

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

Hearing Date: November 7, 2024 at 11:00 a.m. (ET)

Objection Deadline: October 31, 2024 at 4:00 p.m. (ET)

**DEBTORS' APPLICATION FOR ENTRY OF AN ORDER
AUTHORIZING THE RETENTION AND EMPLOYMENT OF YOUNG
CONAWAY STARGATT & TAYLOR, LLP AS COUNSEL FOR THE
DEBTORS, EFFECTIVE AS OF THE PETITION DATE**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) hereby submit this application (this “Application”) for entry of an order, substantially in the form attached hereto as **Exhibit D** (the “Proposed Order”), pursuant to section 327(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), authorizing the retention and employment of Young Conaway Stargatt & Taylor, LLP (“Young Conaway” or the “Firm”) as bankruptcy counsel for the Debtors in the above-captioned chapter 11 cases, effective as of the Petition Date (as defined below). In

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

support of this Application, the Debtors rely upon the declaration of Andrew L. Magaziner (the “Magaziner Declaration”), attached hereto as **Exhibit A**, and the declaration of Jeffrey Martin (the “Martin Declaration”), attached hereto as **Exhibit B**. In further support of this Application, the Debtors respectfully state as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012 (the “Amended Standing Order”). This is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final order by the Court in connection with this Application if it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

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

4. The statutory bases for the relief requested in this Application are section 327(a) of the Bankruptcy Code, Bankruptcy Rule 2014, and Local Rule 2014-1.

BACKGROUND

5. On October 10, 2024 (the “Petition Date”), each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

6. No official committee has been appointed in the chapter 11 cases, and no request has been made for the appointment of a trustee or an examiner.

7. Additional information relating to the Debtors' business, capital structure, and the circumstances leading to the filing of the chapter 11 cases is set forth in the *Declaration of Jeffrey Martin in Support of Chapter 11 Petitions and Requests for First Day Relief* [Docket No. 2] (the "First Day Declaration").²

RELIEF REQUESTED

8. By this Application, the Debtors request that the Court enter the Proposed Order authorizing the Debtors to retain and employ Young Conaway as bankruptcy counsel for the Debtors in these chapter 11 cases, effective as of the Petition Date.

BASIS FOR RELIEF REQUESTED

I. YOUNG CONAWAY'S QUALIFICATIONS

9. The Debtors seek to retain Young Conaway as their bankruptcy counsel in light of the Firm's extensive knowledge, expertise, and experience in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code. Young Conaway's knowledge, expertise, and experience practicing before the Court will enable the Firm to work in an efficient and cost-effective manner on behalf of the Debtors' estates. Additionally, in preparing for these chapter 11 cases, Young Conaway has become familiar with the Debtors' business and affairs and many of the potential legal issues that may arise in the context of these chapter 11 cases. Accordingly, the Debtors believe that Young Conaway is uniquely qualified to represent them as restructuring counsel in these chapter 11 cases.

10. In selecting Young Conaway, the Debtors reviewed the Firm's rates, including rates for bankruptcy services, and compared them to outside law firms that the Debtors have used in the past to determine that the rates are reasonable. Young Conaway has informed the

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

Debtors that its current hourly rates are the Firm's standard hourly rates for work of the nature proposed herein. Young Conaway further informed the Debtors that the Firm operates in both national and regional marketplaces for legal services in which rates are driven by multiple factors relating to the individual lawyer, his or her area of specialty, the Firm's expertise, performance, and reputation, the nature of the work involved, as well as other factors.

11. The Debtors supervise all legal fees and expenses in order to reasonably manage costs. The Debtors have procedures and policies for reviewing fees of outside counsel, and the Debtors intend to review fees in these chapter 11 cases in accordance with such procedures and policies. The rates Young Conaway charged the Debtors in the period prior to the Petition Date are the same as the rates Young Conaway has indicated it will charge the Debtors post-petition. Young Conaway has informed the Debtors (and discloses herein) that the Firm's hourly rates are subject to periodic adjustments to reflect economic and other conditions.

12. The Debtors recognize that it is their responsibility to closely monitor the billing practices of their counsel to ensure that the fees and expenses paid by the Debtors' estates remain consistent with the Debtors' expectations and the exigencies of these chapter 11 cases. As they did pre-petition, the Debtors will continue to review and monitor professional fees and expense reimbursement requests for reasonableness.

II. PAYMENT OF FEES AND EXPENSES

13. Young Conaway will seek Court approval of its compensation and reimbursement of its actual, necessary expenses and other charges incurred by the Firm upon the filing of appropriate applications for interim and final compensation and reimbursement pursuant to sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and applicable orders of the Court. The principal attorneys and the paralegal presently designated to represent the Debtors, and their current standard hourly rates, are:

- | | | |
|----|---------------------------|---------------------|
| a. | Michael R. Nestor | \$1,335.00 per hour |
| b. | Andrew L. Magaziner | \$980.00 per hour |
| c. | S. Alexander Faris | \$670.00 per hour |
| d. | Kristin L. McElroy | \$530.00 per hour |
| e. | Andrew M. Lee | \$475.00 per hour |
| f. | Beth Oliverre (paralegal) | \$375.00 per hour |

14. The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions.³ Other attorneys and paralegals from Young Conaway may from time to time also serve the Debtors in connection with the matters described herein.

15. The hourly rates set forth above are the Firm's standard hourly rates for work of this nature. These rates are set at a level designed to fairly compensate the Firm for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses approved by the client such as secretarial expenses and other overtime. The Firm will charge the Debtors for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients. The Firm believes that it is fairer to charge these

³ Generally, the Firm implements rate increases on January 1 of each year.

expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

16. Young Conaway was retained by the Debtors under an Engagement Letter dated September 17, 2024 (the “Engagement Letter”), attached to the Magaziner Declaration as Exhibit II. Pursuant to the Engagement Letter, Young Conaway received an initial retainer of \$200,000 on September 26, 2024 (the “Initial Retainer”)⁴ in connection with the planning and preparation of initial documents and the Firm’s proposed post-petition representation of the Debtors. The Initial Retainer was supplemented as set forth in the chart below (collectively with the Initial Retainer, the “Retainer”).

17. The following chart summarizes the payments received by the Debtors prior to the Petition Date:

Invoice Date	Date Range of Services	Date of Payment	Form of Payment	Payment Amount	Retainer Balance
N/A	Retainer	9/26/24	Retainer	\$200,000	\$200,000
N/A	Retainer	10/8/24	Retainer	\$108,022 ⁵	\$308,022
10/15/24	8/13/24-10/9/24	10/15/24	Retainer	\$(295,954.09)	\$12,067.91

18. As set forth above, prior to filing this Application, Young Conaway applied outstanding invoices for services provided prior to the Petition Date against the Retainer. Following a final reconciliation, Young Conaway currently holds a Retainer in the amount of \$12,067.91 which will be held as a general retainer as security for post-petition services and expenses.

⁴ The Engagement Letter contemplated an initial retainer in the amount of \$175,000; however, Young Conaway received an initial retainer amount of \$200,000.

⁵ This amount is inclusive of filing fees in the amount of \$33,022.

19. As set forth in the Magaziner Declaration, Young Conaway has not shared nor agreed to share any of its compensation from the Debtors with any other person, other than as permitted by section 504 of the Bankruptcy Code.

III. SERVICES TO BE PROVIDED

20. The professional services that Young Conaway will render to the Debtors include, but shall not be limited to, the following:

- a. providing legal advice and services with respect to the Debtors' powers and duties as debtors in possession in the continued operation of their business, management of their property, the Local Rules, practices, and procedures, and providing substantive and strategic advice on how to accomplish the Debtors' goals in connection with the prosecution of these chapter 11 cases;
- b. preparing, on behalf of the Debtors, necessary applications, motions, answers, orders, reports, and other legal papers;
- c. appearing in Court, at any meeting with the United States Trustee for the District of Delaware (the "U.S. Trustee"), and any meeting of creditors at any given time on behalf of the Debtors; and
- d. performing all other legal services for the Debtors that may be necessary and proper in these chapter 11 cases as counsel to the Debtors.

21. By separate applications or motions, the Debtors are or will be seeking Court approval for the retention of: (i) Epiq Corporate Restructuring, LLC as administrative agent; and (ii) Mosaic Growth Partners, to provide Jeffrey Martin as Chief Restructuring Officer and to provide the Debtors with certain support staff and additional personnel. The Debtors may also file motions or applications to employ additional professionals and may seek authority to retain certain ordinary course professionals.

22. Each firm listed above works, and will continue to work, under the direction of the Debtors' management. The Debtors' directors and senior management are committed to minimizing duplication of services to reduce professional costs. To that end, Young Conaway will

work closely with each professional to ensure that there is no unnecessary duplication of effort or cost.

IV. BANKRUPTCY RULE 2014 DISCLOSURE

23. To the best of the Debtors' knowledge, and except as disclosed herein and in the Magaziner Declaration, Young Conaway has not represented the Debtors, their creditors, or any other parties-in-interest, or their respective attorneys, in any matter relating to the Debtors or their estates. Young Conaway is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code in that the Firm, its partners, counsel, and associates:

- a. are not creditors, equity security holders, or insiders of the Debtors;
- b. are not and were not, within two (2) years before the Petition Date, directors, officers, or employees of the Debtors; and
- c. do not have an interest materially adverse to the interests of the Debtors' estates or of any class of the Debtors' creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, any of the Debtors, or for any other reason.

24. For the above reasons, the Debtors submit that Young Conaway's employment is necessary and in the best interests of the Debtors and their estates.

NOTICE

25. Notice of this Application will be provided to: (i) the U.S. Trustee; (ii) counsel for BMO Bank, N.A.; (iii) counsel for Hancock Whitney Bank; (iv) holders of the thirty (30) largest unsecured claims on a consolidated basis against the Debtors; (v) the Internal Revenue Service; (vi) the Office of the United States Attorney for the District of Delaware; and (vii) 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 respectfully request that the Court enter the Proposed Order, granting the relief requested herein and granting the Debtors such other and further relief as is just and proper.

Dated: October 17, 2024

Respectfully submitted,
HDC Holdings II, LLC
Debtors and Debtors in Possession

/s/ Jeffrey Martin
Jeffrey Martin
Chief Restructuring Officer

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

Hearing Date: November 7, 2024 at 11:00 a.m. (ET)

Objection Deadline: October 31, 2024 at 4:00 p.m. (ET)

NOTICE OF APPLICATION

PLEASE TAKE NOTICE that the above-captioned debtors and debtors in possession (collectively, the “Debtors”) have filed the *Debtors’ Application for Entry of an Order Authorizing the Retention and Employment of Young Conaway Stargatt & Taylor, LLC as Counsel for the Debtors, Effective as of the Petition Date* (the “Application”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

PLEASE TAKE FURTHER NOTICE that any objections to the Application must be filed on or before **October 31, 2024 at 4:00 p.m. (ET)** (the “Objection Deadline”) with the United States Bankruptcy Court for the District of Delaware, 3rd Floor, 824 North Market Street, Wilmington, Delaware 19801. At the same time, you must serve a copy of any objection upon the undersigned proposed counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING TO CONSIDER THE APPLICATION WILL BE HELD ON NOVEMBER 7, 2024 AT 11:00 A.M. (ET) BEFORE THE HONORABLE THOMAS M. HORAN IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 N. MARKET STREET, 5TH FLOOR, COURTROOM NO. 6, WILMINGTON, DELAWARE 19801.

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

PLEASE TAKE FURTHER NOTICE THAT, IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE APPLICATION WITHOUT FURTHER NOTICE OR A HEARING.

Dated: October 17, 2024
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ S. Alexander Faris

Michael R. Nestor (No. 3526)
Andrew L. Magaziner (No. 5426)
S. Alexander Faris (No. 6278)
Kristin L. McElroy (No. 6871)
Andrew M. Lee (No. 7078)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Tel: (302) 571-6600
Fax: (302) 571-1253
Email: mnestor@ycst.com
amagaziner@ycst.com
afaris@ycst.com
kmcclroy@ycst.com
alee@ycst.com

Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Magaziner Declaration

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

**DECLARATION OF ANDREW L. MAGAZINER IN SUPPORT OF THE DEBTORS'
APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND
EMPLOYMENT OF YOUNG CONAWAY STARGATT & TAYLOR, LLP AS
COUNSEL FOR THE DEBTORS, EFFECTIVE AS OF THE PETITION DATE**

I, Andrew L. Magaziner, declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury that:

1. I am a partner in the firm of Young Conaway Stargatt & Taylor, LLP (“Young Conaway” or the “Firm”), with principal offices at Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, and have been duly admitted to practice in the States of Delaware and New York, as well as the United States District Courts for the District of Delaware and the Southern District of New York. I submit this declaration (this “Declaration”) in support of the *Debtors’ Application for Entry of an Order Authorizing the Retention and Employment of Young Conaway Stargatt & Taylor, LLP as Counsel for the Debtors, Effective as of the Petition Date* (the “Application”).²

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

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

2. Young Conaway has conducted a series of searches in the Firm's conflicts databases to identify relationships with the Debtors, their lenders, equity holders, and various other parties-in-interest in these chapter 11 cases (collectively, the "Interested Parties").³

3. Based on the conflicts and connections search conducted and described herein, to the best of my knowledge, neither I, Young Conaway, nor any partner, counsel, or associate thereof, insofar as I have been able to ascertain, has any connection with the Debtors or any other parties-in-interest herein, except as stated below:

- a. In recent months, Young Conaway and certain of its partners and associates have rendered legal services to the Debtors relating to their plans to seek relief under chapter 11 of the Bankruptcy Code and the preparation of the petitions and other papers initiating and prosecuting these chapter 11 cases.
- b. The Debtors have sought or will seek to retain: (i) Epiq Corporate Restructuring, LLC as administrative agent; and (ii) Mosaic Growth Partners, to provide Jeffrey Martin as Chief Restructuring Officer and to provide support staff and additional personnel. The Debtors may also file motions or applications to employ additional professionals and will seek authority to retain certain ordinary course professionals. On numerous occasions, Young Conaway has in the past and/or currently does work with and/or against these professionals in connection with matters wholly unrelated to these chapter 11 cases.
- c. Young Conaway has, in the past, represented the following Interested Parties, or parties who may be affiliated with such Interested Parties, in matters wholly unrelated to the Debtors and these chapter 11 cases:
 - Afco
 - BMO Bank, N.A.
 - BankPlus
 - CenterPoint Energy
 - Citizens Bank, N.A.
 - CAN Insurance
 - Daniel G Kamin McComb LLC
 - Dicks Sporting Goods, Inc.
 - Ernst & Young US LLP
 - Faegre Drinker Biddle & Reath LLP
 - First Horizon Bank

³ A list of the Interested Parties searched is attached hereto as **Exhibit I.**

- Hilco Merchant Resources, LLC
- Hilco Trading, LLC
- Hilco Wholesale Solutions, LLC
- Home Depot
- Lowes
- Macy's Corporate Services, LLC
- Overstock.com, Inc.
- Penney OpCo LLC
- Rite Aid
- Schneider National Carriers, Inc.
- Staples
- Target
- Peoples Bank
- Travelers
- Walmart
- Zurich American Insurance Company

d. Young Conaway currently represents, and may in the past have represented, the following parties, or parties who may be affiliated with such Interested Parties, in matters wholly unrelated to the Debtors and these chapter 11 cases:

- Amazon.com Services LLC
- Hancock Whitney Bank
- PNC Bank
- Regions Bank
- The First Bank

4. Furthermore, to the best of my knowledge, information, and belief and in accordance with Bankruptcy Rule 5002, neither I, nor any attorney at Young Conaway is a relative of the United States Bankruptcy Judge assigned to these chapter 11 cases, and Young Conaway does not have a connection with the United States Bankruptcy Judge that would render the Firm's retention in these chapter 11 cases improper. Further, in accordance with Bankruptcy Rule 2014, Young Conaway does not have any connection with the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee"), or any persons employed by the U.S. Trustee.

5. Based upon its review of the Interested Parties, Young Conaway has determined that it does not represent any party in these proceedings with a material adverse interest

with respect to the Debtors. Young Conaway will supplement this Declaration, as necessary, with additional information or disclosures in the event that additional information is developed.

6. Young Conaway is a “disinterested person” as that term is defined in section 101(14) of the Bankruptcy Code in that Young Conaway, its partners, counsel, and associates:

- a. are not creditors, equity security holders, or insiders of the Debtors;
- b. are not and were not, within two (2) years before the Petition Date, a director, officer, or employee of the Debtors; and
- c. do not have an interest materially adverse to the interests of the Debtors’ estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason.

7. As set forth above, and subject to any explanations and/or exceptions contained herein, Young Conaway (i) does not hold or represent any interest adverse to the Debtors in connection with the matters upon which Young Conaway is to be engaged, and (ii) is disinterested. If the results of further investigation reveal any additional connections, Young Conaway will make any further disclosures as may be appropriate at that time.

8. Young Conaway was retained by the Debtors under an Engagement Letter dated September 17, 2024 (the “Engagement Letter”), attached hereto as **Exhibit II**. Pursuant to the Engagement Letter, Young Conaway received an initial retainer of \$200,000 on September 26, 2024 (the “Initial Retainer”)⁴ in connection with the planning and preparation of initial documents and the Firm’s proposed post-petition representation of the Debtors. The Initial Retainer was supplemented as set forth in the chart below (collectively with the Initial Retainer, the “Retainer”).

9. The following chart summarizes the payments received by the Debtors prior to the Petition Date:

⁴ The Engagement Letter contemplated an initial retainer in the amount of \$175,000; however, Young Conaway received an initial retainer amount of \$200,000.

Invoice Date	Date Range of Services	Date of Payment	Form of Payment	Payment Amount	Retainer Balance
N/A	Retainer	9/26/24	Retainer	\$200,000	\$200,000
N/A	Retainer	10/8/24	Retainer	\$108,022 ⁵	\$308,022
10/15/24	8/13/24-10/9/24	10/15/24	Retainer	\$(295,954.09)	\$12,067.91

10. Prior to filing the Application, Young Conaway applied outstanding invoices for services provided prior to the Petition Date against the Retainer. Following a final reconciliation, Young Conaway currently holds a Retainer in the amount of \$12,067.91 which will be held as a general retainer as security for post-petition services and expenses.

11. Young Conaway intends to apply for compensation for professional services rendered in connection with these chapter 11 cases subject to approval of the Court and in compliance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any administrative order entered by the Court, on an hourly basis, plus reimbursement of actual, necessary expenses, and other charges incurred by Young Conaway. The principal attorneys and paralegal designated to represent the Debtors and their current standard hourly rates are:

- a. Michael R. Nestor \$1,335.00 per hour
- b. Andrew L. Magaziner \$980.00 per hour
- c. S. Alexander Faris \$670.00 per hour
- d. Kristin L. McElroy \$530.00 per hour
- e. Andrew M. Lee \$475.00 per hour
- f. Beth Olivere (paralegal) \$375.00 per hour

⁵ This amount is inclusive of filing fees in the amount of \$33,022.

12. The hourly rates as set forth above are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve the Debtors in connection with the matters herein described.

13. Young Conaway advised the Debtors that the hourly rates set forth above are the Firm's standard hourly rates for work of this nature and that these rates are set at a level designed to fairly compensate Young Conaway for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses approved by the client such as secretarial expenses and other overtime. The Firm will charge the Debtors for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients. The Firm believes that it is fairer to charge these expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

14. No promises have been received by Young Conaway, nor by any partner, counsel, or associate thereof, as to compensation in connection with these chapter 11 cases other than in accordance with the provisions of the Bankruptcy Code. Young Conaway has no agreement with any other entity to share with such entity any compensation received by Young Conaway in connection with these chapter 11 cases.

15. Consistent with the U.S. Trustee’s *Appendix B—Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases* (the “U.S. Trustee Guidelines”), which became effective on November 1, 2013,⁶ I state as follows:

- Young Conaway has not agreed to a variation of its standard or customary billing arrangements for this engagement;
- None of the Firm’s professionals included in this engagement have varied their rate based on the geographic location of these chapter 11 cases;
- Young Conaway was retained by the Debtors pursuant to an Engagement Letter dated September 17, 2024. The billing rates and material terms of the pre-petition engagement are the same as the rates and terms described in the Application; and
- the Debtors have approved or will be approving a prospective budget and staffing plan for Young Conaway’s engagement for the post-petition period as appropriate. In accordance with the U.S. Trustee Guidelines, the budget may be amended as necessary to reflect changed or unanticipated developments.

16. The professional services that Young Conaway will render to the Debtors include, but shall not be limited to, the following:

- providing legal advice and services with respect to the Debtors’ powers and duties as debtors in possession in the continued operation of their business, management of their property, the Local Rules, practices, and procedures, and providing substantive and strategic advice on how to accomplish the Debtors’ goals in connection with the prosecution of these chapter 11 cases;
- preparing, on behalf of the Debtors, necessary applications, motions, answers, orders, reports, and other legal papers;

⁶ The U.S. Trustee Guidelines themselves acknowledge that “the Guidelines do not supersede local rules, court orders, or other controlling authority.” While the Debtors and Young Conaway intend to work cooperatively with the U.S. Trustee to address requests for information and any concerns that may have led to the adoption of the U.S. Trustee Guidelines, neither the filing of this Declaration, nor anything contained herein, is intended to or shall be deemed to be an admission by Young Conaway that the Firm is required to comply with the U.S. Trustee Guidelines. Young Conaway reserves any and all rights with respect to the application of the U.S. Trustee Guidelines in respect of any application for employment or compensation filed in these chapter 11 cases.

- appearing in Court, at any meeting with the United States Trustee for the District of Delaware (the “U.S. Trustee”), and any meeting of creditors at any given time on behalf of the Debtors; and
- performing all other legal services for the Debtors that may be necessary and proper in these chapter 11 cases as counsel to the Debtors.

17. To the extent that the Firm is assigned services by the Debtors that fall outside the scope of those identified herein and in the Application, Young Conaway will file a supplemental declaration in accordance with Bankruptcy Rule 2014.

18. The facts set forth in the Application are true and correct to the best of my knowledge, information, and belief.

Dated: October 17, 2024

/s/ Andrew L. Magaziner
Andrew L. Magaziner

EXHIBIT I

Interested Parties

HDC Holdings II, LLC

Potential Parties in Interest

Debtors

HDC Holdings II, LLC
HDC Holdings III, LLC
CCM Capital Assets, LLC
Channel Control Merchants, LLC
Dirt Cheap I, LLC
CCM Support Services, LLC
CCM Wholesale SE, LLC
Channel Control Merchants of Texas, LLC
Creative Sales Solutions, LLC
Dirt Cheap Arkansas, LLC
Dirt Cheap Building Supplies, LLC
Dirt Cheap of Georgia, LLC
Dirt Cheap of Louisiana, LLC
Dirt Cheap SE, LLC
Dirt Cheap Tennessee, LLC
Treasure Hunt, LLC
CCM Wholesale, LLC
Channel Control Merchants of California, LLC
CAL Support Services, LLC

Non-Debtor Affiliates

Hilco Trading, LLC
Hilco Merchant Resources, LLC
Treasure Aggregator LLC
Behrens CCM, LLC
SDW Partners LP
Bill & Leslie Cornog Living Trust
G-III Investments, Inc.
Treasure Blocker GP LLC
Treasure Topco LLC
Treasure Intermediate LLC

Debtors' Advisors

Epiq Corporate Restructuring, LLC
8627690 Canada Inc. (d/b/a Mosaic Growth Partners)
Young Conaway Stargatt & Taylor, LLP

Banks

BankPlus

Bank of Montreal
BMO Bank N.A. (f/k/a BMO Harris Bank, N.A.)
Cadence Bank
Citizens Bank, N.A.
Community Bank of Mississippi
First Horizon Bank
Hancock Whitney Bank
Merchants & Marine Bank
PNC Bank
Regions Bank
Sothorn Bancorp
The First Bank
The Peoples Bank
Trustmark

Equity Holders

Behrens CCM, LLC
Bill & Leslie Cornog Living Trust
G-III Investments, Inc.
SDW Partners, LP
Treasure Aggregator LLC

Guarantor

HDC Acquisition LLC

Lenders and Other Lienholders

Whitney Bank (d/b/a Hancock Bank)
PNC Bank, National Association (f/k/a Compass Bank)
BMO Bank N.A. (f/k/a BMO Harris Bank, N.A.)
Hilco Trading, LLC
KKR North America Fund XI (Wave) L.P.
Brent Tree Shipping Center, LTD; Brent Tree S/C, LCC
Cottonwood Creek S/C I, Ltd; Cottonwood Creek GP I, LLC
WC South Properties LP
Treasure Topco LLC

Lenders' Advisors

Carver Darden Koretzky Tessier Finn
Blossman & Areaux LLC
Faegre Drinker Biddle & Reath LLP
Vedder Price
Womble Bond Dickinson (US) LLP

Material Vendors and Contract

Counterparties

Amazon.com Services, LLC
Claire's
Classic Brands, LLC
Classic Brands ABC
Dormify
Fleet Farm, LLC
Floor Found, Inc.
Funai Service Corporation
Haas Outdoors, Inc.
Hilco Wholesale Solutions, LLC
HSL Ventures, Inc.
Lowe's
MerchSource, LLC
Macy's Corporate Services, LLC
Nordstrom, Inc.
Overstock.com, Inc.
Penney OpCo LLC
Pilot Travel Centers LLC
Quiet Logistics
Rite Aid
Sohnen Enterprises, Inc.
Standvast Fulfillment, Inc.
ThredUp Inc.
Tri Mountain
Tvilum, LLC
Vantage Inc. (d/b/a Acquco)
Walmart

Top 30 Unsecured Creditors

Target Corp. Salvage Dept.
Amazon.com Services LLC
The Recon Group LLC
Minglewood Properties LTD
Macys-Bloomingdales
Salesforce.com INC
Ernst & Young US LLP
Academy Sports Outdoors, Inc

Classic Brands LLC
Corporate Billing, LLC
Sunset Forest Products, INC
Viking Forest Products LLC
Nordstrom, INC.
Kenco Label & Tag Co. LLC
Dicks Sporting Goods, Inc.
Lowe's
Inmar Supply Chain Solutions, LLC
Concord USA LLC
Schneider National Carriers, Inc
CSS Inc.
24/7 Shop At Home Inc.
Blue Mountain Industrial Park, LLC
Home Depot
Fixture Zone, Inc.
Total Quality Logistics LLC
AFCO
On Partners
Staples 960
Synergy It Solutions of NYS, Inc.
Omniveillance

Insurance Providers & Brokers

CNA Insurance
Tokio Marine HCC
Travelers Insurance
Zurich American Insurance Company

Landlords

3045 East Texas LLC
3045 East Texas Street LLC
551-587 South Lowry Street LLC
551-587 South Lowry Street LLC
805 Realty Corp
805 Realty Corp
Academy Equities LLC
Action 49 Junction LLC
Adams Center LTD
Ambassador Way Shopping Center LLC
Amory LLC
Aschaffenburg Investments, LLC
Baron 551 LLC
Battlefield Centre LLC
Blue Mountain Industrial Park LLC
Brenda Faye Boyles

Cleveland Properties LLC
Coleman Hammons

Compass Bank
Daniel G Kamin Mccomb LLC
Demopolis Towne Center LLC
The Dillard Trulove Trust B, Grantor Trust
Eli Erlich
Eules Capital LP
Ferry Pass Station Inc
Gibbs Development LLC
Greenwood Station LLC
Gulfport/Orange Grove Associates LTD
Hillsboro-WM LTD
Homewood Property LLC
Hudspeth Properties LLC
Janice Champlin
JB Levert Land Company LLC
LA3 Centers LP
LBO Properties
Lewisburg Commons LLC
Lewko Properties LLC
Louis Wiener
Mercury Plaza GP
Minglewood Properties LTD
Monroe Retail Group LLC
MS Equities LLC
Mystic LLC
Phillips Distributors Inc
Pine Tree Plaza LLC
Realvest LLC
Ria Gatlinburg Properties LLC
Rigeland Realty Jjg LLC
Rigeland Realty LLC
Robert N Graham LLC
Roma Street Management LLC
Searcy Square LLC
Second Street of Madison LLC
Sherman Boyles, JR
Shows Development Inc
Southern Development of Mississippi Inc
Spiller LLC
T Hall Andalusia LLC
Tangilena Village Inc.
Thomasville Mart LLC
TLBT LLC

Tombstoneman LLC
Town Square of Columbia LLC
V & V LLC
Vaquero Broadway Partners LP
Watwood Investments LLC
Waveland Choctaw Plaza LLC
Westbrook Mart LLC
WFP Baymont LP

Utility Companies

Alabama Power Company – Birmingham
Alcorn County Electric Power Association
Amory Water & Electric Department
Andalusia, Alabama Utilities
Anniston Water Works & Sewer Board
Atmos Energy
Bossier City Public Utilities
CenterPoint Energy
CDE Lightbrand – Clarksville Department
of Electricity
City of Batesville, Mississippi
City of Bogalusa, Louisiana
City of Brookhaven, Mississippi
City of Carthage, Mississippi
City of Columbia, Mississippi
City of Cornith Gas & Water
City of Fort Oglethorpe, Georgia
City of Gautier, Mississippi
City of Gulfport, Mississippi
City of Hammond, Louisiana
City of Hattiesburg, Mississippi
City of Longbeach, Mississippi
City of Lucedale, Mississippi
City of Marshall, Texas
City of McComb, Mississippi
City of Meridian, Mississippi
City of Monroe, Louisiana
City of Petal, Mississippi
City of Picayune, Mississippi
City of Ridgeland, Mississippi
City of Searcy, Arkansas
City of Slidell, Louisiana
City of Thomasville, Alabama
City of Tupelo
City of Tuscaloosa Water and Sewer
City of Waveland, Mississippi

City of Waynesboro, Mississippi
 City of West Point Water and Light
 Department
 City of Wiggins, Mississippi
 City of Zachary, Louisiana
 Cleco Power LLC
 Coast Electric Power Association
 Clarksville Gas & Water
 Columbus Light & Water Department
 Consolidated Waterworks District No 1
 Demopolis Water Works & Sewer Board
 Dothan Utility Services
 Emerald Coast Utilities Authority
 Entergy Arkansas
 Entergy Golf States Louisiana
 Entergy Louisiana
 Entergy Mississippi
 Euless City Water Office
 Four County Electric Power Association
 FPL Northwest FL
 Greenwood Utilities
 Homewood Property, LLC
 Huntsville Utilities
 Lafayette Utilities System
 Lewisburg Electric System
 Lewisburg Gas Department
 Lewisburg Water & Wastewater
 Louisville Electric System
 Madison Utilities
 Mobile Area Water and Sewer System
 Middle Tennessee Electric
 Mississippi Power
 Murfreesboro Water and Sewer Department
 Nashville Electric Service
 North Georgia EMC
 Pearly River Valley Electric Power
 Association
 Philadelphia Utilities
 Piedmont Natural Gas
 Rawls Springs Utility District
 Ripley Gas Water and Waste
 Searcy Water Utilities
 Singing River Electric
 Southern Pine Electric
 Spire Inc. (Alabama Gas Corporation;
 Wilmut Gas)

Southeast Alabama Gas District
 Southwestern Electric Power Company
 Summit Utilities
 Smyrna Utilities Department
 Starkville Utilities
 Tallahatchie Valley Electric
 Terrebonne Parish Consolidated
 Government
 Tippah Electric Power Association
 Town of Amite City, Louisiana
 Town of Blue Mountain, Mississippi
 Town of Franklinton, Louisiana
 Tupelo Water & Light
 TXU Energy
 Washington-St. Tammany Electric
 Cooperative, Inc.
 Water Authority of Dickson County
 Water Works and Sewer Board of the City
 of Jackson, Alabama
 West Escambia Utilities, Inc.

Litigation Parties

Andra Chaney
 Anthony Kenney
 Aqualin Brown
 Barry Murdock
 Benjamin Kuhn
 Bertha C. Murphy
 Ccm Associates II LLC
 Cynthia A. Collins
 Forrest General Hospital
 Greg Pender
 International Automotive Components
 Group North America, Inc.
 JBMW Enterprises Inc. d/b/a Servpro
 Central East Baton Rouge Parish
 Johnniemae Dixon
 Latanya Aristle
 Lawanda Moore
 Lobirtha Bardell
 Louis Harts, JR
 Louisiana Department of Health Office of
 Public Health - Permit Unit
 Lucy Bowens
 Mary Lynne Lapeyrouse-Moore
 Mia Gauthier

Milton 2434 South 1-35, LLC
 Patsy Hayes
 Rick Walter Skogg
 Robert J. Breland
 Ruby P. James
 Seth Marks
 Sonja Jones
 State Of Louisiana Department of Health
 Stormy Joleen Bretmann-Skogg
 Tennessee Department of Labor - LSU
 The State of Texas
 Tishema Brown
 Trustmark National Bank
 Wiceria Lanae Myers
 Y&O WF, LLC

Directors & Officers

Jeffrey B. Heckman
 John P. Chen
 Benjamin L. Nortman
 Evan Behrens
 Steven Wisch
 William L. Cornog

Governmental Agencies/Taxing

Authorities

Escambia County, Alabama
 Calhoun County, Alabama
 Clarke County, Alabama
 Coffee County, Alabama
 Covington County, Alabama
 Houston County, Alabama
 Lee County, Alabama
 Madison County, Alabama
 Mobile County, Alabama
 J.T. Smallwood, Tax Collector
 Susan D. Jones, Tax Collector
 Garland County, Arkansas
 Mississippi County Collector (Arkansas)
 Pulaski County, Arkansas
 Escambia County, Florida
 Catoosa County, Georgia
 Muscogee County, Georgia
 Bossier Parish, Louisiana
 City of Bogalusa, Louisiana
 City of Bossier City, Louisiana

City of Hammond, Louisiana
 City of Lafayette, Louisiana
 City of Monroe, Louisiana
 City of Ville Platte, Louisiana
 Evangeline Parish, Louisiana
 Lafayette Parish, Louisiana
 Parish of East Baton Rouge, Louisiana
 Ouachita Parish, Louisiana
 St. Tammany Parish, Louisiana
 Tangipahoa Parish, Louisiana
 Terrebonne Parish, Louisiana
 Town of Amite City, Louisiana
 Town of Franklinton, Louisiana
 Washington Parish, Louisiana
 Adams County, Mississippi
 Alcorn County, Mississippi
 Blake Pickering Tax Collector
 Charles E. Williams, Tax Collector
 City of Corinth, Mississippi
 City of Forest, Mississippi
 City of Louisville, Mississippi
 City of West Point, Mississippi
 Clay County, Mississippi
 Forrest County, Mississippi
 George County, Mississippi
 Harrison County, Mississippi
 Hancock County, Mississippi
 Jackson County, Mississippi
 Leake County, Mississippi
 Lee County, Mississippi
 Leflore County, Mississippi
 Marion County, Mississippi
 Madison County, Mississippi
 Monroe County, Mississippi
 Neshoba County, Mississippi
 Lauderdale County, Mississippi
 Lamar County, Mississippi
 Lowndes County, Mississippi
 Otibbeha County, Mississippi
 Panola County, Mississippi
 Pearl River County, Mississippi
 Pike County, Mississippi
 Rankin County, Mississippi
 Scott County, Mississippi
 Simpson County, Mississippi
 Tippah County, Mississippi

Wayne County, Mississippi
Winston County, Mississippi
Yazoo County, Mississippi
City of Clarksville, Tennessee
City of Fairview, Tennessee
City of Lewisburg, Tennessee
City of Memphis, Tennessee
City of Millington, Tennessee
City of Murfreesboro, Tennessee
Marshall County, Tennessee
Metropolitan Trustee
Montgomery County, Tennessee
Rutherford County, Tennessee
Shelby County, Tennessee
Williamson County, Tennessee
Bexar County, Texas
Brazoria County, Texas
Carrollton-Farmers Branch ISD
City of Tyler, Texas
CNP Utility District
Comal County, Texas
Dallas County, Texas
Denton County, Texas
Ellis County Tax Collector
Harris County, Texas
Harrison Central Appraisal District
Hill County Appraisal District Tax Collector
Hill County Tax Office
McLennan County, Texas
Nacogdoches Central Appraisal District
Smith County, Texas
Spring ISD Tax Office
Tarrant County, Texas
Taylor County Appraisal District

Judges

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

Office of the United States Trustee

Benjamin Hackman
Christine Green
Diane Giordano
Dion Wynn
Edith A. Serrano
Elizabeth Thomas
Fang Bu
Hannah M. McCollum
Hawa Konde
Holly Dice
James R. O'Malley
Jane Leamy
Jonathon Lipshie
Jonathon Nyaku
Joseph Cudia
Joseph McMahon
Lauren Attix
Linda Casey
Linda Richenderfer
Malcolm M. Bates
Michael Girello
Nyanquoi Jones
Richard Schepacarter
Rosa Sierra-Fox
Shakima L. Dortch
Timothy J. Fox, Jr.

EXHIBIT II

Engagement Letter

**YOUNG
CONAWAY**

WILMINGTON
RODNEY SQUARE

NEW YORK
ROCKEFELLER CENTER

CHARLOTTE
CARILLON TOWER

Michael R. Nestor
P 302.571.6699
mnestor@ycst.com

September 17, 2024

VIA EMAIL

Channel Control Merchants, LLC
6892 Highway 49 North
Hattiesburg, MS 39402

Re: Engagement Agreement between Young Conaway Stargatt & Taylor, LLP
and Channel Control Merchants, LLC

Young Conaway Stargatt & Taylor, LLP (“Young Conaway”) is pleased to accept representation of Channel Control Merchants, LLC (the “Company”), together with any affiliates as appropriate, on the terms set forth herein, to represent the Company as counsel in connection with its exploration of strategic alternatives. You should feel free to contact me at any time via email (mnestor@ycst.com) or cell (302.559.4799) with any questions during the term of Young Conaway’s engagement.

1. Fee Structure and Retainer

Young Conaway customarily receives a reasonable retainer in matters of this nature. At this time, Young Conaway requires payment of an evergreen retainer of \$175,000 (the “Retainer”) in connection with this representation. The Retainer will be held for the purpose of providing a Retainer for professional services to be rendered and expenses to be charged by us to the Company’s account in connection with the representation described above. The Retainer will be held in an interest-bearing account for the benefit of the Interest on Lawyers Trust Accounts (“IOLTA”) Program established by the Delaware Supreme Court unless you elect to have the Retainer held in an interest-bearing account for your benefit, in which case, interest will be credited to the escrow account monthly and will accumulate until the Retainer is applied to our invoices for services or until the balance of the Retainer is remitted to the Company at the conclusion of this matter.

Young Conaway Stargatt & Taylor, LLP
Channel Control Merchants, LLC
August 14, 2024
Page 2

Young Conaway will send the Company periodic invoices as necessary to remain under the Retainer for services rendered and charges and disbursements incurred. The invoices will reflect charges for services rendered calculated on the basis of our guideline hourly rates. Invoices shall be payable upon receipt.

2. Fees, Charges and Disbursements

Young Conaway will send the Company invoices approximately every month. The invoices will reflect charges for services rendered calculated on the basis of our guideline hourly rates. For attorney services, these rates range from \$450 to \$1,525 per hour. The guideline hourly rate charged for paralegals is \$375 to \$425 per hour. Invoices shall be payable upon receipt.

Our invoices also will include amounts for charges and disbursements. Such charges and disbursements will include, among others things, charges for messenger services, air couriers, document preparation services, secretarial overtime, photocopying, court fees, travel expenses, working meals, postage, materials for large mailings, telephone and facsimile charges, computerized legal research facilities, computerized document inventory and control, investigative searches, and other charges customarily invoiced by law firms in addition to fees for legal services. (In the event extraordinary or significant expenses are incurred, such as transcript costs and large mailings, the Company agrees that it will pay those expenses directly or will promptly reimburse us separately from our normal invoice procedure.)

3. Confidentiality and Conflicts

Our firm represents many other companies and individuals. Thus, it is possible that during the time we represent you, some of our present or future clients may have disputes or interests adverse to you. Accordingly, this letter will confirm your agreement that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to our work for you in this matter, even if the interests of such clients in those other matters are directly adverse to you, provided that we reasonably believe that we will be able to provide competent and diligent representation to you and the other affected clients, and provided, further, that we will not represent clients in litigation against you during the time we are representing you in connection with this engagement. We will not represent any party adverse to you with respect to the matters for which you engage us to represent you pursuant to this engagement letter.

Please be assured that, despite any such concurrent representation, we strictly preserve all client confidences and zealously pursue the interests of each of our clients, including in those circumstances in which we represent the adversary of an existing client in an unrelated case. The Company agrees that it does not consider such concurrent representation, in unrelated matters, of the Company and any adversary to be inappropriate and, therefore, waives any objections to any such present or future concurrent representation. Of course, with respect to any particular matter that may arise in connection with any chapter 11 case that may be commenced, we understand that the Company will evaluate all of the circumstances extant at that time and

Young Conaway Stargatt & Taylor, LLP
Channel Control Merchants, LLC
August 14, 2024
Page 3

will coordinate assignments among Young Conaway and other counsel to best serve and benefit the Company.

Young Conaway does not typically provide opinion letters in connection with transactional, governance or restructuring engagements. We do not alter this policy except under very unusual circumstances and then, only upon further written agreement, as approved by a special committee of Young Conaway, which must provide for compensation to us for the special risks attendant to the furnishing of such opinions.

Young Conaway is being engaged by the Company as a corporation. Our employment does not, and cannot, include the representation of any individual officer, director, member, shareholder or employee; we encourage each to consult independent counsel.

4. Document Retention

Paper and other records which are created or held on your behalf will be retained by the Firm in accord with law and at its discretion during the pendency of this matter. Unless required by law to be retained in paper or other tangible form, as the case may be, the Firm may scan or otherwise convert all such records to electronic or digital form and dispose of the paper or other tangible record. Notwithstanding the foregoing, the Firm will not convert any record exclusively to electronic or digital form if doing so would violate the law or if the Firm realizes in advance that, in doing so, the information contained in the record would be made illegible or unusable.

All documents and other materials relating to the subject matter of this engagement, including those maintained electronically, will be retained and disposed of in accordance with Young Conaway's document retention policy, which provides generally that Young Conaway will not retain documents relating to this type of engagement for more than six years. As such, absent your prior written request to return documents and other materials at the conclusion of this engagement, all documents and other materials in storage may be destroyed after the expiration of the designated document retention period.

5. Choice of Law/Venue

In the unlikely event that a dispute arises concerning the engagement provided herein, the Company and Young Conaway agree that this agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, and that the courts of the State of Delaware shall have exclusive jurisdiction of all matters relating, in any way, to any disputes arising from this agreement.

6. Conclusion

The Company agrees to make appropriate employees of the Company available to Young Conaway to assist in factual inquiries and factual determinations, transactions and dealings relating to the subject matters with respect to which Young Conaway has been retained.

Young Conaway Stargatt & Taylor, LLP
Channel Control Merchants, LLC
August 14, 2024
Page 4

The Company may discharge Young Conaway at any time. Young Conaway may withdraw at any time with the Company's consent or for good cause without the Company's consent. Good cause includes the Company's breach of this agreement (including the Company's failure to pay any statement when due), the Company's refusal or failure to cooperate with us or any fact or circumstance that would render our continuing representation unlawful or unethical.

Other matters may arise in this representation not set forth in, or contemplated by, this letter. Please feel free to contact us to clarify or identify any such matter that may arise in connection with our representation.

The foregoing sets forth the terms regarding Young Conaway's retention. There are no representations or promises other than as expressly set forth herein. If the foregoing terms of our representation meet with your approval and accurately represent your understanding of the Company's engagement agreement with Young Conaway, please execute this agreement and return it and an executed W-9 Form, along with the \$175,000 Retainer, to Young Conaway at your earliest convenience.

Wire transfer instructions for Young Conaway are as follows:

Bank Name: M&T Bank
Location: 1007 North Market Street, Suite 12 Wilmington, DE 19801
Routing or ABA #: 022000046
FBO Account #: 9886728667
Account Name: Young Conaway Stargatt & Taylor, LLP Attorney Trust
Account
Special Instructions: (Please reference client number 099999.1471 and/or Michael Nestor for proper processing of funds)

We very much appreciate the opportunity to assist the Company in this matter.

YOUNG CONAWAY STARGATT & TAYLOR, LLP

By: /s/ Michael R. Nestor
Michael R. Nestor

AGREED TO AND ACCEPTED:

CHANNEL CONTROL MERCHANTS, LLC

By:



Jeff Martin - Chief Restructuring Officer

EXHIBIT B

Martin Declaration

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

**DECLARATION OF JEFFREY MARTIN IN SUPPORT OF THE DEBTORS’
APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND
EMPLOYMENT OF YOUNG CONAWAY STARGATT & TAYLOR, LLP AS
COUNSEL FOR THE DEBTORS, EFFECTIVE AS OF THE PETITION DATE**

I, Jeffrey Martin, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the Chief Restructuring Officer of the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”).

2. I submit this declaration (this “Declaration”) in support of the *Debtors’ Application for Entry of an Order Authorizing the Retention and Employment of Young Conaway Stargatt & Taylor, LLP as Counsel for the Debtors, Effective as of the Petition Date* (the “Application”).² Except as otherwise noted, I have personal knowledge of the matters set forth herein.

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

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

THE DEBTORS' SELECTION OF COUNSEL

3. The Debtors recognize that a comprehensive review process is necessary when selecting and managing chapter 11 counsel to ensure that bankruptcy professionals are subject to the same client-driven market forces, scrutiny, and accountability as professionals in non-bankruptcy engagements.

4. Ultimately, the Debtors retained Young Conaway because of its extensive experience in corporate reorganizations, both out-of-court and under chapter 11 of the Bankruptcy Code. Additionally, Young Conaway's attorneys have provided significant legal advice to the Debtors prior to the Petition Date. As a result of their prepetition work for the Debtors, Young Conaway is familiar with the Debtors' business operations and many of the potential legal issues that may arise in the context of these chapter 11 cases. I believe that Young Conaway is both well qualified and uniquely able to represent the Debtors in these chapter 11 cases in an efficient and timely manner.

RATE STRUCTURE

5. Young Conaway has informed the Debtors that its rates for bankruptcy representations are comparable to the rates Young Conaway charges for non-bankruptcy representations. I am informed that the rates Young Conaway charged the Debtors in the prepetition period are the same rates Young Conaway will charge the Debtors in the postpetition period, subject to customary adjustments, as described in the Magaziner Declaration.

COST SUPERVISION

6. The Debtors will review invoices submitted by Young Conaway during these chapter 11 cases and will monitor the billing practices of their counsel closely during these chapter 11 cases to ensure that the fees and expenses paid by the Debtors' estates remain consistent with the Debtors' expectations and the circumstances of these chapter 11 cases. As they did

prepetition, the Debtors will continue to bring discipline, predictability, client involvement, and accountability to the counsel fees and expenses reimbursement process.

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

Dated: October 17, 2024

/s/ Jeffrey Martin

Jeffrey Martin
Chief Restructuring Officer
HDC Holdings II, LLC

EXHIBIT C

Rule 2016 Statement

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

**STATEMENT OF YOUNG CONAWAY STARGATT & TAYLOR, LLP UNDER RULE
2016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE
AND SECTION 329 OF THE BANKRUPTCY CODE**

1. Young Conaway Stargatt & Taylor, LLP (“Young Conaway”), pursuant to Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rule 2016-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), and section 329 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), states that the undersigned is proposed counsel for the above captioned debtors and debtors in possession (collectively, the “Debtors”), in the above-captioned chapter 11 cases.

2. Compensation agreed to be paid by the Debtors to Young Conaway is to be for legal services rendered in connection with these chapter 11 cases. The Debtors have agreed to pay Young Conaway at the firm’s standard hourly rates for the legal services rendered or to be rendered on the Debtors’ behalf in connection with these chapter 11 cases by Young Conaway’s

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

various attorneys and paralegals. The Debtors have also agreed to reimburse Young Conaway for its actual and necessary expenses incurred in connection with these chapter 11 cases.

3. Young Conaway was retained by the Debtors under an Engagement Letter dated September 17, 2024 (the “Engagement Letter”), attached to the Magaziner Declaration as Exhibit II. Pursuant to the Engagement Letter, Young Conaway received an initial retainer of \$200,000 on September 26, 2024 (the “Initial Retainer”)² in connection with the planning and preparation of initial documents and the Firm’s proposed post-petition representation of the Debtors. The Initial Retainer was supplemented as set forth in the chart below (collectively with the Initial Retainer, the “Retainer”).

4. The following chart summarizes the payments received by the Debtors prior to the Petition Date:

Invoice Date	Date Range of Services	Date of Payment	Form of Payment	Payment Amount	Retainer Balance
N/A	Retainer	9/26/24	Retainer	\$200,000	\$200,000
N/A	Retainer	10/8/24	Retainer	\$108,022 ³	\$308,022
10/15/24	8/13/24-10/9/24	10/15/24	Retainer	\$295,954.09	\$12,067.91

5. Prior to filing the Application, Young Conaway applied outstanding invoices for services provided prior to the Petition Date against the Retainer. Following a final reconciliation, Young Conaway currently holds a Retainer in the amount of \$12,067.91 which will be held as a general retainer as security for post-petition services and expenses.

² The Engagement Letter contemplated an initial retainer in the amount of \$175,000; however, Young Conaway received an initial retainer amount of \$200,000.

³ This amount is inclusive of filing fees in the amount of \$33,022.

6. Within the year prior to the Petition Date, Young Conaway received no other payments or promises of payment from the Debtors on account of services rendered or to be rendered in contemplation of or in connection with these chapter 11 cases. Young Conaway will seek approval of payment of compensation upon its filing of appropriate applications for allowance of interim or final compensation pursuant to sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any applicable orders of the Court. All filing fees in these chapter 11 cases have been paid in full.

7. The services to be rendered include all those services set forth in the Application.

8. Young Conaway further states that it has neither shared nor agreed to share (i) any compensation it has received or may receive with another party or person, other than with the partners, counsel, and associates of Young Conaway, or (ii) any compensation another person or party has received or may receive.

[Remainder of Page Intentionally Left Blank]

Dated: October 17, 2024
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Andrew L. Magaziner

Michael R. Nestor (No. 3526)

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*Proposed Counsel to the Debtors and Debtors in
Possession*

EXHIBIT D

Proposed Order

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

In re:

HDC HOLDINGS II, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12307 (TMH)

(Jointly Administered)

Ref. Docket No. __

**ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF YOUNG
CONAWAY STARGATT & TAYLOR, LLP AS COUNSEL FOR
THE DEBTORS, EFFECTIVE AS OF THE PETITION DATE**

Upon consideration of the application (the “Application”)² of the Debtors for entry of an order, pursuant to section 327(a) of the Bankruptcy Code, Bankruptcy Rule 2014, and Local Rule 2014-1, authorizing the retention and employment of Young Conaway Stargatt & Taylor, LLP (“Young Conaway” or the “Firm”) as bankruptcy counsel, effective as of the Petition Date, as more fully set forth in the Application; and this Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Application having been provided under the particular circumstances; and it appearing that no other or further notice need be provided; and this Court

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are: HDC Holdings II, LLC (2013); HDC Holdings III, LLC (3296); CCM Capital Assets, LLC (9451); Channel Control Merchants, LLC (3319); Dirt Cheap I, LLC (9433); CCM Support Services, LLC (2059); CCM Wholesale SE, LLC (7219); Channel Control Merchants of Texas, LLC (8091); Creative Sales Solutions, LLC (1691); Dirt Cheap Arkansas, LLC (0244); Dirt Cheap Building Supplies, LLC (0880); Dirt Cheap of Georgia, LLC (0269); Dirt Cheap of Louisiana, LLC (0067); Dirt Cheap SE, LLC (4928); Dirt Cheap Tennessee, LLC (1273); Treasure Hunt, LLC (9393); CCM Wholesale, LLC (7219); Channel Control Merchants of California, LLC (9011); and CAL Support Services, LLC (2859). The Debtors’ headquarters are located at 6892 US Hwy 49 North, Hattiesburg, Mississippi 39402.

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

having reviewed the Application; and upon the Magaziner Declaration, the Martin Declaration, and the record of these chapter 11 cases; and it appearing that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and it appearing that the relief requested in the Application is in the best interests of the Debtors, their estates, creditors, and all parties in interest; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED as set forth herein.
2. In accordance with section 327(a) of the Bankruptcy Code, the Debtors are hereby authorized to retain and employ the firm of Young Conaway as their bankruptcy counsel on the terms set forth in the Application, the Magaziner Declaration, and the Engagement Letter, effective as of the Petition Date.
3. Young Conaway shall be entitled to allowance of compensation and reimbursement of expenses, upon the filing and approval of interim and final applications pursuant to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and such other orders as this Court may direct, including, without limitation, any order of this Court establishing procedures for interim compensation and reimbursement of professionals retained in these chapter 11 cases. Young Conaway intends to, and shall, make a reasonable effort to comply with the U.S. Trustee's requests for information and additional disclosures as set forth in the U.S. Trustee's *Appendix B—Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11 Cases*, effective as of November 1, 2013 (both in connection with the Application and the final fee application to be filed by Young Conaway in these chapter 11 cases).

4. Young Conaway shall provide five (5) business days' notice to the Debtors and the U.S. Trustee in connection with any increase of the hourly rates listed in the Application. The U.S. Trustee and the Debtors retain all rights to object to any rate increase on all grounds, including, but not limited to, the reasonableness standard provided in section 330 of the Bankruptcy Code, and this Court retains the right to review any rate increase pursuant to section 330 of the Bankruptcy Code.

5. Young Conaway shall make all required disclosures and, in the event a material conflict arises, take all required actions to address and resolve the conflict.

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

7. This Court shall retain jurisdiction over any and all matters arising from or related to the interpretation or implementation of this Order.