to Qualified Bids will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one Subsequent Bid (defined below) is submitted by a Qualified Bidder that (i) improves on such Qualified Bidder's immediately prior Qualified Bid (a "Subsequent Bid") and (ii) the Debtors reasonably determine, in consultation with the Consultation Parties, that such Subsequent Bid is (A) for the first round, a higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (as defined below). Each Subsequent Bid at the Auction shall provide net value to the estates in an amount to be announced at or prior the Auction ("Incremental Overbid") over the Starting Bid or the Leading Bid (as defined below), as the case may be, as determined by the Debtors in the exercise of their reasonable business judgment and in consultation with the Consultation Parties; provided that: (i) if the Leading Bid was made by a Stalking Horse Bidder, such bid shall be deemed to include the Bid Protection Amount, and (ii) any Subsequent Bid made by any Stalking Horse Bidder shall only be required to equal the sum of the amount of (w) the Starting Bid or the Leading Bid, as applicable, and (x) the Incremental Overbid, less the Bid Protection Amount (if applicable). After the first round of bidding and between each subsequent round of bidding, the Debtors shall announce the bid that they believe to be the highest or otherwise best offer for the subject Assets (the "Leading Bid"). A round of bidding will conclude after each participating Qualified Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid, subject to the Debtors' authority to revise the Auction procedures as set forth below.

The Debtors may, in consultation with the Consultation Parties, announce at the Auction additional procedural rules (*e.g.*, the amount of time to make Subsequent Bids, the amount of the Incremental Overbid, or the requirement that parties submit "best and final" Bids) for conducting the Auction or otherwise modify these Bid Procedures; provided that such rules (1) are not materially inconsistent with these Bid Procedures, the Bankruptcy Code or any order of the Bankruptcy Court, and (2) are disclosed to each Qualified Bidder during the Auction. The bidding at the Auction shall be transcribed or videotaped and the Debtors shall maintain a transcript of all Bids made and announced at the Auction.

Immediately prior to the conclusion of the Auction, the Debtors, in consultation with the Consultation Parties will, for the Assets (or subset thereof) that were subject to the Auction: (a) determine, consistent with the Bid Procedures, which bid constitutes the highest or otherwise best bid (the "Successful Bid"); and (b) notify all Qualified Bidders at the Auction for the subject Assets, prior to its conclusion, of the name of the maker of the Successful Bid (the "Successful Bidder") with respect to the subject Assets, and the amount and other material terms of the Successful Bid. The Debtors may, in consultation with the Consultation Parties, designate the Next-Highest Bid (and the corresponding Next-Highest Bidder) to close with respect to the subject Assets in the event that the Successful Bidder does not close the Sale. The terms of each Successful Bid and Next-Highest Bid shall be reasonably acceptable to the Agent, in consultation with the Agent as set forth in the Credit Agreement, and shall, among other things, either (x) provide for cash proceeds in an amount sufficient to repay in full in cash all of

the Debtors' obligations under the Credit Agreement and, if applicable, all of the Debtors' obligations under the Prepetition Credit Agreement or (y) be approved and consented to by the Agent. Unless the Bankruptcy Court orders otherwise upon application by the Debtors, the Debtors shall not consider any Bids or Subsequent Bids submitted after the conclusion of the Auction and any and all such Bids and Subsequent Bids shall be deemed untimely and shall under no circumstances constitute a Qualified Bid.

Within 24 hours following conclusion of the Auction, the Debtors shall file a notice on the Bankruptcy Court's docket identifying (with specificity) the Successful Bidder(s) for the Assets (or subset thereof) and any applicable Next-Highest Bidders. Notwithstanding the selections of the Successful Bidder(s) and the Next-Highest Bidder(s), all bids are binding and irrevocable until the later of (i) the Closing Date, or (ii) twenty (20) days after the Sale Hearing (unless selected as the Next-Highest Bidder, in which case such offer will remain open until the Closing Date).

XI. Jurisdictional Consent

All bidders at the Auction will be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to jury trial in connection with any disputes relating to the Auction, the Sale and the construction and enforcement of any Stalking Horse Agreement (if applicable) and all other agreements entered into in connection with any proposed Sale transaction. Such consent and waiver shall apply to the extent that it is later determined that the Bankruptcy Court, absent consent, cannot enter final orders or judgments with regard to the foregoing matters consistent with Article III of the United States Constitution.

XII. Acceptance of Qualified Bids

The Debtors may reject at any time, before entry of an order of the Bankruptcy Court approving the Sale, any Bid that, in the Debtors' judgment, upon considering any comments of the Consultation Parties, is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bid Procedures or the DIP Documents, or (iii) contrary to the best interests of the Debtors and their estates. The Debtors, in consultation with the Consultation Parties, expressly reserve the right to reject any "joint bids" by multiple Potential Bidders or bids submitted by joint ventures formed by more than one Potential Bidder.

The Debtors' presentation to the Bankruptcy Court for approval of a selected Qualified Bid as a Successful Bid does not constitute the Debtors' acceptance of such Bid. The Debtors will have accepted a Successful Bid only when such Successful Bid has been approved by the Bankruptcy Court at the Sale Hearing. The Debtors intend to close the Sale(s) on or before April 26, 2019 unless another time or date, or both, are agreed to in writing by the Debtors and the Successful Bidder (the "Closing Date").

XIII. No Fees for Potential Bidders or Qualified Bidders

Potential Bidders or Qualified Bidders, other than a Stalking Horse Bidder, shall not be allowed any break-up, termination or similar fee. Moreover, all Potential Bidders, Qualified

Bidders, and the Stalking Horse Bidder (excluding any Bid Protections agreed to by the Debtors), by participating in the Bidding Process, will be deemed to have waived any right to seek a claim for substantial contribution pursuant to section 503 of the Bankruptcy Code or the payment of any broker fees or cost.

XIV. Sale Hearing

Each Successful Bid and any Next-Highest Bid (or if no Qualified Bid other than that of a Stalking Horse Bidder or one Qualified Bidder is received with respect to the Assets (or subset thereof), then the Stalking Horse Bid or the Qualified Bidder, respectively) will be subject to approval by the Bankruptcy Court. The hearing to approve a Successful Bid and any Next-Highest Bid (or if no Qualified Bid other than that of a Stalking Horse Bidder or one Qualified Bid is received with respect to the Assets (or subset thereof), then the Stalking Horse Bid or the Qualified Bid, respectively) shall take place on **April 24, 2019 at ____ a.m.** (prevailing Eastern Time) (the "Sale Hearing"). The Sale Hearing may be adjourned by the Debtors consistent with the terms of the DIP Documents and from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing or by filing a notice, which may be a hearing agenda stating the adjournment, on the docket of the Debtors' chapter 11 cases.

At the Sale Hearing, the Debtors will seek entry of an order that, among other things: (i) authorizes and approves the Sale(s) to the Successful Bidder(s) and/or the Next-Highest Bidder(s), (ii) includes a finding that the Successful Bidder(s) and/or the Next-Highest Bidder(s) is a good faith purchaser pursuant to section 363(m) of the Bankruptcy Code, and (iii) as appropriate, exempts the Sale(s) and conveyance(s) of the Assets from any transfer tax, stamp tax or similar tax, or deposit under any applicable bulk sales statute.

XV. Return of Good Faith Deposit

The Good Faith Deposits of all Potential Bidders shall be held in escrow by the Debtors, but shall not become property of the Debtors' estates absent further order of the Bankruptcy Court. The Good Faith Deposits of all Potential Bidders shall be retained by the Debtors, notwithstanding Bankruptcy Court approval of the Sale(s), until three (3) business days after the earlier of (a) the applicable Closing Date(s), or (b) ten (10) days following the Sale Hearing; provided, however, that the Good Faith Deposit of each Next-Highest Bidder shall be retained until three (3) business days after the applicable Closing Date. The Debtors shall retain any Good Faith Deposit submitted by each Successful Bidder. At the closing of a Sale contemplated by a Successful Bid, the applicable Successful Bidder will be entitled to a credit for the amount of its Good Faith Deposit to the extent such a deposit was provided.

If a Successful Bidder (or, if the Sale is to be closed with a Next-Highest Bidder, then the Next-Highest Bidder) fails to consummate the Sale because of a breach or failure to perform on the part of such bidder, then, subject to the terms of the Purchase Agreement or the Stalking Horse Agreement, as applicable (and as such agreements may be amended or modified at the Auction), the Debtors and their estates shall be entitled to retain the Good Faith Deposit of such Successful Bidder (or, if the Sale is to be closed with the Next-Highest Bidder, then such Next-Highest Bidder) as part of the damages resulting to the Debtors and their estates for such breach or failure to perform.

XVI. Reservation of Rights and Modifications

Notwithstanding any of the foregoing, the Debtors and their estates, in consultation with the Consultation Parties, and with the consent of the Agent, which consent shall not be unreasonably withheld, and consistent with the terms of the Credit Agreement, reserve the right to modify these Bid Procedures at or prior to the Auction, including, without limitation, to extend the deadlines set forth herein, modify bidding increments, waive terms and conditions set forth herein with respect to any or all Potential Bidders (including, without limitation, the Bid Requirements), impose additional terms and conditions with respect to any or all potential bidders, adjourn or cancel the Auction at or prior to the Auction, and adjourn the Sale Hearing. By no later than the time of announcement of the Stalking Horse Bid for the Auction, the Debtors may determine, in consultation with the Consultation Parties and with the consent of the Agent, which consent shall not be unreasonably withheld, to withdraw the Assets or any subset thereof, including but not limited to intellectual property, and/or nonresidential real property leases, from the Auction and Sale process, and adjourn the Sale Hearing with respect to these assets on the terms set forth herein.

The Debtors shall consult with the Consultation Parties as explicitly provided for in these Bid Procedures; provided, however, that the Debtors shall not be required to consult with any Consultation Party (or its advisors) that submits a Bid or has a Bid submitted on its behalf for so long as such Bid remains open, including any credit bid, if the Debtors determine, in their reasonable business judgment, that consulting with such Consultation Party regarding any issue, selection, or determination is (a) likely to have a chilling effect on the potential bidding or (b) otherwise contrary to the goal of maximizing value from the sale process for the Debtors' estates, their creditors, and all other parties in interest.

XVII. Next-Highest Bidder

Notwithstanding any of the foregoing, in the event that a Successful Bidder fails to close a Sale prior to such date as specified in the applicable Purchase Agreement (or such date as may be extended by the Debtors), the Debtors, upon written notice to the Next-Highest Bidder, may designate the applicable Next-Highest Bid as the Successful Bid for the Assets (or subset thereof), the Next-Highest Bidder will be deemed to be the Successful Bidder for such Assets, and the Debtors will be authorized, but not directed, to close the Sale to the Next-Highest Bidder subject to the terms of the Next-Highest Bid without the need for further order of the Bankruptcy Court and without the need for further notice to any interested parties.

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EXHIBIT 2

Notice of Auction and Sale Hearing

(see attached)

HAHN & HESSEN LLP
488 Madison Avenue
New York, New York 10022
Telephone: (212) 478-7200
Facsimile: (212) 478-7400
Mark T. Power, Esq.
Janine M. Figueiredo, Esq.

*Proposed Counsel for Debtors and
Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

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	:	
In re:	:	Chapter 11
	:	
Décor Holdings, Inc., et al.,¹	:	Case No. 19-71020 (REG)
	:	Case No. 19-71022 (REG)
Debtors.	:	Case No. 19-71023 (REG)
	:	Case No. 19-71024 (REG)
	:	Case No. 19-71025 (REG)
	:	
	:	Joint Administration Requested
-----	X	

NOTICE OF SALE, BID PROCEDURES, AUCTION AND SALE HEARING

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On February 12, 2019, the affiliated debtors and debtors in possession in the above-captioned cases (each a “Debtor,” and collectively, the “Debtors”) filed with the United States Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”) their motion (the “Motion”) for the entry of (A) an order (the “Bid Procedures”

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Décor Holdings, Inc. (4174); Décor Intermediate Holdings LLC (5414); The Robert Allen Duralee Group, Inc. (8435); The Robert Allen Duralee Group, LLC (1798); and The Robert Allen Duralee Group Furniture, LLC (2835). The corporate headquarters and the mailing address for the Debtors listed above is 49 Wireless Boulevard, Suite 150, Hauppauge, NY 11788. The Debtors also maintain a separate corporate office at 2 Hampshire Street, Suite 300, Foxboro, MA 02035.

Order”),² (i) authorizing and approving bid procedures in connection with the sale or disposition (the “Sale”) of substantially all of the Debtors’ assets (the “Assets”) or any portion thereof, (ii) authorizing the Debtors to enter into stalking horse agreements and approving certain customary bid protections for any stalking horse bidder(s) in connection with a sale transaction, (iii) scheduling an auction (the “Auction”) for and a hearing (the “Sale Hearing”) to approve the Sale, (iv) authorizing and approving the form and manner of notice of the respective date, time and place for the Auction and a hearing to approve the Sale, (v) approving procedures for the assumption and assignment of certain executory contracts and unexpired leases (collectively, the “Assignment Procedures”), (vi) approving the form and manner of notice of the assumption and assignment of certain executory contracts and unexpired leases, and (vii) granting related relief; and (B) an order (the “Sale Order”) authorizing and approving (i) the sale of the Assets free and clear of all claims, liens, liabilities, rights, interests and encumbrances (except any permitted encumbrances as determined by the Debtors and any purchaser of the Assets (collectively, the “Encumbrances and Liabilities”), (ii) the Debtors to assume and assign certain executory contracts and unexpired leases, and (iii) related relief.

2. On _____, the Bankruptcy Court entered the Bid Procedures Order [Docket No.]. Pursuant to the Bid Procedures, the Debtors have until **March 23, 2019, at 5:00 p.m. (ET)** (the “Stalking Horse Bid Deadline”) to obtain a Stalking Horse Bid(s) for the Assets.

3. Pursuant to the Bid Procedures, a Potential Bidder that desires to make a bid shall deliver an electronic copy of its bid to the parties identified in the Bid Procedures so as to be received on or before **April 16, 2019 at 5:00 p.m. (ET)** (the “Bid Deadline”) and otherwise comply with the Bid Procedures. **FAILURE TO ABIDE BY THE BID PROCEDURES MAY RESULT IN A REJECTED BID.** Any party interested in bidding on the Assets should contact: J. Scott Victor and Teresa Kohl, Managing Directors: 610-940-5802; jsvictor@ssgca.com and tkohl@ssgca.com of SSG Capital Advisors, LLC, Five Tower Bridge, Suite 420, 300 Barr Harbor Drive, West Conshohocken, PA 19428.

4. Pursuant to the Bid Procedures, in the event that the Debtors receive at least two Qualified Bids (or one Qualified Bid if there is also a Stalking Horse Bid) by the Bid Deadline with regard to any particular Assets, the Debtors will conduct an auction which shall take place at 10:00 a.m. (prevailing Eastern Time) on **April 22, 2019** at the offices of proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022, or such later time or such other place as the Debtors shall designate and notify to all Qualified Bidders who have submitted Qualified Bids. Only Qualified Bidders (including any Stalking Horse Bidder), shall be entitled to participate at the Auction.

5. If the Debtors do not receive any Stalking Horse Bid prior to the Stalking Horse Bid Deadline or Qualified Bids prior to the Bid Deadline with respect to a particular

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Bid Procedures Order (including the Bid Procedures). Any summary of the Bid Procedures and the Bid Procedures Order contained herein is qualified in its entirety by the actual terms and conditions thereof.

portion of the Assets (or all of the Assets), the Debtors may, in consultation with the Consultation Parties and consistent with the terms of the DIP Documents, among other things, (i) extend such Bid Deadline with respect to the subject Assets, (ii) cancel the Auction and terminate the proposed Sale for the subject Assets, or (iii) otherwise seek Bankruptcy Court relief.

6. Each Successful Bid and any Next-Highest Bid (or if no Qualified Bid other than that of a Stalking Horse Bidder or one Qualified Bidder is received with respect to a particular Asset or grouping of Assets, then the Stalking Horse Bid or the Qualified Bidder, respectively) will be subject to approval by the Bankruptcy Court. The Sale Hearing shall take place at the Bankruptcy Court for the Eastern District of New York, 290 Federal Plaza, Central Islip, New York 11722 Courtroom 860, on **April 24, 2019, at 10:00 a.m. (ET)**. The Sale Hearing may be adjourned by the Debtors consistent with the terms of the DIP Documents and from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing or by filing a notice, which may be a hearing agenda, stating the adjournment, on the docket of the Debtors' chapter 11 cases.

7. Any objections to the Sale or the relief requested in connection with the Sale, including objections to entry of the proposed Sale Order (a "Sale Objection"), other than a Post-Auction Objection (as defined below) or a Cure Cost/Assignment Objection (which shall be governed by the Assignment Procedures) must: (i) be in writing; (ii) signed by counsel or attested to by the objecting party; (iii) in conformity with the applicable provisions of the Bankruptcy Rules and the Local Rules; (iv) state with particularity the legal and factual basis for the objection and the specific grounds therefor; (v) be filed with the Clerk of the Court, 290 Federal Plaza, Central Islip, New York 11722, together with proof of service, **on or before 4:00 p.m. (ET) on April 17, 2019** (the "Sale Objection Deadline"); and (vi) be served, so as to be actually received on or before the Sale Objection Deadline, upon (a) proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022 (Attn: Mark T. Power and Janine. M. Figueiredo); (b) counsel to the official committee of unsecured creditors, if one is appointed; (c) the Office of the United States Trustee for the Eastern District of New York, Long Island Federal Plaza Courthouse, 560 Federal Plaza, Central Islip, New York 11722 (Attn: Christine H. Black); (d) counsel to Wells Fargo Bank, N.A. and PNC Bank, N.A., Otterbourg, P.C., 230 Park Avenue, New York, New York 10169-0075 (Attn: Daniel F. Fiorillo, Esq. and Jonathan N. Helfat, Esq., Fax: (212) 682-6104) (collectively, the "Notice Parties").

8. Any objections solely with respect to conduct at the Auction (a "Post-Auction Objection") must: (i) be in writing; (ii) signed by counsel or attested to by the objecting party; (iii) in conformity with the applicable provisions of the Bankruptcy Rules and the Local Rules; (iv) state with particularity the legal and factual basis for the objection and the specific grounds therefor; (v) be filed with the Clerk of the Court, 290 Federal Plaza, Central Islip, New York 11722, together with proof of service, **on or before 10:00 a.m. (ET) on April 24, 2019** (the "Post-Auction Objection Deadline"); and (vi) be served, so as to be actually received on or before the Post-Auction Objection Deadline, upon the Notice Parties.

9. If a Sale Objection is not filed and served on or before the Sale Objection Deadline or a Post-Auction Objection is not filed and served on or before the Post-Auction Objection Deadline in accordance with the foregoing requirements, the Court may enter the Sale Order without further notice to such party.

10. Copies of the Motion, the Bid Procedures, the Bid Procedures Order, and the Assignment Procedures may be obtained by parties in interest free of charge on the dedicated webpage related to the Debtors' chapter 11 cases maintained by the claims and noticing agent in these cases, Omni Management Group LLC, at <https://omnimgt.com/radg>. Copies of such documents are also available for inspection during regular business hours at the Clerk of the Bankruptcy Court, 290 Federal Plaza, Central Islip, New York 11722, and may be viewed for a fee on the internet at the Court's website (<http://www.deb.uscourts.gov/>) by following the directions for accessing the ECF system on such website.

Dated: February 12, 2019
New York, New York

Respectfully submitted,

/s/ Mark T. Power

HAHN & HESSEN LLP

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Mark T. Power
Janine M. Figueiredo

*Proposed Counsel to the
Debtors and Debtors in Possession*

EXHIBIT 3

Notice of Possible Assumption and Assignment and Related Cures

(see attached)

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Mark T. Power, Esq.
Janine M. Figueiredo, Esq.

*Proposed Counsel to the Debtors and
Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

-----		X
	:	
In re:	:	Chapter 11
	:	
Décor Holdings, Inc., et al.,¹	:	Case No. 19-7120 (REG)
	:	Case No. 19-7122 (REG)
Debtors.	:	Case No. 19-7123 (REG)
	:	Case No. 19-7124 (REG)
	:	Case No. 19-7125 (REG)
	:	
	:	Joint Administration Requested
-----		X

**NOTICE OF POSSIBLE ASSUMPTION AND ASSIGNMENT OF
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED
LEASES IN CONNECTION WITH SALE**

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On February 12, 2019, the affiliated debtors and debtors in possession in the above-captioned cases (each a "Debtor," and collectively, the "Debtors") filed with the United States Bankruptcy Court for the Eastern District of New York (the "Bankruptcy Court") their motion (the "Motion") for the entry of (A) an order (the "Bid Procedures

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Décor Holdings, Inc. (4174); Décor Intermediate Holdings LLC (5414); The Robert Allen Duralee Group, Inc. (8435); The Robert Allen Duralee Group, LLC (1798); and The Robert Allen Duralee Group Furniture, LLC (2835). The corporate headquarters and the mailing address for the Debtors listed above is 49 Wireless Boulevard, Suite 150, Hauppauge, NY 11788. The Debtors also maintain a separate corporate office at 2 Hampshire Street, Suite 300, Foxboro, MA 02035.

Order)² (i) authorizing and approving bid procedures in connection with the sale or disposition (the “Sale”) of substantially all of the Debtors’ assets (the “Assets”) or any portion thereof, (ii) authorizing the Debtors to enter into stalking horse agreements and approving certain customary bid protections for any stalking horse bidder(s) in connection with a sale transaction, (iii) scheduling an auction (the “Auction”) for and a hearing (the “Sale Hearing”) to approve the Sale, (iv) authorizing and approving the form and manner of notice of the respective date, time and place for the Auction and a hearing to approve the Sale, (v) approving procedures for the assumption and assignment of certain executory contracts and unexpired leases (collectively, the “Assignment Procedures”), (vi) approving the form and manner of notice of the assumption and assignment of certain executory contracts and unexpired leases, and (vii) granting related relief; and (B) an order (the “Sale Order”) authorizing and approving (i) the sale of the Assets free and clear of all claims, liens, liabilities, rights, interests and encumbrances (except any permitted encumbrances as determined by the Debtors and any purchaser of the Assets (collectively, the “Encumbrances and Liabilities”), (ii) the Debtors to assume and assign certain executory contracts and unexpired leases, and (iii) related relief.

2. On February ____, 2019, the Bankruptcy Court entered the Bid Procedures Order [Docket No. ____].

3. The Sale Hearing shall take place at the Bankruptcy Court for the Eastern District of New York, 290 Federal Plaza, Central Islip, New York 11722 Courtroom 860, on **April 24, 2019, at 10:00 a.m. (ET).** The Sale Hearing may be adjourned by the Debtors consistent with the terms of the DIP Documents and from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing or by filing a notice, which may be a hearing agenda, stating the adjournment, on the docket of the Debtors’ chapter 11 cases.

4. To facilitate the Sale, the Debtors are potentially seeking to assume and assign certain Contracts (the “Assigned Contracts”) to any Successful Bidder, in accordance with the Assignment Procedures provided for in the Bid Procedures Order. Each of the Debtors’ Contracts is identified on Exhibit 1 attached hereto. **THE INCLUSION OF ANY CONTRACT ON EXHIBIT 1 DOES NOT CONSTITUTE AN ADMISSION THAT A PARTICULAR CONTRACT IS AN EXECUTORY CONTRACT OR UNEXPIRED LEASE OF PROPERTY OR REQUIRE OR GUARANTEE THAT SUCH CONTRACT WILL BE ASSUMED AND ASSIGNED, AND ALL RIGHTS OF THE DEBTORS WITH RESPECT THERETO ARE RESERVED.** The cure amount (each, a “Cure Cost”), if any, that the Debtors believe is required to be paid to the applicable counterparty (each, a “Non-Debtor Counterparty,” and collectively, the “Non-Debtor Counterparties”) to each of the Contracts under section 365(b)(1)(A) and (B) of the Bankruptcy Code is identified on Exhibit 1 attached hereto.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Bid Procedures Order (including the Bid Procedures). Any summary of the Bid Procedures and the Bid Procedures Order contained herein is qualified in its entirety by the actual terms and conditions thereof.

1. If a Non-Debtor Counterparty objects to the Cure Cost for its Contract and/or to the proposed assumption, assignment and/or transfer of such Contract (including the transfer of any related rights or benefits thereunder), other than objections that relate specifically to the identity of a Successful Bidder, the Non-Debtor Counterparty must file with the Bankruptcy Court and serve on the Notice Parties (as defined below) a written objection (a “Cure Cost/Assignment Objection”). Any Cure Cost/Assignment Objection shall: (i) be in writing; (ii) state with specificity the nature of such objection, including the amount of Cure Costs in dispute; and (iii) be filed with the Bankruptcy Court, 290 Federal Plaza, Central Islip, New York 11722, together with proof of service, **on or before 4:00 p.m. (ET) on April 17, 2019** (the “Cure Cost/Assignment Objection Deadline”) and properly served on the Notice Parties so as to be received no later than The Cure-Cost/Assignment Objection Deadline. The “Notice Parties” are as follows: (a) proposed counsel to the Debtors, Hahn & Hessen LLP, 488 Madison Ave, 14th Floor, New York, NY 10022 (Attn: Mark T. Power and Janine. M. Figueiredo); (b) counsel to the official committee of unsecured creditors, if one is appointed; (c) the Office of the United States Trustee for the Eastern District of New York, Long Island Federal Plaza Courthouse, 560 Federal Plaza, Central Islip, New York 11722 (Attn: Christine H. Black); (d) counsel to Wells Fargo Bank, N.A. and PNC Bank, N.A., Otterbourg, P.C., 230 Park Avenue, New York, New York 10169-0075 (Attn: Daniel F. Fiorillo, Esq. and Jonathan N. Helfat, Esq., Fax: (212) 682-6104).

5. Objections (a “Post-Auction Objection”) of any Non-Debtor Counterparty related solely to the identity of, and adequate assurance of future performance provided by, the Successful Bidder must (i) be in writing; (ii) state with specificity the nature of such objection, and (iii) be filed with the Bankruptcy Court and properly served on the Notice Parties so as to be received no later than 10:00 a.m. (ET) on April 24, 2019 (the “Post-Auction Objection Deadline”).

6. At the Sale Hearing, the Debtors may seek Bankruptcy Court approval of the assumption and assignment to any Successful Bidder of those Contracts that have been selected by the Successful Bidder to be assumed and assigned. The Debtors and their estates reserve any and all rights with respect to any Contracts that are not ultimately assigned to the Successful Bidder.

7. Any Non-Debtor Counterparty to a Contract who fails to timely file and properly serve a Cure Cost/Assignment Objection or Post-Auction Objection as provided herein will (i) be forever barred from objecting to the Cure Costs and from asserting any additional cure or other amounts with respect to such Contract in the event it is assumed and/or assigned by the Debtors and the Debtors shall be entitled to rely solely upon the Cure Costs, and (ii) be deemed to have consented to the assumption, assignment and/or transfer of such Contract (including the transfer of any related rights and benefits thereunder) to the relevant Successful Bidder and shall be forever barred and estopped from asserting or claiming against the Debtors or the Successful Bidder that any additional amounts are due or defaults exist, or conditions to assumption, assignment, and/or transfer must be satisfied under such Contract, or that any related right or benefit under such Contract cannot or will not be available to the relevant Successful Bidder.

8. If a Non-Debtor Counterparty files a Cure Cost/Assignment Objection satisfying the requirements of these Assignment Procedures, the Debtors and the Non-Debtor Counterparty shall meet and confer in good faith to attempt to resolve any such objection without Bankruptcy Court intervention (the "Resolution Procedures"). If the applicable parties determine that the objection cannot be resolved without judicial intervention in a timely manner, the Bankruptcy Court shall make all necessary determinations relating to such Cure Cost/Assignment Objection at a hearing scheduled pursuant to the following Paragraph.

9. Consideration of unresolved Cure Cost/Assignment Objections and Post-Auction Objections relating to all Contracts, if any, will be held at the Sale Hearing, *provided, however*, that (i) any Contract that is the subject of a Cure Cost/Assignment Objection with respect solely to the amount of the Cure Cost may be assumed and assigned prior to resolution of such objection and (ii) the Debtors, in consultation with the Consultation Parties, may adjourn a Cure Cost/Assignment objection in their discretion.

10. A timely filed and properly served Cure Cost/Assignment Objection or Post-Auction Objection will reserve the filing Non-Debtor Counterparty's rights relating to the Contract, but will not be deemed to constitute an objection to the relief generally requested in the Motion with respect to the approval of the Sale.

11. The Debtors' assumption and/or assignment of a Contract is subject to approval by the Bankruptcy Court, consummation of the Sale and receipt of a Confirmation Notice (as defined below). Absent consummation of the Sale, receipt of a Confirmation Notice and entry of a Sale Order approving the assumption and/or assignment of the Contracts, the Contracts shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.

12. Within ten (10) days following the assumption and assignment of any Contract to the relevant Successful Bidder, the Debtors shall file with the Bankruptcy Court and shall serve each Non-Debtor Counterparty whose Contract the Debtors assumed and/or assigned with a notice of assumption and assignment of such Contract (the "Confirmation Notice"). Any Contract where no Confirmation Notice was served shall be deemed neither assumed nor assigned, and shall in all respects be subject to subsequent assumption or rejection by the Debtors.

13. Copies of the Motion, the Bid Procedures, the Bid Procedures Order, and the Assignment Procedures may be obtained by parties in interest free of charge on the dedicated webpage related to the Debtors' chapter 11 cases maintained by the claims and noticing agent in these cases, Omni Management Group LLC, at <https://omnimgt.com/radg>. Copies of such documents are also available for inspection during regular business hours at the Clerk of the Bankruptcy Court, 290 Federal Plaza, Central Islip, New York 11722, and may be viewed for a fee on the internet at the Court's website (<http://www.deb.uscourts.gov/>) by following the directions for accessing the ECF system on such website.

Dated: February 12, 2019
New York, New York

Respectfully submitted,

/s/ Mark T. Power

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Janine M. Figueiredo

*Proposed Counsel to the
Debtors and Debtors in Posses*

EXHIBIT 1

(Contracts and Unexpired Leases)