

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

*In re*

**LL FLOORING HOLDINGS, INC., *et al.*,**

**Debtors.<sup>1</sup>**

**Chapter 11**

**Case No. 24-11680 (BLS)**

**(Jointly Administered)**

**Related Doc. Nos. 15, 78, 121, 122, 168, 176**

**DECLARATION OF HOLLY ETLIN IN SUPPORT OF (A) NOTICE OF LIQUIDATION  
PIVOT AND (B) ORDER (I) AUTHORIZING THE DEBTORS TO ASSUME THE  
AGENCY AGREEMENT; (II) AUTHORIZING AND APPROVING THE CONDUCT  
OF STORE CLOSING SALES, WITH SUCH SALES TO BE FREE AND  
CLEAR OF ALL LIENS, CLAIMS, AND ENCUMBRANCES;  
(III) AUTHORIZING CUSTOMARY BONUSES TO EMPLOYEES OF  
CLOSING STORES; AND (IV) GRANTING RELATED RELIEF**

I, Holly Etlin, hereby declare under penalty of perjury that the following is true to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer (“CRO”) for the above-captioned debtors and debtors in possession (collectively, the “Debtors” and, together with their non-Debtor affiliates, the “Company”), having served in that role since August 2024.

2. I am also a Partner and Managing Director of the Debtors’ proposed financial advisor, AlixPartners, LLP (“AlixPartners”), where I have worked in various positions since 2007. I have more than thirty (30) years of experience in providing turnaround services for companies, primarily in the retail industry, and have frequently been appointed as Interim CEO, Interim CFO, and Chief Restructuring Officer of these businesses. Several of these engagements

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four (4) digits of their respective tax identification numbers, are as follows: LL Flooring Holdings, Inc. (0817); LL Flooring, Inc. (9199); Lumber Liquidators Leasing, LLC (N/A); LL Flooring Services, LLC (5960); and Lumber Liquidators Foreign Holdings, LLC (4568). The address of the Debtors’ corporate headquarters is 4901 Bakers Mill Lane, Richmond, VA 23230.

have involved liquidating retailers, including Bed Bath & Beyond Inc.; Pier 1 Imports, Inc.; The Bon-Ton Stores, Inc.; Borders Group, Inc.; and Toys “R” Us, Inc. I am admitted to the American College of Bankruptcy and the International Insolvency Institute and am a Certified Turnaround Professional.

3. As Partner and Managing Director at AlixPartners, I have served as a restructuring advisor to the Debtors since January 2024. I have overseen (and continue to oversee) the services provided by AlixPartners, which include: designing and implementing a restructuring strategy designed to maximize the Company’s enterprise value; evaluating the Debtors’ cash flow projections and identifying liquidity-enhancing opportunities; contingency planning; developing various forecasts and financial analysis; coordinating and providing administrative support for the Debtors’ bankruptcy proceedings and emergence from chapter 11; assisting with data collection; and assisting with vendor payments.

4. I submit this declaration (the “Declaration”) in support of (A) the *Notice of Liquidation Pivot* [Docket No. 168] and (B) the *Notice of Filing of Proposed Final Order (I) Authorizing the Debtors to Assume the Agency Agreement; (II) Authorizing and Approving the Conduct of Store Closing Sales, With Such Sales to be Free and Clear of All Liens, Claims, and Encumbrances; (III) Authorizing Customary Bonuses to Employees of Closing Stores; and (IV) Granting Related Relief* [Docket No. 176] (the “Notice”).<sup>2</sup>

5. The statements in this Declaration are, except where specifically noted, based on (i) my personal knowledge of the Debtors’ operations and finances based on information provided

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<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the *Motion of Debtors for Entry of Interim and Final Order (I) Authorizing the Debtors to Assume the Agency Agreement; (II) Authorizing and Approving the Conduct of Store Closing Sales, With Such Sales to be Free and Clear of All Liens, Claims, and Encumbrances; (III) Authorizing Customary Bonuses to Employees of Closing Stores; and (IV) Granting Related Relief* [Docket No. 15] (the “Store Closure Motion”), the *First Day Declaration* (as defined below), or the *Revised Final Order* (as defined in the Notice), as applicable.

by the Debtors; (ii) my review of relevant documents, including information provided by other parties; (iii) information provided to me by, or discussions with, the members of the Debtors' management team or their advisors; and/or (iv) my opinion based upon my experience. If called upon to testify, I would testify competently to the facts as set forth in this Declaration.

**THE DEBTORS HAVE BEEN WELL INFORMED AND ADVISED IN CONNECTION WITH THE SALE PROCESS AND LIQUIDATION PIVOT**

6. In my role with the Debtors, I have personally observed that the Debtors have been well informed and advised by the Debtors' professional advisors both before and after the commencement of these Chapter 11 Cases, including with respect to their prepetition sale process, the continuation of that process after the Petition Date, and the Debtors' determination to initiate the Liquidation Pivot under the amended Agency Agreement (the "Amended Agency Agreement") with Hilco Merchant Resources, LLC ("Hilco").<sup>3</sup> For example, as further described in my First Day Declaration,<sup>4</sup> since 2022 the Debtors have been advised at different times by J.P. Morgan Securities LLC ("JPM"), Houlihan Lokey Capital, Inc. ("Houlihan"), AlixPartners, and Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") as the Debtors evaluated strategic alternatives including potential sale scenarios.

**PREPETITION PROCESS AND INITIAL LIQUIDATION BIDS**

7. The Debtors, with the assistance of their advisors, conducted a prepetition marketing process that spanned over a year. While these efforts yielded various levels of interest from potential counterparties at different times and involved the disclosure of multiple publicly made indications of interest or offers, they did not result in an actionable transaction. In late 2023

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<sup>3</sup> The amendment to the Agency Agreement is attached as Exhibit 2 to the Revised Final Order (as defined in the Notice) attached as Exhibit A to the Notice.

<sup>4</sup> *Declaration of Holly Etlin in Support of Chapter 11 Petitions and First Day Papers* [Docket No. 11] ("First Day Declaration").

and early 2024, in the face of mounting liquidity pressures on the Debtors' business, the Debtors determined to pivot to focus on cost-saving initiatives and other potential alternative transactions. In connection with this pivot, in Spring of 2024, the Debtors engaged Houlihan to assist the Debtors in considering additional strategic alternatives, including refinancing its Prepetition ABL Facility and raising additional liquidity. As further described in the declaration of Houlihan's Surbhi Gupta (the "Gupta Declaration"), filed contemporaneously with this Declaration, Houlihan also conducted a renewed marketing and solicitation process geared towards parties that could participate in a potential bankruptcy sale process, including potential stalking horse bidders.

8. In the weeks leading up to the Petition Date the Debtors, with the assistance of their advisors, were focused on soliciting (i) bids to purchase the Debtors' business at a going concern value and (ii) bids from third party agents to wind down, close, and liquidate all of the Debtors' retail stores and store/distribution center assets if an actionable going concern transaction did not materialize. With respect to wind down scenarios, the Debtors sought liquidation bids from four well known and experienced national liquidation firms: B. Riley Financial ("B. Riley"), Tiger Capital Group ("Tiger"), Hilco, and Gordon Brothers Retail Partners ("Gordon Brothers"). The Debtors subsequently received multiple bids, including a joint equity liquidation bid from B. Riley and Tiger, and a second joint equity liquidation bid from Hilco and Gordon Brothers. The equity liquidation bids established, for the Debtors and their advisors, a baseline indication of value in the event of a full wind down scenario.

9. The Debtors, with the assistance of their advisors, also determined in their business judgment to commence the prepetition liquidation of ninety-four (94) of their worst-performing store locations pursuant to an Agency Agreement with Hilco, both as a strategic initiative and also to facilitate a necessary injection of liquidity in connection with the commencement of the

Debtors' Chapter 11 Cases. Liquidation sales at those ninety-four stores commenced around August 9, and they remain ongoing.

### **POSTPETITION SALE PROCESS AND LIQUIDATION PIVOT**

#### **A. Postpetition Process Leading to Liquidation Pivot**

10. As further set forth in the Gupta Declaration, upon the commencement of the Chapter 11 Cases the Debtors and Houlihan continued and built upon the Debtors' extensive prepetition marketing processes in an effort to secure a stalking horse bid for the Debtors' business as a going concern. I was personally involved and updated regularly throughout the process. For several significant reasons – including the ramifications for the Debtors' employees, as well as the importance to the Debtors' suppliers and customers of their ongoing commercial relationships – the Debtors would have preferred to find an actionable stalking horse bid for the Debtors' business as a going concern.

11. In that regard, I strongly supported the Debtors postpetition negotiations with the DIP ABL Lenders to modify the milestones under DIP ABL Facility in order to provide an extension of the Liquidation Pivot date in the hopes of reaching an agreement with either of the two parties – F9 Investments (“F9”) and Isaac Capital Group (“Isaac”) – who continued to be involved in the process up until the date of the Liquidation Pivot. The Debtors ultimately obtained a brief extension of the Liquidation Pivot date from the DIP ABL Lenders but, as described in the Gupta Declaration, did not receive actionable stalking horse bids from either party.

12. The Debtors have a duty to maximize value in these Chapter 11 Cases. Upon reaching the Liquidation Pivot deadline under the DIP ABL Facility, and after consultation with the Official Committee of Unsecured Creditors and the DIP ABL Lenders, the Debtors determined in their business judgment acting in the interest of their estates, based upon their own evaluation

and the recommendations of their advisors, that proceeding with the Liquidation Pivot pursuant to the Amended Agency Agreement with Hilco will preserve and maximize the value of the Debtors' estates. The ramifications of this decision are distressing, especially with respect to the Debtors' loyal and valued employees. But as a matter of business judgment based upon maximizing value for the Debtors' estates, the path forward was clear, as neither F9 nor Isaac provided the Debtors with a proposal that the Debtors could credibly put forth as a stalking horse bid.

**B. Failure of Isaac and F9 to Provide Actionable Stalking Horse Bids**

13. With respect to Isaac, and despite the efforts of the Debtors' advisors to assist Isaac in connecting with potential financing sources, Isaac was unable to provide committed financing or any meaningful indication that it might be able to find committed financing to close a transaction on the timelines dictated by these Chapter 11 Cases including with respect to the milestones set forth in the DIP ABL Facility. From the Debtors' perspective this issue was part of a pattern, as Isaac previously – during the prepetition sale process – also was unable to obtain committed financing to support a proposal. Additionally, the Debtors and Isaac were not able to agree on the terms of a satisfactory transaction including upfront deposit, closing timing and acquisition price; and Isaac's proposal would not even meet the conditions initially outlined in the proposed Bid Procedures to be considered a qualified bid.

14. With respect to F9, the Debtors communicated the value of the liquidator bids to F9 several weeks before the Liquidation Pivot. Even with that information, F9 refused or was unable to provide prior to the Liquidation Pivot a proposal that was anywhere close to the liquidators' bid value on the Debtors' inventory, nor did F9 ascribe any value to the Debtors' other assets including meaningful furniture, fixtures and equipment (“FF&E”) across the Debtors' store and distribution center locations, as well as the Debtors' intellectual property.

15. During the week prior to the Liquidation Pivot, the Debtors sought and obtained refreshed liquidator equity bids that told the same story. Taking into account inventory and FF&E, the liquidator bids were approximately twenty (20) cents-on-the-dollar higher on the inventory value than F9's proposal for the Debtors' inventory submitted prior to the Liquidation Pivot (which included taking the Debtors' FF&E and intellectual property for no additional value). The Debtors and their advisors believe that the difference equates to at least \$30 million in value for the Debtors' estates. The Debtors and Houlihan informed F9 of the value propositions set forth in the refreshed liquidator bids in order to encourage F9 to submit a revised proposal at a higher purchase price, but F9 refused to make any adjustments to the purchase price of its proposal before the Liquidation Pivot.

16. The yawning value gap between F9 and the liquidation bids is further reinforced by the results of the Debtors' ongoing liquidation sales at ninety-four (94) of the Debtors' worst-performing stores. These liquidation sales began around August 9; I am involved in the oversight of those liquidation efforts; and I have received regular updates on their progress and results. Critically, these ninety-four stores have not been replenished or refilled with inventory from the Debtors' distribution centers – which, in the case of these Debtors, makes up almost 50% of the Debtors' inventory and represents the Debtors' fastest-moving and most-sold products. Even with those disadvantages, the indicative value of the inventory liquidation sales at these worst-performing stores since August 9 (not including any value for FF&E and intellectual property) is still running at approximately fifteen (15) cents-on-the-dollar higher than F9's proposal for the Debtors' inventory (which included taking the Debtors' FF&E and intellectual property for no additional value). The Debtors are confident that the results of the go-forward liquidation sales, which will be conducted at their better-performing stores and will include their most sought after

inventory and products, will be materially better than this initial wave of liquidation sales. The Debtors also are confident that their FF&E has meaningful value in these Chapter 11 Cases, particularly with respect to the Debtors' approximately 600 forklifts located in their stores and distribution centers.

17. I believe it is important to note that F9 is an entity founded and controlled by Thomas D. Sullivan, who is also the founder of the Debtors and is the Debtors' largest stakeholder with ownership, at one point, of more than 8% of Debtors' equity. I am informed and understand, including from the Debtors' public filings with the Securities and Exchange Commission, that F9 first submitted an unsolicited, non-binding indication of interest for the Debtors' business in May 2023. For five months between June and November 2023, the Company considered various potential transactions and strategic alternatives involving F9, including transactions involving multiple counterparties, but none were actionable. During 2024, F9 waged a proxy fight with the Debtors, and the Debtors' shareholders voted at the Debtors' 2024 annual shareholder meeting to appoint F9's nominees to the Debtors' board of directors. The F9 nominees subsequently served on the Board as non-employee directors from July 12, 2024, until August 8, 2024, when the F9 Nominees resigned from the Board.

18. F9 is particularly well informed regarding the Debtors and their business operations. The Debtors and their advisors have been engaged with F9 regarding potential transaction alternatives for more than a year. In the prepetition process leading up to the filing of the Chapter 11 Cases, and during the postpetition process prior to the Liquidation Pivot, the Debtors and their advisors devoted substantial time and effort to engaging with F9 regarding a potential stalking horse bid for the Debtors as a going concern. F9 is not an entity that would benefit from more time to conduct diligence or any other extension of the Debtors' process. F9

clearly understood the value propositions and the Debtors' mandate to maximize value in these Chapter 11 Cases, and nevertheless failed to provide an actionable proposal to the Debtors prior to the Liquidation Pivot.

**C. Post-Liquidation Pivot F9 Proposal**

19. On the afternoon of Monday, September 2, three days after the Debtors commenced the Liquidation Pivot pursuant to the milestones under the DIP ABL Facility – and after the Liquidation Pivot was announced to the world including all of the Debtors' employees, customers, and suppliers – F9 and its representatives purported to submit another bid package. F9's proposal again fell far below the inventory value of the liquidators' bids for the Debtors' inventory; and, again, F9's proposal contemplated that F9 would take the Debtors' FF&E and intellectual property for no additional value. The revised proposal does not provide an actionable transaction and does not present a credible stalking horse bid.

**THE DEBTORS EXERCISED SOUND BUSINESS JUDGMENT REGARDING THE LIQUIDATION PIVOT AND THE HILCO AMENDED AGENCY AGREEMENT**

20. For the reasons set forth above and in the Gupta Declaration, I believe the Debtors' exercised sound business judgment in determining to proceed with the Liquidation Pivot. I also believe the Debtors exercised sound business judgment in choosing to proceed with the liquidation sales pursuant to the Amended Agency Agreement with Hilco, which reflects a fee or commission deal, rather than an equity or guarantee deal.

21. AlixPartners has been engaged in many distressed situations and restructurings that involved partial or entire-business liquidation scenarios, and I and my AlixPartners team – as well as Houlihan – have substantial experience and familiarity with the nuances of evaluating and negotiating both equity liquidation bids and fee-based liquidation bids. I am also very familiar

with Hilco, one of the nation's leading liquidators with vast experience conducting liquidation and going out of business sales for debtors in chapter 11 cases.

22. Pursuant to the original Agency Agreement, Hilco has now been conducting liquidation sales at ninety-four (94) of the Debtors' locations for several weeks. In that time, Hilco has gained valuable knowledge regarding the Debtors' logistics, cadence, and business operations that have allowed Hilco to fine-tune and improve its liquidation sales process in a manner that the Debtors believe will significantly benefit the Debtors' estates in the go-forward liquidation sales. Based upon the Debtors' evaluation of Hilco's and the other liquidators' bid proposals, including with respect to pricing, the experience and capability of the liquidator to perform the liquidations of relatively unique flooring inventory (*e.g.*, not t-shirts or toys), and taking into account the valuable knowledge Hilco has gained over the last several weeks conducting liquidations, the Debtors believe in their business judgment, after consulting with the Official Committee of Unsecured Creditors and the DIP ABL Lenders, that proceeding with the Hilco fee-based Amended Agency Agreement is in the best interest of the Debtors' estates and will maximize value during the liquidation sales.

23. Under the circumstances of these Chapter 11 Cases, which include tight DIP ABL Facility milestones and deadlines, the need to negotiate and document agreements promptly, and a relatively short liquidation sales window, I believe that a fee or commission deal is a better alternative for the Debtors than an equity or guaranty deal. Equity liquidation deals involve complex calculations that occur only at the end of the liquidation sale process and that are based on issues like cost factor, product shrinkage, daily liquidation expense reimbursement, and liquidation sale pricing and discounts, that the Debtors may not be able to effectively monitor or

control during a liquidation sale process on the timeline proposed. If the calculations are unfavorable to the Debtors, the Debtors may not recover what was initially expected.

24. Instead, by proceeding with Hilco pursuant to the Amended Agency Agreement under a fee-based or commissions deal, the interests of the Debtors and Hilco are unquestionably aligned and everyone is strongly incentivized to maximize the results of the liquidation sales and thus the recovery to the Debtors' estates. As an initial matter, the liquidator equity bids provide a good baseline measure of the Debtors' recoveries under a fee deal, as the sophisticated liquidators would not submit equity bids without careful analysis and understanding of the likely outcomes in the liquidation sale process. Additionally, the Debtors have received and analyzed the liquidation model utilized by Hilco in preparing its fee-based proposal, and the Debtors believe that the results of the liquidation sales and associated recoveries for the Debtors under the fee-deal structure will be similar to the values associated with an equity bid, and perhaps better.

25. Considering the facts and circumstances of these Chapter 11 Cases, including those discussed above, and after consultation with the Official Committee of Unsecured Creditors and the DIP ABL Lenders, the Debtors determined in their business judgment acting in the interest of their estates, based upon their own evaluation and the recommendations of their advisors, that moving forward with the Liquidation Pivot pursuant to the Amended Agency Agreement with Hilco will preserve and maximize the value of the Debtors' estates.

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

Dated: September 2, 2024  
Suffolk County, NY

/s/ Holly Etlin

Name: Holly Etlin

Title: Chief Restructuring Officer