

1 RICHARD H. GOLUBOW – State Bar No. 160434
rgolubow@wghlawyers.com
2 PETER W. LIANIDES – State Bar No. 160517
plianides@wghlawyers.com
3 **WINTHROP GOLUBOW HOLLANDER, LLP**
4 1301 Dove Street, Suite 500
Newport Beach, CA 92660
5 Telephone: (949) 720-4100
6 Facsimile: (949) 720-4111

7 [Proposed] General Insolvency
Counsel for Lorna Jane USA, Inc.

8
9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **LOS ANGELES DIVISION**

12 In re:
13 LORNA JANE USA, INC., a California
14 corporation,

15
16 Debtor-in-Possession.

Case No. 2:21-bk- 17267-NB
Chapter 11 Proceeding

**DECLARATION OF RICHARD MUNRO
IN SUPPORT OF DEBTOR’S FIRST DAY
MOTIONS**

Date: TBD
Time: TBD
Place: 255 East Temple Street
Courtroom 1545
Los Angeles, CA 90012

1 I, Richard Munro, declare and state under penalty of perjury as follows:

2 1. The matters set forth herein are within my own personal knowledge, and, if called
3 upon as a witness, I could and would competently testify thereto.

4 2. I through my company Invenz, Inc., have been retained to serve as the Chief
5 Restructuring Officer (“CRO”) of Lorna Jane USA, Inc., a California corporation, the debtor-in-
6 possession (“Debtor”) in the above-captioned chapter 11 case (“Chapter 11 Case”).

7 3. In my capacity as CRO, I am familiar with the Debtor’s daily operations and books
8 and records, and submit this Declaration in support of the first day motions (“First Day Motions”)
9 filed in the Debtor’s Chapter 11 Case.

10 4. My professional biography is attached hereto as Exhibit “1” and incorporated herein
11 by this reference. As set forth in more detail in my biography, I earned an M.B.A. degree from
12 Auckland University, and a Bachelor’s degree in Accounting and Management Information Systems
13 from the University of Canterbury. I am a licensed Chartered Accountant (CA) of Australia and New
14 Zealand and hold a California Real Estate Broker License 01900072.

15 5. In addition to serving as the Chief Executive Officer (“CEO”) of Invenz, I am the
16 President / CEO of the National Association of Corporate Directors (“NACD”), Pacific Southwest
17 Chapter (“PSW”). The NACD PSW Chapter serves almost 2,000 NACD members providing
18 corporate director education, and director peer networking opportunities. I am also Directorship
19 Certified by NACD, and a Board Leadership Fellow of NACD, both of which are recognized globally
20 as gold standards of corporate director excellence and achievement.

21 6. In addition to my credentials summarized above, I have more than thirty (30) years of
22 experience in the receivership and corporate restructuring and turnaround industry, and in overseeing
23 a myriad of companies, property, and assets, and creating significant increased profitable growth,
24 cashflow, and recoveries for the benefit of lenders, creditors, and equity interest holders.

25 7. My experience includes serving as financial adviser to companies and individuals;
26 holding senior executive positions as CEO in public and privately held companies, Chief Financial
27 Officer, Chief Operating Officer, and CRO in privately held companies; serving as a member of the
28 board of directors for public and privately held companies; and serving as a State Court Appointed

1 Receiver, and State Court Appointed Provisional Director. In one instance I was the CEO of a public
2 company as debtor in possession in Chapter 11, and supervised a successful plan of reorganization,
3 which resulted in a confirmed plan and exit from Chapter 11 bankruptcy. In the various capacities
4 identified above, I have led, overseen or principally managed financial restructurings, and orderly
5 wind downs and liquidations of numerous businesses in and out of court.

6 8. I have also served as a state court designated financial expert witness to assess and
7 opine on a company's financial performance for the Court.

8 9. This Declaration is intended to provide the Court and parties-in-interest with an
9 understanding of the Debtor's business and the circumstances that precipitated the Chapter 11 filing,
10 as well as to support the various factual bases for the First Day Motions that have been filed in
11 connection with the Chapter 11 Case. The First Day Motions are necessary to facilitate an orderly and
12 effective transition into and through chapter 11 while minimizing the disruption to the Debtor's
13 business operations.

14 10. Unless otherwise stated, all facts set forth herein are based on my personal knowledge,
15 my review of relevant documentation of the Debtor, information provided to me by the Debtor's
16 employees and professionals and representatives of the Debtor's affiliates or related entities, or my
17 opinion based on my experience and knowledge with respect to the operations and financial affairs of
18 the Debtor. If I were called upon to testify, I would testify competently to the facts set forth in this
19 Declaration. I am authorized to submit this Declaration on behalf of the Debtor.

20 11. I have served as the CRO of the Debtor since August 4, 2021. As CRO of the Debtor, I
21 oversee the financial and operational restructuring of the day-to-day operations of the Debtor.

22 12. To familiarize the Court and parties-in-interest with the Debtor, the relief sought in the
23 various First Day Motions, and the Debtor's need to restructure through chapter 11, this Declaration
24 is organized in the following sections:

25 a. Part I provides an overview of the Debtor's business, including its history,
26 corporate structure, and business operations.

27 b. Part II discusses the Debtor's capital structure, including its assets and
28 liabilities.

1 c. Part III addresses the events precipitating the Debtor's Chapter 11 filing and
2 the Debtor's goals for the case.

3 d. Part IV provides an overview of the First Day Motions.

4 **PRELIMINARY STATEMENT**

5 13. The Debtor is a women's athletic apparel and accessories retail chain that was
6 established to sell and promote the internationally renowned Lorna Jane products brand in the United
7 States through boutiques in various states, and its website. Like most retailers in the United States,
8 the Debtor has been impacted by the COVID-19 and related Delta variant pandemic, which has
9 significantly limited retail operations throughout the country and suppressed consumer willingness to
10 shop in person. Indeed, the Debtor's retail revenue for its fiscal year beginning July 05, 2021, year to
11 date (July to August 2021), and in the twelve months ending June 30, 2021 decreased by 57% and
12 55%, respectively, compared to fiscal year 2019 (pre-pandemic era). The Debtor believes that these
13 changes in consumer shopping habits will endure even after the pandemic subsides, continuing to
14 impact brick-and-mortar retail into the future.

15 14. Even prior to the pandemic, the Debtor was experiencing a decline in sales revenue
16 from its brick-and-mortar retail boutiques, while its e-commerce revenue has dramatically increased.
17 Consequently, the Debtor's lease obligations were becoming increasingly untenable and prompted the
18 Debtor to assess and gradually reduce its lease portfolio. The profound and sustained impact of the
19 pandemic, however, has forced the Debtor to more aggressively address the rapidly widening gulf
20 between its brick-and-mortar retail boutique revenue and its substantial lease obligations, which no
21 longer reflect the market. To this end, the Debtor diligently attempted to negotiate new lease terms
22 with its landlords in the hope of achieving an out-of-court restructuring. Landlords, however, have
23 been reluctant to negotiate the type of long-term adjustments to leases that are necessary to ensure the
24 Debtor's continued viability.

25 15. After much deliberation, the Debtor has determined that restructuring through
26 chapter 11 presents the best means for the Debtor to address its challenges and promote sustained
27 success. Most particularly, through this Chapter 11 Case, the Debtor intends to reject its remaining
28 leases for its retail boutiques in order to right-size its business to better position itself for long-term

1 success and profitability. It is believed that such efforts will enable the Debtor to better adapt in light
2 of the pre-pandemic shift to online purchasing as well as the impact of the COVID-19 and Delta
3 variant pandemic on brick-and-mortar retail sales.

4 **THE DEBTOR'S BUSINESS**

5 16. The Debtor is a retailer in the United States of a wide range of high-quality affordable
6 women's athletic apparel and accessories for active living including collections offered for yoga,
7 running, gym and cross-training, tennis, travel, maternity, lifestyle and work from home. Through its
8 website, and until recently through its boutiques, the Debtor sells Lorna Jane branded product that is
9 designed in Australia and manufactured in China.

10 **CORPORATE PARENT AND PHILOSOPHY**

11 17. The Debtor is the wholly-owned subsidiary of LJ USA General Partnership
12 ("Partnership"). Partnership is owned equally by LG GP No. 1 Pty, and Ltd LG GP No. 2 Pty Ltd,
13 both organized under the laws of Australia, that are each wholly owned by Lorna Jane PTY Ltd
14 ("International"), which is also organized under the laws of Australia, and headquartered in Brisbane,
15 Queensland, Australia.

16 18. The Lorna Jane brand was originally founded in 1989 in Brisbane, Australia by Lorna
17 Jane Clarkson. Ms. Clarkson was an aerobics instructor in Brisbane, Australia. Frustrated with the
18 boring and unflattering workout fashion of the 1980s, she started designing "Activewear", a term she
19 coined, to reflect her passion to inspire women to be more active. So, she took a pair of scissors to
20 her favorite swimsuit to discover how it was made, and the first ever piece of Lorna Jane Activewear
21 began to take shape. Ms. Clarkson's aerobics students took notice of her designs and started asking
22 for custom orders. Soon, overwhelming demand led to opening the first Lorna Jane store in 1993 in
23 Brisbane, Australia.

24 19. Under stewardship of Ms. Clarkson, and her husband William "Bill" Clarkson, by
25 2011 the 100th Australian based Lorna Jane store was opened. In 2012, Lorna Jane went global by
26 opening its first United States based store, with a strategy of internationalization through opening
27 stores and showrooms throughout the globe that shared and helped promote the award-winning Lorna
28 Jane brand, and Lorna Jane's daily practice of the Active Living™ philosophy that it stands by -

1 Move, Nourish, Believe. Move your body every day. Nourish from the inside out. Believe that
2 anything is possible.

3 20. In combination with and through its affiliates, International has boutiques and
4 showrooms in Australia, New Zealand, North America, Europe, and Asia, and also sells products
5 through its affiliates' web platforms.

6 21. At the heart of Lorna Jane is a commitment to sustainability. Lorna Jane respects
7 both humankind and the environment. Importantly, Lorna Jane is driven to ensure that its
8 communities, planet and environment are just as healthy as the women that wear its Activewear.

9 22. Neither Partnership, International, nor any affiliates, have commenced chapter 11
10 or insolvency proceedings.

11 **THE DEBTOR'S OPERATIONS**

12 23. The Debtor was formed and incorporated in the state of California on or about
13 September 30, 2011 as a means to expand the Lorna Jane brand in the United States. Market research
14 revealed that the success of International could be emulated in the United States based on the unique
15 product range, coupled with the more than 20-year history and Australian heritage of the Lorna Jane
16 brand. The strategy hinged upon opening retail stores in strategic locations in California and expand
17 north and east as time progressed. The initial research through fitness trade shows and product
18 marketing to established institutional landlords yielded promising feedback in both brand resonance
19 as well as future growth potential.

20 24. With growing demand for yoga and fitness apparel, Lorna Jane Activewear was the
21 ideal product to introduce to the US market as a viable alternative to established brands such as
22 Lululemon. California was selected as the initial entry point based on the similarity of
23 weather/climate to Brisbane, Australia, and hence the product relevance, the engaged clientele and the
24 size of the target market.

25 25. In 2012 the Debtor opened its first boutique in the United States in Santa Monica,
26 California. Until recently, the Debtor operated 22 retail boutiques in 5 states¹ at which the Debtor
27 sold Lorna Jane branded women's activewear and accessories. The boutiques were located in regional

28 _____
¹ California, Arizona, Texas, Utah, and Washington

1 malls, several street-front locations, and outlet centers. The Debtor also sells products directly to
2 customers through its website, <https://www.lornajane.com/>. As of the fiscal year that ended on July 4,
3 2021, the Debtor comprised 7.69% of International's consolidated sales.

4 26. The Lorna Jane branded products are sold by the Debtor under license owned by
5 International, which works directly with a reliable and ethical manufacturing group that manufactures
6 Lorna Jane products sourced in China. The sourcing of the Lorna Jane brand products is important to
7 ensure that the products used are of the highest quality, and sourced as sustainably as possible.

8 27. The Debtor maintains its headquarters and a primary distribution center at 1475 W.
9 139th Street, Gardena, CA 90249 ("Distribution Center"), from where it ships its products directly to
10 customers, and formerly to its retail boutiques.

11 CAPITAL STRUCTURE

12 A. Assets and Liabilities

13 28. As of the Petition Date, the Debtor's balance sheet reflects approximately \$5,084,663
14 in assets and approximately \$5,105,189 in liabilities, excluding debts owed to insiders or affiliates.
15 The Debtor realized after filing its Chapter 11 Petition, Schedules and Statement of Financial Affairs
16 with the Court, that the value shown for Debtors Office furniture, fixtures, and equipment, and
17 collectibles, was inadvertently overstated. The value shown at line 86, Part 12, Schedule A&B
18 should have been \$275,236, not \$1,975,236, and the value of Total of all property on Schedule A/B at
19 line 92, Part 12, should be \$5,084,662.89, not \$6,784,662.89. The Debtor will amend Schedule A/B
20 in the near future.

21 29. The Debtor does not own any real estate. Its assets primarily include cash,
22 Lorna Jane branded inventory, with nominal value attributed to information systems and computer
23 technology equipment, transit/delivery vehicles, and fixtures and fittings at its various retail store
24 locations.

25 30. The Debtor's assets are not encumbered by or otherwise subject to any to liens or
26 secured obligations. Other than the sales revenue it generates, the Debtor's chief financing source is
27 International, and a sister-company LJ USA Holdings, Inc., a California corporation ("Holdings"),
28 which is a wholly owned subsidiary of Partnership. International and Holdings have provided capital

1 assistance to the Debtor over the years in the form of periodic unsecured loans intended to assist the
2 Debtor fund operating shortfalls. This arrangement has provided funding to the Debtor so that the
3 Debtor may promote and sell the Lorna Jane brand in the United States without the Debtor having to
4 leverage its assets. As of the Petition Date, Holdings and International are by far the Debtor's largest
5 unsecured creditors, as they are owed approximately \$32,292,000, and \$9,852,744, respectively, for
6 monies loaned.

7 31. Outside of Holding's and International's claims, the Debtor's largest liability is to its
8 landlords. As noted, the Debtor does not own any real estate. Instead, the Debtor leases all of its retail
9 boutique locations, as well as its Distribution Center under operating leases that expire on various
10 dates, with the longest lease term expiring in 2029.

11 32. As of the Petition Date, the aggregate amount of annual and monthly gross rent due
12 to landlords on all leases is approximately \$4,382,000 and \$365,263, respectively. As of August 31,
13 2021, the Debtor's total remaining lease obligations under the terms of its current leases is
14 approximately \$14,913,000. As of the Petition Date, the Debtor is currently \$2,100,697 in arrears on
15 its leases. Landlords are holding approximately \$249,585 in security deposits. As discussed below,
16 the Debtor's primary goal in chapter 11 is to right-size its United States presence in part by rejecting
17 all retail boutique store leases to enable the Debtor to better adapt and cultivate sustained profitability
18 in light of the increasing shift to online purchasing and the impact of the COVID-19 pandemic on
19 brick-and-mortar retail sales. It is anticipated that the total amount of unsecured claims in this case
20 will increase as leases are rejected.²

21 33. As of the Petition Date, the Debtor is current on sales and use taxes. For the
22 months of January through August 2021, the Debtor paid a monthly average of \$64,155 in sales and
23 use taxes.

24
25
26 ² Additional unsecured claims against the Debtor are believed to be minimal and include: (i) accrued and unpaid trade and
27 other unsecured claims incurred in the ordinary course of business; and (ii) unpaid accounts owed to the Debtor's vendors
28 and suppliers in the ordinary course of business. The Debtor has typically paid such debts as they have come due, and thus
most liabilities owed to vendors and suppliers as of the Petition Date comprise recent balances. It is therefore anticipated
that certain vendors and suppliers may have administrative priority claims under section 503(b)(9) of the Bankruptcy
Code for the value of unpaid goods received by the Debtor within 20 days of the Debtor's Chapter 11 filing.

1 **B. Sales**

2 34. For the Debtor’s fiscal year beginning on July 5, 2021, through August 29, 2021, the
3 Debtor’s net sales were approximately \$1,503,000, down nearly 47% from approximately
4 \$2,855,000 in net sales for the same period in FY2020.

5 35. Although the Debtor was experiencing a shift to e-commerce sales prior to the
6 COVID-19 pandemic, the trend greatly accelerated during the pandemic due to emergency
7 government orders closing or limiting retail store operations for prolonged periods and general
8 consumer reluctance to shop in person. In 2019, brick-and-mortar retail sales comprised 69% of the
9 Debtor’s overall sales. However, for 2020, a time nearly entirely encompassing the pandemic,
10 brick-and-mortar retail sales declined by 56% and comprised just 49% of the Debtor’s total sales.
11 Meanwhile, in 2020, the Debtor’s e-commerce sales have dramatically increased by 62%, and have
12 gone from comprising 18% of the Debtor’s overall sales (in 2019) to 47%.

13 36. Additionally, almost all of the Debtor’s products and inventory are imported and
14 processed through the Distribution Center. The amount of imported products that the Debtor
15 accounted for during the COVID-19 pandemic, in both value and quantity, declined sharply.
16 Specifically, in 2019 the Debtor accounted for 441,610 in quantity and \$7,321,812 in value. In
17 2020, the Debtor declared 198,622 in quantity and \$3,290,058 in value in its accounts. Whereas
18 through August 31, 2021, the Debtor declared 144,500 in quantity and \$2,591,683 in value. This
19 further evidences the significant impact that the pandemic has had on the Debtor’s sales and
20 therefore the drastic reduction in inventory purchases year on year.

21 **C. Employees**

22 37. The Debtor’s employees have been central to its success. However, due to the
23 decision to reject retail leases, the natural consequence was the need to terminate all employees
24 except those that work at the Distribution Center. As of the Petition Date the Debtor employs
25 approximately ten (10) full-time employees. The employees serve to support the Debtor’s operations
26 at the Distribution Center, and its online shopping platform. As detailed below in the summary
27 below, and more thoroughly in the Employee Obligations Motion, the Debtor offers employees
28 various benefit policies and options.

1 38. The Debtor's payroll is made on a bi-weekly basis. The most recent payroll, totaling
2 approximately \$115,600, was made on September 14, 2021, which includes payment in full of all
3 wages owed to all employees terminated just prior to the Petition Date. The Debtor's first post-
4 petition payroll will be made on September 23, 2021, and the total amount be expected to be paid is
5 \$20,910, of which approximately \$11,400 is for compensation earned prior to the Petition Date.

6 39. As of the Petition Date, the Debtor is current on all payroll taxes by way of remitting
7 all dues on each pay cycle to our third-party Payroll Service Provider, who in turn, remits to the
8 various Government Agencies in a timely manner. Approximately \$7,500 will be due on the Debtor's
9 next payroll date, September 23, 2021, of which approximately \$4,100 is payroll taxes for employee
10 compensation earned before the Petition Date (and of that amount, approximately \$2,700 is for
11 statutory deductions, and \$1,400 employer taxes).

12 **D. Insurance Policies**

13 40. The Debtor also maintains several insurance policies, including for, among other
14 things, (a) Property / Boiler & Machinery, (b) General Liability, (c) Automobile, (d) Workers'
15 Compensation / Employee Liability, (e) Umbrella/Excess Liability, (f) FINPRO including: D&O,
16 Fiduciary, Employment Practices, Crime, and Special Risk; (g) a Foreign Package including:
17 Commercial GL, Contingent Commercial Auto, Employee Benefits, Employers Responsibility,
18 Contingent Employers Liability, Accidental Death & Dismemberment, Special Risk; and (h) Cyber.
19 The Debtor has paid the premiums for these up to and including August 2021; the policies are valid
20 through to December 6, 2021 with premiums paid monthly to Travelers (items a to c, above) and
21 Berkshire Hathaway (item d, above). Insurances for Items (e) to (h) above are maintained at a Group
22 level through International.

23 **EVENTS PRECIPITATING FILING AND GOAL IN CHAPTER 11**

24 41. As has been the case with brick-and-mortar retailers across the United States and the
25 rest of the world, the unprecedented COVID-19 pandemic has substantially and negatively affected
26 the Debtor's business and has greatly accelerated the need for a long-term strategic solution. In
27 particular, due to state and local emergency orders issued during the pandemic, the vast majority of
28 the Debtor's retail boutiques were either operating with reduced hours or capacity, or were closed

1 entirely for extended periods. Due to the pandemic and the resulting government restrictions, the
2 Debtor made the business decision to close all of its stores in mid-March 2020. Between June 2020
3 and September 2020, most of the Debtor's retail boutiques gradually re-opened depending on the
4 status of local restrictions and conditions. When locations were re-opened, virtually all were
5 operating with reduced hours and capacity limitations based on local restrictions and conditions.
6 Consequently, as noted above, retail sales from the brick-and-mortar locations precipitously declined
7 by 55% over the 12 months ending June 30, 2021, in comparison to the same period in 2019. Sales
8 during June to August 29, 2021, declined 55% when compared to the same time in 2019.

9 42. The pandemic also understandably suppressed consumer willingness to shop in person,
10 particularly in indoor malls where the bulk of the Debtor's retail boutiques are located and social
11 distancing is difficult. Consequently, consumer habits have changed and there has been a decided
12 accelerating shift away from in-person retail shopping in favor of online purchasing that is predicted
13 to endure even after the pandemic subsides. As noted above, the Debtor's e-commerce sales have
14 risen by 69% compared to pre-pandemic levels and now comprise 47% of the Debtor's overall net
15 sales, while brick-and-mortar retail sales have fallen from nearly 56% of the Debtor's total net sales
16 to just 49%.

17 43. The world has been forever changed by the pandemic. The Debtor is now saddled with
18 hefty lease obligations that were entered into under circumstances completely different from where
19 we are today, under which the societal altering impact of the pandemic was never anticipated. Even
20 so, the Debtor was experiencing a decline in brick-and-mortar retail sales prior to the pandemic that
21 was becoming increasingly untenable, leading to the Debtor's efforts to adjust its brick-and-
22 mortar presence. The pandemic has expedited this issue, further highlighting that the lease
23 obligations have become an albatross around the Debtor's neck.

24 44. In the face of the mounting financial difficulties of the pandemic, the Debtor's
25 management instituted various mitigation measures, including implementing recurring reviews of
26 its workforce needs which led to reducing workforce (including at the corporate office level) either
27 permanently in some cases or through furloughs, consolidating roles, reducing marketing expenses,
28 and halting capital expenditure projects. Unfortunately, the impact of the pandemic has proven

1 too steep and enduring despite these initiatives, and it has become clear that more holistic efforts
2 centered on the Debtor's lease obligations are needed to preserve the Debtor long-term. The Debtor
3 simply is not generating enough revenue from brick-and-mortar sales to meet its lease obligations.
4 As noted, consumer purchasing habits have changed as a result of the pandemic, and it may be
5 years before brick-and-mortar retail sales return to pre-pandemic levels, if ever. In the meantime,
6 the Debtor's lease obligations, which unfortunately no longer accurately reflect the market, will
7 become an increasingly heavy anchor for the Debtor and may ultimately threaten the Debtor's
8 viability. Relief in chapter 11, and in particular, the rejection of burdensome leases, is necessary to
9 enable the Debtor to adapt to the new economic realities with the goal of bolstering the Debtor's
10 long-term viability and preserving the Debtor's United States market presence.

11 45. The struggles in the retail sector during the pandemic have not been unique to the
12 Debtor, as several other recognizable retail brands, including J. Crew, True Religion Apparel,
13 Lucky Brand Dungarees, Brooks Brothers, Tuesday Morning, New York & Co., Sur La Table, and
14 Guitar Center, among others have filed for chapter 11 proceedings since the start of the
15 pandemic. Several of these entities have specifically sought to reject leases in chapter 11 in an
16 effort to help right-size and sustain their businesses in light of the pandemic including, but not
17 limited to J. Crew, True Religion Apparel, Lucky Brand Dungarees, and Brooks Brothers. The
18 struggles in the retail sector even before the pandemic were not unique to the Debtor, as other
19 recognizable brands shuttered stores. For example, in 2019, Payless shut down all of its 2,100 stores,
20 and a year earlier Toys R Us closed all of its 735 stores.

21 46. Against this backdrop, in the months prior to the Chapter 11 filing, the Debtor and
22 its advisors worked tirelessly to solicit and develop strategies to maximize value for its
23 stakeholders. Most pertinently, the Debtor negotiated diligently with its landlords to reach terms that
24 would have resulted in an out-of-court restructuring. In particular, the Debtor undertook the
25 significant effort to renegotiate leases and obtain rent concessions from the Debtor's landlords.
26 Unfortunately, the Debtor was unable to execute a satisfactory out-of-court restructuring as
27 landlords generally exhibited reluctance to negotiate long-term adjustments to leases. As of the
28 Petition Date, seven (7) landlords have commenced actions for amounts due under leases, and others

1 have issued demand letters.

2 47. The Debtor did not pay any rent obligations in September 2021, and also did not
3 remit rent on certain other leases in prior months. However, the Debtor has generally paid its vendors,
4 suppliers, service providers, and trade creditors in the ordinary course of its business.

5 48. After much deliberation and consultation with its professionals and advisors, the
6 Debtor has determined in its business judgment that restructuring through chapter 11 presents the best
7 avenue for the Debtor to address its challenges and promote sustained success. In particular, through
8 this Chapter 11 Case, the Debtor intends to eliminate its brick-and-mortar footprint through the
9 rejection of burdensome leases in order to restructure and strengthen its financial picture for its go-
10 forward business, including preserving its employees that operate from the Distribution Center. To
11 this end, the Debtor's management team and advisors have determined at the outset of the Debtor's
12 Chapter 11 filing that it is appropriate to close and reject the leases for all twenty-one (21) retail
13 locations. In formulating this list of store closings, the Debtor considered such factors as the
14 location's historic sales in relation to the remaining lease obligations, recent sale trends, the
15 geographic market in which the store is located, the prospects to negotiate rent reduction with the
16 applicable landlords, and other circumstances related to a specific retail boutique's performance.

17 49. Although difficult, it is believed that closing boutique retail locations and rejecting
18 leases is necessary especially in light of the new realities brought on by the pandemic, and will help
19 maximize recovery for creditors over time. The Debtor determined it was prudent to act now in order
20 to minimize liabilities from mounting lease obligations that the Debtor cannot fulfill now or in the near-
21 term, and put the Debtor in the best position for long-term success for its various stakeholders through
22 an appropriate right-sizing of the Debtor's business.

23 **SUMMARY OF FIRST DAY MOTIONS**

24 50. To minimize the adverse effects of the commencement of the Chapter 11 Case on
25 the Debtor's ability to effectuate an efficient chapter 11 restructuring that will maximize value of
26 the Debtor's estate, the Debtor has filed a number of First Day Motions designed to facilitate a
27 smooth transition into chapter 11.

28 51. I anticipate that the Bankruptcy Court will conduct a hearing soon after the

1 Petition Date at which time the Court will consider the First Day Motions. Certain of the First
2 Day Motions seek authority to pay prepetition wages and other prepetition claims. The Debtor
3 has narrowly tailored its requests for immediate authority to instances where failure to pay such
4 claims would cause irreparable harm to itself and its estate.

5 52. Accordingly, the Debtor requests that the relief sought in each of the First Day
6 Motions described below be granted, as each request for relief constitutes a critical element in
7 preserving the value of the Debtor's estate for the benefit of all parties in interest.

8 53. I have reviewed each of the First Day Motions with the Debtor's attorneys and
9 professionals, and the facts stated therein are true and correct to the best of my knowledge,
10 information and belief. I believe that the relief sought in each First Day Motion is tailored to
11 meet the goals described above, is necessary and critical to the Debtor's reorganization efforts,
12 and is in the best interest of the Debtor's estate and creditors. I hereby adopt and affirm the
13 factual representations contained in each of the First Day Motions. To the extent the First Day
14 Motions seek authority to pay certain pre-petition claims as necessary to continue the Debtor's
15 operations, I believe that the Debtor has sufficient availability of funds to pay such obligations.

16 **DEBTOR'S MOTION FOR ENTRY OF ORDER AUTHORIZING THE CONTINUED USE**
17 **OF EXISTING CASH MANAGEMENT SYSTEM, MAIN OPERATING BANK ACCOUNT,**
18 **AND BUSINESS FORMS ("CASH MANAGEMENT MOTION")**

19 54. Pursuant to the Cash Management Motion, the Debtor requests authority to
20 continue to use the Debtor's existing (a) Cash Management System and its Main Operating Bank
21 Account with US Bank, (b) Business Forms, and (c) implement changes to its Cash Management
22 System in the ordinary course of business, including opening new or closing existing bank accounts.

23 55. The Debtor uses an integrated, centralized Cash Management System to collect,
24 concentrate, and disburse funds generated by its operations. The Cash Management System is
25 tailored to meet the Debtor's needs as a retail operator with a website. The Cash Management System
26 enables the Debtor to efficiently collect and disburse cash generated by its online sales, pay its
27 financial obligations, including to employees, and vendors, monitor and control corporate funds and
28 available cash, and efficiently obtain accurate account balances and other financial data. Although a

1 portion of the system is automated, the Debtor's Chief Financial Officer and I will be able to monitor
2 the Main Operating Bank Account (defined below), as well as any other bank accounts maintained
3 by the Debtor, and manage the day-to-day collection and disbursement of funds.

4 56. As of the Petition Date, the Debtor maintains the following bank accounts:

5 a. An operating account at US Bank, ending in 5516 ("Main Operating Bank
6 Account"). Prior to the Petition Date, the Main Operating Bank Account was the Debtor's
7 primary bank account, which held all deposits of the Debtor's customers and other money
8 received by the Debtor, and was used to make payments to vendors and for general operating
9 expenses as well as Employee payments. As of the close of business on September 15, 2021,
10 the Main Operating Bank Account has a balance of \$1,663,032.

11 b. An account at Union Bank, ending in 3043 ("Union Bank Account"). Prior to
12 the Petition Date, this account was the Debtor's bank account solely used by the Debtor's
13 Texas stores to deposit cash receipts, which were periodically swept to the US Bank account.
14 As of the close of business on September 15, 2021, this account has a balance of \$645. Now
15 that the retail boutiques are closed, the Union Bank Account is no longer required.

16 c. A dormant account at Bank of Hawaii, ending in 2292 ("Hawaii Bank
17 Account"). Prior to the Petition Date, this account had no transactions since 2017. As of the
18 close of business on September 15, 2021, this account has a balance of \$39,001.

19 57. I believe the relief requested in the Cash Management Motion is in the best
20 interest of the Debtor's estate, its creditors, and all parties-in-interest, and will enable the Debtor to
21 continue to operate its business in this Chapter 11 Case with minimal disruption. Maintaining the
22 Cash Management System is critical to the Debtor's successful day-to-day operations, without
23 which the Debtor would suffer immediate and irreparable harm. For the foregoing reasons, I
24 respectfully submit that the Cash Management Motion should be granted.

25 **DEBTOR'S MOTION FOR ENTRY OF ORDER AUTHORIZING THE DEBTOR TO**
26 **PAY CERTAIN TAXES AND FEES IN THE ORDINARY COURSE OF BUSINESS**

27 **("TAX MOTION")**

28 58. The Debtor requests entry of an order authorizing, but not directing, the Debtor to

1 remit certain taxes and fees owed to the appropriate taxing authorities in the ordinary course of
2 business, as such payments become due and payable and to the extent adequate funds are
3 available to make such payments.

4 59. In the ordinary course of business, the Debtor incurs and collects from customers
5 state and local taxes charged in connection with the sale of various products to customers (“Sales
6 Taxes”). Further, the Debtor purchases various materials and supplies necessary for the operation
7 of its day-to-day business and incurs use taxes (“Use Taxes” and, together with the Sales Taxes, the
8 “Sales and Use Taxes”) in connection with such purchases.

9 60. The Debtor remits Sales and Use Taxes generally on a monthly basis. The Debtor
10 uses a third-party service provider, Avalara Inc., through direct integration into its sales channels to
11 calculate, collect and remit Sales and Use Taxes to the appropriate taxing agency. As noted above for
12 the months of January through August 2021, the Debtor paid a monthly average of \$64,155 in Sales
13 and Use Taxes. As of the Petition Date, the Debtor believes it is current with respect to its payment
14 of Sales and Use Taxes, however the Debtor estimates that \$95,058 in Sales and Use Taxes will be
15 owed for the month of August and for the pre-petition portion of September and payable after the
16 Petition Date. To the extent any pre-petition Sales and Use Taxes are owed to taxing authorities, such
17 taxes are not property of the estate but, rather, are held in trust for the taxing authorities
18 (“Authorities”). The Debtor seeks to pay the prepetition Sales and Use Taxes in order to, among
19 other things, prevent the Authorities from taking actions that might interfere with the administration
20 of the Debtor’s Chapter 11 Case, including bringing personal liability actions against the Debtor’s
21 officers and directors or other key employees or assessing penalties or interest on past due taxes.
22 Additionally, if the Debtor does not pay the Sales and Use Taxes that it owes, it may give rise to a
23 priority claim pursuant to section 507(a)(8) of the Bankruptcy Code.

24 61. Accordingly, for the reasons set forth herein and in the Tax Motion, I respectfully
25 submit the relief requested in the Tax Motion is necessary and critical to the Debtor’s ability to
26 preserve value for the benefit of the Debtor’s estate, its creditors and parties-in-interest and will
27 enable the Debtor to continue to operate its business with minimal disruption, thereby maximizing
28 value for the estate. Absent the relief requested in the Tax Motion, the Debtor will suffer immediate

1 and irreparable harm.

2 **MOTION FOR ENTRY OF ORDER, PURSUANT TO 11 U.S.C. §§ 105(A), 363(B), AND**
3 **507(A), AUTHORIZING DEBTOR TO (I) PAY OR HONOR CERTAIN PRE-PETITION**
4 **DATE EMPLOYEE WAGES, ACCRUED VACATION AND SICK ENTITLEMENTS,**
5 **BENEFITS, EXPENSES AND OTHER OBLIGATIONS; AND (II) TO CONTINUE**
6 **EMPLOYEE BENEFIT PROGRAMS (“EMPLOYEE OBLIGATIONS MOTION”)**

7 62. Pursuant to the Employee Obligations Motion, the Debtor seeks an order
8 authorizing, but not directing, it to pay and/or honor certain obligations owing to the Debtor’s
9 employees, including prepetition wages, reimbursable employee expenses, benefits and other
10 obligations (as more specifically set forth and defined in the Employee Obligations Motion, the
11 “Employee Obligations”). The Debtor seeks authority to honor the Employee Obligations as such
12 obligations are critical and essential to employee morale and future business needs.

13 63. As of the Petition Date, the Debtor has approximately ten (10) active full-time
14 employees (“Employees”).

15 64. The Debtor’s employees are invaluable to the Debtor’s business. They perform
16 critical functions, consumer order fulfillment, customer service, human resources, and related tasks.
17 Their skills and experience and their relationships with customers and vendors are essential to the
18 Debtor’s ongoing operations and its ability to effectively operate its business during the Chapter 11
19 Case.

20 65. Due to the devastating impact of the COVID-19 pandemic, the Debtor continually
21 assessed its workforce needs and took steps to minimize costs and adjust to the impact of the
22 outbreak. As noted above, the Debtor made the difficult decision to shut down all retail locations,
23 and terminate all boutique-based employees.

24 66. The Debtor’s next payroll is scheduled for September 23, 2021, which payroll will
25 cover the pay period from September 6, 2021 through September 19, 2021. In the ordinary course, the
26 Debtor pays its employees on a bi-weekly basis, via a third-party service provider, iSolved, every
27 other Thursday. Thus, some of the Debtor’s next payroll will encompass pre-petition wages owed to
28 the Employees. The Debtor requests authority to pay (via the third-party provider) pre-petition

1 employee claims and benefits to the extent that would otherwise be allowed as priority claims under
2 section 507(a)(4) and (a)(5) of the Bankruptcy Code,³ and to continue to pay post-petition costs
3 associated with the Employee Claims.

4 67. The Debtor also offers to its eligible employees the opportunity to enroll in a variety
5 of employee benefit plans and policies which include, health insurance, life insurance, paid days off,
6 sick leave, and workers compensation (“Employee Benefit Programs”). As further detailed in the
7 Employee Obligations Motion, the Time Off Policies, the Health Care Plans, COBRA benefits,
8 life insurance plan, and Retirement Program are essential parts of the Debtor’s business model.

9 68. I believe that the failure to grant the relief requested in the Employee Obligations
10 Motion would create instability in the Debtor’s Employee workforce and hinder its reorganization
11 efforts, and potentially cause its US customer fulfillment and warehouse operations to shut down,
12 resulting in a substantial loss of revenue to the Debtor. Absent the Court granting the relief
13 requested, the Debtor’s Employees may seek alternative opportunities, perhaps with the Debtor’s
14 competitors. The loss of valuable employees would deplete the Debtor’s workforce and thereby
15 hinder the Debtor’s ability to meet its customer obligations and its ability to successfully preserve its
16 going-concern value. It would also injure employee morale and loyalty during the Debtor’s
17 reorganization process, a time when the Debtor especially needs to preserve Employees’ morale.

18 69. Further, most Employees rely on their compensation and benefits to satisfy their
19 living expenses and healthcare. Particularly in light of the ongoing pandemic, the Employees
20 would be exposed to significant financial difficulties and health issues if the Debtor is not
21 permitted to honor its obligations for unpaid compensation, benefits, and reimbursable expenses.

22 70. Additionally, in order to enable the relief requested in the Employee Obligations
23 Motion, the Debtor also requests that the Debtor and US Bank, be authorized to receive, process,
24 honor and pay all of the Debtor’s prepetition checks and fund transfers on account of any
25 Employee Obligations through the Debtor’s pre-petition Main Operating Bank Account maintained at
26 US Bank, and prohibiting the bank from placing any holds on, or attempting to reverse, any

27 _____
28 ³ All of the Debtor’s employees are owed less than the \$13,650.00 threshold set forth in section 507(a)(4) of the
Bankruptcy Code. Thus, the Employee Obligations Motion is not requesting authorization to compensate employees in
excess of this this amount.

1 automatic transfers to any account of an Employee or any other party related to the Employee
2 Obligations, without any duty of further inquiry and without liability for following the Debtor's
3 instructions.

4 71. For the reasons set forth herein and in the Employee Obligations Motion, I
5 respectfully submit that the relief requested in the Employee Obligations Motion is necessary and
6 critical to the Debtor's ability to preserve value for the benefit of Debtor's estate, its creditors and
7 parties-in-interest, and will enable the Debtor to continue to operate its business with minimal
8 disruption, thereby maximizing value for the estate. Absent the relief requested in the Employee
9 Obligations Motion, the Debtor will suffer immediate and irreparable harm.

10 **DEBTOR'S MOTION FOR ENTRY OF ORDER AUTHORIZING DEBTOR TO (I)**
11 **MAINTAIN CERTAIN CUSTOMER PROGRAMS; (II) HONOR OR PAY RELATED**
12 **PREPETITION OBLIGATIONS IN RESPECT THEREOF; (III) DIRECT DEBTOR'S**
13 **PAYMENT PROCESSORS TO HONOR MERCHANT AGREEMENT PENDING**
14 **ASSUMPTION OR REJECTION; AND (IV) GRANTING RELATED RELIEF**
15 **("CUSTOMER PROGRAM MOTION")**

16 72. Through the Customer Program Motion, the Debtor requests entry of an order
17 authorizing, but not directing, the Debtor, in its business judgment, to (i) honor and maintain
18 prepetition Customer Programs (defined below); (ii) pay and honor related prepetition
19 obligations to their customers; (iii) pay any prepetition Processing Obligations (defined below) to the
20 Payment Processors (defined below) in connection with processing Non-Cash Payments (defined
21 below) and directing the Payment Processors to honor the Merchant Agreements (defined below)
22 pending the Debtor's assumption or rejection of said agreement; and (iv) granting related relief.

23 73. The Debtor provides certain accommodations and incentives to its customers to
24 attract an expansive customer base and cultivate loyalty. As detailed more fully in the Customer
25 Program Motion, the Debtor's customer programs include a Return and Exchange Policy, a Gift Card
26 Program, and various Coupons and Sales Promotions (collectively, the "Customer Programs"). The
27 Debtor estimates that, as of the Petition Date, there are approximately \$526,614 in outstanding
28 obligations under the Gift Card Program. These programs require no cash outlay by the Debtor.

1 74. I believe that continuing to honor the Customer Programs during the Chapter 11
2 Case is vital to protect the Debtor’s valuable customer relationships and goodwill, thus preserving
3 the Debtor’s value to the benefit of the Debtor’s estate, its creditors, and all parties-in-interest. The
4 Customer Programs are designed to attract additional customers and cultivate loyalty, which is
5 extremely important as the Debtor navigates through chapter 11. Accordingly, I respectfully
6 submit that the Customer Programs are necessary and critical to the Debtor’s ability to preserve
7 value for the benefit of Debtor’s estate, its creditors and parties-in-interest and will enable the
8 Debtor to continue to operate its business with minimal disruption, thereby maximizing value
9 for the estate. Absent the relief requested in the Customer Program Motion, the Debtor will suffer
10 immediate and irreparable harm.

11 75. Additionally, the Debtor accepts payments at online points of sale only (“Non-Cash
12 Payments”) through a variety of credit cards as well as PayPal, and Amazon Pay. To process Non-
13 Cash Payments, the Debtor is a party to or a beneficiary of affiliate agreements (“Merchant
14 Agreement(s)”) with Adyen B.V., AmEx, PayPal, and Afterpay (collectively, “Merchant Service
15 Providers”). Non-Cash Payments comprise a significant portion of the Debtor’s revenue,
16 particularly as internet sales have risen since the start of the COVID-19 pandemic. It is thus
17 critical that the Debtor be able to pay any prepetition processing-related obligations and continue
18 uninterrupted its relationship with the Merchant Service Providers under the existing Merchant
19 Agreements.

20 76. Under the Merchant Agreements, the Merchant Service Providers charge processing
21 fees (“Processing Fees”) for the various transactions subject to the terms of the Merchant
22 Agreements. The Processing Fees range depending on the price tier of the transaction. The Merchant
23 Service Providers also charge an acquiring fee (“Acquiring Fee”) which is calculated on a tiered
24 structure based on monthly volume. The Debtor and the Merchant Service Providers have also
25 executed “Acquiring Addendums” with US Bank National Association (“US Bank”), relating to the
26 processing services under the Merchant Agreements (collectively, the Merchant Service Providers
27 and US Bank are the “Payment Processors”).
28

1 77. The Merchant Agreements contemplate situations where the Payment Processors are
2 obligated to process a refund or return. These transactions are subject to certain adjustments
3 (“Chargeback Fees,” and together with the Processing Fees and Acquiring Fees, the “Processing
4 Obligations”). It is imperative that the Debtor continue to accept Non-Cash Payments in order to
5 successfully operate its business.

6 78. Historically, much of the Debtor’s sales were made using Non-Cash Payments. As
7 the Debtor has shuttered its retail locations, all purchases will be made online which means that all
8 the Debtor’s sales for the foreseeable future will be made using Non-Cash Payments. In order to
9 avoid disrupting these vital payment processing services, the Debtor seeks the authority to pay any
10 prepetition Processing Obligations incurred in connection with processing any Non-Cash Payments
11 and to continue paying Processing Obligations in the ordinary course of business. In addition, if
12 Payment Processors receive Chargeback Fees above a certain threshold, they may immediately, and
13 without notice, withhold funds to the Debtor in reserve funds to protect themselves against future
14 Chargeback Fees, or worse still, refuse to honor future customer transactions, either of which
15 potential scenarios, would potentially significantly harm and disrupt the Debtors business.

16 **DEBTOR’S MOTION FOR ENTRY OF ORDER AUTHORIZING (I) REJECTION OF**
17 **CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY**
18 **PURSUANT TO 11 U.S.C. § 365 AND FED. R. BANKR. P. 6004 AND 6006, EFFECTIVE**
19 **AS OF THE PETITION DATE; (II) ABANDONMENT OF PERSONAL PROPERTY,**
20 **EFFECTIVE AS OF THE PETITION DATE, AND (III) GRANTING RELATED RELIEF**
21 **(“LEASE REJECTION MOTION”)**

22 79. The Debtor seeks entry of an order, authorizing the Debtor to (a) reject certain
23 unexpired leases of non-residential real property, any amendments, modifications, or subleases
24 thereto (each, a “Lease” and collectively, the “Leases”), a list of which is annexed as the Schedule to
25 Exhibit “1” attached to the Lease Rejection Motion, (b) abandon certain equipment, fixtures,
26 furniture, or other personal property that may be located at the premises (collectively the
27 “Personal Property”), both rejection of Leases and abandonment of Personal Property to be effective
28 as of the Petition Date, and (c) granting related relief.

1 80. Prior to the Petition Date, the Debtor and its advisors began a comprehensive review
2 and store-by-store analysis of its lease portfolio and the performance of each of its stores analyzing
3 various aspects of the Debtor's operations in connection with the Debtor's restructuring efforts. An
4 integral part of this analysis included evaluating the profitability of the Debtor's unexpired leases and
5 identifying and shedding unnecessary and burdensome leases. Based on this analysis, the Debtor has
6 identified all of its retail store leases as burdensome that it wishes to reject at the outset of its Chapter
7 11 case for the benefit of the Debtor and its estate.

8 81. The Leases to be rejected provide no benefit to the Debtor's estate or the Chapter
9 11 case. Due to the COVID-19 pandemic, like most retail establishments, the Debtor's online
10 sales have been increasing while its brick-and-mortar sales have been in a steady decline. By
11 rejecting the Leases, the Debtor believes that it will save significant dollars per month in rent and
12 associated costs. Absent rejection, the Debtor would be obligated to pay rent under the Rejected
13 Leases even though they will have ceased operations at, and will no longer be in possession of,
14 such locations.

15 82. In addition to the payment of rent, the Debtor may be obligated under the Rejected
16 Leases to pay certain real property taxes, insurance, utilities, and other charges. The Debtor has
17 vacated the stores identified in the Lease Rejection Motion as of the Petition Date. Therefore, in an
18 effort to reduce unnecessary post-petition rent and administrative costs, the Debtor has determined, in
19 its reasonable business judgment, that it is in its best interest of its estate to reject the Rejected Leases
20 set forth on the Schedule, effective as of the Petition Date.

21 83. Prior to the Debtor vacating the stores for the Rejected Leases, the Debtor has
22 reviewed and evaluated the fixtures, fittings, furniture, or other personal property remaining at the
23 premises ("Personal Property") to determine whether (i) the Personal Property is of inconsequential
24 value or (ii) the cost of removing and storing the Personal Property for future use, marketing or
25 sale exceeds its value to the Debtor's estate.

26 84. The Debtor has determined that the Personal Property is of inconsequential value or
27 a burden to the Debtor's estate. Accordingly, the Debtor has decided, in its business judgment, to
28 abandon it. Therefore, to reduce the post-petition administrative costs and in the exercise of its

1 sound business judgment, the Debtor believes that abandonment of the Personal Property as of the
2 Petition Date is appropriate and in the best interest of the Debtor, its estate and its creditors.

3 85. Accordingly, for the reasons set forth herein and in the Lease Rejection Motion, I
4 respectfully submit that relief requested in the Lease Rejection Motion is necessary and critical to
5 the Debtor's ability to preserve value for the benefit of Debtor's estate, its creditors and
6 parties-in-interest and will enable the Debtor to continue to operate its business with minimal
7 disruption, thereby maximizing value for the estate. Absent the relief requested in the Lease
8 Rejection Motion, the Debtor will suffer immediate and irreparable harm.

9 I declare under penalty of perjury under the laws of the State of California and the United
10 States of America that the foregoing is true and correct to the best of my knowledge.

11 Executed this 16th day of September 2021 at Orange County, California.

12
13 

14
15 _____
Richard Munro

EXHIBIT 1



RICHARD MUNRO
RESTRUCTURING EXPERT, RECEIVER and FIDUCIARY
27481 Ganso
Mission Viejo, CA 92691
T: (949) 910-6600
E: richard@invenz.com
W: www.invenz.com



Richard Munro has 30 years' experience bringing effective problem solving and leadership to growth, distressed & underperforming businesses, & transforming mediocrity into peak performance, measured by outstanding growth in revenue & market share, profits, return on capital employed, & value to shareholders, lenders and creditors. His experience includes senior executive positions as CEO, CFO, COO, & CRO, Court Appointed Receiver, Provisional Director, Court Expert, leading business orderly wind downs & liquidations, & has served as a Director on public, PE & private company boards. Richard is recognized as being very effective in identifying & solving problems that create business underperformance & financial distress, & quickly implementing practical operational solutions for profitable growth & recoveries for lenders & creditors. He combines the unique experiences of a CEO & CFO & has extensive successful experience in growing the top line & bottom line in companies with a strong focus on managing operations & increasing cashflow & enterprise value.

His experience spans various healthcare providers, multi-unit specialty retailers, restaurants, food, nutritional supplements, apparel, manufacturing, consumer products, energy, distribution, professional services & not for profit organizations. Representative engagements include:

- Orderly wind down and liquidation of many businesses, prior to dissolution.
- Provisional Director – Court appointed as tie breaking director of a plastics vacuum forming company.
- Provisional Director – Court appointed oversight over the dissolution of an engineering services company
- Receiver: Direct Marketing Companies – Consumer direct marketing & print media

Appointed Receiver in CA Court over 2 operating businesses in litigation over investor/owner disputes.

- Receiver: Medical Group – Breast surgery & radiology, preventative, diagnostic & surgery care

Appointed Receiver in CA Court; in 90 days had 2 all cash unconditional offers, Court approval to sell the assets in 120 days, and returned to the secured lender 4.2 times their best cash recovery estimate.

- Receiver: Medical and Dental Clinics – HRSA regulated FQHC Look-Alike Clinics

Appointed Receiver in CA Court to take over all medical and dental operations & restore the organization to full Federal & State compliance, constitute a new Board of Directors & management structure.

- CEO: 90 year old publicly traded nutritional supplements company

Led this company into, & through a Chapter 11 reorganization to a confirmed Plan & maintained full SEC reporting. In 16 months, increased revenue 35% & doubled revenues from largest customer, Sam's Club.

- Chief Restructuring Officer (CRO): Hispanic consumer snacks manufacturer and distributor

In 9 months, increased revenue 30%, gross margin by 4 percentage points, EBITDA by 75%, & manufacturing productivity by 40%.

Richard holds a Master of Business Administration degree in business strategy, a Bachelor's in Accounting and Management Information Systems, is a licensed Chartered Accountant (CA), & holds a California Real Estate Broker License BRE: 01900072.

Richard is a member of AICPA, a Board Leadership Fellow and Directorship Certified by the National Association of Corporate Directors and President/CEO of the NACD Pacific Southwest Chapter, Councilor and Officer of the California Receivers Forum LA/OC Chapter, and Director of a fast growth private equity owned company. He is a former Board & Audit Committee member of Naturade Inc. (NRDC:OTCBB), and a former Board & Audit Committee member of Orange county Headstart, Inc.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 1301 Dove Street, Suite 500, Newport Beach, CA 92660

A true and correct copy of the foregoing document entitled (*specify*): **DECLARATION OF RICHARD MUNRO IN SUPPORT OF DEBTOR'S FIRST DAY MOTIONS** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

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

Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **September 16, 2021**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Richard H Golubow rgolubow@wghlawyers.com, jmartinez@wghlawyers.com; mweinberg@wghlawyers.com
- Dare Law dare.law@usdoj.gov
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov

3. SERVED BY EMAIL: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **September 16, 2021**,

I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

4. SERVED BY OVERNIGHT MAIL: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **September 17, 2021**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

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

September 16, 2021	Jeannie Martinez	/s/ Jeannie Martinez
<i>Date</i>	<i>Printed Name</i>	<i>Signature</i>

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

United States Trustee
915 Wilshire Blvd., Suite 1850
Los Angeles, CA 90017

Lorna Jane USA, Inc.
1475 W. 139th St
Gardena, CA 90249

LORNA JANE – Landlords - 20 LARGEST – UST –
SECURED – RSN - NEF

US Small Business Administration
Attn: Ben Raju, District Director
425 Walnut Street
Cincinnati, OH 45202
lado@sba.gov

Macerich Santa Monica LP
Hayley Rable VP Leasing
395 Santa Monica Place
Santa Monica, CA 90401
[Hayley Rable VP, Leasing Macerich
Hayley.Rable@macerich.com](mailto:Hayley.Rable@macerich.com)

Carlsbad Premium Outlets, LLC
Rocky McMurtray
5620 Paseo del Norte
Suite 100
Carlsbad, CA 92008
rmcmurtray@simon.com

Bellevue Square, LLC
Attn: Corp Officer/Manager
Jana Koeberle
Post Office Box 908
Bellevue, WA 98009
jana.koeberle@kemperdc.com

Sherman Oaks Fashion Assc, LP
Virginia Bergman Loo
11601 Wilshire Boulevard, 11th Fl.
Los Angeles, CA 90025
virginia.bergmanloo@urw.com
[Virginia Bergman Loo - VP, Business Affairs](mailto:Virginia.Bergman.Loo - VP, Business Affairs)

Valencia Town Ctr Venture LP
Attn: Virginia Bergman Loo
2049 Century Park East, 41st Floor
Los Angeles, CA 90067
virginia.bergmanloo@urw.com
Virginia Bergman Loo - VP, Business Affairs

DSC America, Inc.
c/o Kennedy Wilson Properties, Ltd
151 S. El Camino Drive
Beverly Hills, CA 90212
Edmond A. Sachse/lan deLaat
idlaat@kennedywilson.com

Mission Viejo Associates, LP
c/o M.S. Management Associates Inc.
225 West Washington Street
Indianapolis, IN 46204-3438
RockvMcMurtray
rmcmurtray@simon.com

Biltmore Shopping Center Ptnrs LLC
2502 E. Camelback Rd, #216
Phoenix, AZ 85016
Hayley Rable VP, Leasing
[Hayley Rable VP, Leasing Macerich
Hayley.Rable@macerich.com](mailto:Hayley.Rable@macerich.com)

20 Largest / Landlord – Manhattan Beach
213 Manhattan Beh Blvd Ptnrs, LLC
c/o Cardinal Investments, LLC
Attn: Nicole Fitzgerald
Kyle Ransford Cardinal Investments
Attn: 2301 Rosecrans Ave., Suite 4194
El Segundo, CA 90245
kyle@cardinalinvestments.com

The Retail Property Trust
c/o M.S. Management Associates Inc
225 West Washington Street
Indianapolis, IN 46204-3438
RockvMcMurtray
rmcmurtray@simon.com

The Irvine company, LLC
Attn: Kenneth M. Gillett, Sr. VP
110 Innovation
Irvine, CA 92617
kengillett@irvinecompany.com

Century City Mall, LLC
Virginia Bergman Loo, VP
2049 Century Park East, 41st Floor
Los Angeles, CA 90067
Legal Dpt
virginia.bergmanloo@urw.com
Virginia Bergman Loo - VP, Business Affairs

Premium Outlet Partners LP
c/o Simon Property Group
225 West Washington Street
Indianapolis, IN 46204-3438
RockvMcMurtray
rmcmurtray@simon.com

Irvine Spectrum Center, LLC
Attn: Kenneth M. Gillett, Sr. VP
110 Innovation
Irvine, CA 92617
Kenneth M. Gillett Senior Vice Pre
kengillett@irvinecompany.com

Avalara Inc.
Attn: Corporate Officer
Dept CH 16781
Palatine
Palatine, IL 60055
accountsreceivable@avalara.com

UTC Venture, LLC
Attn: Virginia Bergman Loo
2049 Century Park East, 41st Floor
Los Angeles, CA 90067
virginia.bergmanloo@urw.com
Virginia Bergman Loo - VP, Business Affairs

Rakuten Marketing
PO Box 415613
Boston, MA 02241-5613
Attn: Corporate Officer/Manager
rm-remittance-advice@rakuten.com

Secured
Bellevue Square LLC
575 Bellevue Square 1085
Bellevue, WA 98004

Santa Anita Fashion Park LLC
11601 Wilshire Boulevard 11th Floor
Los Angeles, CA 90025
virginia.bergmanloo@urw.com
Virginia Bergman Loo - VP, Business Affairs

Berkshire Hathaway Homestate Co.
Attn: Michelle Briggs
P.O. Box 844501
Los Angeles, CA 90084
bhhcclaim@bhhc.com
property@bhhc.com

Secured
Kemper Development Company
Attn: Jana Koeberle, Sr. VP Leasing
575 Bellevue Square, #1085
Bellevue, WA 98004
jana.koeberle@kemperdc.com

NEF Service List
United States Trustee
915 Wilshire Blvd., Suite 1850
Los Angeles, CA 90017

US Bank
John K. Wong
VP Deposit/Payment Relationship Manager
US Bank Tower, Los Angeles
633 W. Fifth St., Floor 30,
Los Angeles, CA, 90071
john.wong@usbank.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Paypal, Inc –
2211 N 1st St,
San Jose, CA 95131
**(Kumarika Chaudhuri Senior Director - Global
Customer Operations and Site Head
service@pavpal.com; irainev@pavpal.com**

Adyen BV
Carmiggelstraat 6-50
1011 DJ
Amsterdam, Netherlands
**(Australian Account Manager)
livoi.wendo@adyen.com**

American Express
431 Waverley St,
Palo Alto, CA United States
**Scott Stirrup – Client Manager Global Merchant
and Network Services
scott.stirrup@aexp.com**

Afterpay USA, Inc –
222 Kearny Street, 6TH Floor
San Francisco, CA 94108
**(Australian Account Manager)
ryan.montgomery@afterpay.com**

Counsel for Bellevue
Brian M. Muchinsky
NOLD MUCHINSKY
10500 NE 8th Street, Suite 930
Bellevue, WA 98004
Phone: 425-289-5555
Brian Muchinsky - bmuchinsky@noldmuchlaw.com

LANDLORD – STORE 7777-150

Bella Terra Associates, LLC
c/o DJM Capital Partners
Attention: Eric Sahn
60 South Market Street, Suite 1120
San Jose, CA 95113
Grace Huang - General Manager -
ghuang@djmcapital.com

LANDLORD – STORE 1085

Bellevue Square, LLC
Attention: Corporate Officer
Post Office Box 908
Bellevue, Washington 98009
Jana Koeberle
Senior Vice President Leasing - Kemper Development
Company
jana.koeberle@kemperdc.com

LANDLORD – STORE 181

Biltmore Shopping Center Partners LLC
c/o Macerich - Attention: Legal Department
P.O. Box 2172
401 Wilshire Boulevard, Suite 700
Santa Monica, California 90407
Havley.Rable@macerich.com

LANDLORD – STORE 2755

Century City Mall, LLC
Attention: Legal Department
2049 Century Park East, 41st Floor
Los Angeles, California 90067
virginia.bergmanloo@urw.com
Virginia Bergman Loo - VP, Business Affairs

LANDLORD – STORE 134

City Creek Center Associates LLC
Attention: Corporate Officer
P.O. Box 674566
Detroit, MI 48267-4566
**Francesca A. Lousia - Senior Attorney,
Lease Compliance - Taubman –
flousia@taubman.com**

LANDLORD – STORE 73-655

El Paseo Premier Centre
Attention: Corporate Officer
5900 Wilshire Boulevard, Suite 400
Los Angeles, California 90036
**Amy Smith - Senior Vice President
Chartwell Properties, Inc.
asmith@chartwellproperties.net**

LANDLORD – STORE 751

Irvine Spectrum Center LLC
Attention: General Counsel, Retail Properties
The Irvine Company LLC
110 Innovation
Irvine, California 92617
**Kenneth M. Gillett - Senior Vice President, Operations
Irvine Company Retail Properties
kengillett@irvinecompany.com**

LANDLORD – STORE 150C1B

Kierland Greenway, LLC
c/o Macerich
Attention: Legal Department
P.O. Box 2172
401 Wilshire Boulevard, Suite 700
Santa Monica, California 90407
**Havley Rable VP, Leasing Macerich
Havley.Rable@macerich.com**

LANDLORD – STORE 100

Macerich Santa Monica LP
c/o Macerich
Attention: Legal Department
P.O. Box 2172
401 Wilshire Boulevard, Suite 700
Santa Monica, California 90407
**Havley Rable VP, Leasing Macerich
Havley.Rable@macerich.com**

LANDLORD – STORE 12D

Mission Viejo Associates, L.P.
c/o M.S. Management Associates Inc.
Attention: Legal Department
225 West Washington Street
Indianapolis, Indiana 46204-3438
**Rocky McMurtrav Leasing Simon
rmcmurtrav@simon.com**

LANDLORD – STORE 2R1-2248

Northpark Partners LP
Attention: Corporate Officer
8080 North Central Expressway, Suite 1100
Dallas, TX 75206
**Angela Boots Director of Leasing
NorthPark Center
aboosts@northparkentr.com**

LANDLORD – STORE 1012

Premium Outlet Partners LP
c/o Simon Property Group
Attention: Legal Department
225 West Washington Street
Indianapolis, Indiana 46204-3438
**Rocky McMurtrav - Leasing Simon
rmcmurtrav@simon.com**

LANDLORD – STORE 1200

Santa Anita Fashion Park LLC
Attention: Legal Department
11601 Wilshire Boulevard, 11th Floor
Los Angeles, California 90025
**Virginia Bergman Loo VP, Business Affairs
Unibail-Rodamco-Westfield
virginia.bergmanloo@urw.com**

LANDLORD – STORE 36

Sherman Oaks Fashion Associates LP
Attention: Legal Department
11601 Wilshire Boulevard, 11th Floor
Los Angeles, California 90025
**Virginia Bergman Loo VP, Business Affairs
Unibail-Rodamco-Westfield
virginia.bergmanloo@urw.com**

LANDLORD – STORE 807

The Irvine Company LLC
Attention: General Counsel, Retail Properties
The Irvine Company LLC
110 Innovation
Irvine, California 92617
**Kenneth M. Gillett Senior Vice President, Operations
kengillett@irvinecompany.com**

LANDLORD – STORE 1106

The Retail Property Trust
c/o M.S. Management Associates Inc.
Attention: Legal Department
225 West Washington Street
Indianapolis, Indiana 46204-3438
**Rocky McMurtrav – Leasing Simon
rmcmurtrav@simon.com**

LANDLORD – STORE

Union Street Property Trust 1
Attention: Corporate Officer
63 Paul Avenue
San Rafael, California 94903
**Reno D Rossi -
renorossi@marincheese.com**

LANDLORD – STORE E25

UTC Venture LLC
Attention: Legal Department
2049 Century Park East
41st Floor
Los Angeles, California 90067
**Virginia Bergman Loo VP, Business Affairs
Unibail-Rodamco-Westfield
virginia.bergmanloo@urw.com**

LANDLORD – STORE 2730

Valencia Town Center Venture, L.P.
Attention: Legal Department
2049 Century Park East
41st Floor
Los Angeles, California 90067
**Virginia Bergman Loo VP, Business Affairs
Unibail-Rodamco-Westfield
virginia.bergmanloo@urw.com**

LANDLORD – STORE 316

Westcor Santan Village LLC Santan
c/o Macerich
Attention: Legal Department
P.O. Box 2172
401 Wilshire Boulevard, Suite 700
Santa Monica, California 90407
**Havley Rable VP, Leasing Macerich
Havley.Rable@macerich.com**