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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:

EDDIE BAUER LLC, *et al.*,

Debtors.¹

Chapter 11

Case No. 26-11422 (SLM)

(Joint Administration Requested)

**DEBTORS' MOTION FOR ENTRY OF
INTERIM AND FINAL ORDERS (I) AUTHORIZING THE
DEBTORS TO (A) PAY PREPETITION WAGES, SALARIES, OTHER
COMPENSATION, AND REIMBURSABLE EXPENSES AND (B) CONTINUE
EMPLOYEE BENEFITS PROGRAMS; AND (II) GRANTING RELATED RELIEF**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) state the following in support of this motion (this “Motion”):²

¹ The last four digits of Debtor Eddie Bauer LLC’s tax identification number are 6060. A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://cases.stretto.com/EddieBauer>. The location of Debtor Eddie Bauer LLC’s principal place of business is 10401 Northeast 8th Street, Suite 500, Bellevue, WA 98004; the Debtors’ service address in these chapter 11 cases is 6501 Legacy Drive, Suite B100, Plano, TX 75024.

² A description of the Debtors and their business, as well as the facts and circumstances supporting this Motion and giving rise to the Debtors’ chapter 11 cases, is set forth in greater detail in the *Declaration of Stephen Coulombe, Co-Chief Restructuring Officer of Eddie Bauer LLC and its Affiliates, in Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), filed contemporaneously herewith and incorporated by

Relief Requested

1. The Debtors seek entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B** (respectively, the “Interim Order” and “Final Order”): (a) authorizing, but not directing, the Debtors to (i) pay, either directly or through SPARC (as defined herein), all outstanding prepetition wages, salaries, commissions, benefits, other compensation and obligations, reimbursable expenses, and related amounts on account of their compensation and benefits programs in cash as they become due and payable and to continue making such payments in the ordinary course of business, and (ii) continue to administer their compensation and benefits programs in the ordinary course of business; and (b) granting related relief. In addition, the Debtors request that the Court schedule a final hearing within approximately twenty-one days after the commencement of these chapter 11 cases to consider entry of the Final Order.

Jurisdiction and Venue

2. The United States Bankruptcy Court for the District of New Jersey (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Standing Order of Reference to the Bankruptcy Court Under Title 11*, entered July 23, 1984, and amended on June 6, 2025 (Bumb, C.J.). The Debtors confirm their consent to the Court’s entry of a final order in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

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

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

4. The bases for the relief requested herein are sections 105(a), 362(d), 363(b), 363(c), 507(a), 541(b), 1107, and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), rules 2002, 6003, and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and rules 2002-1, 9013-1, and 9013-5 of the Local Bankruptcy Rules for the District of New Jersey (the “Bankruptcy Local Rules”).

Background

5. On February 9, 2026 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors have filed a motion contemporaneously herewith requesting procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b). The Debtors are operating their business and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no official committees have been appointed or designated.

The Debtors’ Workforce

6. As of the Petition Date, the Debtors’ workforce is comprised of approximately 2,200 employees, almost all of whom are located in the United States and Canada. Approximately 500 of the Debtors’ employees are full-time, and approximately 1,400 are part-time. The Debtors also employ as many as 300 or more seasonal temporary employees from time to time, mostly during the holiday season (the “Temporary Employees”). Approximately 1,600 full- and part-time employees are located in the United States (the “U.S. Employees”), and approximately 300 full- and part-time employees are located in Canada (the “Canadian Employees,” and together with the U.S. Employees and the Temporary Employees, the “Employees”). Approximately seventy Employees serve in various corporate roles for the Debtors (such Employees, the “Corporate Employees”), while the remainder primarily work in the Debtors’ brick-and-mortar retail locations

(such Employees, the “Retail Employees”). None of the Employees are represented by a union or employed pursuant to a collective bargaining agreement.

7. Historically, the Debtors employed all of the Employees directly, with the U.S. Employees employed by Debtor Eddie Bauer LLC and the Canadian Employees employed by Debtor Eddie Bauer of Canada Corporation. The U.S. Employees historically received nearly all of their compensation and benefits indirectly through non-Debtor affiliate Catalyst Brands LLC (collectively with SPARC Group Holdings LLC and certain of their other non-Debtor affiliates, “SPARC”), while Canadian Employees, due to various Canadian legal requirements, have historically received all of their compensation and benefits directly from Debtor Eddie Bauer of Canada Corporation.

8. As of January 1, 2026, however, in order to more efficiently deliver compensation and benefits to the Employees, the employee relationship for all U.S. Employees transitioned from Debtor Eddie Bauer LLC to Catalyst Brands LLC, such that all of the U.S. Employees are now employed directly by Catalyst Brands LLC (the “Employee Transition”). The Employee Transition had no operational impact on the U.S. Employees, other than that such Employees now receive their paychecks directly from Catalyst Brands LLC and, in some instances, receive enhanced benefits offerings. Likewise, the Employee Transition did not affect the Canadian Employees, who continue to be employed by Debtor Eddie Bauer of Canada Corporation and continue to receive their compensation and benefits programs directly from the Debtors.

9. With respect to the U.S. Employees, in the ordinary course of business, SPARC coordinates all withholdings, deductions, payroll taxes, health insurance coverage, benefits payments and programs, and related obligations, in addition to all wages and other compensation, and administers such programs directly to the U.S. Employees. As a result of the payments that

SPARC makes on the Debtors' behalf related to the compensation and benefits programs (and others), the Debtors have historically accrued an intercompany payable in the ordinary course of business to SPARC (the "SPARC Intercompany Payable"). As discussed in greater detail in the First Day Declaration and the Cash Management Motion,³ the SPARC Intercompany Payable represents the difference between the Debtors' accrued obligations to SPARC on account of certain Covered Expenses, including wages and benefits for U.S. Employees, and the Management Fee (each as defined in the Cash Management Motion) and the aggregate funds the Debtors have transferred to SPARC. SPARC's administration of the majority of the Debtors' voluminous and complex compensation and benefits programs has relieved the Debtors of a significant administrative burden, which has allowed them to focus more closely on serving their customers.

10. Eddie Bauer's core mission is to inspire, enable, and empower everyone to experience the outdoors and live their adventures. Executing this mission simply would not be possible without the Employees. The Employees perform a wide variety of corporate and other job functions, including, among other things: store operations, merchandising, product and sourcing, allocation and store planning, design, finance, marketing, human resources, information technology, customer care, visual merchandising, and supply chain management. Many Employees are intimately familiar with the Debtors' business, processes, and systems, and they possess skills and experience that are critical to the Debtors' business operations.

11. In addition to the Employees, the Debtors' workforce also includes approximately sixty independent contractors (the "Independent Contractors") who perform a variety of functions

³ Contemporaneously herewith, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Using the Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, and (C) Maintain Existing Debtor Bank Accounts, Business Forms, and Books and Records; (II) Authorizing the Debtors to Continue to Perform Intercompany Transactions; (III) Waiving Certain U.S. Trustee Requirements; and (IV) Granting Related Relief* (the "Cash Management Motion").

in the ordinary course of business. The Independent Contractors are paid directly by the Debtors or indirectly through staffing agencies. Without the continued, uninterrupted services of the Employees and the Independent Contractors, the Debtors' business operations would grind to a halt, which would materially impair the administration of the Debtors' estates to the detriment of all stakeholders.

12. Finally, the overwhelming majority of the Employees and Independent Contractors rely on their compensation and benefits to pay their (and their dependents') daily living expenses. These individuals would be unfairly harmed if the Debtors were not permitted to continue providing wage, insurance, and other benefits during these chapter 11 cases. Consequently, the relief requested herein is just, necessary, and appropriate under the facts and circumstances of these chapter 11 cases.

The Compensation and Benefits

13. To minimize the personal hardship that Employees and Independent Contractors would suffer and the attrition that likely would follow if prepetition obligations remain unpaid during these chapter 11 cases, the Debtors seek authority, but not direction to: (a) pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Wage Obligations, the Withholding Obligations, the Reimbursable Expenses, the Health and Welfare Plans and Benefits, the Workers' Compensation Programs, the Retirement Plans, the Paid Leave Benefits, the Non-Insider Severance Programs, the Non-Employee Board Member Compensation, the WARN Act Obligations, the Additional Benefits Programs, the Payroll Processor Obligations, and any other benefits the Debtors directly or indirectly provide to the Employees in the ordinary course (each as defined herein, and collectively, the "Compensation

and Benefits”)⁴ in cash as they become due and payable and to continue making such payments in the ordinary course of business; and (b) continue to honor and pay, either directly or through SPARC, all costs related to or on account of the Compensation and Benefits provided to the Employees and Independent Contractors in cash on a postpetition basis in the ordinary course of business.⁵

14. Subject to the Court’s approval, the Debtors intend to continue providing, either directly or through SPARC, as applicable, the prepetition Compensation and Benefits in the ordinary course of business on a postpetition basis. Out of an abundance of caution, however, the Debtors request confirmation of their right, either directly or through SPARC, as applicable, to modify, change, and/or discontinue any of their Compensation and Benefits and/or to implement new programs, policies, and benefits in the Debtors’ sole discretion and in the ordinary course during these chapter 11 cases without the need for further Court approval, subject to applicable law.

⁴ The descriptions of the Compensation and Benefits set forth in this Motion constitute a summary only. The actual terms of the agreements, contracts, plans, programs, and manuals governing the Compensation and Benefits will govern in the event of any inconsistency with the description thereof in this Motion. The Debtors request authority to pay, either directly or through SPARC, as applicable, all prepetition amounts on account of Compensation and Benefits in cash as they become due and payable and to continue making such payments in the ordinary course of business, regardless of whether the Debtors inadvertently failed to include a particular benefit or aspect of compensation in the defined term “Compensation and Benefits,” and any such omitted benefit or aspect of compensation is hereby included in the defined term “Compensation and Benefits,” as used herein and in the Interim Order and Final Order.

⁵ Included in the Compensation and Benefits are those obligations incurred on account of the Debtors’ two Employees located in Hong Kong (the “Hong Kong Employees”). In the ordinary course of business, the Debtors provide the Hong Kong Employees, indirectly through SPARC, certain benefits programs as required by applicable Hong Kong law. Historically, the Debtors have incurred liabilities of approximately \$800,000 per year on account of the Compensation and Benefits for the Hong Kong Employees. As of the Petition Date, the Debtors estimate that they owe, either directly or through SPARC, as applicable, approximately \$18,000 on account of the Compensation and Benefits related to the Hong Kong Employees. Accordingly, the Debtors request authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of Compensation and Benefits for the Hong Kong Employees in cash as they become due and payable and to continue making such payments in the ordinary course of the Debtors’ business.

15. The Debtors estimate that they owe, either directly or through SPARC, prepetition amounts on account of the Compensation and Benefits as follows:

RELIEF SOUGHT	AMOUNT REQUESTED ⁶
Wage Obligations	\$6,025,000
Withholding Obligations	\$554,000
Reimbursable Expenses	\$20,000
Health and Welfare Plans and Benefits	\$626,000
Workers' Compensation Programs	\$35,000
Retirement Plans	\$1,215,000
Paid Leave Benefits	\$390,000
Non-Insider Severance Programs	\$0
Non-Employee Board Member Compensation (Final Order Only)	\$0
Additional Benefits Programs	\$0
Payroll Processor Obligations	\$30,000
TOTAL	\$8,895,000

16. While the Debtors believe that amounts owed to certain Employees on account of the Compensation and Benefits may exceed the statutory cap of \$17,150 under sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code (the "Priority Cap"), for the avoidance of doubt, the Debtors *do not* seek authority to pay to any current or former Employee, either directly or indirectly, any amounts in excess of the Priority Cap through the Interim Order.

I. Compensation, Withholding Obligations, and Reimbursable Expenses.

A. The Wage Obligations.

17. In the ordinary course of business, the Debtors incur obligations on account of the Employee Compensation, the Independent Contractors, and the Store Performance Bonus Program

⁶ Unless otherwise stated, all monetary amounts that are denominated in Canadian dollars ("CAD") have been converted to the United States dollars ("USD") at an exchange rate of .7376 CAD to 1.00 USD in accordance with the Federal Reserve Economic Data, <https://fred.stlouisfed.org/series/DEXCAUS> (retrieved on February 4, 2026).

(each as defined herein and, collectively, the “Wage Obligations”). Historically, the Debtors have incurred liabilities of approximately \$70 million per year on account of the Wage Obligations. As of the Petition Date, the Debtors estimate that they owe approximately \$6.0 million on account of the Wage Obligations.

18. Any loss of Wage Obligations would result in substantial financial hardship to the Employees and the Independent Contractors and could lead to significant attrition. Considering the indispensable value the Employees and the Independent Contractors provide to the Debtors’ estates and the cost attendant to filling sudden vacancies, it is critical that the Debtors maintain their workforce during the pendency of these chapter 11 cases. Accordingly, the Debtors request authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Wage Obligations in cash as they become due and payable and to continue making such payments in the ordinary course of business.

1. The Employee Compensation.

19. In the ordinary course of business, the Debtors incur payment obligations on account of Employees’ wages, overtime, and similar obligations (the “Employee Compensation”). With respect to U.S. Employees, SPARC remits Employee Compensation directly to such Employees on the Debtors’ behalf. Thereafter, in the ordinary course of business, the Debtors record an intercompany payable in favor of SPARC that increases the SPARC Intercompany Payable on account of such amounts. In addition, approximately three U.S. Employees perform various corporate services for the Debtors as well as other SPARC brands. For such Employees, SPARC charges the Debtors via the SPARC Intercompany Payable for the portion of each such Employee’s biweekly compensation that corresponds to the amount of time such Employee spends servicing the Debtors’ operations. Finally, with respect to the Canadian Employees, the Debtors

pay such Employees directly via direct deposit, other electronic means, or checks on a biweekly basis. All base Employee Compensation accrues on a salaried or hourly basis.

20. Historically, the Debtors have incurred liabilities of approximately \$61 million and \$6.2 million per year on account of Employee Compensation for the U.S. Employees and the Canadian Employees, respectively. As of the Petition Date, the Debtors estimate that they owe approximately \$5.6 million on account of Employee Compensation. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts owed on account of Employee Compensation in cash as they become due and payable and to continue making such payments in the ordinary course of business.

2. The Independent Contractors.

21. In the ordinary course of business, the Debtors partner with Independent Contractors who provide critical design, planning, product and sourcing, and merchandising services. The Debtors incur payment obligations to the Independent Contractors for their services and pay the Independent Contractors or their respective staffing agency, as applicable, through the Debtors' standard procurement and payment system following submission of documented and supported invoices. Continuing to pay the Independent Contractors is critical for the Debtors to maintain and administer their estates during these chapter 11 cases.

22. The amount and frequency of payments made on account of the Independent Contractors depends on the type of services they provide, but historically, the Debtors have incurred liabilities of approximately \$650,000 per year on account of the Independent Contractors. As of the Petition Date, the Debtors estimate that they owe approximately \$330,000 on account of the Independent Contractors. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on

account of the Independent Contractors in cash as they become due and payable and to continue making such payments in the ordinary course of business.

3. The Store Performance Bonus Program.

23. In the ordinary course of business, the Debtors offer store managers, assistant managers, and supervisors the opportunity to receive bonus payments to incentivize individual performance (the “Store Performance Bonus Program”).⁷ In general, such bonus amounts are based on the achievement of objective sales and payroll metrics that are established each month by the Debtors’ leadership team. Each store has different sales and payroll metrics that are set in accordance with Company-wide financial targets and business goals. In order to participate in the Store Performance Bonus Program, eligible Employees must, among other things, meet certain set hours requirements during the applicable month. For example, store managers must work at least 160 hours in a four-week month in order to be eligible for a bonus under the Store Performance Bonus Program for that month, subject to certain exceptions. Payments on account of the Store Performance Bonus Program are generally paid on a two-month delay. For example, amounts paid pursuant to the Store Performance Bonus Program for January 2026 would typically not be paid until March 2026.

24. With respect to U.S. Employees, SPARC remits any amounts earned under the Store Performance Bonus Program directly to such Employees on the Debtors’ behalf. Thereafter, in the ordinary course of business, the Debtors record an intercompany payable in favor of SPARC that increases the SPARC Intercompany Payable on account of such amounts. With respect to the Canadian Employees, the Debtors pay such Employees any amounts earned under the Store

⁷ In the ordinary course of business, certain U.S. Employees may also be eligible for bonus initiatives offered by SPARC (“SPARC Bonus Programs”). Because the Debtors do not currently have any accrued, and do not anticipating accruing, obligations on account of the SPARC Bonus Programs, the Debtors are not asking for relief to pay any amounts on account of the SPARC Bonus Programs pursuant to this Motion.

Performance Bonus Program directly via direct deposit, other electronic means, or checks on a biweekly basis.

25. Historically, the Debtors have incurred liabilities of approximately \$1.2 million per year on account of the Store Performance Bonus Program. As of the Petition Date, the Debtors estimate that they owe approximately \$95,000 on account of Store Performance Bonus Program. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of Store Performance Bonus Program in cash as they become due and payable and to continue making such payments in the ordinary course of business. For the avoidance of doubt, the relief sought with respect to the Store Performance Bonus Program does not include payment to any “insider” (as such term is defined in section 101(31) of the Bankruptcy Code).

B. The Withholding Obligations.

26. In the ordinary course of business, the Debtors incur obligations on account of Payroll Deductions and Employer Payroll Taxes (each as defined herein and, collectively, the “Withholding Obligations”). With respect to the U.S. Employees, SPARC coordinates all Payroll Deductions and Employer Payroll Taxes on the Debtors’ behalf and remits such amounts to the applicable authorities. Thereafter, in the ordinary course of business, the Debtors record an intercompany payable in favor of SPARC that increases the SPARC Intercompany Payable on account of such amounts. With respect to the Canadian Employees, the Debtors directly withhold and remit funds on account of various federal, provincial, and local taxes as well as income taxes, employee benefits elections and garnishments, and employer taxes under the laws of Canada.

27. Historically, the Debtors have incurred liabilities of approximately \$8.5 million and \$510,000 per year on account of the Withholding Obligations for the U.S. Employees and the Canadian Employees, respectively. As of the Petition Date, the Debtors estimate that they owe

approximately \$554,000 on account of the Withholding Obligations. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Withholding Obligations in cash as they become due and payable and to continue making such payments in the ordinary course of business.

1. The Deduction Obligations.

28. In the ordinary course of business, during each applicable payroll period, the Debtors, through SPARC, routinely deduct certain amounts from U.S. Employees' paychecks, including garnishments and similar deductions, as well as other pre-tax and after-tax deductions payable pursuant to certain employee benefit plans discussed herein. Such deductions include an Employee's share of healthcare benefits and insurance premiums, 401(k) contributions, legally ordered deductions, and miscellaneous deductions (the "U.S. Deductions"). In Canada, the Debtors routinely deduct certain amounts from Canadian Employees' paychecks, including garnishments and similar deductions, as well as other pre-tax and after-tax deductions payable pursuant to certain benefit plans discussed herein, such as an Employee's share of healthcare benefits and insurance premiums, retirement contributions, and miscellaneous deductions (the "Canadian Deductions," and, together with the U.S. Deductions, the "Payroll Deductions").

29. Historically, the Debtors have withheld and remitted, either directly or through SPARC, as applicable, approximately \$3.2 million and \$89,000 per year on account of the U.S. Deductions and the Canadian Deductions, respectively. As of the Petition Date, the Debtors estimate that they owe approximately \$84,000 on account of withheld but not yet remitted Payroll Deductions. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Payroll Deductions in cash as they become due and payable and to continue making such payments in the ordinary course of business.

2. The Employer Payroll Taxes.

30. In the ordinary course of business, the Debtors incur obligations on account of employee payroll taxes that are typically based on a percentage of gross payroll, as well as additional amounts for federal and state unemployment insurance, Social Security and Medicare taxes, and other foreign social insurance contributions (the “Employer Payroll Taxes”). With respect to the U.S. Employees, SPARC processes and forwards the applicable Employer Payroll Taxes on the Debtors’ behalf to the appropriate taxing authorities in accordance with remittance intervals and deadlines established by such taxing authorities. With respect to the Canadian Employees, the Debtors withhold and remit such amounts to DayForce, Inc. (“DayForce”), a Payroll Processor (as defined herein), which subsequently remits funds to the appropriate federal, provincial, and local taxing authorities in accordance with remittance intervals and deadlines established by Canadian taxing authorities.

31. Historically, the Debtors have incurred liabilities of approximately \$5.7 million per year on account of the Employer Payroll Taxes. As of the Petition Date, the Debtors estimate that they owe approximately \$470,000 on account of the Employer Payroll Taxes. Accordingly, the Debtors request authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Employer Payroll Taxes in cash as they become due and payable and to continue making such payments in the ordinary course of business.

C. The Reimbursable Expenses.

32. In the ordinary course of business, the Debtors reimburse Employees for certain expenses that they incur on behalf of the Debtors within the scope of their employment

(the “Reimbursable Expenses”).⁸ Reimbursable Expenses include, among others, certain necessary business expenses that are directly related to the Employees’ job duties, such as work travel, lodging, and meals. Employees generally incur Reimbursable Expenses through charges to personal credit cards or, in certain instances, to credit cards issued by the Debtors. Employees who pay for their own Reimbursable Expenses up front are responsible for maintaining and submitting verifying documentation for reimbursement to the Debtors through the Emburse, Inc. (“Emburse”) expense management platform. SPARC maintains the relationship with Emburse and determines the validity of submitted charges for reimbursement. Once SPARC determines that submitted charges are for valid reimbursable business expenses, the Debtors reimburse the submitting Employees directly.

33. Although the Debtors ask that Employees promptly submit reimbursement requests, submission delays occasionally occur, and Employees may submit reimbursement requests for prepetition expenses after the Petition Date. Employees incurred the Reimbursable Expenses as business expenses on the Debtors’ behalf and with the understanding that such expenses would be reimbursed fully. The Debtors’ inability to reimburse such expenses would impose significant financial hardship on such individuals where the obligations were incurred for the Debtors’ benefit.

34. Historically, the Debtors have incurred liabilities of approximately \$240,000 per year on account of the Reimbursable Expenses. As of the Petition Date, the Debtors estimate that they owe approximately \$20,000 on account of Reimbursable Expenses. Accordingly, in order to preserve Employee morale and loyalty at this critical juncture, the Debtors request the authority,

⁸ The Reimbursable Expenses also include certain credit card expenses incurred pursuant to the Credit Card Program (as defined in the Cash Management Motion), which the Debtors seek authority to maintain in the ordinary course of business as part of the Cash Management Motion.

but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Reimbursable Expenses in cash as they become due and payable and to continue making such payments in the ordinary course of business.

II. Health and Welfare Plans and Benefits.

35. The Employees may participate in a number of health, insurance, and benefits programs depending on their full- or part-time status and whether they are located in or outside of the United States. To be eligible for full-time benefits, an Employee must typically either be salaried or have worked an average of thirty or more hours per week in an annual look-back period.

36. With respect to the U.S. Employees, these offerings include, among others, the U.S. Medical Plan, the U.S. Health and Medical Accounts, the U.S. Life Insurance Plan, the U.S. Dental Insurance Plan, the U.S. Vision Insurance Plan, the U.S. Employee Disability Program, and the U.S. Additional Insurance Plans (each as defined herein, and along with the COBRA Benefits (as defined herein), the “U.S. Health and Welfare Plans and Benefits”). Eligible former U.S. Employees are also offered certain benefits after their termination, retirement, or disability leave, including, without limitation, benefits provided under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA Benefits”). As previously discussed, SPARC directly administers the U.S. Health and Welfare Plans and Benefits directly to the U.S. Employees. Thereafter, in the ordinary course of business, the Debtors record an intercompany payable in favor of SPARC that increases the SPARC Intercompany Payable on account of such amounts.

37. With respect to the Canadian Employees, insurance and benefits offerings include, among others, the Canadian Medical Plans, the Canadian Life Insurance Plan, the Canadian Dental Insurance Plan, and the Canadian Employee Disability Program (each as defined herein, the “Canadian Health and Welfare Plans and Benefits,” and, together with the U.S. Health and

Welfare Plans and Benefits, the “Health and Welfare Plans and Benefits”). In the case of the Canadian Health and Welfare Plans and Benefits, the Debtors directly administer such benefits to the Canadian Employees.

38. The Debtors’ U.S. Health and Welfare Plans and Benefits include:

- ***U.S. Medical Plan.*** Eligible full-time U.S. Employees may participate in medical, prescription, and virtual care coverage programs (the “U.S. Medical Plan”) through self-funded plans administered by Aetna Inc. (“Aetna”). Specifically, U.S. Employees may choose from one of four options with fixed premiums: (i) the “Premium PPO” plan, which gives participating U.S. Employees flexibility by allowing them to visit any doctor in- or out-of-network in exchange for a low deductible and out-of-pocket maximum; (ii) the “Basic PPO” plan, which gives participating U.S. Employees similar flexibility to the Premium PPO plan but with higher coinsurance and deductible costs; (iii) the “High-Deductible Health Plan,” which has lower premiums but results in a higher deductible and out-of-pocket maximum; and (iv) the “Value Medical Plan,” which gives participating U.S. Employees the lowest available monthly premium in exchange for higher deductibles, coinsurance, and copayment rates. Only the U.S. Employees participating in the High-Deductible Health Plan are eligible for an HSA (as defined herein).

For the U.S. Medical Plan, U.S. Employees are responsible for the approximately 20 percent of total premium costs while the Debtors, indirectly through SPARC, incur obligations on account of the remainder. Beginning on January 1, 2026, in order to help alleviate the financial strain associated with rising insurance premiums, U.S. Employees began receiving monthly subsidies of (i) \$250 for U.S. Employees making less than \$70,000 per year in Employee Compensation and (ii) \$150 for U.S. Employees making greater than \$70,000 per year in Employee Compensation (the “Health Care Transition Credit”). Health Care Transition Credit funds are deposited into U.S. Health and Medical Accounts (as defined herein) to the extent the U.S. Employees maintain such accounts.

Legal spouses, domestic partners, and dependent children are eligible dependents and can be additionally covered. Approximately 76 percent of eligible U.S. Employees enroll in the U.S. Medical Plan. Under the agreement with Aetna, SPARC is self-funded without a stop loss limit. As medical plan providers under the Aetna plan, SPARC pays medical claims under the U.S. Medical Plan as they become due on daily basis. Employee contributions are deducted directly from the respective Employee’s paychecks and are held by SPARC to fund a portion of the payment of U.S. Employee medical claims.

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$4.6 million per year on account of the U.S. Medical Plan. As of

the Petition Date, the Debtors estimate that they owe approximately \$585,000 on account of U.S. Medical Plan.

- ***U.S. Health and Medical Accounts.*** Eligible full-time U.S. Employees may contribute to a health or dependent care flexible spending account (the “FSAs”) or a health savings account (the “HSA” and, together with the FSAs, the “U.S. Health and Medical Accounts”), administered by HealthEquity, Inc. (“HealthEquity”). The FSAs and the HSA allow U.S. Employees to voluntarily set aside pre-tax funds to pay for eligible health and welfare expenses. An HSA is only available to U.S. Employees that opt for the High-Deductible Health Plan. For the 2026 calendar year, each eligible U.S. Employee may contribute up to \$7,500 to an FSA or up to \$9,750 to an HSA depending on, among other things, such U.S. Employee’s age and familial status. The Debtors, indirectly through SPARC, contribute an annual seed of up to \$1,000 per U.S. Employee who maintains an HSA. In addition, the Debtors, indirectly through SPARC, pay an administration fee of approximately \$2,000 to HealthEquity on account of the U.S. Health and Medical Accounts.

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$52,000 per year on account of the U.S. Health and Medical Accounts. As of the Petition Date, the Debtors do not believe that they owe any amounts on account of the U.S. Health and Medical Accounts.

- ***U.S. Life Insurance Plan.*** Eligible full-time U.S. Employees receive basic life insurance at an amount calculated based on a percentage of the Employee’s annual earnings at no cost. In addition, all U.S. Employees are offered supplemental, spousal, and child life products, as well as accidental death and dismemberment coverage, on a voluntary, U.S. Employee-paid basis (the “U.S. Life Insurance Plan”), administered by New York Life Insurance Company Group Benefit Solutions (“New York Life”).

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$60,000 per year on account of the U.S. Life Insurance Plan. As of the Petition Date, the Debtors estimate that they owe approximately \$7,000 on account of the U.S. Life Insurance Plan.

- ***U.S. Dental Insurance Plan.*** Eligible full- and part-time U.S. Employees may participate in basic or enhanced dental care programs through self-funded plans administered by Delta Dental Plans Association (the “U.S. Dental Insurance Plan”). The dental plans provide for both in- and out-of-network coverage. The dental plan is self-funded, and as such, the Debtors, indirectly through SPARC, pay the dental claims of U.S. Employees. U.S. Employee contributions to the dental plans are deducted directly from the respective U.S. Employee’s paychecks and are held, indirectly through SPARC, by the Debtors to fund a portion of the payment of dental claims.

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$55,000 per year on account of the U.S. Dental Insurance Plan. As of the Petition Date, the Debtors estimate that they owe approximately \$7,000 on account of the U.S. Dental Insurance Plan.

- ***U.S. Vision Insurance Plan.*** Eligible full- and part-time U.S. Employees may participate in vision care coverage programs through fully insured plans provided by VSP Vision Care, Inc. (the “U.S. Vision Insurance Plan”). The vision plans provide for both in- and out-of-network coverage.

Historically, the Debtors have incurred *de minimis* liabilities on account of the U.S. Vision Insurance Plan. As of the Petition Date, the Debtors do not believe that they owe any amounts on account of the U.S. Vision Insurance Plan.

- ***U.S. Employee Disability Program.*** Eligible full-time U.S. Employees are provided long-term disability benefits (the “U.S. Long-Term Disability Benefits”) and short-term disability benefits (the “U.S. Short-Term Disability Benefits” and, together with the U.S. Long-Term Disability Benefits, the “U.S. Disability Benefits”), with supplemental long-term disability benefits available on a voluntary basis (collectively, the “U.S. Employee Disability Program”). New York Life provides U.S. Long-Term Disability Benefits coverage, and Sedgwick Claims Management Services, Inc. (“Sedgwick” and, together with New York Life, the “U.S. Employee Disability Providers”) provides U.S. Short-Term Disability Benefits coverage. The U.S. Employee Disability Program is designed to protect Employees’ income if they are unable to work due to illness or injury. Upon an Employee’s application for disability payment, the U.S. Employee Disability Providers make certain determinations regarding eligibility and the benefits amount.

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$85,000 per year on account of the U.S. Employee Disability Program. As of the Petition Date, the Debtors estimate that they owe approximately \$10,000 on account of the U.S. Employee Disability Program.

- ***U.S. Additional Insurance Plans.*** Eligible full- and part-time U.S. Employees are offered various critical illness, accident, and hospital indemnity insurance benefits (the “U.S. Additional Insurance Plans”) through Aetna. The U.S. Additional Insurance Plans are designed to offer resources such as lump sum benefits for severe and critical illnesses, injuries from accidents, and hospital admissions.

Historically, the Debtors have incurred liabilities, indirectly through SPARC, of approximately \$330,000 per year on account of the U.S. Additional Insurance Plans. Following the Employee Transition, however, the U.S. Additional Insurance Plans are now generally U.S. Employee-paid. As such, as of the Petition Date, the Debtors do not believe that they owe any amounts on account of the U.S. Additional Insurance Plans.

- **COBRA Benefits.** The Debtors, indirectly through SPARC, are required to offer certain former U.S. Employees COBRA Benefits following the termination of their employment (the “COBRA Eligible Employees”). The COBRA Benefits allow former U.S. Employees to continue taking advantage of the U.S. Medical Plan, U.S. Dental Insurance Plan, and U.S. Vision Insurance Plan for up to eighteen, and occasionally thirty-six, months after their termination. The COBRA Eligible Employees are typically responsible for paying all costs associated with COBRA Benefits, except with respect to those former Employees with the title “Director”⁹ or higher upon termination.

Of the seven former Employees currently enrolled in COBRA Benefits, none are eligible to have any of their COBRA Benefits costs paid for by the Debtors. Accordingly, as of the Petition Date, the Debtors do not believe there are any prepetition amounts outstanding on account of COBRA Benefits. Nevertheless, out of an abundance of caution, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the COBRA Benefits in cash as they become due and payable and to continue making such payments in the ordinary course of business.

39. The Debtors’ Canadian Health and Welfare Plans and Benefits include:

- **Canadian Medical Plans.** The Debtors provide eligible full-time Canadian Employees the opportunity to enroll in medical and healthcare plans administered by Manulife Financial Corporation (“Manulife” and such plan, collectively, the “Canadian Medical Plans”) that provide benefits above the Canadian provincial healthcare system. The Canadian Medical Plans includes individual plans for, among other things, major medical expenses, prescription drugs, vision care, paramedical services, and travel assistance, and it permits use of a health spending account.

Participating Canadian Employees make biweekly payments of \$7.75 for individual coverage and \$21.33 for family coverage on account of the Canadian Medical Plans, which amounts are deducted from such Employees’ paychecks. The Debtors cover an average of approximately sixty-six percent of premium costs while the Canadian Employees cover the remaining thirty-four percent. Legal spouses, domestic partners, and eligible dependents and can also be additionally covered. Approximately ninety percent of eligible Canadian Employees enroll in Canadian Medical Plans.

Historically, the Debtors have spent approximately \$56,000 per year on account of administration fees and premiums for the Canadian Medical Plans. As of the Petition Date, the Debtors estimate they owe approximately \$8,000 on account of administration fees and premiums for the Canadian Medical Plans.

⁹ “Director” is used in reference to the Debtors’ internal company hierarchy and not in reference to any appointed directorship.

Under the agreement with Manulife, the Debtors are self-insured, subject to certain claims offsetting by Manulife, a subset of the Canadian Medical Plans, specifically the major medical expense and prescription drug plans. As self-funded medical plan providers under the Manulife plan, the Debtors pay claims arising from the major medical and prescription drug plans as they become due on a monthly basis. Canadian Employee contributions are deducted directly from the respective Canadian Employee's paychecks and are held by the Debtors to fund a portion of the payment of major medical and prescription coverage claims.

Historically, the Debtors have spent approximately \$53,000 per year on account of claims from the Canadian Medical Plans. As of the Petition Date, the Debtors estimate they owe approximately \$2,000 on account of claims from the Canadian Medical Plans.

- ***Canadian Life Insurance Plan.*** The Debtors provide eligible full-time Canadian Employees with basic life insurance equal to the Employees' annual base earnings at no cost. Canadian Employees may also purchase additional life insurance coverage on voluntary, Employee-paid basis, which they pay for via biweekly deductions from their paychecks. The life insurance plans for Canadian Employees are administered by Manulife (the "Canadian Life Insurance Plan") and, together with the U.S. Life Insurance Plan, the "Life Insurance Plans").

Historically, the Debtors have spent approximately \$7,000 per year on account of administration fees and premiums for the Canadian Life Insurance Plan. As of the Petition Date, the Debtors estimate they owe approximately \$1,000 on account of administration fees and premiums for the Canadian Life Insurance Plan.

- ***Canadian Dental Insurance Plan.*** The Debtors offer eligible full-time Canadian Employees the opportunity to enroll in a dental plan administered by Manulife (the "Canadian Dental Insurance Plan"). The Canadian Dental Insurance Plan offers a \$36.88 annual deductible for individuals or \$73.76 for family coverage. Coverage rates and plan maximums depend on the level of coverage that a Canadian Employee elects. Canadian Employees make biweekly payments on average of \$5.52 for individual dental coverage or \$15.11 for family dental coverage, which amounts are deducted from such Employees' paychecks. The Debtors cover an average of approximately sixty percent of the cost of premiums for the Canadian Dental Insurance Plan, while the Canadian Employees cover the remaining forty percent. Approximately eighty-eight percent of eligible Canadian Employees enroll in the Canadian Dental Insurance Plan.

Under the agreement with Manulife, the Debtors are self-insured for the Canadian Dental Insurance Plan. As self-funded plan providers under the Manulife plan, the Debtors pay claims arising from the Canadian Dental Insurance Plan as they become due on a monthly basis. Canadian Employee contributions are deducted directly from the respective Canadian Employee's paychecks and are held by the Debtors to fund a portion of the payment of Canadian Dental Insurance Plan claims. Historically, the Debtors have spent approximately \$26,000 per year on

account of administration fees and premiums for the Canadian Dental Insurance Plan. As of the Petition Date, the Debtors estimate they owe approximately \$4,000 on account of administration fees and premiums for the Canadian Dental Insurance Plan.

Historically, the Debtors have not incurred costs on account of the Canadian Dental Insurance Plan claims. As of the Petition Date, the Debtors do not believe that they owe any amounts on account of Canadian Dental Insurance Plan claims.

- ***Canadian Employee Disability Program.*** The Debtors provide full-time Canadian Employees with long-term and short-term disability benefits, as well as accidental death and dismemberment benefits through Manulife (the “Canadian Employee Disability Program”). Specifically, the Canadian Employee Disability Program includes the following benefits:
 - *Long-Term Disability:* After having been employed by the Debtors for 180 days, Canadian Employees receive long-term disability benefits. For medical disability that exceeds twenty-six weeks, once Manulife approves a long-term disability claim, Canadian Employees may receive 60 percent of their monthly earnings, up to \$7,300 per month.
 - *Short-Term Disability:* After having been employed by the Debtors for 180 days, Canadian Employees receive short-term disability benefits. Once Manulife approves a short-term disability claim, Canadian Employees may receive 60 percent of their weekly earnings, up to \$1,100 per week for up to twenty-six weeks.
 - *Accidental Death & Dismemberment:* Canadian Employees are automatically provided with accidental death and dismemberment insurance equal to the Employee’s annual base earnings.
- Historically, the Debtors have spent approximately \$16,000 per year on account of the Canadian Employee Disability Program. As of the Petition Date, the Debtors estimate they owe approximately \$2,000 on account of administration fees and premiums for the Canadian Employee Disability Program.

40. Historically, the Debtors have incurred liabilities of approximately \$5.2 million and \$158,000 per year on account of the Debtors’ U.S. Health and Welfare Plans and Benefits and the Canadian Health and Welfare Plans and Benefits, respectively. As of the Petition Date, the Debtors estimate that they owe approximately \$626,000 on account of the Health and Welfare Plans and Benefits. As previously discussed, any failure to continue the Health and Welfare Plans and Benefits would likely cause the Employees to experience severe hardship and would make it

difficult for the Debtors to retain their workforce, whose efforts will be essential in continuing going-out-of-business sales and/or preserving certain stores for a potential going-concern sale. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Health and Welfare Plans and Benefits in cash as they become due and payable and to continue making such payments in the ordinary course of business.

III. The Workers' Compensation.¹⁰

41. In the ordinary course of business, the Debtors, either directly or through SPARC, maintain workers' compensation insurance policies in accordance with applicable requirements in the United States and equivalent coverages in Canada, as required by local laws. With respect to U.S. Employees, SPARC maintains workers' compensation insurance for such Employees on the Debtors' behalf at the statutorily required level for each state in which the U.S. Employees are located (the "U.S. Workers' Compensation Program"). In the ordinary course of business, any costs that SPARC incurs in connection with the U.S. Workers' Compensation Program are recorded as an intercompany payable in favor of SPARC that increases the SPARC Intercompany Payable on account of such amounts. With respect to the Canadian Employees, the individual provinces in which the Canadian Employees are located administer workers' compensation programs (the "Canadian Workers' Compensation Program" and, together with the U.S. Workers' Compensation Program, the "Workers' Compensation Programs").

¹⁰ In addition to the insurance policy for the U.S. Workers' Compensation Program, the Debtors, either directly or through SPARC, as applicable, maintain numerous other insurance policies, which are described in the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain Insurance and Surety Coverage and the Letter of Credit Facility Entered Into Prepetition and Pay Related Prepetition Obligations and (B) Renew, Supplement, Modify, or Purchase Insurance, Surety Coverage, and Letter of Credit Facilities; and (II) Granting Related Relief*, filed contemporaneously herewith.

42. Applicable state and foreign laws require the Debtors to maintain the Workers' Compensation Programs and/or pay fees to maintain such programs, as applicable. If the Debtors fail to maintain the Workers' Compensation Programs, the Debtors may be prohibited from operating in certain jurisdictions across the United States and Canada. The payment of all obligations related to the Workers' Compensation Programs is therefore crucial to the Debtors' continued operations and the success of these chapter 11 cases.

43. The Debtors are not aware of any active open claim under the Workers' Compensation Programs. To the extent any Employees assert claims arising under the Workers' Compensation Programs, however, the Debtors request that the Court modify the automatic stay under section 362 of the Bankruptcy Code to the extent necessary to permit such Employees to proceed with such claims. Because the Debtors are statutorily and/or contractually obligated to maintain the Workers' Compensation Programs, their inability to do so may result in adverse legal consequences that potentially could disrupt the chapter 11 process. This requested modification of the automatic stay pertains solely to claims under the Workers' Compensation Programs.

44. Historically, the Debtors have incurred liabilities of approximately \$380,000 and \$18,000 per year on account of the U.S. Workers' Compensation Program and the Canadian Workers' Compensation Program, respectively. As of the Petition Date, the Debtors estimate that they owe approximately \$35,000 on account of the Workers' Compensation Programs. Accordingly, the Debtors request (a) the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of Workers' Compensation Programs in cash as they become due and payable and to continue making such payments in the ordinary course of business, and (b) to the extent applicable, for the Court to

modify the automatic stay solely to allow Employees to assert claims under the Workers' Compensation Programs.¹¹

IV. The Retirement Plans.

A. The 401(k) Plan.

45. In the ordinary course of business, the Debtors, indirectly through SPARC, offer eligible full-time U.S. Employees the opportunity to participate in a retirement savings plan that satisfies the requirements of section 401(k) of the Internal Revenue Code (the "401(k) Plan"). The 401(k) Plan is administered by Alight, Inc. and allows for automatic pre-tax salary deductions of eligible compensation up to the limits set forth by the Internal Revenue Code. U.S. Employees are offered a 5 percent 401(k) match. Historically, the 5 percent match was funded into U.S. Employees' retirement accounts in the first quarter of the year on account of the contributions such Employees made during the prior year. For instance, if a U.S. Employee contributed 5 percent of their salary to their retirement account in 2025, the Debtors, through SPARC, would contribute the 5 percent match in the first quarter of 2026. Thereafter, in the ordinary course of business, the Debtors would record an intercompany payable in favor of SPARC that increased the SPARC Intercompany Payable on account of such amounts. Following the Employee Transition, the 5 percent match is now contributed to U.S. Employees' 401(k) accounts on a biweekly basis.

46. Historically, the Debtors have incurred liabilities of approximately \$1.2 million per year on account of the 401(k) Plan. As of the Petition Date, the Debtors estimate that they owe approximately \$1.2 million on account of the 401(k) Plan, primarily on account of the 5 percent match that U.S. Employees accrued in 2025. Many U.S. Employees' retirement savings consist

¹¹ The Debtors' Workers' Compensation Programs may change postpetition in the ordinary course due to changes in applicable laws and regulations, audits, and the Debtors' ability to meet requirements thereunder. The Debtors request authority to continue the Workers' Compensation Programs postpetition, including making any necessary modifications thereto.

solely of the 401(k) Plans, and many U.S. Employees choose to participate in the 401(k) Plans because of the 401(k) match contributions. Continuing the 401(k) Plans and the 401(k) match contributions are essential to maintaining U.S. Employee morale and minimizing attrition, both of which are critical to a successful resolution of these chapter 11 cases. Accordingly, the Debtors request the authority, but not direction, to pay, through SPARC, all outstanding prepetition amounts owed on account of 401(k) Plan in cash as they become due and payable and to continue making such payments in the ordinary course of business.

B. The Canadian Retirement Plans.

47. In the ordinary course of business, the Debtors offer eligible full-time Canadian Employees the opportunity to participate in a structured retirement savings plan (the “SRSP”) and a deferred profit-sharing program (the “DPSP,” and, together with the SRSP, the “Canadian Retirement Plans,” and, the Canadian Retirement Plans together with the 401(k) Plan, the “Retirement Plans”) administered by Manulife. Under the SRSP, participating Canadian Employees may contribute a percentage of their biweekly earnings to a retirement savings account. Under the DPSP, the Debtors match 100 percent of the participating Employee’s contributions to the SRSP for the first 3 percent of eligible biweekly earnings, and 50 percent for the next 2 percent of eligible biweekly earnings.

48. Historically, the Debtors have incurred liabilities of approximately \$170,000 per year on account of the Canadian Retirement Plans. As of the Petition Date, the Debtors estimate that they owe approximately \$15,000 on account of the Canadian Retirement Plans. Accordingly, the Debtors request the authority, but not direction, to pay all outstanding prepetition amounts on account of Canadian Retirement Plans in cash as they become due and payable and to continue making such payments in the ordinary course of business.

V. The Paid Leave Benefits.

49. In the ordinary course of business, eligible Employees receive paid leave benefits in order to promote a healthy work-life balance and a positive culture. Specifically, Canadian Employees are provided with vacation entitlements and other statutorily-required paid leave in accordance with applicable Canadian law (the “Canadian Paid Leave Benefits”). For U.S. Employees, the paid leave benefits program consists of, for salaried Employees, the Flexible Time Off Policy (the “Flex PTO”), and, for hourly Employees, the accrual-based Supporting Time Away from Work Policy (the “STA PTO” and, together with the Flex PTO, the “U.S. Paid Leave Benefits” and the U.S. Paid Leave Benefits, together with the Canadian Paid Leave Benefits, the “Paid Leave Benefits”). When an Employee elects to use paid leave, that Employee is paid his or her regular hourly or salaried rate. A brief description of the Flex PTO and STA PTO policies are outlined below:

- ***Flex PTO.*** Under the Flex PTO program, Employees do not accrue paid time off or sick time—rather, they are given reasonable flexibility to take time off without limitation, provided they maintain satisfactory job performance and obtain prior authorization.
- ***STA PTO.*** Under the STA PTO program, paid leave accrues at a set rate per hour for every hour worked, with the rate of accrual and maximum accrual amount increasing with Employee tenure. Paid leave under the STA PTO program is available for a variety of uses, including vacation, sickness, and other personal uses. At most, an Employee can accrue thirty-four days of paid leave per year, and Employees may only carry over forty hours of paid leave from year to year.

50. In addition, Family and Medical Leave Act leave, military leave, safety leave, jury duty leave, and other leave obligations are recognized as required by applicable state law. Upon a U.S. Employee’s termination, accrued but unused paid leave is typically paid out in accordance with Company policy and applicable law and regulations.

51. Historically, the Debtors have incurred liabilities of approximately \$14,000 per year on account of the Paid Leave Benefits. As of the Petition Date, the Debtors estimate that they

have incurred a total of approximately \$390,000 on account of the Paid Leave Benefits. The Debtors, however, are not able to determine with certainty the prepetition Paid Leave Benefits obligations that will come due in the postpetition period. Continuing the Paid Leave Benefits is essential to maintaining Employee morale during these chapter 11 cases, in addition to ensuring that the Debtors remain in compliance with applicable law. Furthermore, many, if not all, Employees have come to depend on the Paid Leave Benefits. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of Paid Leave Benefits in cash as they become due and payable and to continue making such payments in the ordinary course of business.

VI. The Non-Insider Severance Programs.

52. In the ordinary course of business, the Debtors incur obligations on account of a severance program for the benefit of certain non-Insider Employees. Under the Non-Insider Severance Programs (as defined herein), certain full-time Employees may be eligible for payment of severance if their employment is terminated due to store closure, a reduction in force or downsizing, unit closure, or job elimination (each, a “Qualifying Termination”). Severance accruals and payments vary based on title and length of employment and generally fall into one of four categories: (a) general Corporate Employee severance (the “Corporate Employee Severance Program”), (b) upper-level Corporate Employee severance (the “Upper-Level Employee Severance Program”), (c) the U.S. store-level Employee severance (the “U.S. Retail Employee Severance Program”), and (d) the Canada Store Manager Employee severance (the “Canada Store Manager Severance Program” and, together with the U.S. Retail Employee Severance Program,

the Upper-Level Employee Severance Program, and the Corporate Employee Severance Program, the “Non-Insider Severance Programs”):

- ***The Corporate Employee Severance Program.*** Under the Corporate Employee Severance Program, Corporate Employees with the titles of “Associate,” “Manager,” or “Senior Manager” are eligible for severance accruals. Eligible Employees accrue severance benefits at a rate of one week of severance per year of employment, subject to a specified minimum severance amount. Specifically, Associates accrue a minimum of three weeks and a maximum of eight weeks of base pay. Managers and Senior Managers accrue a minimum of four weeks and a maximum of twelve weeks of base pay.
- ***The Upper-Level Employee Severance Program.*** Under the Upper-Level Severance Program, Corporate Employees with titles of “Director” or higher are eligible for severance accruals. For the avoidance of doubt, the titles used to determine qualification for the Upper-Level Employee Severance Program are simply the nomenclature of the Debtors’ company hierarchy and do not refer to appointed director or officer positions, and they do not necessarily indicate managerial authority akin to that typically held by an “insider” (as such term is defined in section 101(31) of the Bankruptcy Code). Eligible Employees accrue a set amount of base pay that corresponds to their title, regardless of their tenure with the Debtors. Specifically, Employees with titles of “Director” and “Senior Director” receive severance benefits equal to four months of base pay.
- ***The U.S. Retail Employee Severance Program.*** Under the U.S. Retail Employee Severance Program, eligible Retail Employees in the U.S. receive different severance entitlements based on the nature of their Qualifying Termination. To be eligible for any entitlement under the U.S. Retail Employee Severance Program, the Retail Employee must be salaried or have worked an average of more than thirty hours per week in an annual lookback period. Where an eligible Retail Employee’s Qualifying Termination is for any reason other than store closure, the Retail Employee is entitled to regular Retail Employee severance (the “Regular Retail Employee Severance”). Where an eligible Retail Employee’s Qualifying Termination is due to a store closure, however, the Retail Employee may be eligible for special store closure severance (the “Store Closure Severance”).
 - ***Regular Retail Employee Severance.*** Regular Retail Employee Severance is offered to eligible Retail Employees with the title “Assistant Manager” or higher who experienced a Qualifying Termination. Regular Retail Employee Severance entitles eligible Retail Employees to severance payments equal to two weeks of base pay.

- ***Store Closure Severance.***¹² Store Closure Severance is offered to eligible Retail Employees who are terminated due to store closure. Store Closure Severance entitles eligible Retail Employees to the Regular Retail Employee Severance, *plus*: (a) for salaried “General” and “Assistant Managers,” four weeks of base pay; (b) for salaried special managers, \$2,000; and (c) for all other eligible Retail Employees, an hours-based award.
- ***The Canada Store Manager Severance Program:*** Under the Canada Store Manager Severance Program, the District Manager in Canada as well as employees acting as Store Managers in Canada in connection with a store closing are eligible to receive (a) a retention bonus of four weeks of base pay and (b) a minimum severance of two weeks of base pay, and if tenure is over five years, severance equal to one week of base pay per completed year of service.

For purposes of determining severance, base pay is determined: (a) for salaried Employees, based on the Employees base rate of pay at the time of termination and (b) for hourly Employees, based on the average number of hours that such Employee worked per week during an annual lookback period.

53. Payments on account of the Corporate Employee Severance Program, the U.S. Retail Employee Severance Program, and the Canada Store Manager Severance Program are generally paid in a lump sum following an Employee’s Qualifying Termination date. Payments on account of the Upper-Level Employee Severance Program, however, are made monthly on the last Friday of each month. Payments under the Corporate Employee Severance Program, the Canada Store Manager Severance Program, and the Upper-Level Employee Severance Program are predicated on the receiving Employee executing a comprehensive release in favor of the Company. The Non-Insider Severance Programs are critical to maintaining Employee morale and loyalty, particularly at the outset of these chapter 11 cases. Failure to maintain the Non-Insider

¹² Contemporaneously herewith, the Debtors filed the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Assume the Agency Agreement; (II) Authorizing and Approving the Conduct of Store Closing Sales and the Related Sale Guidelines, with Such Sales to be Free and Clear of All Liens, Claims, and Encumbrances; (III) Modifying Customer Programs at the Closing Stores; and (IV) Granting Related Relief*, which sets out the Debtors’ plans for store closures and proposed store closing procedures.

Severance Programs would likely result in increased instability in the Debtors' workforce, which would frustrate the Debtors' chapter 11 efforts.

54. Historically, the Debtors have incurred liabilities of approximately \$500,000 per year on account of the Non-Insider Severance Programs. As of the Petition Date, the Debtors do not believe they owe any amounts on account of the Non-Insider Severance Programs. During the pendency of these chapter 11 cases, however, the Debtors believe they will owe approximately \$4.2 million on account of the Non-Insider Severance Programs, approximately \$215,000 of which the Debtors anticipate paying on an interim basis prior to entry of the Final Order. Accordingly, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Non-Insider Severance Programs in cash as they become due and payable and to continue making such payments in the ordinary course of business.¹³ Furthermore, the relief sought with respect to the Non-Insider Severance Programs does not include payment to any insider.

VII. The Non-Employee Board Member Compensation (Final Order Only).

55. As of the Petition Date, the Debtors' boards of directors or managers, as applicable, include eight non-Employee individuals (the "Non-Employee Directors"), only two of whom (the "Disinterested Managers") are specifically compensated for their services to the Debtors' boards. The Disinterested Managers receive \$40,000 per month, paid monthly in advance and prorated for partial service, *plus* a daily fee of \$5,000 for any day that a Disinterested Manager devotes more than four hours of time for activities outside of the scope of normal board duties (the "Disinterested Manager Payments"). The Disinterested Managers are also entitled to expense

¹³ For the avoidance of doubt, to the extent that any benefits under the Non-Insider Severance Programs become due and payable in the postpetition period and are considered prepetition claims under applicable law, the Debtors request authority, but not direction, to satisfy such prepetition claims.

reimbursement for certain reimbursable expenses (the “Disinterested Manager Reimbursable Expenses” and, together with the Disinterested Manager Payments, the “Non-Employee Board Member Compensation”). The Non-Employee Directors are critical components of the Debtors’ governance structure and are vital to ensuring that the Debtors continue to adhere to governance best practices.

56. As of the Petition Date, the Debtors do not believe they owe any amounts on account of Non-Employee Board Member Compensation. Nonetheless, out of an abundance of caution, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Non-Employee Board Member Compensation in cash as they become due and payable and to continue making such payments in the ordinary course of business.

VIII. The WARN Act Obligations

57. Prior to the Petition Date, the Debtors issued notices pursuant to the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. (the “Federal WARN Act”), various state law equivalents, including the Millville Dallas Airmotive Plan Job Loss Notification Act, N.J.S.A. 34:21-1 et seq. and the Securing Timely Notification and Benefits for Laid-Off Employees Act, Wash. Rev. Code § 49.45.900 (2025) (the “State WARN Acts”) to approximately 300 Employees that are expected to be impacted by a qualified “mass layoff” (collectively, the “WARN Act Notices”). Unless an exception applies, the Federal WARN Act generally requires sixty days’ advance notice to affected employees and governmental entities prior to implementation of a “mass layoff” or a “plant closing.” In addition to the Federal WARN Act, the Debtors must comply with various State WARN Acts, which may include longer notice periods, statutory severance, and penalty requirements.

58. As of the Petition Date, the obligations owed to Employees who were issued WARN Act Notices (the “WARN Act Obligations”) are undetermined. The Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the WARN Act Obligations in cash as they become due and payable and to continue making such payments in the ordinary course of business. The Canadian Debtors will also provide notices of “mass termination” to applicable government entities in Canada where required by applicable provincial employment standards legislation.

IX. The Additional Benefits Programs.

59. Eligible Employees may also participate in a range of ancillary benefits programs (the “Additional Benefits Programs”). For U.S. Employees, the Additional Benefits Programs include, among others: (a) identity theft protection; (b) attorney services; (c) mental health counselling; and (d) commuter spending accounts. In addition, certain Canadian Employees receive mental health counselling benefits as part of the Additional Benefits Programs.

60. Historically, the Debtors have incurred liabilities of approximately \$400,000 per year on account of the Additional Benefits Programs. Following the Employee Transition, however, the Additional Benefits Programs are Employee-paid. As such, as of the Petition Date, the Debtors do not believe that they owe any amounts on account of the Additional Benefits Programs. Nevertheless, out of an abundance of caution, the Debtors request the authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Additional Benefits Programs in cash as they become due and payable and to continue making such payments in the ordinary course of business.

X. The Payroll Processor Obligations.

61. In the ordinary course of business, the Debtors incur payment obligations on account of various software services, including PeopleSoft and DayForce, that supplement the

Debtors' human resources functions, including payroll processing, withholding calculations, payment remittances, and payroll tax reporting (such obligations, the "Payroll Processor Obligations," and such providers, the "Payroll Processors").

62. Failure to pay the Payroll Processor Obligations could disrupt Employee payment and scheduling, as well as deduction and tax withholding and remittance. These disruptions would cause significant Employee hardship, which would make it difficult to retain the Debtors' workforce and would almost certainly cause violations of certain withholding and remittance regulations. Historically, the Debtors have incurred liabilities of approximately \$120,000 per year on account of the Payroll Processor Obligations. As of the Petition Date, the Debtors estimate that they owe approximately \$30,000 on account of the Payroll Processor Obligations. Accordingly, the Debtors request authority, but not direction, to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Payroll Processor Obligations in cash as they become due and payable and to continue making such payments in the ordinary course of business.

Basis for Relief

I. Payment of the Compensation and Benefits Is Warranted Under Sections 363(b) and (c) of the Bankruptcy Code and the Doctrine of Necessity and, For Certain of the Compensation and Benefits, Is Required by Law.

A. Payment of the Compensation and Benefits Is Warranted as an Ordinary Course Use of Estate Property.

63. Section 363(c)(1) of the Bankruptcy Code expressly grants the Debtors the authority to "enter into transactions . . . in the ordinary course of business" and "use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1). Therefore, the Debtors believe they are permitted to pay all postpetition amounts due on account of the Compensation and Benefits, as such amounts are incurred are in the ordinary course of

business. Out of an abundance of caution, however, the Debtors seek entry of an order granting the relief requested herein to avoid any destruction to the value of their estates.

B. Payment of the Compensation and Benefits Is Warranted as a Sound Exercise of the Debtors' Business Judgement

64. Courts have recognized that it is appropriate to authorize the payment of prepetition obligations where necessary to protect and preserve the estate, including an operating business's going-concern value. *See, e.g., In re Just for Feet, Inc.*, 242 B.R. 821, 825–26 (D. Del. 1999); *see also In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002); *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175–76 (Bankr. S.D.N.Y. 1989); *Armstrong World Indus., Inc. v. James A. Phillips, Inc. (In re James A. Phillips, Inc.)*, 29 B.R. 391, 398 (S.D.N.Y. 1983). In so doing, these courts acknowledged that several legal theories rooted in sections 105(a) and 363(b) of the Bankruptcy Code support the payment of prepetition claims.

65. Section 363(b) of the Bankruptcy Code permits a bankruptcy court, after notice and a hearing, to authorize a debtor to “use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Under section 363(b) of the Bankruptcy Code, bankruptcy courts require only that a debtor show a sound business purpose to justify the proposed use of property. *See, e.g., In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999) (internal citations omitted) (requiring the debtor show a “sound business purpose” to justify its actions under section 363 of the Bankruptcy Code); *In re Lionel Corp.*, 722 F.2d 1063, 1070–71 (2d Cir. 1983) (requiring a “good business reason” to approve a sale pursuant to section 363(b)); *In re W.A. Mallory Co.*, 214 B.R. 834, 836 (Bankr. E.D. Va. 1997) (“This Court follows the ‘sound business purpose’ test when examining § 363(b) sales.”) (quoting *In re WBQ P’ship*, 189 B.R. 97, 102 (Bankr. E.D. Va. 1995)). Moreover, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will

generally not entertain objections to the debtor's conduct." *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986); *see also In re Tower Air, Inc.*, 416 F.3d 229, 238 (3d Cir. 2005) ("Overcoming the presumptions of the business judgment rule on the merits is a near-Herculean task."). Thus, if a transaction satisfies the business judgment rule, it should be approved under section 363(b) of the Bankruptcy Code. In addition, under section 1107(a) of the Bankruptcy Code, a debtor in possession has, among other things, the "implied duty of the debtor in possession to 'protect and preserve the estate, including an operating business' going-concern value." *In re CEI Roofing, Inc.*, 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004) (quoting *In re CoServ*, 273 B.R. at 497). In turn, section 1108 of the Bankruptcy Code authorizes a debtor in possession to "operate the debtor's business." 11 U.S.C. § 1108.

66. Courts also authorize payment of prepetition claims in appropriate circumstances based on section 105(a) of the Bankruptcy Code. Section 105(a) of the Bankruptcy Code codifies a bankruptcy court's inherent equitable powers to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Under section 105(a), courts may authorize pre-plan payments of prepetition obligations when essential to the continued operation of a debtor's business. *See, e.g., In re Just for Feet*, 242 B.R. at 825–26. Specifically, a court may use its power under section 105(a) of the Bankruptcy Code to authorize payment of prepetition obligations pursuant to the "necessity of payment" rule (also referred to as the "doctrine of necessity"). *See, e.g., In re Ionosphere Clubs*, 98 B.R. at 176; *In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981) (stating that courts may authorize payment of prepetition claims when there "is the possibility that the creditor will employ an immediate economic sanction, failing such payment"); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191–92 (Bankr. D. Del. 1994) (noting that, in the Third Circuit, debtors may pay prepetition claims that

are essential to the continued operation of the business). A bankruptcy court's use of its equitable powers to "authorize the payment of prepetition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept." *In re Ionosphere Clubs*, 98 B.R. at 175–76 (citing *Miltenberger v. Logansport, C. & S.W. Ry. Co.*, 106 U.S. 286, 311–12 (1882)). Indeed, at least one court has recognized that there are instances when a debtor's fiduciary duty can "only be fulfilled by the preplan satisfaction of a prepetition claim." *In re CoServ*, 273 B.R. at 497.

67. These standards are satisfied here. The Employees and Independent Contractors are essential to the success of these chapter 11 cases. It is imperative that the Debtors' workforce remains fully engaged, motivated, and productive. Absent timely payment of amounts owed to the Employees and Independent Contractors, the Debtors risk attrition and resulting business disruption, which stands to materially impair estate value. Paying the Compensation and Benefits in the ordinary course will help minimize the adverse effect of commencement of these chapter 11 cases on the Debtors' business operations.

68. In addition, the majority of the Employees and Independent Contractors rely exclusively on the Compensation and Benefits to satisfy their daily living expenses and expect and require that their wages be paid on a timely basis. Consequently, the Employees and Independent Contractors will be exposed to significant financial difficulties if the Debtors are not permitted to pay the Compensation and Benefits in the ordinary course. Failure to timely satisfy such obligations will also jeopardize Employee morale and loyalty at this critical time, when it is needed most. Furthermore, if this Court does not grant the relief requested herein, Employees will not receive health coverage and, thus, may be obligated to pay certain healthcare claims that the Debtors have not satisfied. The loss of healthcare coverage will result in considerable anxiety for

Employees (and likely attrition) at a time when the Debtors need all Employees to perform their best. Accordingly, the relief requested herein is a necessary and critical element of the Debtors' efforts to maximize estate value and will give the Debtors the greatest likelihood of retention of their Employees and Independent Contractors as the Debtors seek to operate their business in these chapter 11 cases.

69. The importance of a debtor's workforce to its operations has been repeatedly recognized by courts in this district, and those courts have granted relief similar to the relief requested herein. *See, e.g., In re Multi-Color Corporation*, No. 26-10910 (MBK) (Bankr. D.N.J. Feb. 2, 2026) (authorizing debtors to (a) pay prepetition wages, salaries, and other compensation, and reimbursable expenses and (b) continue employee benefits programs on an interim basis); *In re Pretium Packaging, L.L.C.*, No. 26-10896 (CMG) (Bankr. D.N.J. Jan. 30, 2026) (same); *In re STG Logistics, Inc.*, No. 26-10258 (MEH) (Bankr. D.N.J. Jan. 13, 2026) (same); *In re Thrasio Holdings, Inc.*, No. 24-11840 (CMG) (Bankr. D.N.J. April 4, 2024) (authorizing debtors to (a) pay prepetition wages, salaries, and other compensation, and reimbursable expenses and (b) continue employee benefits programs on a final basis); *In re Invitae Corp.*, No. 24-11362 (MBK) (Bankr. D.N.J. March 18, 2024) (same).¹⁴

C. Payment of Certain Compensation and Benefits Is Required by Law.

70. As discussed above, the Debtors seek authority to pay, either directly or through SPARC, the Withholding Obligations to the appropriate third-party payees. These amounts principally represent Employee earnings that governments, Employees, and judicial authorities have designated for deduction from Employees' wages. Certain Withholding Obligations are not

¹⁴ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request to the Debtors' proposed counsel.

property of the Debtors' estates because the Debtors have withheld such amounts from Employees' wages on another party's behalf. *See* 11 U.S.C. §§ 541(b)(1), (d). Furthermore, federal, state and/or local laws, and similar foreign laws, require the Debtors to withhold certain tax payments from Employees' wages and to pay such amounts to the appropriate taxing authority. *See* 26 U.S.C. §§ 6672, 7501(a); *see also City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 95–97 (3d Cir. 1994) (finding that state law requiring a corporate debtor to withhold city income tax from its employees' wages created a trust relationship between debtor and the city for payment of withheld income taxes); *In re DuCharmes & Co.*, 852 F.2d 194, 196 (6th Cir. 1988) (noting that individual officers of a company may be held personally liable for failure to pay trust fund taxes). Because the Withholding Obligations incurred on account of Employees may not be property of the Debtors' estates, the Debtors should be authorized to transmit the Withholding Obligations on account of the Employees to the proper parties in the ordinary course of business. *See, e.g., In re Dameron*, 155 F.3d 718, 721 (4th Cir. 1998).

71. Similarly, state and Canadian laws require the Debtors to maintain and satisfy obligations under the Workers' Compensation Programs. If the Debtors fail to maintain or comply with the Workers' Compensation Programs, state and foreign laws may prohibit the Debtors from operating in those jurisdictions. Payment of all obligations related to the Workers' Compensation Programs is therefore crucial to the Debtors' continued operations and the success of these chapter 11 cases.

II. Sufficient Cause Exists to Authorize the Debtors to Honor the Compensation and Benefits Obligations Because Certain of the Compensation and Benefits Are Entitled to Priority Treatment.

72. Sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code entitle certain Compensation and Benefits to priority treatment to the extent such payments do not exceed the Priority Cap. As priority claims, the Debtors are required to pay these claims in full to confirm a

chapter 11 plan. *See* 11 U.S.C. § 1129(a)(9)(B) (requiring payment of certain allowed unsecured claims, given priority under sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code, for (a) wages, salaries or commissions, including vacation, severance, and sick leave pay earned by an individual and (b) contributions to an employee benefit plan). To the extent that an Employee receives, directly from the Debtors, no more than the Priority Cap on account of claims entitled to priority, the relief sought with respect to compensation only affects the timing of payments to Employees and does not have any material negative impact on recoveries for general unsecured creditors. To the extent an Employee is owed more than the Priority Cap on account of Compensation and Benefits paid directly by the Debtors, or the Employee's claims are not entitled to priority treatment under the Bankruptcy Code, the full payment of such obligations in the ordinary course is warranted under section 363(b)(1) of the Bankruptcy Code and the doctrine of necessity as set forth in Section I *supra*.

73. The Employees and Independent Contractors are essential to the Debtors' business and the success of these chapter 11 cases, and payment of the Compensation and Benefits at this time is necessary to avoid potential material disruption to the Debtors' ordinary-course operations. Finding, attracting, and training new personnel would be extremely difficult, and such recruitment efforts may likely require, among other things, higher wages, guaranteed bonuses, and more comprehensive compensation packages than are currently provided to the Employees and the Independent Contractors. Even if ultimately successful, such recruitment efforts would most likely leave the Debtors with personnel vacancies at this critical juncture and, once replacement personnel were hired, would require the Debtors to invest additional resources in training new staff members. The additional uncertainty created by the need to expend time, labor, and money recruiting and training new personnel during these chapter 11 cases would be value destructive.

74. As discussed above, although the Debtors do not believe that they have incurred any prepetition severance obligations, the Debtors anticipate incurring and paying approximately \$215,000 in severance obligations on an interim basis prior to entry of the Final Order. Courts in this circuit have recognized that “[w]age priority has been a feature of the bankruptcy law since 1898.” *See, e.g., In re Garden Ridge Corp.*, No. 04-10324 (KJC), 2006 WL 521914, at *2 (Bankr. D. Del. Mar. 2, 2006) (citing 4 Alan N. Resnick & Henry J. Sommer, *Collier on Bankruptcy* ¶ 507.05[1] (15th ed. 2005)). Its purpose is to “alleviate hardship on workers . . . who may have no other source of income” *Id.* (citing *Collier on Bankruptcy* ¶ 507.05[1]). This priority extends to certain other “benefits that are considered akin to compensation, such as vacation, *severance* and sick leave pay.” *Id.* (emphasis added); *see also In re Landamerica Fin. Grp., Inc.*, 435 B.R. 343, 351 (Bankr. E.D. Va. 2010) (quoting *In re Landmark Land Company*, 136 B.R. 410, 413 (S.D.S.C. 1992)) (noting that “severance pay is designed to compensate employees for the economic disruption and readjustment that follows termination”) (granting priority status to severance claims up to the statutory cap). Courts in this district have approved the payment of prepetition severance obligations as part of requested first day relief. *See, e.g., In re Multi-Color Corporation*, No. 26-10910 (MBK) (Bankr. D.N.J. Feb. 2, 2026) (authorizing the debtors to honor and pay prepetition obligations including severance benefits up to the priority cap on an interim basis); *In re Pretium Packaging, L.L.C.*, No. 26-10896 (CMG) (Bankr. D.N.J. Jan. 30, 2026) (same); *In re STG Logistics, Inc.*, No. 26-10258 (MEH) (Bankr. D.N.J. Jan. 13, 2026) (same); *In re Thrasio Holdings, Inc., et al.*, No. 24-11840 (CMG) (Bankr. D.N.J. Mar. 1, 2024) (authorizing the debtors to honor and pay prepetition obligations including severance

benefits up to the priority cap on an final basis); *In re Invitae Corp., et al.*, No. 24-11362 (MBK) (Bankr. D.N.J. Feb. 16, 2024) (same).¹⁵

III. Approval and Continuation of the Non-Insider Severance Programs is Justified by the Facts and Circumstances of these Chapter 11 Cases and Should Be Approved.

75. The Debtors believe they have authority to continue the Non-Insider Severance Programs as they are an ordinary course continuation of the Debtors' prepetition practices authorized by section 363(c) of the Bankruptcy Code and constitutes a sound exercise of the Debtors' business judgment. *See, e.g., In re Dana Corp.*, 358 B.R. 567, 581 (Bankr. S.D.N.Y. 2006); *In re Glob. Home Prods., LLC*, 369 B.R. 778, 786 (Bankr. D. Del. 2007). However, out of an abundance of caution, the Debtors further submit that the Non-Insider Severance Programs comply with the requirements of sections 503(b) and (c) of the Bankruptcy Code. Accordingly, for the reasons more fully set forth herein, payments under the Non-Insider Severance Programs are justified by the facts and circumstances of the Debtors' chapter 11 cases and should be approved.

76. Furthermore, the Debtors respectfully submit that the provisions otherwise applicable to retention and severance programs pursuant to section 503(c)(1) and (2) of the Bankruptcy Code are inapplicable here because no insiders will participate in the Non-Insider Severance Programs.

A. Continuation of the Non-Insider Severance Programs Is a Valid Exercise of the Debtors' Business Judgment and Is Justified by the Facts and Circumstances of these Chapter 11 Cases.

77. The standard for determining whether continuation of the Non-Insider Severance Programs complies with section 503(c)(3) of the Bankruptcy Code and is justified by the facts and

¹⁵ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request to the Debtors' proposed counsel.

circumstances of the case is essentially the same business judgment standard articulated under section 363(b) of the Bankruptcy Code. *See, e.g., In re Velo Holdings, Inc.*, 472 B.R. 201, 212 (Bankr. S.D.N.Y. 2012) (“Courts have held that the ‘facts and circumstances’ language of section 503(c)(3) creates a standard no different than the business judgment standard under section 363(b).”). Section 503(c)(3) of the Bankruptcy Code generally prohibits non-ordinary course transfers, specifically those to officers, managers, or consultants hired after the petition date, that are not justified by the facts and circumstances of the case. *See* 11 U.S.C. § 503(c)(3).

78. Here, the Non-Insider Severance Programs are an ordinary course, prepetition practice that the Debtors seek to continue on a postpetition basis. Furthermore, the business justification supporting the Non-Insider Severance Programs is clear—the Debtors require the Employees to continue operations and preserve and maximize stakeholder value. The Employees eligible for the Non-Insider Severance Programs are familiar with the Debtors’ operations, and replacing these Employees at this critical juncture would be time consuming and costly. Without the Non-Insider Severance Programs, the Debtors risk the departure of many of their Employees. Preventing such departures is essential to ensuring that the Debtors are best positioned to maximize value for all stakeholders. Moreover, it is the Debtors’ reasonable belief that the cost of the Non-Insider Severance Programs is less than the cost of recruiting and training replacement Employees to operate the Debtors’ business. The Non-Insider Severance Programs will, accordingly, maintain stability and allow the Debtors to focus their efforts on consummating the transaction detailed in the Restructuring Support Agreement. Overall, the Debtors believe that continuing the Non-Insider Severance Programs is vital to retaining Employees and keeping the Debtors on a value-maximizing path forward.

79. Because continuing the Non-Insider Severance Programs will motivate the Debtors' Employees to the benefit of all parties in interest, continuing the Non-Insider Severance Programs reflects a sound exercise of the Debtors' business judgment and is justified by the facts and circumstances of these chapter 11 cases. *See, e.g., In re Glob. Home Prods., LLC*, 369 B.R. at 784 ("The reasonable use of incentives and performance bonuses are considered the proper exercise of a debtor's business judgment."); *In re Mesa Air Grp., Inc.*, 2010 WL 3810899, No. 10-10018 at *4 (Bankr. S.D.N.Y. Sept. 24, 2010) (holding that bonus payments are "'justified by the facts and circumstances of the case' under section 503(c)(3) [where] they are within the 'sound business judgment' of the Debtors" (citation omitted)). To the extent necessary, continuation of the Non-Insider Severance Programs satisfies section 503(c)(3) of the Bankruptcy Code.

80. Accordingly, the Debtors request that the Court authorize the Debtors to pay, either directly or through SPARC, as applicable, all outstanding prepetition amounts on account of the Compensation and Benefits in cash as they become due and payable, to continue making such payments in the ordinary course of business, and to continue administering the Compensation and Benefits in the ordinary course of business.

IV. A Limited Waiver of the Automatic Stay for Workers' Compensation Claims Is Appropriate Here.

81. Section 362(a)(1) of the Bankruptcy Code operates to stay:

"the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title . . ."

11 U.S.C. § 362(a)(1).

82. Section 362 of the Bankruptcy Code, however, permits a debtor or other parties in interest to request a modification or termination of the automatic stay for “cause.” *Id.* at § 362(d)(1). Cause exists here to modify the automatic stay to permit the Employees to proceed with workers’ compensation claims in the appropriate judicial or administrative forum. Staying the workers’ compensation claims could have a detrimental effect on the financial wellbeing and morale of the Employees and lead to the departure of certain Employees. In addition, as noted above, if the Debtors fail to maintain or otherwise fulfill their obligations under the Workers’ Compensation Programs, state and foreign laws may prohibit the Debtors from operating in those jurisdictions. Accordingly, the Debtors request a limited waiver of the automatic stay to the extent necessary to allow the Workers’ Compensation Programs to proceed.

The Requirements of Bankruptcy Rule 6003(a) Are Satisfied

83. Bankruptcy Rule 6003(a) empowers a court to grant certain relief within the first twenty-one days after the Petition Date to the extent that such “relief is needed to avoid immediate and irreparable harm.” Fed. R. Bankr. P. 6003(a). As set forth in this Motion, an immediate and orderly transition into chapter 11 is critical to the viability of the Debtors’ operations. Failure to receive the requested relief during the first twenty-one days of these chapter 11 cases would severely disrupt the Debtors’ operations at this critical juncture and cause immediate and irreparable harm. The requested relief is necessary for the Debtors to operate their business in the ordinary course, preserve the ongoing value of their operations, and maximize the value of their estates for the benefit of all stakeholders. The Debtors have demonstrated that the requested relief is “needed to avoid immediate and irreparable harm,” as contemplated by Bankruptcy Rule 6003(a), and the Court should grant the requested relief.

Waiver of Bankruptcy Rules 6004(a) and 6004(h)

84. The Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the fourteen-day stay period under Bankruptcy Rule 6004(h).

Processing of Checks and Electronic Fund Transfers Should Be Authorized

85. The Debtors will have sufficient funds to pay the amounts described herein in the ordinary course of business by virtue of expected cash flows from ongoing business operations. Under the Debtors' existing cash management system, the Debtors can readily identify checks or wire transfer requests as relating to any authorized payment in respect of the relief requested herein. Accordingly, the Debtors do not believe that checks or wire transfer requests that are unrelated to authorized payments will be honored inadvertently. Therefore, the Debtors request that the Court authorize all applicable financial institutions, when the Debtors request, to receive, process, honor, and pay all checks or wire transfer requests in respect of the relief requested herein.

Reservation of Rights

86. Notwithstanding anything to the contrary herein, nothing contained in this Motion or any actions taken pursuant to any order granting the relief requested by this Motion is intended or should be construed as: (a) an implication or admission as to the amount of, basis for, or validity of any particular claim against the Debtors under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors' or any other party in interest's rights to dispute any particular claim on any grounds; (c) a promise or requirement to pay any particular claim; (d) an implication, admission, or finding that any particular claim is an administrative expense claim, other priority claim, or otherwise of a type specified or defined in this Motion or any order granting the relief requested by this Motion; (e) a request or authorization to assume, adopt, or

reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission by the Debtors as to the validity, priority, enforceability, or perfection of any lien (contractual, common law, statutory, or otherwise) on, security interest in, or other encumbrance on property of the Debtors' estates and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens; (g) a waiver or limitation of the Debtors' or any other party in interest's claims, causes of action, or other rights under the Bankruptcy Code or any other applicable law; or (h) a waiver of the obligation of any party in interest to file a proof of claim.

Modification of Bankruptcy Rule 2002(a)(2)

87. The Debtors request that the Court, for cause, modify the requirements set forth in Bankruptcy Rule 2002(a)(2) to limit service of this Motion only to the core service list and affected creditors. In light of the breadth and complexity of the Debtors' business, serving the Motion on all creditors, even those that are unaffected by the relief sought herein, would cause unnecessary confusion and expense to the detriment of all stakeholders. Accordingly, sufficient cause exists under Bankruptcy Rule 2002(a)(2) to modify the service requirements for this Motion.

No Prior Request

88. No prior request for the relief sought in this Motion has been made to this Court or any other court.

Notice

89. The Debtors will provide notice of this Motion to the following parties or their respective counsel: (a) the U.S. Trustee for the District of New Jersey; (b) the holders of the thirty largest unsecured claims against the Debtors (on a consolidated basis); (c) the state attorneys general for the states in which the Debtors conduct business; (d) the United States Attorney's Office for the District of New Jersey; (e) the Internal Revenue Service; (f) Otterbourg P.C., counsel

to the Prepetition ABL Administrative Agent; (g) Ropes & Gray LLP, counsel to the Consenting Prepetition Term Loan Agent; (h) Choate, Hall & Stewart LLP, counsel to the Prepetition Subordinated Loan Agent; and (i) any party that has requested 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.

WHEREFORE, the Debtors request that the Court enter the Interim Order and the Final Order granting the relief requested herein and such other relief the Court deems appropriate under the circumstances.

Dated: February 9, 2026

/s/ Michael D. Sirota

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*Proposed Co-Counsel to the Debtors and
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Exhibit A

Proposed Interim Order

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

Caption in Compliance with D.N.J. LBR 9004-1(b)

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*Proposed Co-Counsel to the Debtors and
the Debtors in Possession*

In re:

EDDIE BAUER LLC, *et al.*,

Debtors.¹

Chapter 11

Case No. 26-11422 (SLM)

(Joint Administration Requested)

¹ The last four digits of Debtor Eddie Bauer LLC's tax identification number are 6060. A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://cases.stretto.com/EddieBauer>. The location of Debtor Eddie Bauer LLC's principal place of business is 10401 Northeast 8th Street, Suite 500, Bellevue, WA 98004; the Debtors' service address in these chapter 11 cases is 6501 Legacy Drive, Suite B100, Plano, TX 75024.

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS
TO (A) PAY PREPETITION WAGES, SALARIES, OTHER
COMPENSATION, AND REIMBURSABLE EXPENSES AND (B) CONTINUE
EMPLOYEE BENEFITS PROGRAMS; AND (II) GRANTING RELATED RELIEF**

The relief set forth on the following pages, numbered three (3) through nine (9), is
ORDERED.

(Page | 3)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

Caption of Order: Interim Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs; and (II) Granting Related Relief

Upon the Debtors' motion (the "Motion"),² for entry of an interim order (this "Interim Order"): (a) authorizing, but not directing, the Debtors to (i) pay, either directly or through SPARC, all outstanding prepetition wages, salaries, commissions, benefits, other compensation and obligations, reimbursable expenses, and related amounts on account of their compensation and benefits programs in cash as they become due and payable and to continue making such payments in the ordinary course of business, and (ii) continue to administer their compensation and benefits programs in the ordinary course of business; (b) scheduling a final hearing to consider approval of the Motion on a final basis; and (c) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Standing Order of Reference to the Bankruptcy Court Under Title 11* of the United States District Court for the District of New Jersey, entered July 23, 1984, and amended on June 6, 2025 (Bumb, C.J.); and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that it may enter an interim order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that notice of the Motion and opportunity for hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having

² Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Motion.

(Page | 4)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

Caption of Order: Interim Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs; and (II) Granting Related Relief

determined that the legal and factual bases set forth in the Motion and at the Hearing, establish just cause for the relief granted herein; 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 Motion is **GRANTED** on an interim basis as set forth herein.
2. Any objections to the entry of this Interim Order, to the extent not withdrawn or settled, are overruled.
3. The final hearing on the Motion will be held on _____, **2026, at ____:____.m., prevailing Eastern Time.** Objections, if any, that relate to the Motion shall be filed and served so as to be actually received by (a) proposed counsel to the Debtors (i) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn.: Joshua A. Sussberg, P.C. (joshua.sussberg@kirkland.com), Matthew C. Fagen, P.C. (matthew.fagen@kirkland.com), and Oliver Paré (oliver.pare@kirkland.com) and (ii) Cole Schotz P.C., Court Plaza North, 25 Main Street, Hackensack, New Jersey 07601, Attn.: Michael D. Sirota (msirota@coleschotz.com), Warren A. Usatine (wusatine@coleschotz.com), and Felice R. Yudkin (fyudkin@coleschotz.com); (b) Office of the United States Trustee for the District of New Jersey, Attn.: Fran B. Steele (Fran.B.Steele@usdoj.gov) and David Gerardi (David.Gerardi@usdoj.gov), One Newark Center, Suite 2100 Newark, New Jersey 07102; and (c) if any statutory committee has been appointed in these chapter 11 cases, counsel to such committee, on or before _____, **2026, at ____:____.m., prevailing Eastern Time.** If no objections are filed to the Motion, this Court may enter an order approving the relief requested in the Motion on a final basis without further notice or hearing.

(Page | 5)

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4. The Debtors, either directly or through SPARC, as applicable, are authorized, but not directed, on an interim basis, to: (a) continue to administer the Compensation and Benefits in the ordinary course of business; (b) pay any prepetition or postpetition obligations related to the Compensation and Benefits and any related expenses in cash, including, but not limited to, wages, salaries, commissions, benefits, other compensation and obligations, Reimbursable Expenses, and related amounts on account of the Compensation and Benefits as such amounts come due in the ordinary course of business; (c) modify, change, add to, supplement, and/or discontinue the Compensation and Benefits in the ordinary course of business, in their sole discretion, without the need for further Court approval, subject to applicable law; and (d) pay all prepetition or postpetition costs and expenses incidental to payment of the Compensation and Benefits obligations, including the Payroll Processor Obligations, and all reasonable administrative and processing costs, in cash as they become due and payable in the ordinary course of business.

5. Nothing herein shall be deemed to authorize the payment of any prepetition amounts to any Employee in excess of the Priority Cap, except upon further order of this Court.

6. Pursuant to section 362(d) of the Bankruptcy Code, the automatic stay is modified solely to the extent necessary to allow Employees to proceed with their claims under the Workers' Compensation Programs in the appropriate judicial or administrative forum, and Employees are authorized to so proceed. The Debtors are authorized, but not directed, to continue the Workers' Compensation Programs and pay all prepetition amounts relating thereto in the ordinary course of business, consistent with prepetition practices, including, for the avoidance of doubt, any amounts that become due and owing on account of a workers' compensation audit, if any. The modification

(Page | 6)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

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of the automatic stay set forth in this paragraph pertains solely to claims under the Workers' Compensation Programs.

7. This Interim Order does not implicitly or explicitly approve any bonus plan, incentive plan, severance plan or other plan covered by 503(c) of the Bankruptcy Code.

8. Nothing herein shall be deemed to direct the Debtors to cash out unpaid Paid Leave Benefits except upon termination of an Employee if applicable nonbankruptcy law requires such payment.

9. Nothing contained herein is intended or should be construed to create an administrative priority claim on account of the Compensation and Benefits obligations.

10. The Debtors are authorized, but not directed, either directly or through SPARC, on an interim basis, to pay and honor all claims and obligations, whether arising prepetition or postpetition, on account of the Non-Insider Severance Programs; *provided* that the Debtors shall not make any Severance payment to, or on account of, any individual with respect to any prepetition claim in excess of the Priority Cap pursuant to this Interim Order; *provided, further*, that any non-Insider Severance payment on account of a postpetition termination may be paid in the ordinary course of business.

11. The Debtors are authorized, either directly or through SPARC, to forward any unpaid amounts on account of Payroll Deductions or Payroll Taxes to the appropriate third-party recipients or taxing authorities, as applicable, in the ordinary course of business.

12. The Debtors shall not make any non-ordinary course payments, including any non-ordinary course bonus, incentive, or severance payments to any "insider" (as such term is

(Page | 7)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

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defined in section 101(31) of the Bankruptcy Code) without further order of this Court; *provided* that nothing herein shall prejudice the Debtors' ability to seek approval for such relief pursuant to section 503(c) of the Bankruptcy Code at a later time. Nothing in the Motion or this Interim Order shall constitute a determination by the Court as to whether any individual seeking payment pursuant to the Interim Order is or is not an "insider" as that term is defined in section 101(31) of the Bankruptcy Code.

13. Any amounts contemplated to be paid, and actually paid, by this Interim Order, shall be subject to, and paid in accordance with, the *Interim Order (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* (the "Interim Cash Collateral Order"), *Final Order (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Secured Parties, (III) Modifying the Automatic Stay, and (IV) Granting Related Relief* (the "Final Cash Collateral Order," and together with the Interim Cash Collateral Order, the "Cash Collateral Order"), and Approved Budget (as defined in the Cash Collateral Order).

14. Notwithstanding anything to the contrary herein, nothing contained in the Motion or any actions taken pursuant to this Interim Order granting the relief requested by the Motion is intended as or should be construed or deemed to be: (a) an implication or admission as to the amount of, basis for, priority of, or validity of any particular claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors' rights to dispute any claim on any grounds; (c) a promise or requirement to pay any particular claim;

(Page | 8)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

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(d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by the Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or otherwise affecting the Debtors' rights under section 365 of the Bankruptcy Code; (f) an admission by the Debtors as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors' rights under the Bankruptcy Code or any other applicable law; or (h) a waiver of the obligation of any party in interest to file a proof of claim. Nothing contained in this Interim Order shall be deemed to increase, reclassify, elevate to an administrative expense status, or otherwise affect any claim on account of such claim not being paid.

15. The Debtors are authorized, but not directed, to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with the relief granted herein.

16. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Interim Order.

(Page | 9)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

Caption of Order: Interim Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs; and (II) Granting Related Relief

17. Nothing in this Interim Order directs the Debtors to accelerate any payments not otherwise due.

18. Notwithstanding Bankruptcy Rule 2002(a)(2), to the extent applicable, the Debtors may limit service of the Motion only to the core service list and affected creditors. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of the Bankruptcy Rules and the Bankruptcy Local Rules are satisfied by such notice.

19. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(a).

20. Notwithstanding Bankruptcy Rule 6004(h), to the extent applicable, the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

21. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Interim Order in accordance with the Motion.

22. The Debtors shall serve by e-mail (if available) or by regular mail (if e-mail is unavailable) a copy of this Interim Order and the Motion on all parties required to receive such service pursuant to Bankruptcy Local Rule 9013-5(f) within two business days after the entry of this Interim Order.

23. Any party may move for modification of this Interim Order in accordance with Bankruptcy Local Rule 9013-5(e).

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

Exhibit B

Proposed Final Order

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

Caption in Compliance with D.N.J. LBR 9004-1(b)

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

Joshua A. Sussberg, P.C. (*pro hac vice* pending)

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*Proposed Co-Counsel to the Debtors and
the Debtors in Possession*

In re:

EDDIE BAUER LLC, *et al.*,

Debtors.¹

Chapter 11

Case No. 26-11422 (SLM)

(Joint Administration Requested)

¹ The last four digits of Debtor Eddie Bauer LLC's tax identification number are 6060. A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at <https://cases.stretto.com/EddieBauer>. The location of Debtor Eddie Bauer LLC's principal place of business is 10401 Northeast 8th Street, Suite 500, Bellevue, WA 98004; the Debtors' service address in these chapter 11 cases is 6501 Legacy Drive, Suite B100, Plano, TX 75024.

**FINAL ORDER (I) AUTHORIZING THE DEBTORS
TO (A) PAY PREPETITION WAGES, SALARIES, OTHER
COMPENSATION, AND REIMBURSABLE EXPENSES AND (B) CONTINUE
EMPLOYEE BENEFITS PROGRAMS; AND (II) GRANTING RELATED RELIEF**

The relief set forth on the following pages, numbered three (3) through eight (8), is
ORDERED.

(Page | 3)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

Caption of Order: Final Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs; and (II) Granting Related Relief

Upon the Debtors' motion (the "Motion"),² for entry of a final order (this "Final Order"): (a) authorizing, but not directing, the Debtors to (i) pay, either directly or through SPARC, all outstanding prepetition wages, salaries, commissions, benefits, other compensation and obligations, reimbursable expenses, and related amounts on account of their compensation and benefits programs in cash as they become due and payable and to continue making such payments in the ordinary course of business, and (ii) continue to administer their compensation and benefits programs in the ordinary course of business; (b) scheduling a final hearing to consider approval of the Motion on a final basis; and (c) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Standing Order of Reference to the Bankruptcy Court Under Title 11* of the United States District Court for the District of New Jersey, entered July 23, 1984, and amended on June 6, 2025 (Bumb, C.J.); and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"), if any; and this Court having determined

² Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Motion.

(Page | 4)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

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that the legal and factual bases set forth in the Motion and at the Hearing, if any, establish just cause for the relief granted herein; 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 Motion is **GRANTED** on a final basis as set forth herein.
2. Any objections to the entry of this Final Order, to the extent not withdrawn or settled, are overruled.
3. The Debtors, either directly or through SPARC, as applicable, are authorized, but not directed, to: (a) pay any prepetition or postpetition obligations related to the Compensation and Benefits and any related expenses in cash, including, but not limited to, wages, salaries, commissions, benefits, other compensation and obligations, Reimbursable Expenses, and related amounts on account of the Compensation and Benefits as such amounts come due in the ordinary course of business; (b) continue to administer the Compensation and Benefits in the ordinary course of business; (c) modify, change, add to, supplement, and/or discontinue the Compensation and Benefits in the ordinary course of business, in their sole discretion, without the need for further Court approval, subject to applicable law; and (d) pay all prepetition or postpetition costs and expenses incidental to payment of the Compensation and Benefits obligations, including the Payroll Processor Obligations, and all reasonable administrative and processing costs, in cash as they become due and payable in the ordinary course of business.
4. Pursuant to section 362(d) of the Bankruptcy Code, the automatic stay is modified solely to the extent necessary to allow Employees to proceed with their claims under the Workers' Compensation Programs in the appropriate judicial or administrative forum, and Employees are

(Page | 5)

Debtors: EDDIE BAUER LLC, *et al.*

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authorized to so proceed. The Debtors are authorized, but not directed, to continue the Workers' Compensation Programs and pay all prepetition amounts relating thereto in the ordinary course of business, consistent with prepetition practices, including, for the avoidance of doubt, any amounts that become due and owing on account of a workers' compensation audit, if any. The modification of the automatic stay set forth in this paragraph pertains solely to claims under the Workers' Compensation Programs.

5. Nothing contained herein is intended or should be construed to create an administrative priority claim on account of the Compensation and Benefits obligations.

6. Nothing herein shall be deemed to direct the Debtors to cash out unpaid Paid Leave Benefits except upon termination of an Employee if applicable nonbankruptcy law requires such payment.

7. This Final Order does not implicitly or explicitly approve any bonus plan, incentive plan, severance plan or other plan covered by 503(c) of the Bankruptcy Code.

8. The Debtors are authorized to forward any unpaid amounts on account of Payroll Deductions or Payroll Taxes to the appropriate third-party recipients or taxing authorities, as applicable, in the ordinary course of business, consistent with prepetition practices.

9. The Debtors shall not make any non-ordinary course payments, including any non-ordinary course bonus, incentive, or severance payments to any insider (as such term is defined in section 101(31) of the Bankruptcy Code) without further order of this Court; *provided* that nothing herein shall prejudice the Debtors' ability to seek approval for such relief pursuant to section 503(c) of the Bankruptcy Code at a later time. Nothing in the Motion or this Final Order

(Page | 6)

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shall constitute a determination by the Court as to whether any individual seeking payment pursuant to the Final Order is or is not an “insider” as that term is defined in section 101(31) of the Bankruptcy Code.

10. Any amounts contemplated to be paid, and actually paid, by this Final Order, shall be subject to, and paid in accordance with, the *Interim Order (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* (the “Interim Cash Collateral Order”), *Final Order (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Secured Parties, (III) Modifying the Automatic Stay, and (IV) Granting Related Relief* (the “Final Cash Collateral Order,” and together with the Interim Cash Collateral Order, the “Cash Collateral Order”), and Approved Budget (as defined in the Cash Collateral Order).

11. Notwithstanding anything to the contrary herein, nothing contained in the Motion or any actions taken pursuant to this Final Order granting the relief requested by the Motion is intended as or should be construed or deemed to be: (a) an implication or admission as to the amount of, basis for, priority of, or validity of any particular claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law; (b) a waiver of the Debtors’ rights to dispute any claim on any grounds; (c) a promise or requirement to pay any particular claim; (d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by the Motion or a finding that any particular claim is an administrative expense claim or other priority claim; (e) a request or authorization to

(Page | 7)

Debtors: EDDIE BAUER LLC, *et al.*

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assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or otherwise affecting the Debtors' rights under section 365 of the Bankruptcy Code; (f) an admission by the Debtors as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; (g) a waiver or limitation of the Debtors' rights under the Bankruptcy Code or any other applicable law; or (h) a waiver of the obligation of any party in interest to file a proof of claim. Nothing contained in this Final Order shall be deemed to increase, reclassify, elevate to an administrative expense status, or otherwise affect any claim on account of such claim not being paid.

12. The Debtors are authorized, but not directed, to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with the relief granted herein.

13. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Final Order.

14. Nothing in this Final Order directs the Debtors to accelerate any payments not otherwise due.

15. Notwithstanding Bankruptcy Rule 2002(a)(2), to the extent applicable, the Debtors may limit service of the Motion only to the core service list and affected creditors. Notice of the

(Page | 8)

Debtors: EDDIE BAUER LLC, *et al.*

Case No. 26-11422 (SLM)

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Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of the Bankruptcy Rules and the Bankruptcy Local Rules are satisfied by such notice.

16. Notwithstanding Bankruptcy Rule 6004(h), to the extent applicable, the terms and conditions of this Final Order are immediately effective and enforceable immediately upon its entry.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Final Order in accordance with the Motion.

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