

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

LUGANO DIAMONDS & JEWELRY INC.,
et al.,¹

Debtors.

Chapter 11

Case No. 25-12055 (BLS)

(Jointly Administered)

Hearing Date:

December 17, 2025, at 10:00 a.m. (ET)

Objection Deadline:

December 10, 2025, at 4:00 p.m. (ET)

**APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND
EMPLOYMENT OF BARNES & THORNBURG LLP AS SPECIAL COUNSEL TO THE
SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF LUGANO
DIAMONDS & JEWELRY INC. EFFECTIVE AS OF THE PETITION DATE**

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), including Debtor Lugano Diamonds & Jewelry Inc. (“Lugano Diamonds”), acting through the Special Committee of Lugano Diamonds’ Board of Directors (the “Special Committee”), hereby file this Application (this “Application”) for entry of an order, substantially in the form attached hereto as **Exhibit D** (the “Proposed Order”), authorizing the retention and employment of Barnes & Thornburg LLP (“B&T”) as special counsel to the Special Committee, effective as of the Petition Date (as defined below), pursuant to sections 327(e) and 330 of the Bankruptcy Code (as defined below) and in accordance with the terms and conditions set forth in that certain engagement letter between the Special Committee and B&T, dated as of August 11, 2025 (the “Engagement Letter”), a copy of which is attached hereto as **Exhibit A**. In support of this Application, the Debtors rely

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s U.S. federal tax identification number, to the extent applicable, are as follows: Lugano Diamonds & Jewelry Inc. (6784), Lugano Holding, Inc. (9690), Lugano Buyer, Inc. (4565), K.L.D. Jewelry, LLC (0319), and Lugano Prive, LLC (4308). The notice address for the Debtors is 620 Newport Center Dr., Ste 100, Newport Beach, California 92660.

upon and submit the declaration of Trace Schmeltz (the “Schmeltz Declaration”), which is attached hereto as **Exhibit B**, and the declaration of Spencer Wells, an independent director of Lugano Diamonds and a member of the Special Committee (the “Wells Declaration,” and together with the Schmeltz Declaration, the “Declarations”), which is attached hereto as **Exhibit C**. In further support of this Application, the Debtors respectfully state as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b) and, pursuant to rule 9013-1(f) of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtors consent to the entry of a final order by the Court in connection with this Application to the extent that it is later determined that the Court, absent the consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory and legal predicates for the relief requested herein are sections 327(e) and 330 of title 11 of the United States Code, 11 U.S.C. §§ 101—1532 (the “Bankruptcy Code”), rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Local Rules 2014-1 and 2016-1.

BACKGROUND

I. General Background

4. On November 16, 2025 (the “Petition Date”), each of the Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code (the “Chapter 11 Cases”) in the Court. The Debtors are authorized to operate their business and manage their properties as debtors and debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. On November 25, 2025, the United States Trustee for the District of Delaware (the “U.S. Trustee”) appointed an official committee of unsecured creditors, pursuant to section 1102 of the Bankruptcy Code [Docket No. 88] (the “Committee”). No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases.

6. Additional information regarding the Debtors’ business, capital structure, and the circumstances leading to the filing of the Chapter 11 Cases is set forth in the *Declaration of J. Michael Issa in Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”).²

II. The Special Committee and B&T’s Services

7. The principal animating factor for the Chapter 11 Cases, and for the appointment of the Special Committee, was the allegedly-fraudulent activities of the Debtors’ former Chief Executive Officer, Mordechai Haim Ferder. Prior to the Petition Date, Mr. Ferder appears to have engaged in various transactions and other actions that caused Lugano Diamonds’ financial performance to be overstated. *See* First Day Declaration at ¶ 29.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the First Day Declaration.

8. On May 7, 2025, Compass Group Diversified Holdings LLC (“CODI”), the Debtors’ publicly-traded parent company, announced that it had commenced an investigation into the Debtors’ financing, accounting, and inventory practices. *See id.* at ¶ 30. Mr. Ferder resigned his position as CEO of Debtor Lugano Holding, Inc. on the same day. *See id.* The Debtors subsequently heard from nearly 60 parties asserting claims relating to transactions (so-called “investment contracts”) entered into by Mr. Ferder, with roughly a dozen parties having commenced lawsuits against Lugano Diamonds, Mr. Ferder, and/or other parties. *See id.* at ¶ 31.

9. Those allegations prompted Lugano Diamonds’ Board of Directors (the “Board”) to establish the Special Committee. *See id.* at ¶ 33. Specifically, on July 9, 2025, the Board selected two independent directors to join the Board, Mr. Thomas FitzGerald and Mr. Spencer Wells, both of whom had no prior connection to Lugano Diamonds, CODI, or Mr. Ferder. Messrs. FitzGerald and Wells supplemented the two legacy independent directors who remained on the Board following the departure of certain CODI directors. *See Wells Declaration* at ¶ 5.

10. On July 16, 2025, the Board determined that it was advisable and in the best interest of the Debtors to create a Special Committee and to delegate certain authority (as described below) to the Special Committee. *See Wells Declaration* at ¶ 6.

11. As described in more detail below, the Board delegated to the Special Committee the authority to, among other things, oversee: (a) matters related to the alleged fraud perpetrated upon Lugano Diamonds by Mr. Ferder, and (b) strategic and/or financial alternatives for Lugano Diamonds, including financing, sale, restructuring, reorganization, recapitalization, chapter 11 reorganization, or other transactions. *See Wells Declaration* at ¶ 7.

12. Specifically, the Board elected via its resolutions passed on July 16, 2025, to delegate to the Special Committee the authority to undertake the following actions related to an

investigation of the alleged fraud perpetrated upon Lugano Diamonds by Mr. Ferder (the “Investigation”):

- (a) Oversee the Investigation;
- (b) Oversee the commencement, prosecution, settlement, or discontinuation of any action or proceeding against any individuals or entities (including, without limitation, Mr. Ferder, investors (whether or not customers), professionals, and/or CODI or its affiliates) relating to any matters addressed by, or causes of action that may be supported by facts developed in, the Investigation (any such action or proceeding, the “Litigation”);
- (c) Oversee discussions with Lugano Diamonds’ key stakeholders with respect to, or matters related to, the Investigation and Litigation, including, without limitation, any committee, examiner, trustee or other party in interest in the Chapter 11 Cases;
- (d) Manage and direct the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of Lugano Diamonds in furtherance of the Investigation and any Litigation, including the hiring, retention, and termination of professionals engaged with respect to the Investigation and any Litigation; and
- (e) Take any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

See Wells Declaration at ¶ 8.

13. With respect to a strategic and/or financial transaction (which may include a financing, sale, restructuring, reorganization, recapitalization, bankruptcy proceeding, or other transaction), the Special Committee was authorized by the Board to undertake numerous actions, including:

- (a) Overseeing (i) a sale of all or substantially all of Lugano Diamonds’ assets, (ii) a sale of the equity of Lugano Diamonds, (iii) any merger or other business combination of Lugano Diamonds with another entity, and (iv) any financing or refinancing transaction, including any amendments, waivers, consents, and forbearances, whether or not with CODI;³

³ The Debtors and the Special Committee are mindful that, as a result of the Debtors’ commencement of the Chapter 11 Cases, the consummation of any use, sale, or lease of property of the Debtors’ estates outside of the ordinary

- (b) Reviewing, evaluating, and, if appropriate, making a recommendation to the Board to approve or disapprove any material strategic transaction-related events or processes, including, without limitation, the selection of any stalking horse purchaser, the selection of any successful bidder, the sales procedure within and outside of a bankruptcy, and the marketing process for and selection of one or more lenders;
- (c) Reviewing, evaluating, and approving a key employee incentive plan or a key employee retention plan calculated to help maximize the value of Lugano Diamonds;
- (d) Overseeing discussions with Lugano Diamonds' key stakeholders with respect to any strategic transaction;
- (e) Managing and directing the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of Lugano Diamonds in furtherance of any strategic transaction, including the hiring, retention and termination of professionals engaged with respect thereto; and
- (f) Taking any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

See Wells Declaration at ¶ 9.

14. With respect to the bankruptcy proceeding, the Special Committee is empowered to take actions on behalf of the Board as the Special Committee deems appropriate or desirable:

- (a) Overseeing any contingent planning related to a bankruptcy proceeding;
- (b) Reviewing, evaluating, and, if appropriate, making a recommendation to the Board regarding material events or processes in a bankruptcy proceeding; provided, however, that the Board authorized the Special Committee to make determinations relating to a bankruptcy proceeding on (i) determination of any appropriate venue and (ii) selection of local counsel;
- (c) Overseeing discussions with Lugano Diamonds' key stakeholders with respect to a bankruptcy proceeding;
- (d) Managing and directing the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of

course of business is subject to approval by the Court. Nothing in the Board's delegation of powers to the Special Committee is intended to conflict with that requirement.

Lugano Diamonds in furtherance of a bankruptcy proceeding, including the hiring, retention and termination of professionals engaged with respect to the bankruptcy proceeding; and

- (e) Taking any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

See Wells Declaration at ¶ 10.

15. The Special Committee, acting pursuant to its delegated authority, has directed and supervised the marketing process for the Debtors' business and assets since its establishment. As a result of the Debtors' and the Special Committee's efforts, the Debtors filed a motion to retain Enhanced Retail Funding, LLC to consult, sell, and/or dispose of the Debtors' assets [Docket No. 13], and a motion to approve debtor-in-possession financing from CODI [Docket No. 12]. In connection with these filings, the Special Committee has taken appropriate measures to preserve any potential claims, causes of action, or other rights that may be asserted against CODI or any other parties.

16. In connection with the performance of its duties as delegated by the Board, the Special Committee sought to retain counsel to assist the Special Committee in the performance of its duties, subject to the approval of the Court in any bankruptcy proceeding. The Debtors will be responsible for paying the reasonable fees, expenses, and disbursements of such advisors, again subject to Court approval. *See* Wells Declaration at ¶ 11.

17. The Special Committee further determined that retaining B&T to advise and assist it in the performance of its duties was necessary and appropriate. Specifically, pursuant to the Engagement Letter, B&T has been engaged to advise the Special Committee in connection with the Investigation and any potential claims that Lugano Diamonds may have against its direct or indirect equity holders, affiliates, subsidiaries, directors, officers, or other stakeholders, agents (including professional advisers) or any affiliate or other related party of any of such parties.

Subject to Court approval of this Application, B&T has advised the Debtors and the Special Committee that it is willing and able to serve as the Special Committee's counsel to advise the Special Committee in connection with the services described in this Application and the Engagement Letter.

RELIEF REQUESTED

18. By this Application, the Debtors, acting through the Special Committee, request entry of the Proposed Order authorizing the retention and employment of B&T as counsel to the Special Committee, pursuant to sections 327(e) and 330 of the Bankruptcy Code, effective as of the Petition Date.

BASES FOR RELIEF REQUESTED

19. By this Application, and pursuant to the authorities cited in paragraph 1 of this Application, the Special Committee requests entry of an order approving the employment and retention of B&T by the Special Committee as counsel in connection with the Special Committee's performance of its duties. The Debtors have been advised that B&T will provide various legal services under the Special Committee's oversight as set forth in this Application and in the Engagement Letter, including, without limitation, representation of the Special Committee in connection with the Investigation. B&T may also represent the Special Committee in connection with the Chapter 11 Cases on specific matters within the Special Committee's scope of responsibilities, such as adversary proceedings or other motions which may be filed with respect to any potential claims and/or other matters to be addressed by the Special Committee.

20. The terms of B&T's proposed retention are set forth in the Engagement Letter. The Debtors intend to be responsible for the payment of B&T's reasonable fees and expenses incurred in connection with its services. The Debtors have accordingly executed the Engagement Letter

with respect to their payment obligations only. For the avoidance of doubt, the Special Committee itself will be B&T's sole client with respect to the matters covered herein and by the Engagement Letter.

I. Section 327(e) of the Bankruptcy Code Authorizes the Retention of Counsel for a Specified Purpose

21. The Debtors and the Special Committee have determined that the retention of B&T by the Special Committee is necessary and appropriate for the Special Committee to carry out its mandate from the Board. The Debtors accordingly seek to have the Special Committee retain B&T under section 327(e) of the Bankruptcy Code, which provides that a debtor “with the court’s approval, may employ, for a specified special purpose” an attorney “that has represented the debtor, if in the best interest of the estate” if such attorney “does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed.” 11 U.S.C. § 327(e).

22. By its express terms, section 327(e) of the Bankruptcy Code permits retention of counsel for a special purpose. “Section 327(e) states that an attorney employed under the section may not hold or represent an interest adverse to the debtor or the estate with respect to the matter on which the attorney is employed.” *In re NNN 400 Capital Center 16, LLC*, 619 B.R. 802, 814 (Bankr. D. Del. 2020). “Under this section, special counsel may be appointed if: (1) the representation is in the best interest of the estate, (2) the attorney represented the debtor in the past, (3) the attorney is for a specific purpose approved by the court, other than to represent the debtor in conducting the case, (4) the attorney does not represent or hold an interest adverse to the debtor or the debtor’s estate.” *In re Woodworkers Warehouse, Inc.*, 323 B.R. 403, 406 (D. Del. 2005). Subject to the applicable requirements of sections 327 and 1107 of the Bankruptcy Code, a debtor-in-possession is entitled to counsel of its choosing. *See In re Mandell*, 67 F.2d 830, 831 (2d Cir.

1934) (observing that “[o]nly in the rarest cases should the trustee be deprived of the privilege of selecting his own counsel.”).

II. B&T Is Well Qualified to Advise the Special Committee

23. The Debtors seek approval for the Special Committee to retain B&T to provide independent legal services at the sole discretion of the Special Committee because of B&T’s extensive experience in matters relevant to the scope of the Special Committee’s duties. B&T is a national law firm with over 800 legal professionals working in 23 offices throughout the United States. B&T has an extensive multi-disciplinary practice covering numerous substantive areas of law relevant to its representation of the Special Committee, including (a) litigation, (b) corporate and securities, (c) white collar, compliance, and investigations, and (d) restructuring & bankruptcy, among many others. *See* Schmeltz Declaration at ¶ 3.

24. Of particular relevance here, B&T lawyers have experience representing and advising a wide range of constituents on matters comparable to those assigned to the Special Committee both inside and outside of bankruptcy proceedings, including boards of directors, special committees, and independent directors. B&T’s professionals have extensive experience advising all of these constituents on internal investigations, corporate governance issues, compliance with fiduciary duties, and related matters. As a result, B&T is well qualified to advise and represent the Special Committee as counsel in connection with the Special Committee’s duties. *See id.*

25. B&T additionally represented the Special Committee for approximately three months prior to the Petition Date in connection with the Special Committee’s work on behalf of the Debtors. During that period, B&T gained extensive familiarity with the Debtors, their business, and the Investigation, among other things. *See id.* at ¶ 4. This matter-specific expertise, taken

together with B&T's knowledge of litigation, corporate governance, and compliance and investigation matters, and the experience of its professionals in restructuring and bankruptcy matters, make B&T an ideal choice to represent the Special Committee effectively and efficiently in carrying out the matters delegated to it by the Board.

III. B&T's Compensation and Reimbursement of Expenses

26. B&T has agreed to serve as counsel to the Special Committee and to receive compensation on an hourly basis, plus reimbursement of the actual and necessary expenses that it incurs, subject to the approval of the Court, in compliance with sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and/or any other orders of the Court. B&T intends to file monthly, interim, and final fee applications for allowance of compensation earned for professional services and reimbursement of expenses incurred in connection with its representation of the Special Committee, in accordance with applicable orders of the Court.

27. B&T will also make reasonable efforts to comply with requests for information and additional disclosures as set forth in the Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases, effective November 1, 2013 (the "U.S. Trustee Guidelines"), both in connection with this Application and any applications for compensation and reimbursement of expenses to be filed by B&T in the Chapter 11 Cases.

28. The Debtors have been advised that B&T's fees are determined on the basis of time billed at hourly rate. For billing purposes, B&T shall keep its time in one-tenth (1/10) hour increments. B&T's hourly rates vary with the experience and seniority of its attorneys and paralegals, and are adjusted from time to time (typically in December of each year). Work is assigned among attorneys and other professionals so as to meet the client's needs, including timing

requirements, in an economically efficient manner taking into account timing and other considerations. The Debtors have been advised that B&T has not varied from, or agreed to any alternatives to, its customary billing arrangements for this engagement. *See* Schmeltz Declaration at ¶ 22.

29. Expenses related to B&T's services will be included in the monthly fee statements and quarterly fee applications and may include third-party disbursements, such as messenger charges, filing and recording fees, and other costs. The Debtors have confirmed with B&T that it will bill such expenses at cost. Certain other expenses, such as photocopying, computerized research, and long-distance tolls, will be billed in accordance with B&T's standard schedule of charges except as varied by the terms of the Engagement Letter.

30. The Engagement Letter contemplated that B&T's fees and expenses incurred in connection with its representation of the Special Committee will be paid out of the Debtors' estates. The Debtors have advised B&T, and B&T has acknowledged, that it is required to apply to the Court for allowance of compensation and reimbursement of expenses in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court.

31. As of December 1, 2025, the hourly rates of B&T partners range from \$505.00 to \$1,900.00. The hourly rates of B&T's associates and counsel range from \$340.00 to \$1,290.00 and paralegal rates range from \$230.00 to \$565.00 per hour. These rates are consistent with rates B&T charges in other comparable chapter 11 and non-bankruptcy cases. *See* Schmeltz Declaration at ¶ 17.

32. B&T's billing rates are subject to periodic adjustments (typically on December 1 of each year) to reflect economic and other conditions. This annual adjustment is in accordance with

B&T's ordinary practice. B&T has reflected its rates effective as of December 1, 2025 in this Application; *however*, for the period from the Petition Date through and including November 30, 2025, B&T will charge a lower hourly rate, consistent with what it has billed the Special Committee on account of its services during the period prior to the Petition Date. *See* Schmeltz Declaration at ¶ 18.

33. During the one year prior to the Petition Date, B&T received a retainer from the Debtors in the initial amount of \$100,000 on August 12, 2025. That retainer was increased by a further retainer of \$550,000 on November 6, 2025. B&T applied \$60,000 from the initial retainer on September 11, 2025 to cover its services to the Special Committee in August 2025. B&T further received a payment on account of its services to the Special Committee prior to the Petition Date of \$349,080.82, which, taken together with the \$40,000 remaining from the initial retainer, satisfied B&T's fees and expenses incurred on behalf of the Special Committee in September 2025. *See id.* at ¶ 20.

34. B&T additionally accrued fees of \$437,771.50 and expenses of \$43,704.70 on account of its services to the Special Committee during October 2025. As of the date of this Application, B&T has applied its retainer in satisfaction of those amounts, and has thereafter applied the remainder of the retainer to B&T's fees and expenses incurred from November 1, 2025 to the Petition Date. *See id.* at ¶ 21.

IV. B&T's Representation of the Special Committee and Interaction with Debtors' Counsel

35. B&T's sole client in this matter shall be the Special Committee. The Special Committee recognizes that it has the responsibility to monitor closely the billing practices of and the services provided by its counsel to ensure that the fees and expenses paid by the estates remain consistent with expectations and the exigencies of the Chapter 11 Cases. The Special Committee,

as well as the Debtors, will review and monitor the invoices submitted by B&T to ensure that such goals are met.

36. The Debtors are also seeking, contemporaneously with this Application, to retain restructuring professionals and counsel in the Chapter 11 Cases to provide particular services other than those proposed be provided by B&T to the Special Committee. In particular, pursuant to a separate retention application filed with this Court, the Debtors have sought to retain Keller Benvenuti Kim LLP (“KBK”) and Young Conaway Stargatt & Taylor, LLP (“Young Conaway”) as general bankruptcy counsel to the Debtors. The services rendered and functions performed by B&T on behalf of the Special Committee are not duplicative of work performed by KBK, Young Conaway, or any other law firm retained by any of the Debtors. The Special Committee has been advised that B&T will coordinate its work with KBK, Young Conaway, and the Debtors’ other professionals as appropriate to ensure no duplicative services are performed. *See id.* at ¶ 8.

V. B&T’s Connections to Parties-in-Interest on Unrelated Matters

37. As described in the Schmeltz Declaration, in connection with its proposed retention by the Special Committee, B&T conducted a search of its electronic conflicts database with respect to the Debtors and a list of potential parties in interest in the Chapter 11 Cases provided by counsel to the Debtors. *See* Schmeltz Declaration at ¶ 13. B&T has advised the Special Committee and the Debtors that, except as set forth in the Schmeltz Declaration, to the best of B&T’s knowledge, B&T has no connections with the Debtors, their creditors, other parties in interest, their respective attorneys and accountants, the U.S. Trustee, or any persons employed in the office of the U.S. Trustee. Based on the information contained in the Schmeltz Declaration, B&T has advised the Special Committee and the Debtors that it does not hold or represent any interest adverse to the Debtors or their estates to the matters on which B&T is to be employed.

38. B&T has informed the Special Committee and the Debtors that it will conduct an ongoing review of its files to ensure that it continues to neither represent nor hold any interest adverse to the Debtors or their estates with respect to the matters on which B&T is to be employed by the Special Committee pursuant to this Application. If any new relevant facts or relationships are discovered or arise, B&T will use reasonable efforts to identify such further developments and will file promptly a supplemental declaration. *See id.* at ¶ 12.

B&T'S RETENTION SHOULD BE APPROVED
EFFECTIVE AS OF THE PETITION DATE

39. The Debtors submit this Application to be heard at the “second day” hearing on December 17, 2025, consistent with the Court’s customary practice and contemporaneously with the application of the other professionals the Debtors seek to retain. The Debtors, the Special Committee, and B&T have acted diligently and without delay to ensure that this Application was prepared and filed at the earliest opportunity following the Petition Date. Accordingly, the Special Committee respectfully requests that the Court approve the retention of B&T as of the Petition Date.

NOTICE

40. Notice of this Application will be provided to: (a) the U.S. Trustee; (b) proposed counsel to the Committee; (c) the office of the attorney general for each of the states in which the Debtors operate; (d) the United States Attorney’s Office for the District of Delaware; (e) the Internal Revenue Service; (f) the United States Department of Justice; (g) the Securities and Exchange Commission; (h) counsel to Compass Group Diversified Holdings LLC, the Debtors’ prepetition secured lender and postpetition secured lender; and (i) any party that is entitled to notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

CONCLUSION

WHEREFORE, the Debtors respectfully request entry of the Proposed Order, substantially in the form attached hereto as Exhibit D, (a) granting the relief requested herein and (b) granting such other relief as the Court deems appropriate under the circumstances.

Dated: November 26, 2025

/s/ Spencer Wells

Spencer Wells

Independent Director, and member of the
Special Committee, of Lugano Diamonds &
Jewelry, Inc.

CERTIFICATE OF SERVICE

I certify that on the 26th day of November 2025, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the District of Delaware.

BARNES & THORNBURG LLP

/s/ Amy E. Tryon

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*Counsel for the Special Committee of the
Board of Directors of Lugano Diamonds &
Jewelry Inc.*

EXHIBIT A



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August 11, 2025

ENGAGEMENT LETTER

VIA EMAIL ONLY

Special Committee of the Board of Directors of
Lugano Diamonds & Jewelry, Inc.
Attention: Spencer Wells
620 Newport Center Drive, Suite 800
Newport Beach, CA 92660
swells@drivetrainllc.com

Re: Engagement for Legal Services

Dear Mr. Wells:

The purpose of this letter is to confirm the terms and conditions under which the special committee (the “**Special Committee**,” “you” or “your”) established by the board of directors (the “**Board**”) of Lugano Diamonds & Jewelry, Inc. (“**Lugano**”) will retain Barnes & Thornburg LLP (the “**Firm**”) as counsel. We appreciate your confidence and thank you for selecting the firm as independent counsel.

As discussed, the Firm will advise the Special Committee in connection with the Special Committee’s investigation of potential claims that Lugano may have against Lugano’s direct or indirect equity holders, affiliates, subsidiaries, directors, officers, or other stakeholders, agents (including professional advisers), or any affiliate or other related party of the foregoing (the “**Matter**”). The Firm also will advise the Special Committee on any other matters the Special Committee may direct. Our only client in this engagement is the Special Committee, and we will not represent any other individual or entity.

You have advised us that Lugano and/or certain of its affiliates may elect to commence voluntary cases under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the future. In the event such cases are commenced, you have advised us that Lugano will seek to have the Firm’s retention as counsel to the Special Committee approved by the applicable

Special Committee of the Board of Directors of Lugano Diamonds & Jewelry, Inc.

August 11, 2025

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bankruptcy court pursuant to section 327(e) of the Bankruptcy Code.

We have made no promises or guarantees concerning the outcome of this Matter, nor can we do so. Nothing in this letter shall be construed as such a promise or guarantee. We have agreed that our engagement is limited to performance of services related to the Matter.

Our fees will be based on the reasonable value of our services as determined in accordance with the Illinois Rules of Professional Conduct. The primary basis for computing our fees will be the applicable standard hourly billing rate for each lawyer assigned to the Matter. Generally speaking, our hourly billing rates vary in accordance with the experience and seniority of the lawyers performing the services and the type of services performed. Hourly billing rates are typically adjusted annually in December.

Although I will be the lawyer responsible for this matter, I will assign portions of the work to be done to other lawyers and legal professionals at the Firm who have pertinent subject matter experience in an effort to effect greater efficiencies and to reduce total fees. My hourly rate, and the hourly rates for these additional lawyers and legal professionals, are included below:

Lawyer/Legal Professional	Hourly Rate
Bninski, Anna	\$565
Casper, Haley Hinton	\$655
Gavant, Aaron	\$980
He, Ning	\$965
Kansa, Ken	\$1340
Matsoukas, Katie	\$975
Morris, Peter	\$1125
Parks, Lydia	\$540
Pachciarz, Mary Cate	\$610
Peterson, Anita	\$465
Schmeltz, Trace	\$1340
Sussman, Eric	\$1125
Underwood, Charlotte	\$1070

Like other Firm rates, the above rates are also typically adjusted annually in December. In addition to our fees, you will be responsible for payment of our other charges as set forth in our Standard Terms of Engagement for Legal Services.

We understand that Lugano has agreed to pay our fees and expenses for representing the Special Committee in this Matter and, by executing a copy of this letter, Lugano confirms its obligation to pay our invoices in accordance with the terms of this letter. As a result, the Special Committee authorizes the Firm to send its invoices directly to Lugano for our work on behalf of the Special Committee on this Matter. Similarly, in the event Lugano commences a bankruptcy case, the Special Committee understands that our Firm may be required by the Bankruptcy Code and applicable orders of the bankruptcy court to file our engagement agreement and invoices with the applicable bankruptcy court in this matter, thereby creating a public record of our

Special Committee of the Board of Directors of Lugano Diamonds & Jewelry, Inc.

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representation of the Special Committee, the nature of our work, and the fees charged for same. By signing below, the Special Committee consents to these limited disclosures for purposes of our Firm's representation in this matter.

Pursuant to Rule 1.8(e) of the Rules of Professional Conduct, this arrangement requires our client's informed consent. The fact that Lugano is paying the legal fees and charges related to our representation of the Special Committee is not to interfere with our independent professional judgment or with the client-lawyer relationship. It is our opinion that neither our independent judgment nor the attorney-client relationship will be affected by this arrangement. The Special Committee is our client in this matter independent of Lugano and we will treat it as such, including honoring our confidentiality obligations in compliance with Rule 1.05 of the Rules of Professional Conduct. We therefore request that consent be given for Lugano to pay our fees and other charges. By signing below, the Special Committee acknowledges consent to this arrangement and confirms that independent legal counsel was consulted as to any questions the Special Committee may have had relative to Lugano's payment of the fees and charges incurred in this matter.

We have agreed to represent you in this Matter on the understanding that you will provide us with an advance deposit of \$100,000. We will begin work on this Matter as soon as we have received your advance deposit.

Unless the Firm otherwise agrees in a subsequent letter, all future engagements between the Special Committee and the Firm will be governed by the enclosed Standard Terms of Engagement for Legal Services (2024), to the extent not expressly modified by this letter. Notwithstanding provisions in our Standard Terms of Engagement to the contrary, this confirms we will not assess a finance charge for late payments.

If this letter does not correctly reflect your understanding of the terms and conditions of our representation of the Special Committee, please inform me at once. If you agree with the terms and conditions as stated above, please acknowledge your agreement by signing below and returning this letter to me.

We are pleased to have this opportunity to be of service and to work with you.

[Signature Page Follows]

Special Committee of the Board of Directors of Lugano Diamonds & Jewelry, Inc.

August 11, 2025

Page 4

Sincerely,



Trace Schmeltz

Acknowledged and agreed:

Special Committee of the Board of Directors of Lugano Diamonds & Jewelry, Inc.

By: _____
Spencer Wells

August __, 2025

**Acknowledged and agreed as
to payment obligation only:**

Lugano Diamonds & Jewelry, Inc.

By: _____

August 11, 2025

Enclosure: Standard Terms of Engagement (2024)

EXHIBIT B

Schmeltz Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

LUGANO DIAMONDS & JEWELRY INC.,
et al.,¹

Debtors.

Chapter 11

Case No. 25-12055 (BLS)

(Jointly Administered)

**DECLARATION OF TRACE SCHMELTZ IN SUPPORT OF THE APPLICATION FOR
ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF BARNES & THORNBURG LLP AS SPECIAL COUNSEL TO THE SPECIAL
COMMITTEE OF THE BOARD OF DIRECTORS OF LUGANO DIAMONDS
& JEWELRY INC. EFFECTIVE AS OF THE PETITION DATE**

I, Vincent (Trace) Schmeltz, being duly sworn, hereby declare as follows:

1. I am a partner at the law firm of Barnes & Thornburg LLP (“B&T” or the “Firm”).

I submit this declaration (this “Declaration”) in connection with the application (the “Application”)² of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), including Debtor Lugano Diamonds & Jewelry Inc. (“Lugano Diamonds”), acting through the Special Committee of the Board of Directors of Lugano Diamonds (the “Special Committee”) to retain and employ B&T as counsel to the Special Committee pursuant to sections 327(e) and 330 of the Bankruptcy Code, effective as of the Petition Date.

2. The proposed retention and employment of B&T by the Special Committee will be in accordance with the terms and conditions of that certain engagement letter, dated as of August

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s U.S. federal tax identification number, to the extent applicable, are as follows: Lugano Diamonds & Jewelry Inc. (6784), Lugano Holding, Inc. (9690), Lugano Buyer, Inc. (4565), K.L.D. Jewelry, LLC (0319), and Lugano Prive, LLC (4308). The notice address for the Debtors is 620 Newport Center Dr., Ste 100, Newport Beach, California 92660.

² Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Application.

11, 2025, attached to the Application as Exhibit A (the “Engagement Letter”). Except as otherwise noted, I have personal knowledge of the matters set forth herein.

B&T’S QUALIFICATIONS

3. B&T is a national law firm with over 800 legal professionals working in 23 offices throughout the United States. B&T has an extensive, multi-disciplinary, practice covering nearly all substantive areas of law, including (a) litigation, (b) corporate and securities, (c) white collar, compliance, and investigations, and (d) restructuring & bankruptcy. B&T lawyers represent and advise a wide range of constituents on these matters and others both inside and outside of bankruptcy proceedings, including boards of directors, special committees, and independent directors. That experience specifically includes advising on internal investigations, corporate governance issues, compliance with fiduciary duties, including in and out of bankruptcy proceedings, and related matters. As a result, B&T is well qualified to advise and represent the Special Committee as counsel in connection with the Special Committee’s duties.

4. B&T represented the Special Committee for approximately three months prior to the Petition Date in connection with the Special Committee’s work on behalf of the Debtors. During that period, B&T became very familiar with the Debtors, their business, and the Investigation, among other things.

5. B&T’s knowledge of the Debtors, as well as its experience in litigation, corporate governance, and compliance and investigations matters, as well as in restructuring and bankruptcy matters, make B&T an ideal choice to represent the Special Committee effectively and efficiently in carrying out the matters delegated to it by the Board of Directors of Lugano Diamonds (the “Board”).

SERVICES TO BE PROVIDED

6. As set forth in more detail in the Application, the Board delegated to the Special Committee the authority to, among other things, oversee: (a) matters related to the alleged fraud perpetrated upon Lugano Diamonds by its former Chief Executive Officer, Mordechai Haim Ferder, and (b) strategic and/or financial alternatives for Lugano Diamonds, including financing, sale, restructuring, reorganization, recapitalization, chapter 11 reorganization, or other transactions. The Board designated Mr. Thomas FitzGerald and Mr. Spencer Wells as members of the Special Committee.

7. In connection with the Special Committee's performance of its duties as delegated by the Board, the Special Committee sought to retain counsel after its establishment to assist it in the performance of its duties. Following that determination, and after interviewing other law firms, the Special Committee concluded that it should retain B&T to provide advice and assistance to the Special Committee in the performance of its duties. Since then, B&T has advised and represented the Special Committee with respect to the performance of the duties delegated to the Special Committee by the Board, as described in the Application and in the Engagement Letter.

8. Pursuant to a separate retention application filed with the Court, the Debtors have sought to retain Keller Benvenuti Kim LLP ("KBK") and Young Conaway Stargatt & Taylor, LLP ("Young Conaway") as general bankruptcy counsel to the Debtors. The services rendered and functions performed by B&T on behalf of the Special Committee are not duplicative of work performed by KBK, Young Conaway, or any other law firm retained by any of the Debtors. B&T, for its part, will represent the Special Committee as its sole client (unless, in non-bankruptcy litigation, the Special Committee instructs B&T to act on behalf of the Debtors), while KBK and Young Conaway will represent the Debtors in connection with their bankruptcy cases. B&T will

coordinate its work with KBK, Young Conaway, and other professionals retained by the Debtors as appropriate to ensure no firm performs duplicative services.

B&T'S DISCLOSURE PROCEDURES

9. B&T undertook at my direction an extensive review of its records to confirm that B&T does not represent or hold any interest adverse to the Debtors or their estates on the matters on which B&T is to be employed, as required by section 327(e) of the Bankruptcy Code.

10. As I described above, B&T has a large and diversified legal practice that encompasses the representation of, and representations adverse to, select individuals, funds, institutions, partnerships, limited liability companies, and corporations, some of which are or may consider themselves to be (or in the case of committees, the members may consider themselves to be) creditors or parties-in-interest in the Chapter 11 Cases, or otherwise to have interests in Chapter 11 Cases.

11. In preparing this Declaration, I performed, or caused to be performed, the following actions to identify the parties relevant to this Declaration and to ascertain B&T's connection to such parties:

- a. B&T requested and obtained from counsel to the Debtors an extensive list of interested parties and significant creditors (the "Potential Parties in Interest"). The Potential Parties in Interest include: (i) the Judges and staff of the United States Bankruptcy Court for the District of Delaware; (ii) the staff of the U.S. Trustee; (iii) the Debtors; (iv) creditors of the Debtors; (v) the Debtors' professionals and advisors; (vi) the Debtors' current and recent former officers and directors; (vii) shareholders with a greater than 5% ownership of the Debtors; (viii) current and recent litigation counterparties and potential adverse parties; (ix) material vendors and suppliers of the Debtors; (x) the Debtors' insurance providers; (xi) relevant taxing authorities; (xii) the Debtors' utility providers; (xiii) the Debtors' landlords; and (xiv) the Debtors' DIP Lender. A copy of the list of the Potential Parties in Interest searched by B&T is annexed hereto as Schedule 1.
- b. B&T then compared the names of each of the Potential Parties in Interest to the names in its master electronic database of the Firm's current and recent clients (the "Client Database"). The Client Database generally includes the name of each

current and former client of the Firm, the name of the parties who are or were related or adverse to such current or former client, and the names of the B&T personnel who are or were responsible for the current or former matters for such client since 2000. B&T maintains the Client Database to include additional entities that become related to current and former clients.

- c. B&T compared the names of the Potential Parties in Interest to the names in the Client Database to identify any matches and to determine whether such matches are current or former clients.
- d. Known connections between current or recent former clients of B&T and the Potential Parties in Interest were compiled for purposes of preparing this Declaration. These connections are listed in Schedule 2 attached hereto.

12. As a matter of retention and disclosure policy, B&T will review its Client Database periodically during the course of its engagement by the Special Committee to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, B&T will use reasonable efforts to identify such further developments and will file promptly a supplemental declaration, as required by Bankruptcy Rule 2014(a).

CONNECTIONS WITH PARTIES IN INTEREST

13. B&T has represented or currently represents the entities identified on Schedule 2 in matters unrelated to the Debtors, their affiliates, and the matters with respect to which B&T is to be retained in the Chapter 11 Cases. To the best of my knowledge, information, and belief, neither B&T nor any of its partners, of counsel, or associates have any connection to the Potential Parties in Interest except as described in this Declaration and the attached Schedule 2. B&T does not represent any party-in-interest in the Chapter 11 Cases that is adverse to the Debtors on the matters on which B&T is to represent the Special Committee.

14. Despite the efforts described above to identify and disclose B&T's connections with Potential Parties in Interest, because B&T is a national law firm with hundreds of attorneys in 23

offices across the United States, and because Debtors consist of corporate enterprises with numerous creditors and other relationships, I am unable to state with absolute certainty that every client representation or other connection has been disclosed. If I discover additional information that requires disclosure or a modification of the statements made in this Declaration, I will file a supplemental declaration with the Court.

15. I do not believe that any of the representations or relationships recited above or listed on Schedule 2 would give rise to a finding that B&T represents or holds an interest adverse to the Debtors or their estates on the matters on which B&T is to be employed.

B&T'S COMPENSATION

16. B&T intends to apply for allowance of compensation for professional services and reimbursement of expenses incurred in connection with the Chapter 11 Cases, subject to the Court's approval and in compliance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court.

17. Subject to Court approval and in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, applicable U.S. Trustee guidelines, the Local Rules, and any applicable orders of the Court, B&T will bill at its standard hourly rates, which currently are: \$505.00 to \$1,900.00 for partners; \$340.00 to \$1,290.00 for associates and counsel; and \$230.00 to \$565.00 for paralegals. The hourly rates and corresponding rate structure B&T will use in the Chapter 11 Cases are the same as the hourly rates and corresponding rate structure that B&T uses in other restructuring matters, as well as in non-restructuring matters, whether in court or otherwise, regardless of whether a fee application is required.

18. B&T's billing rates are subject to periodic adjustments (typically on December 1 of each year) to reflect economic and other conditions. This annual adjustment is in accordance with

B&T's ordinary practice. B&T has reflected its rates as of December 1, 2025, in the Application; *however*, for the period from the Petition Date through and including November 30, 2025, B&T will charge a lower hourly rate, consistent with what it has billed the Special Committee on account of its services during the period prior to the Petition Date.

19. B&T's hourly rates are set at a level designed to compensate B&T fairly for the work of its attorneys and legal assistants and to cover fixed and routine expenses. The rates and rate structure provided by B&T are appropriate and reflect the complex and time sensitive nature of the matters B&T will be handling.

20. In accordance with sections 329 and 504 of the Bankruptcy Code and Bankruptcy Rule 2016(b), I confirm that B&T has neither shared nor agreed to share (a) any compensation it has received or may receive with another party or person, other than with the partners, associates, and contract attorneys associated with B&T or (b) any compensation another person or party has received or may receive. During the one year prior to the Petition Date, B&T received a retainer from the Debtors in the initial amount of \$100,000 on August 12, 2025. That retainer was increased by a further retainer of \$550,000 on November 6, 2025. B&T applied \$60,000 from the initial retainer on September 11, 2025, to cover its services to the Special Committee in August 2025. B&T further received a payment on account of its services to the Special Committee prior to the Petition Date of \$349,080.82, which, taken together with the \$40,000 remaining from the initial retainer, satisfied B&T's fees and expenses incurred on behalf of the Special Committee in September 2025.

21. B&T additionally accrued fees of \$437,771.50 and expenses of \$43,704.70 on account of its services to the Special Committee during October 2025. As of the date of the Application, B&T has applied its retainer in satisfaction of those amounts, and has thereafter

applied the remainder of the retainer to B&T's fees and expenses incurred from November 1, 2025 to the Petition Date.

22. The following is provided in response to the request for additional information set forth in Paragraph D.1 of the U.S. Trustee Fee Guidelines.

Question: Did the Firm agree to any variations from, or alternatives to, the Firm's standard billing arrangements for this engagement?

Answer: No.

Question: Do any of the Firm professionals in this engagement vary their rate based on the geographical location of the Chapter 11 Cases?

Answer: No.

Question: If the Firm has represented the Debtors or the Special Committee in the 12 months prepetition, disclose the Firm's billing rates and material financial terms for the prepetition engagement, including any adjustments during the 12 months prepetition. If the Firm's billing rates and material financial terms have changed postpetition, explain the difference and the reasons for the difference.

Answer: B&T has represented the Special Committee since August 2025. B&T's billing rates are subject to periodic adjustments (typically on December 1 of each year) to reflect economic and other conditions. The billing rates and material financial terms set forth in the engagement letter covered B&T's rates in force as of December 1, 2024. The rates set forth in paragraph 30 of the Application are those applicable to B&T's services on and after December 1, 2025. B&T will charge the rates set forth in the engagement letter from the Petition Date through and including November 30, 2025, and then will charge the rates set forth in the Application from and after December 1, 2025.

Question: Have the Debtors approved the Firm's budget and staffing plan, and if so, for what budget period?

Answer: B&T communicates on a regular basis with the Special Committee and the Debtors to ensure that its services are being performed efficiently, effectively, and in accordance with the Debtors' overall budget. The Debtors and their lenders have approved B&T's budget for services to be rendered on behalf of the Special Committee in connection with the Debtors' proposed debtor-in-possession financing facility.

CONCLUSION

23. By reason of the foregoing, I believe B&T is eligible for employment and retention by the Special Committee pursuant to sections 327(e) and 330 of the Bankruptcy Code and the applicable Bankruptcy Rules and Local Rules.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: November 26, 2025

/s/ Trace Schmeltz

Trace Schmeltz

SCHEDULE 1

List of Entities Reviewed

Banks

Bank of America, N.A.
U.S. Bank National Association

Bankruptcy Court Staff

Barksdale, Nickita
Batts, Cacia
Bello, Rachel
Brady, Claire
Capp, Laurie
Gadson, Danielle
Grant, Stephen L.
Haney, Laura
Hrycak, Amanda
Hurt, Xavier
Johnson, Lora
Lopez, Marquietta
Lugano, Al
Subda, Paula
Walker, Jill
Washington, Nikki
Yeager, Demitra

Bankruptcy Judges

Dorsey, John T.
Goldblatt, Craig T.
Horan, Thomas M.
Owens, Karen B.
Shannon, Brendan L.
Silverstein, Laurie Selber
Stickles, Kate J.

U.S. Trustee Staff

Attix, Lauren
Bates, Malcolm M.
Casey, Linda
Cudia, Joseph
Dice, Holly
Dortch, Shakima L.
Fox, Timothy J., Jr.

Girello, Michael
Green, Christine
Hackman, Benjamin
Jones, Nyanquoi
Konde, Hawa
Leamy, Jane
Lipshie, Jonathan
McCollum, Hannah M.
McMahon, Joseph
Nyaku, Jonathan
O'Malley, James R.
Richenderfer, Linda
Schepacarter, Richard
Serrano, Edith A.
Thomas, Elizabeth
Wynn, Dion

Debtors & Non-Debtor Affiliates (not otherwise mentioned)

Compass Diversified Holdings
K.L.D. Jewelry, LLC (also known as KLD LLC and K.L.D., LLC)
Lugano Buyer, Inc.
Lugano Canada, Inc.
Lugano Diamonds & Jewelry Inc.
Lugano Diamonds UK Limited
Lugano Holding, Inc.
Lugano Prive Investment Trust
Lugano Prive, LLC

Debtors' Professionals & Advisors

Armory Securities, LLC
Brown Neri Smith & Khan LLP
Keller Benvenuti Kim LLP
Omni Agent Solutions, Inc.
Shoemaker Ghiselli + Schwartz LLC
Young Conaway Stargatt & Taylor LLP

Directors & Officers (Current/Former)

Arnold, David,
Calvert, Lisa
Cumenal, Frederic
Dalal, Raj
Ferder, Idit
Ferder, Mordechai
FitzGerald, Thomas
Gaynor, Joshua
Kothari, Raj
Maciariello, Patrick
McCauley, Tiffany
McGee, Michael
Pachler, Christoph
Roach, Katherine
Wells, Spencer L.
Winston, Stuart

DIP Lender

Compass Group Diversified Holdings LLC

Insurance Providers

AIG Specialty Insurance Company
American Fire and Casualty Company
(Liberty Mutual Insurance)
Arch Insurance Company
Arch Specialty Insurance Company
At-Bay Specialty Insurance Company
Atlantic Specialty Insurance Company
Axis Insurance Company
Great American Risk Solutions Surplus
Lines Insurance Company
Lloyd's of London
Ohio Security Insurance Company (Liberty
Mutual Insurance)
Scottsdale Insurance Company
Selective Ins Co of the Southeast
Starstone Specialty Insurance Co.
Technology Insurance Company, Inc.
Travelers Casualty and Surety Company of
America
United Healthcare Services, Inc.

West American Insurance Company
(Liberty Mutual Insurance)
XL Specialty Insurance Company

Landlords

240 GA, LLC
620 Newport Center Drive LLC
Albalux Development Ltd
Ashkenazy Aspen Commercial, LLC
Equestrian Operations, L.L.C.
Miami DD Club, LLC (license)
Paradise Plaza Associates LLC
Ponte Gadea Chicago, LLC
SHC Washington, LLC
Sheraton License Operating Company, LLC
The Irvine Company, LLC
Urbinder Developments Ltd.
Wilson 150 Worth, LLC

Litigation Parties

Aronoff, Barry
Arvielo Family Trust
Arvielo, Enrico
Avina LLC
Belgium New York, LLC
Champion Force Industrial Limited
Cohen, Raymond W.
Global Innovations LLC
Hazen, Cassandra
Hazen, Paul
Kent Valley, trustee of the Valley Trust
dated August 2, 2012
Kraus, Ken
Luminaire LLC
Navarretta, Veronica
N.B.S. Diamonds Inc. dba Scarselli
Diamonds
Sydney Holdings Limited
The Paul and Cassandra Hazen Trust
Virginia Valley, trustee of the Valley Family
Trust dated August 2, 2012

White Mountain Capital Inc.
Winters, Kristoffer

**Material Vendors, Suppliers, &
Significant Contract Counterparties**

American Express
Aspen Art Museum (Aspen Air)
Aspen Music Festival and School
Aspen Valley Polo Club (AVPC)
Childrens Museum of Manhattan (CMOM)
Cliq
DM Luxury, LLC / Modern Luxury
Dow Jones & Company Inc
Egon Zehnder International
Estate Security Services, Inc
Fancy Creations, Inc.
Five C'S Inc.
Florida Grand Opera
Hearst Magazines (Town & Country)
Institute of Contemporary Art, Miami
Irvine Barclay Theatre
Johnson Controls
KCD, Inc.
Kothari and Company, Inc.
Kothari Trading HK LTD
Live Oak International Horse Show
Longines Global Champion Tour (Tops
Equestrian)
Luminaire (Furniture) aka Poltrona
Malca-Amit USA, LLC Los Angeles
My Jeweler & Diamonds
National Gallery of Art
National Symphony Orchestra
New York Empire Equestrian Club
OnCall IT, Inc.
Orange County Museum of Art (OCMA)
Real Gems, Inc.
Robb Report Media, LLC
Royal Charity Polo (TLA Worldwide AKA TGI
Sport)
Royal Windsor Horse Show
Rubinstein Software

STA Jets
Sweet Management Group (aka Connect Sports
& Entertainment, LLC)
The Financial Times Limited
The Kennedy Center
The New York Times
The Norton Museum of Art
The Run to Monaco
The Serpentine
Visionet Systems Inc
Wheeler Kearns Architects, Inc.
Winter Equestrian Festival (WEF)
World Equestrian Center (WEC)

Secured Creditors

Compass Group Diversified Holdings LLC

Material (5% or Greater) Shareholders

Compass Group Diversified Holdings LLC
Marshack, Richard
Mordechai Haim Ferder, as trustee of The
Haim Family Trust, dated February 24, 2009
Simba IL Holdings, LLC
The Haim Family Trust, dated February 24,
2009

Top 30 Creditors

Aronoff, Barry (Aronoff Capital, Inc.)
Arvielo Family Trust
Arvielo, Enrico
Avina LLC (Global Innovations, LLC)
Bank of America, N.A.
Benson, Juliann
Brandes, Adrienne
Bulley & Andrews LLC
Champion Force Industrial Limited
Cohen, Raymond W.
Dacus, Debbie
Gadol, Bryan
Hazen, Cassandra
Hazen, Paul
Kelsay, Kaci

Locksley, John
McCall, Marianne
McMacken, Ron
Moens, Lawrance
N.B.S. Diamonds Inc. dba Scarselli
Diamonds
Paradise Plaza Associates LLC
Ponte Gadea Chicago, LLC
Rodan Family Living Trust
Shelley Investments LLC
Sherlock, Tina
Sherwood, Steve
Simon, Ron
Simon, Scott and Hillary
Sydney Holdings Limited
Testa, Darren
White Mountain Capital Inc.
Winters, Kristoffer
Worth Capital Holdings 9 LLC
Valley Family Trust dated August 2, 2012

Taxing Authorities

California Department of Tax and Fee
Administration
City of Aspen
City of Steamboat Springs
County of Orange
DC Office of Tax and Revenue
Direction Générale des Finances Publiques
(France)
Florida Dept of Revenue
HM Revenue and Customs
IRS
Italian Revenue Agency (Agenzia delle
Entrate)
Palm Beach County
Colorado Department of Revenue

Connecticut Department of Revenue
Services
Delaware Division of Revenue
Illinois Department of Revenue
Michigan Department of Treasury
New York State Department of Taxation and
Finance
Pennsylvania Department of Revenue
Spanish Tax Administration Agency
(AEAT)
Swedish Tax Authority
Texas Comptroller
Town of Greenwich
Virginia Department of Taxation

Utility Providers

Astound Business Solutions
AT&T
AT&T CWO
CenturyLink
City of Newport Beach
Comcast
ComEd
Connecticut Natural Gas Corporation
Cox Communications
DirecTV
Fonality
FPL
Greenwich Premier Services
Optimum Business
People Gas
SoCalGas
Southern California Edison
Starlink Internet Services Limited
T-Mobile
Verizon

SCHEDULE 2**Disclosures**

Name of Entity Searched	Name of Entity and/or Affiliate of Entity that is Client	Relationship
AT&T	AT&T	Current Client
Bank of America, N.A.	Bank of America, N.A.	Current Client
Comcast	Comcast Spectacor	Current Client
Comcast	Comcast Corporation	Current Client
Cox Communications	Cox Communications, Inc.	Current Client
DirecTV	DirecTV	Former Client
FPL	FPL Corporate Services, LLC	Current Client
Johnson Controls	Johnson Controls, Inc.	Current Client
Luminaire LLC	Luminaire LLC	Current Client
Richard Marshack	Richard Marshack, Chapter 7 Trustee	Current Client
Royal Charity Polo (TLA Worldwide AKA TGI)	TLA Worldwide PLC	Current Client
U.S. Bank National Association	U.S. Bank National Association	Current Client
Verizon	Verizon Delaware, Inc.	Current Client
Verizon	Verizon Wireless	Current Client
Verizon	Verizon Communications, Inc.	Current Client

EXHIBIT C

Wells Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

LUGANO DIAMONDS & JEWELRY INC.,
et al.,¹

Debtors.

Chapter 11

Case No. 25-12055 (BLS)

(Jointly Administered)

**DECLARATION OF SPENCER WELLS IN SUPPORT OF THE APPLICATION FOR
ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF BARNES & THORNBURG LLP AS SPECIAL COUNSEL TO THE SPECIAL
COMMITTEE OF THE BOARD OF DIRECTORS OF LUGANO DIAMONDS
& JEWELRY INC. EFFECTIVE AS OF THE PETITION DATE**

I, Spencer Wells, state the following under penalty of perjury:

1. I am an independent director on the board of directors (the “Board”) of Lugano Diamonds & Jewelry Inc. (“Lugano Diamonds”). I am one of two members of the Special Committee of the Board, which was formed on July 16, 2025 (the “Special Committee”). I am over the age of 18 years and am competent to make this declaration (this “Declaration”).

2. I submit this Declaration in connection with the application (the “Application”)² of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), including Debtor Lugano Diamonds & Jewelry Inc. (“Lugano Diamonds”), for the Special Committee to retain and employ Barnes & Thornburg LLP (“B&T”) as special counsel pursuant to sections 327(e) and 330 of the Bankruptcy Code in connection with the above-referenced Chapter 11 Cases. Except as otherwise noted, I have personal knowledge of the matters set forth herein.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s U.S. federal tax identification number, to the extent applicable, are as follows: Lugano Diamonds & Jewelry Inc. (6784), Lugano Holding, Inc. (9690), Lugano Buyer, Inc. (4565), K.L.D. Jewelry, LLC (0319), and Lugano Prive, LLC (4308). The notice address for the Debtors is 620 Newport Center Dr., Ste 100, Newport Beach, California 92660.

² Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Application.

BACKGROUND OF DECLARANT

3. I am a restructuring advisor with extensive experience guiding companies through sophisticated financings, restructurings, and special situations. Previously, I was a Partner and Senior Advisor with TPG Special Situations Partners, as well as a Partner and Senior Analyst at Silverpoint Capital. I regularly serve as an independent director to companies undergoing liability management and restructurings.

ESTABLISHMENT OF SPECIAL COMMITTEE

4. On November 16, 2025 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”).

5. On July 9, 2025, the Board appointed me as a member in light of the Board’s finding that I did not have material business or other relationships or affiliations with any parties that might cause me to be unable to exercise independent judgment based on the best interests of Lugano Diamonds. The Board also appointed Thomas FitzGerald, another independent director, as a second member of the Board after making the same finding.

6. On July 16, 2025, the Board determined that it was advisable and in the best interests of the Debtors and their stakeholders to establish the Special Committee.

7. As described in more detail below, the Board delegated to the Special Committee the authority to, among other things, oversee: (a) matters related to the alleged fraud perpetrated upon Lugano Diamonds by its former Chief Executive Officer, Mordechai Haim Ferder; and (b) strategic and/or financial alternatives for Lugano Diamonds, including, financing, sale, restructuring, reorganization, recapitalization, chapter 11 reorganization, or other transactions.

8. Specifically, the Board elected via its resolutions passed on July 16, 2025, to delegate to the Special Committee the authority to undertake the following actions related to an investigation of the alleged fraud perpetrated upon Lugano Diamonds by Mr. Ferder (the “Investigation”):

- a. Oversee the Investigation;
- b. Oversee the commencement, prosecution, settlement, or discontinuation of any action or proceeding against any individuals or entities (including, without limitation, Mr. Ferder, investors (whether or not customers), professionals, and/or CODI or its affiliates) relating to any matters addressed by, or causes of action that may be supported by facts developed in, the Investigation (any such action or proceeding, the “Litigation”);
- c. Oversee discussions with Lugano Diamonds’ key stakeholders with respect to, or matters related to, the Investigation and Litigation, including, without limitation, any committee, examiner, trustee or other party in interest in a Chapter 11 proceeding;
- d. Manage and direct the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of Lugano Diamonds in furtherance of the Investigation and any Litigation, including the hiring, retention, and termination of professionals engaged with respect to the Investigation and any Litigation; and
- e. Take any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

9. With respect to a strategic and/or financial transaction (which includes a financing sale, restructuring, reorganization, recapitalization, bankruptcy proceeding, or other transaction), the Special Committee was authorized by the Board to undertake numerous actions, including:

- a. Overseeing (i) a sale of all or substantially all of Lugano Diamonds' assets, (ii) a sale of the equity of Lugano Diamonds, (iii) any merger or other business combination of Lugano Diamonds with another entity, and (iv) any financing or refinancing transaction, including any amendments, waivers, consents, and forbearances, whether or not with CODI;
- b. Reviewing, evaluating, and if appropriate, making a recommendation to the Board to approve or disapprove any material strategic transaction-related events or processes, including, without limitation, the selection of any stalking horse purchaser, the selection of any successful bidder, the sales procedure within and outside of a bankruptcy, and the marketing process for and selection of one or more lenders;
- c. Reviewing, evaluating, and approving a key employee incentive plan or a key employee retention plan calculated to help maximize the value of Lugano Diamonds;
- d. Overseeing discussions with Lugano Diamonds' key stakeholders with respect to any strategic transaction;
- e. Managing and directing the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of Lugano Diamonds in furtherance of any strategic transaction, including the hiring, retention and termination of professionals engaged with respect thereto; and

- f. Taking any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

10. With respect to a bankruptcy proceeding, the Special Committee is empowered to take actions on behalf of the Lugano Board as the Special Committee deems appropriate or desirable:

- a. Overseeing any contingent planning related to a bankruptcy proceeding;
- b. Reviewing, evaluating, and, if appropriate, making a recommendation to the Board regarding material events or processes in a bankruptcy proceeding; provided, however, that the Board authorized the Special Committee to make determinations relating to a bankruptcy proceeding on (i) determination of any appropriate venue and (ii) selection of local counsel;
- c. Overseeing discussions with Lugano Diamonds' key stakeholders with respect to a bankruptcy proceeding;
- d. Managing and directing the officers, employees, financial advisors, investment bankers, counsel, and other professionals and advisors of Lugano Diamonds in furtherance of bankruptcy proceeding, including the hiring, retention and termination of professionals engaged with respect to the bankruptcy proceeding; and
- e. Taking any other action deemed necessary or advisable to carry out the foregoing within the scope of authority delegated to the Special Committee by the Board.

SELECTION OF B&T

11. In connection with the performance of its duties as delegated by the Board, the Special Committee sought to retain counsel to advise and assist the Special Committee in the performance of its duties, subject to the approval of the Court in this bankruptcy proceeding. The Debtors will be responsible for paying the reasonable fees, expenses, and disbursements of such advisors, again subject to Court approval.

12. The Special Committee has determined that retaining B&T to advise and assist it in the performance of its duties is necessary and appropriate. The Special Committee reached this determination in light of B&T's extensive experience in matters relevant to the scope of the Special Committee's duties, the breadth of the firm's practice, and its representations of boards of directors, special committees, and independent directors in situations comparable to those here. Based on all of those factors, I believe B&T is well qualified to represent the Special Committee as counsel in this matter.

13. On August 11, 2025, the Special Committee and B&T agreed to the engagement letter that was attached to the Application as Exhibit A (the "Engagement Letter"). Via the Application, the Debtors seek entry of an order authorizing the retention and employment of B&T as counsel to the Special Committee in accordance with the terms and conditions of the Engagement Letter.

14. The Special Committee is aware that, as set forth in the Engagement Letter, B&T periodically adjusts its hourly rates, typically on December 1 of each year. The Special Committee is additionally aware that the hourly rates for B&T's professionals and paraprofessionals set forth in the Application reflect an adjustment, effective as of December 1, 2025, from the rates set forth in the Engagement Letter. B&T has advised the Special Committee that for the period from the

Petition Date through and including November 30, 2025, it will charge the rates set forth in the Engagement Letter, and then it will charge the hourly rates set forth in the Application from and after December 1, 2025.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: November 25, 2025

Signed by:

Spencer Wells

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Spencer Wells

Independent Director and member of the Special
Committee of Lugano Diamonds

EXHIBIT D

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

LUGANO DIAMONDS & JEWELRY INC.,
et al.,¹

Debtors.

Chapter 11

Case No. 25-12055 (BLS)

(Jointly Administered)

**ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF
BARNES & THORNBURG LLP AS SPECIAL COUNSEL TO THE SPECIAL
COMMITTEE OF THE BOARD OF DIRECTORS OF LUGANO DIAMONDS
& JEWELRY INC. EFFECTIVE AS OF THE PETITION DATE**

Upon the application (the “Application”)² of the debtors and debtors-in-possession in the above-captioned Chapter 11 Cases (collectively, the “Debtors”), acting through the Special Committee (as defined below), for entry of an order (this “Order”) (a) authorizing the employment and retention of Barnes & Thornburg LLP (“B&T”) as counsel to the special committee of the Board of Directors of Lugano Diamonds & Jewelry Inc. (the “Special Committee”), effective as of the Petition Date, pursuant to sections 327(e) and 330 of title 11 of the United States Code (the “Bankruptcy Code”), rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and rules 2014-1(a), 2016-1, and 9013-1(f) of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), and (b) granting related relief, all as more fully set forth in the Application; and this Court having reviewed the Application, the Declaration of Trace Schmeltz, a partner of B&T (the “Schmeltz Declaration”), and the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s U.S. federal tax identification number, to the extent applicable, are as follows: Lugano Diamonds & Jewelry Inc. (6784), Lugano Holding, Inc. (9690), Lugano Buyer, Inc. (4565), K.L.D. Jewelry, LLC (0319), and Lugano Prive, LLC (4308). The notice address for the Debtors is 620 Newport Center Dr., Ste 100, Newport Beach, California 92660.

² Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Application.

Declaration of Spencer Wells, a member of the Special Committee (the “Wells Declaration”); and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012; and this Court having found that the Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court being able to issue a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found based on the representations made in the Application and in the Schmeltz Declaration that B&T does not hold or represent any interest adverse to the Debtors or their estates with respect to the matters on which B&T is to be employed, as required by section 327(e) of the Bankruptcy Code; and this Court having found that the relief requested in the Application is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors provided adequate and appropriate notice of the Application under the circumstances and that no other or further notice is required; and this Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and any objections to the relief requested herein having been withdrawn or overruled on the merits; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED as set forth herein.
2. The Debtors, on behalf of the Special Committee, are authorized to retain and employ B&T, pursuant to sections 327(e) and 330 of the Bankruptcy Code, as counsel to the

Special Committee, effective as of the Petition Date, in accordance with the terms and conditions set forth in the Application.

3. B&T is authorized to provide the Special Committee with the professional services described in the Application and the Engagement Letter, in accordance with the terms and conditions set forth in the Application and the Engagement Letter.

4. B&T shall apply for compensation earned for professional services rendered and reimbursement of expenses incurred in connection with its services as counsel to the Special Committee in compliance with sections 330 and 331 of the Bankruptcy Code and the applicable provisions of the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court. For billing purposes, B&T shall keep its time in one-tenth (1/10) hour increments. B&T shall use reasonable efforts to avoid any duplication of services provided by any of the Debtors' other professionals. B&T shall also make reasonable effort to comply with any requests for information and additional disclosures by the U.S. Trustee, both in connection with the Application and all applications for compensation and reimbursement of expenses filed by B&T in these Chapter 11 Cases.

5. B&T shall review its files periodically during the pendency of these Chapter 11 Cases to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or connections are discovered or arise, B&T will use reasonable efforts to identify such further facts or connections and will promptly file a supplemental declaration, as required by Local Rule 2014-1(a).

6. The Debtors, the Special Committee, and B&T are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

7. To the extent there is any inconsistency between the Application, the Declarations, and this Order, the provisions of this Order shall govern.

8. Notice of the Application as provided therein shall be deemed good and sufficient notice of the Application, and the requirements of the Bankruptcy Rules and Local Rules are satisfied by the contents of the Application.

9. Notwithstanding Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, the terms of this Order shall be immediately effective and enforceable upon its entry.

10. This Court retains jurisdiction with respect to all matters arising from or relating to the implementation, interpretation, and enforcement of this Order.

Signed: _____, 2025

Brendan Linehan Shannon
United States Bankruptcy Judge