

Classic Brands ABC

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

December 14, 2022

CLASSIC BRANDS HOLDINGS, LLC, a Delaware limited liability company;
CLASSIC BRANDS INTERMEDIATE HOLDINGS, LLC, a Delaware limited
liability company; and CLASSIC BRANDS, LLC,
a Delaware limited liability company
8901 Snowden River Parkway
Columbia, MD 21046

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

Dear Sir or Madam:

Please be advised that on November 25, 2022, Classic Brands Holdings, LLC, a Delaware limited liability company, Classic Brands Intermediate Holdings, LLC, a Delaware limited liability company, and Classic Brands, LLC, a Delaware limited liability company (collectively, the “Companies”), executed a General Assignment for the Benefit of Creditors (the “Assignment”) in favor of Classic Brands ABC, LLC, 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 on November 25, 2022. A copy of the Verified Petition, which includes a copy of the Assignment, is attached for your information.

The Companies predecessors were first established in 1971 as Classic Corporation. That company became a leading producer of waterbeds and related products, with sales on a global scale. The Companies expanded their product lines to manufacture a full line of mattresses, bed frames, bedding, and other sleep-related accessories. The Companies operating entity, Classic Brands, LLC, was formed in 2009 to continue the existing business. In 2018, Classic Brands, LLC, began offering furniture products on a direct-to-consumer basis. The Companies were not profitable and have been incurring negative EBITDA (earnings before interest, taxes, depreciation and amortization) since the third quarter of 2020.

The Assignee has been advised that the Companies retained an investment banker in the Spring of 2022 in the hopes of finding a party interested in acquiring the operating assets on a going concern basis. It was believed that this effort, if successful, would generate a greater recovery for creditors than a liquidation process. Unfortunately, the investment banker’s efforts did not result in a going concern transaction or other transaction accepted by the Companies or their secured lenders. The Companies then began liquidating their remaining inventory through their normal business operations. That inventory included certain branded, and unbranded goods that are sold to customers through different distribution channels.

CHICAGO

Classic Brands ABC, LLC

December 14, 2022

Page 2

The Companies are parties to secured financing transactions with Cerberus Business Finance, LLC (“Cerberus”), and PNC Bank, National Association (“PNC”). These lenders provided Classic Brands, LLC, with revolving loans and term loans on a fully secured basis. As a result of the loan transactions, substantially all of the Companies assets became encumbered by first priority liens and security interests in favor of the lenders.

The Companies have been in default of the secured loans with Cerberus and PNC continuously since at least March 1, 2021. On November 25, 2022, prior to the Assignment and prior to the commencement of this ABC Proceeding, Cerberus CB IP LLC, a Cerberus affiliate exercised certain of its rights and remedies under its loan documents with the Companies, and under Sections 9-620 and 9-622 of the Uniform Commercial Code, to accept certain collateral securing its debt, including intellectual property, in partial satisfaction of the Companies obligations to Cerberus. The intellectual property rights foreclosed upon by Cerberus CB IP LLC have been licensed to the Assignee to enable the liquidation of certain branded inventory subject to the license terms. Further details regarding these transactions are provided in the Verified Petition enclosed with this Notice.

The outstanding principal amounts of the secured loans is not less than \$16,590,564.28 on account of the revolving loans as of November 23, 2022 and not less than \$18,723,737.57 on account of the term loans as of November 25, 2022.

The Assignee has retained the law firm of Klehr Harrison Harvey Branzburg LLP to serve as its counsel. Klehr Harrison’s contact information is:

Klehr Harrison Harvey Branzburg LLP

Attn: Sally E. Veghte

919 North Market Street

Suite 1000

Wilmington, DE 19801-3062

Office: (302) 552-5503

E-mail: sveghte@klehr.com

The Assignee has obtained the consent of PNC to liquidate its collateral and to use the proceeds of such liquidation to fund the budgeted costs and expenses that are expected to be incurred in the administration of this ABC Proceeding. The terms of the permissive use of PNC’s cash collateral are stated in the Consent and Limited Subordination Agreement, dated November 25, 2022 (the “PNC Consent”), a true and correct copy of which is attached to the Verified Petition. The Budget appended to the PNC Consent as Exhibit B provides the Assignee’s projected costs of administration for the ABC proceeding.

Also provided with this Notice is an Affidavit of Claim form for each of the three Companies by which creditors should file their claims with the Assignee. **You should only submit a claim form for any of the Companies with which you have a claim for unpaid goods, services, or**

Classic Brands ABC

A Series Limited Liability Company

Classic Brands ABC, LLC

December 14, 2022

Page 3

other liabilities. The completed form(s) should be returned to the Assignee at its Chicago, IL offices at the following address, via e-mail, or file online:

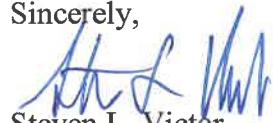
Classic Brands ABC
A Delaware Series Limited Liability Company
c/o DSI ABCs, LLC
10 South La Salle Street, Suite 3300
Chicago, IL 60603
Facsimile: (312) 263-1180
E-Mail: classicbrands@dsiconsulting.com
<https://www.dsiassignments.biz/Cases/146>

Please fully complete the form and provide any documents supporting your claim. The completed form with supporting documents must be received by the Assignee no later than **March 27, 2023**. **Creditors who fail to file an Affidavit of Claim by March 27, 2023, will not be entitled to share in any distribution on account of unsecured claims arising out of the liquidation of the Companies remaining assets. The filing of an Affidavit of Claim does not guaranty that there will in fact be a recovery for unsecured creditors on their respective claims.**

The Assignee is also enclosing a Balance Sheet from the Companies records, as of September 30, 2022. The Assignee has not verified the information on the Balance Sheet.

In the event creditors have questions about this matter, they should contact the undersigned at svictor@DSIConsulting.com or Matthew P. Sorenson at msorenson@DSIConsulting.com. A dedicated voicemail box has been established for this matter has been established at (312) 63-4141 ext. 1250.

Sincerely,



Steven L. Victor

Executive Manager

Classic Brands ABC,

Solely in its capacity as Assignee for the benefit of creditors of Classic Brands Holdings, LLC, a Delaware limited liability company; Classic Bands Intermediate Holdings, LLC, a Delaware limited liability company; and Classic Brands, LLC, a Delaware limited liability company

Attachments: Verified Petition, General Assignment, Affidavit of Claim forms (3) and Balance Sheet

cc: Richard Beck, Esq. (w/o attachments)

Classic Brands ABC

A Series Limited Liability Company

In Re: Classic Brands ABC, a Delaware Series Limited Liability Company

CLASSIC BRANDS HOLDINGS, LLC and SUBSIDIARIES

Balance Sheet reported at book value as of September 30, 2022 (unless noted)

in (000's)

Detailed Monthly Balance Sheet

	Sep22
Cash Operating Account	(347)
Cash Disbursement Account	(313)
Cash Deposit Account	297
Cash PayPal	3
Cash and cash equivalents	(361)
Accounts Receivable	20,352
Allowance For Doubtful Accts	958
Allowance For Contractual Dilution	710
Allowance for Customer Rebates	(1,609)
Allowance for Other Sales Deductions	442
Amazon Provision for Receivables	1,274
Other Receivables	562
Accounts receivable, net	22,689
Inventory Warehouse	11,134
Landed Costs Inventory Whse	3,637
Inventory In Transit	49
OLD OHM In Transit Old Ohm	-
Landed Costs Inventory In Transit	16
Inventory DI	(430)
Inventory Work in Progress	(692)
Inventory Raw Materials	276
Reserve Obsolete Inventory	(1,411)
Warehouse Shipping Supplies	-
Inventory	12,578
Prepaid Expenses	575
Other Assets	1,136
Advances to be Repaid	-
Other current assets	1,711
Current assets	36,617
Holding Account for Reclass	-
Warehouse Equipment	577
Computer Equipment	6,821
Furniture and Fixtures	67
Leasehold Improvements	2,985
Showroom Fixtures	-
Showroom Samples	6
Capitalized Leased Assets	-
Accum Depr Warehouse Equipment	(2,983)
Accum Depr Leasehold Improvements	(1,120)
Accum Depr Capitalized Leased Assets	-
Fixed assets, net	6,354
Capitalized Refinance Fee	706
Manufacturing Network	14,600
IP - Trademark	13,000

Goodwill	48,600
Accum Amort Capitalized Refinance Fee	(641)
Accum Amort Manufacturing Network	(14,600)
Accum Amort IP Trademark	(4,478)
Accum Amort Goodwill	(24,705)
Intangible assets	32,482
Surety Bond Collateral	1,875
Security Deposits	406
Costs of Fixed Assets Prior to Install	1,064
Other assets	3,345
Total assets	78,797
Liabilities	
Accounts Payable	56,581
Goods Received Not Vouched Domestic	71
OLD OHM GRNI Old Ohm	(0)
DI Payable	(208)
In Transit Inventory Payable	7
Accounts payable	56,450
Accrued Expenses	(4,301)
Accrued Marketing Expenses	47
Interest Accrual	386
Accrued Payroll	182
Accrued Commissions	4
Accrued Bonus	-
Accrued Sales and Income Taxes	155
Accrued expenses	(3,526)
Current liabilities	52,924
Capital Lease Liability - Short Term	116
Capital Lease Liability - Long Term	361
ABL or Line of Credit	22,719
Current Portion Term Loan	2,000
Current Delayed Draw Loan	9,380
LT Delayed Draw Loan	35,223
AMCO - Term Loan	15,000
Debt	84,798
Total liabilities	137,722
Class A Preferred Units	17,500
Class A Units	30,929
Class B Units	7,485
Class C Common Units	24,424
Retained Earnings	(82,908)
Distributions - Tax Payments	(9,792)
Distributions - Other	88
Net income	(46,651)
Shareholders' equity	(58,925)
Shareholders' equity and liabilities	78,797

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