

# CW ABC

## A Delaware Series Limited Liability Company Assignment for the Benefit of Creditors Services

August 7, 2020

CWC Direct Parent LLC, a Delaware limited liability company  
CWC Direct LLC, a Delaware limited liability company  
Coldwater Direct LLC, a Delaware limited liability company  
CWC Stores LLC, a Delaware limited liability company  
175 A Beal Street  
Hingham, MA 02043

**RE: NOTICE OF COMMENCEMENT OF GENERAL  
ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

Dear Sir or Madam:

Please be advised that CWC Direct Parent LLC, a Delaware limited liability company, CWC Direct LLC, a Delaware limited liability company, Coldwater Direct LLC, a Delaware limited liability company, and CWC Stores LLC, a Delaware limited liability company, (“Companies”) executed a General Assignment for the Benefit of Creditors (the “Assignment”) in favor of CW ABC, a Delaware Series Limited Liability Company (the “Assignee”) in accordance with the applicable provisions of Delaware law governing General Assignments for the Benefit of Creditors, 10 *Del. C. §7381 et. seq.* The Verified Petition commencing the proceeding was filed with the Delaware Court of Chancery (the “Court”) on July 24, 2020. A copy of the Verified Petition, the Court’s Order dated July 31, 2020 accepting jurisdiction over the Verified Petition, and the Assignment are attached for your information.

CWC Direct Parent LLC, a Delaware limited liability company, was established on May 21, 2014 as the parent company and is the owner of the subsidiaries that executed the general assignment. CWC Direct Parent LLC is 100% owned by CWC Direct Holdings LLC (“Holdings”). Holdings is a holding company whose only material asset is its investment in the Company. Coldwater Investments LLC, a Delaware limited liability company is the sole member of CWC Direct Parent LLC.

CWC Direct LLC was originally formed as Luxury Footwear LLC and was established on April 4, 2014 for the purpose of holding title to the intellectual property of the Company. The intellectual property of Coldwater Creek was acquired by the Company from CWC Liquidation Inc. (f/k/a Coldwater Creek Inc.) in the 2014 bankruptcy proceeding. The name was amended to CC IP Acquisition LLC on April 23, 2014 and then to CWC Direct LLC on May 16, 2014. On May 9, 2014, CWC Direct LLC contributed certain assets from its member under an intellectual property assignment. Coldwater Direct LLC was established on July 10, 2014 as a direct response and ecommerce company engaged primarily in selling high quality women’s clothing throughout the U.S. CWC Stores LLC was established on May 24, 2017 as a company engaged primarily in selling high quality women’s clothing in retail stores throughout the U.S.

### CHICAGO

10 South LaSalle Street, Suite 3300 • Chicago, Illinois 60603 • Telephone: 312.263.4141 • Fax: 312.263.1180 • [www.DSIAssignments.com](http://www.DSIAssignments.com)

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The Companies operated an omni-channel retailer of high quality women's apparel, accessories, shoes and home décor. The Companies were a direct to consumer business with catalog and online sales, as well as brick-and-mortar retail locations across the U.S.

The Company initially commenced operations via online and catalog sales in November 2014. In 2018, the Company opened its first retail store under existing ownership and thirteen locations were operating in the U.S. by early 2020. According to the unaudited, preliminary financial statements prepared by the Companies, the accumulated deficiency (loss) through period ending July 2, 2020 was approximately \$64 million. The first and second quarter 2020 revenues totaled \$36.4 million and \$35.4 million and incurred losses of \$8.6 million and \$5.6 million, in the respective periods.

In late 2019, the Companies sought to improve their profitability and strengthen their cash flow. In early 2020, sales showed positive growth, but in early March the company saw a sharp decline due to the COVID-19 pandemic and continued unsustainable losses. Retail store operations were closed in mid-March 2020 with the entire retail staff furloughed. The Companies took steps to reduce their general administrative and operating expenses as quickly as possible to try to overcome the financial impact from the crisis. However, these steps were not enough to generate a significant improvement to generate profitable operations and the determination not to reopen the stores was made in mid-June 2020.

The Companies entered into a secured credit and security agreement with Wells Fargo Bank, N.A., which loan is allegedly secured by a lien on all of the Companies' assets. The balance due on this obligation was \$1.5 million as of July 24, 2020. The Talbots, Inc., has asserted a second lien on the Company's intellectual property to secure advances of more than \$5.0 million. The Company utilized the services of a third party warehouse to hold and assist in the delivery of inventory to customers. The warehouse facility has asserted a warehouseman's lien to secure the approximately \$1.6 million it is owed. The Assignee is presently investigating the extent, validity and priority of the secured creditors and warehouseman's lien claims. The Assignee has retained the firm Klehr Harrison Harvey Branzburg LLP to serve as its counsel, and other professionals may be retained as necessary. Klehr Harrison's contact information:

Klehr Harrison Harvey Branzburg LLP  
Attention: Sally Veghte  
919 North Market Street  
Suite 1000  
Wilmington, DE 19801-3062  
Office: (302) 552-5503  
Email: [sveghte@klehr.com](mailto:sveghte@klehr.com)

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The Assignee intends to sell the Companies' assets in the near future and has already received interest from several potential buyers. The Assignee will request approval of procedures for the sale of the assets from the Court. In light of the interest already received for the assets, the Assignee intends to set a date for an auction. Any party interested in receiving information about the assets for the purpose of evaluating their participation in the sale process will be asked to sign a non-disclosure agreement with the Assignee before getting access to company information. The terms of the auction will be included in the motion filed with the Court to approve the sale procedures. After it is filed with the Court, the motion will be available upon request of the Assignee, its counsel or through the Assignee's website, [www.dsiassignments.com](http://www.dsiassignments.com), under the CW ABC case tab.

Attached to this notice is the Proof of Claim form for each of the respective cases that must be completed and returned to the Assignee, at its Chicago, Illinois, offices at the following address:

CW ABC  
A Delaware Series Limited Liability Company  
c/o Development Specialists, Inc.  
10 South LaSalle Street, Suite 3300  
Chicago, IL 60603

You must (1) fully complete the claim form, (2) attach any documents supporting your claim to the form and (3) return the form and supporting documents so they are received by the Assignee no later than October 31, 2020. Please file your claim in the case which is the obligor of the debt. Creditors who fail to file their Affidavit of Claim by October 31, 2020 may not be entitled to share in any distribution on account of unsecured claims arising out of the liquidation of the Companies' assets. The filing of a claim does not guaranty that there will in fact be a recovery for unsecured creditors. Also please find the most recent statement of assets and liabilities of the Companies. This statement has not been reviewed or audited by the Assignee and is based on the preliminary, unaudited books and records of the Companies.

**CW ABC**

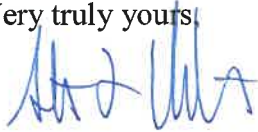
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Please feel free to contact Steven L. Victor ([svictor@dsiconsulting.com](mailto:svictor@dsiconsulting.com)), Geoffrey L. Berman ([gberman@dsiconsulting.com](mailto:gberman@dsiconsulting.com)) or David J. Young ([dyoung@dsiconsulting.com](mailto:dyoung@dsiconsulting.com)) by e-mail if you have any questions regarding the Assignment. A dedicated voicemail box has been established for this matter. Creditors seeking information on the Assignment can call (312) 263-4141 ext. 3810 and Customers can call (312) 263-4141 ext. 3820.

Very truly yours,



Steven L. Victor  
Authorized Representative  
CW ABC, A Delaware Series Limited Liability Company  
Solely in Its Capacity as Assignee for the  
Benefit of Creditors of  
CWC Direct Parent LLC, a Delaware limited liability company;  
CWC Direct LLC, a Delaware limited liability company;  
Coldwater Direct LLC, a Delaware limited liability company; and  
CWC Stores LLC a a Delaware limited liability company  
c/o Development Specialists, Inc.  
10 South LaSalle Street, Suite 3300  
Chicago, IL 60603  
(312) 263-4141 (office)

**CW ABC**

A Delaware Series Limited Liability Company

In Re: CW ABC, a Delaware Series LLC

CWC DIRECT PARENT LLC and SUBSIDIARIES

Statement of Assets and Liabilities

reported at book value as of July 4, 2020 (unless noted)

(in 000's)

<u>Assets:</u>		<u>Notes:</u>
Cash	\$ 852	Bank Balance as of July 24, 2020
Inventory, net	8,700	Estimated Net Book Value as of July 24, 2020, Appraisals Pending
Prepays		Undetermined Book Value \$5.4M, Includes, \$3M Reserve subject to Credit Card Chargebacks
Property & Equipment, net		Undetermined P&E located at 3rd Party Warehouse, Appraisals Pending
Leasehold Improvements, net		Undetermined Book Value \$6.0M
Software & Web Development, net	5,967	
Intellectual Property, net	13,016	
Other Assets		Undetermined Book Value \$0.7, Value Undetermined
<b>Total Assets</b>	<b><u>\$ 28,535</u></b>	
<u>Liabilities:</u>		
<b>Secured Claims:</b>		
Bank Borrowings	1,809	Balance as of July 24, 2020, including Letters of Credit. Subject to Lien Review
3rd Party Distribution Warehouse Lien Claim	1,600	Estimated Amount as of July 24, 2020 Subject to Lien Claim. Subject to Lien Review
Debts due The Talbots, Inc.	5,551	2nd Lien Position on IP Asset. Subject to Lien Review
<b>Total Secured Claims</b>	<b><u>\$ 8,960</u></b>	
<b>Priority Claims:</b>		
Taxes : Sales and Use	\$ 486	Estimated as of July 24, 2020
<b>Unsecured Claims:</b>		
Accounts payable - trade	32,517	As of July 23, 2020 Accounts Payable Ledger
Other Current Liabilities	5,011	
Other Long Term Liabilities	6,211	
<b>Total Unsecured Claims</b>	<b><u>\$ 43,739</u></b>	
 <b>Total Liabilities</b>	 <b><u>\$ 53,185</u></b>	

The above information is provided for informational purposes only, is unaudited and compiled from the books and records of the Company. Neither the Assignee, DSI ABC, LLC or Development Specialists, Inc. represents or warrants that this information is accurate or without error.