IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
HOUSE SPIRITS DISTILLERY LLC,	Case No. 25-10660 (KBO)
Debtor.[1]	(Subchapter V)
	Proposed Obj. Deadline: May 22, 2025, at 1:00 p.m. (ET) **Proposed Hearing Date: May 22, 2025, at 1:00 p.m. (ET)**

DEBTOR'S EMERGENCY MOTION FOR ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, AND 507 (I) AUTHORIZING THE DEBTOR TO OBTAIN SENIOR SECURED PRIMING POSTPETITION FINANCING, (II) GRANTING LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (III) AUTHORIZING THE USE OF CASH COLLATERAL, (IV) MODIFYING THE AUTOMATIC STAY, (V) SCHEDULING A FINAL HEARING, AND (VI) GRANTING RELATED RELIEF

The above-captioned debtor and debtor in possession (the "Debtor" or "Borrower"), by and through its undersigned counsel, files this motion (this "Motion") pursuant to sections 105, 361, 362, 363, 364, 503, 506, and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 2002-1, 4001-1, 4001-2, and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), seeking entry of an interim order, substantially in the form attached hereto as **Exhibit A** (the "Interim DIP Order"), and a final order (the "Final DIP Order," and together with the Interim DIP Order, the "Proposed Orders" and as such orders entered by the Bankruptcy Court, together, the "DIP Order"): (i) authorizing the Debtor to (a) obtain postpetition financing from the lenders

[1] The last four digits of the Debtor's federal tax identification number are 2069. The Debtor's mailing address is 65 SE Washington Street, Portland, OR 97214.

identified on Annex A to the DIP Term Sheet[2] (as defined below) (in their capacities as such, collectively, the "DIP Lenders") in an aggregate principal amount of up to $1,550,000 (the "DIP Financing") pursuant to the terms and conditions set forth in the DIP Term Sheet (as defined below) attached to the Interim DIP Order as Exhibit 1,[3] and (b) use Cash Collateral (as defined in the Interim DIP Order); (ii) modifying the automatic stay; (iii) scheduling a final hearing (the "Final Hearing") to consider entry of the Final DIP Order; and (iv) granting related relief. The facts and circumstances supporting this Motion are set forth in the *Declaration of Thomas Mooney in Support of First Day Relief* [D.I. 13] (the "First Day Declaration"). In further support of this Motion, the Debtor respectfully represents as follows:

PRELIMINARY STATEMENT

1. The Debtor seeks postpetition use of Cash Collateral and access to postpetition financing on a senior secured, superpriority basis from the DIP Lenders. In the ordinary course of business, the Debtor requires cash on hand to fund its liquidity needs and operate its business. There is an urgent need for the DIP Financing because the Debtor does not have sufficient liquidity to maintain its operations. Moreover, the Debtor has a continuing need to fund administrative expenses in the Chapter 11 Case (defined below), which will also be funded by the proceeds of the DIP Financing.

2. The DIP Financing also serves a larger purpose for the Debtor. The additional standby liquidity made available under the DIP Financing signals to the Debtor's vendors, suppliers, customers, and employees that the Debtor will continue to meet its commitments as it

[2] Unless indicated otherwise, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the DIP Term Sheet or the Interim DIP Order, as applicable.

[3] The parties are finalizing the DIP Term Sheet. Once executed, the Debtor will file the signed DIP Term Sheet on the docket, along with a blackline to the version attached to the Proposed Interim Order.

navigates and emerges from the Chapter 11 Case. Moreover, the Debtor believes that the DIP Financing is in the best interest of the estate because it is the Debtor's best financing option available and will allow the Debtor to maximize value for its stakeholders.

3. Although the DIP Lenders are insiders of the Debtor, the Debtor believes the proposed DIP Financing is appropriate and necessary in this case. Over a period of several weeks, the Debtor had informal discussions with various parties regarding potential financing, but only received a debtor-in-possession financing proposal from the DIP Lenders. The Debtor scrutinized the proposal and found that the terms of the DIP Credit Facility were reasonable and the best (and only) terms available. If the Debtor is unable to gain access to the DIP Financing, the proposed path to a successful emergence of the Chapter 11 Case and the Debtor's value as a whole would be materially and irreparably harmed. Absent the liquidity provided by the DIP Financing and use of Cash Collateral, the Debtor likely would, among other things, be unable to continue its operations or pay administrative costs and expenses, which might result in a possible denial of discharge or conversion of the Chapter 11 Case. The relief requested by this Motion is a necessary step to both preserving the Debtor's operations as well as a bridge to emerging from the Chapter 11 Case, which is the optimal result for the Debtor's estate and all of its stakeholders. On this record, and as the Debtor is prepared to demonstrate at the interim hearing of this Motion and at the Final Hearing, the relief requested herein represents a sound exercise of business judgment, meets the heightened scrutiny of a transaction between a debtor and its insiders, and should therefore be approved.

RELIEF REQUESTED

4. For the reasons set forth herein, the Debtor seeks the entry of the Proposed Orders providing the following relief:

a. authorizing the Debtor to obtain the DIP Financing to be funded by the DIP Lenders under a credit facility subject to the terms, conditions, and limitations set forth herein and in the documentation regarding the DIP Credit Facility;

b. authorizing the Debtor and the DIP Lenders, in connection with the DIP Credit Facility, to (i) execute and enter into that certain *DIP Term Sheet*, among the Debtor and the DIP Lenders, each in their capacity as such, substantially in the form attached as Exhibit 1 to the proposed Interim DIP Order (as amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof, including all schedules, annexes, and exhibits, the "DIP Term Sheet," and together with the DIP Order and the DIP Financial Reports (as defined below), the "DIP Loan Documents") and (ii) to perform all such other and further acts as may be required in connection with the DIP Loan Documents;

c. authorizing the Debtor to execute and deliver the DIP Term Sheet and the other DIP Loan Documents and to perform such other and further acts as may be necessary or appropriate in connection therewith;

d. granting to the DIP Lenders valid, enforceable, non-avoidable, and automatically and fully perfected liens and security interests, subject only to the (i) the Carve-Out and (ii) existing liens that under applicable law, are senior to, and have not been subordinated to, the liens of the DIP Lenders under the DIP Loan Documents, but only to the extent that such liens are valid, perfected, enforceable, and non-avoidable as of the Petition Date or perfected following the Petition Date as permitted by section 546 of Bankruptcy Code (such liens, the "Permitted Liens"), to secure the DIP Obligations, which liens and security interests shall have the rankings and priorities set forth herein;

e. granting superpriority administrative claims to the DIP Lenders payable from, and having recourse to, all prepetition and postpetition property of the Debtor's estate and all proceeds thereof, subject to (i) the Carve-Out and (ii) Permitted Liens;

f. authorizing the Debtor (i) upon entry of the Interim Order, to incur in a single draw (or as otherwise agreed) on the Closing Date, loans in an aggregate principal amount of $500,000.00 and (ii) upon entry of the Final Order, to incur in additional draws an aggregate principal amount of up to $1,550,000.00;

g. authorizing the Debtor's use of the proceeds of the DIP Credit Facility pursuant to the DIP Term Sheet and the other DIP Loan Documents, including the Budget;

h. authorizing the Debtor to use the Cash Collateral (subject to the Budget);

i. modifying the automatic stay as set forth herein and the DIP Loan Documents, to the extent necessary, to implement and effectuate the foregoing and the other terms and provisions of the DIP Loan Documents and the Proposed Orders; and

j. granting related relief.

JURISDICTION

5. 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. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

6. Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory bases for the relief requested herein are sections 105, 362, 364, 503, 506, and 507 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004, and 9014, and Local Rules 2002-1, 4001-1, 4001-2, and 9013-1(f).

7. The Debtor confirms its consent pursuant to Local Rule 9013-1(f) to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

BACKGROUND

A. The Chapter 11 Case

8. On April 6, 2025 (the "Petition Date"), the Debtor commenced a voluntary case under chapter 11 (the "Chapter 11 Case") of the Bankruptcy Code as a debtor defined in Bankruptcy Code section 1182(1) and the Debtor elected to proceed under Subchapter V of chapter 11 of the Bankruptcy Code pursuant to the Small Business Debtor Reorganization Act, as amended (the "SBRA").

9. On April 8, 2025, the United States Trustee appointed Natasha Songonuga of Archer & Greiner, P.C. to serve as the Subchapter V trustee (the "Subchapter V Trustee") in this case pursuant to Bankruptcy Code section 1183(a). No official committee has been appointed in this case. The Debtor is operating its business as a debtor in possession pursuant to section 1184 of the Bankruptcy Code.

10. Additional detail regarding the Debtor, its business, the events leading to commencement of this case, and the facts and circumstances supporting the relief requested herein is set forth in the First Day Declaration and is incorporated herein by reference.

B. Prepetition Capital Structure

11. The Debtor is a limited liability company organized under the laws of Delaware.

12. As of the Petition Date, Westward's only secured creditors are KeyBank National Association, which has a security interest in an account which holds $220,000 as collateral to secure the payment of the Debtor's corporate purchase cards and First Insurance Funding, A Division of Lake Forest Bank & Trust Company, N.A. which has a security interest in a certain financed insurance policy pursuant to an insurance premium financing agreement. The Debtor has no secured creditors with liens on cash collateral, inventory, or operating assets.

13. The Debtor also has unsecured debt of non-insiders, consisting of amounts owed to contractors, landlords, and vendors, among other others.

SUMMARY OF THE DIP TERM SHEET

14. Pursuant to Bankruptcy Rule 4001(b)–(d), and Local Rule 4001-2(a), the following is a concise summary highlighting the proposed material terms of the DIP Financing, as specified in the DIP Term Sheet and the Order:[4]

Material Provision	Summary Description of Material Provision
DIP Term Sheet Parties Fed. R. Bankr. P. 4001(c)(1)(B)	**Borrower**: House Spirits Distillery LLC **Lenders**: Themiscyra S.A., Endurance Invest Corp., Maria Isabel Leal, and Trillo San Carlos S.A.

[4] This summary is qualified in its entirety by the provisions of the DIP Term Sheet and the Proposed Orders.

Material Provision	Summary Description of Material Provision
Amount of Credit Sought Local Rule 4001-2(a)(i)(A) DIP Term Sheet: Facility Type and Amount; Availability, p. 2. Proposed Interim DIP Order ¶¶ H, 4	The DIP Lenders' commitment shall consist of a senior, secured superpriority priming debtor-in-possession facility comprised of a new money term loan credit facility in an aggregate principal amount up to $1,550,000, to be drawn in tranches subject to the Budget (as defined below) (the "DIP Credit Facility"; the DIP Lenders' commitment under the DIP Credit Facility, the "DIP Commitment"; the loan provided thereunder the "DIP Loan"; the DIP Lenders' claim under the DIP Credit Facility, up to the amount borrowed, the "DIP Claim"; and proceeds received by the Borrower from the DIP Loan, the "DIP Proceeds"). On or before one (1) business day following the Closing Date, the DIP Lenders shall remit the first tranche of the DIP Proceeds to the Debtor in the amount of $500,000, subject to satisfaction of the conditions to the initial draw set forth herein. Subsequent draws under the DIP Credit Facility shall be (a) in amounts no less than $200,000, (b) made on no less than five (5) business days' notice to the DIP Lenders, and (c) subject to satisfaction of the conditions to subsequent draws set forth herein, including the entry of the Final DIP Order.
Interest Rates Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i) DIP Term Sheet: Interest Rate, p. 4. Proposed Interim DIP Order ¶ 5	A per annum rate equal to 16.00%, computed based on a 360-day year, which shall be capitalized and added to the unpaid principal amount of the DIP Loans on the last Business Day of each month.
Maturity Date Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(ii) DIP Term Sheet: Maturity Date, pp. 4–5. Proposed Interim DIP Order ¶ 16	All DIP Obligations will be due and payable in full in cash unless otherwise agreed to by the DIP Lenders on the earliest of (i) the date that is 180 days following the Closing Date, (ii) the acceleration of the DIP Loan upon the occurrence of an Event of Default, (iii) the date the Bankruptcy Court converts the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, (v) the date the Bankruptcy Court dismisses the Chapter 11 Case (any such date, the "Maturity Date").

Material Provision	Summary Description of Material Provision
	All principal of, and accrued interest on, the DIP Loan and all other amounts owing to the DIP Lenders under the DIP Credit Facility shall be payable on the Maturity Date.
Use of Proceeds Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i) DIP Term Sheet: Permitted Uses, p. 2 Proposed Interim DIP Order ¶ i	The DIP Loan will be used for (i) working capital and general corporate purposes and operations of the Debtor, (ii) bankruptcy-related costs and expenses, (iii) if the Debtor elects the Equity Conversion Option, payments pursuant to an Approved Plan, and (iv) any other purpose agreed upon in the DIP Loan Documents.
Conditions of Closing and Borrowing Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(ii) DIP Term Sheet: Conditions to Initial DIP Draw; Conditions to Subsequent DIP Draws, pp 6–8.	On or before one (1) business day following the Closing Date, the DIP Lenders shall remit the first tranche of the DIP Proceeds to the Debtor, subject to satisfaction of the conditions to the initial draw set forth herein. Subsequent draws under the DIP Credit Facility shall be (a) in amounts no less than $200,000, (b) made on no less than five (5) business days' notice to the DIP Lenders, and (c) subject to satisfaction of the conditions to subsequent draws set forth herein, including the entry of the Final DIP Order. The obligation of the DIP Lenders to fund the initial tranche of the DIP Loan on the Closing Date will be subject to satisfaction, or waiver by the DIP Lenders in their sole discretion, of the following conditions precedent: (i) *Agreement*. The DIP Lenders shall have received a counterpart of (i) the DIP Term Sheet duly executed and delivered by a duly authorized officer of the Debtor and (ii) each other DIP Loan Document duly executed and delivered by a duly authorized officer of the Debtor. (ii) *DIP Financing Order*. The DIP Lenders shall have received a copy of the Interim DIP Order entered by the Bankruptcy Court, and the Interim DIP Order shall be in full force and effect and shall not have been reversed, modified, amended, supplemented, stayed, vacated, or subject to stay.

Material Provision	Summary Description of Material Provision
	(iii) *Initial Budget*. The DIP Lenders shall have received the initial Budget. (iv) *Collateral Filings*. Each document (including any UCC financing statement) required by the DIP Loan Documents or reasonably requested by the DIP Lenders to be filed, registered, or recorded in order to create in favor of the DIP Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Permitted Liens), shall be in proper form for filing, registration, or recordation. (v) *Representation and Warranties*. Each of the representations and warranties made in or pursuant to the DIP Loan Documents shall be true and correct in all material respects on and as of the Closing Date; provided, that to the extent stated to relate to a specific earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect", or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates. (vi) *No Default or Event of Default*. No Default or Event of Default shall have occurred and be continuing on the Closing Date or will occur immediately after giving effect to the Initial Draw. (vii) *Notice of Borrowing*. The DIP Lenders shall have received a timely Notice of Borrowing. (viii) *Good Standing Certificate of Debtor*. The DIP Lenders shall have received a good standing certificate, dated as of a recent date for the Debtor from its jurisdiction of organization. (ix) *Lien Searches*. The DIP Lenders shall have received customary lien searches in the United States reasonably requested by it.

Material Provision	Summary Description of Material Provision
	The obligation of the DIP Lenders to fund subsequent tranches of the DIP Loan will be subject to satisfaction, or waiver by the DIP Lenders in their sole discretion, of the following conditions precedent: (i) *Notice of Borrowing*. The DIP Lenders shall have received a timely Notice of Borrowing. (ii) *Representation and Warranties*. Each of the representations and warranties made in or pursuant to the DIP Loan Documents shall be true and correct in all material respects on and as of the Closing Date; provided, that to the extent stated to relate to a specific earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect", or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates. (iii) *No Default or Event of Default*. No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such Borrowing Date or will occur immediately after giving effect to such DIP Loan. (iv) *Final DIP Order*. The Final DIP Order shall have been entered by the Bankruptcy Court and be in full force and effect, and shall not have been vacated, stayed, reversed, modified, or amended. (v) *DIP Financial Reports*. The DIP Lenders shall have timely received all DIP Financial Reports and no Prohibited Variances shall have occurred.
Pricing and Economic Terms Sought to be Filed Under Seal Local Rule 4001-2(a)(ii)(B)	None.

Material Provision	Summary Description of Material Provision
Funding of Non-Debtor Affiliates With DIP Financing Local Rule 4001-2(a)(i)(D)	None.
Budget, Reporting, and Variance Covenants Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i)(E) DIP Term Sheet: Budget; Projections, and Reporting, p.2. Proposed Interim DIP Order ¶ 6	The Borrower agrees that until the payment and satisfaction in full in cash of all DIP Obligations (as defined below, solely up to the amount borrowed), the Debtor shall deliver to the DIP Lenders on a weekly basis, no later than 5:00 p.m. New York City time on Friday of every other week, and commencing on May 30, 2025 (the "Initial Reporting Date"), (A) an updated 13-week budget (the "Budget"), and (B) a variance report for the immediately preceding two-week period comparing the actual receipts and disbursements of the Debtors, on a line-item basis, from the values set forth in the Budget (a "Budget Variance Report", and together with the Budget, the "DIP Financial Report"). The initial Budget shall be satisfactory to the DIP Lenders in their sole discretion, and each subsequent Budget shall, to the extent it deviates from or extends beyond the initial Budget, be satisfactory to the DIP Lenders in their sole discretion. The Debtor shall ensure that there shall be no unfavorable variance from the Budget of 20.0% or more (a "Prohibited Variance," and any variance that is not a Prohibited Variance, a "Permitted Variance") from either (a) the total receipts in the aggregate or (b) the total operating disbursements in the aggregate (excluding Professional Fees (defined below)), in each case, for every two-week period after the Initial Reporting Date (the "Variance Period"). For the avoidance of doubt, any delivery of a Budget or a Budget Variance Report due on any day that is not a business day shall instead be delivered on the next business day thereafter.
Term and Termination Events/Events of Default Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i)(M) DIP Term Sheet: Events of Default, pp. 9–10.	"Events of Default" shall include the following and any other defaults specified as such in the DIP Order: (i) failure by the Debtor to be in compliance in all respects with any provision of the DIP Loan Documents or the DIP Order (including the DIP Financial Reports); (ii) reversal, modification, amendment, stay, or vacation of the DIP Order, as entered by the

Material Provision	Summary Description of Material Provision
	Bankruptcy Court, without the prior written consent of the DIP Lenders; (iii) the appointment in the Chapter 11 Case of a responsible officer with enlarged powers relating to the operation of the business of the Debtor (powers beyond those set forth in sections 1106(a)(3) and (a)(4) of the Bankruptcy Code); (iv) the filing of a motion by the Debtor seeking dismissal of the Chapter 11 Case or the conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code; (v) the granting of relief from the automatic stay by the Bankruptcy Court as to any material assets of the Debtor to any other creditor or party in interest in the Chapter 11 Case; (vi) any event or circumstance occurs that could reasonably be expected to have a Material Adverse Effect;[5] or (vii) any provision in the DIP Term Sheet shall cease to be binding on or enforceable against the parties hereto. An Event of Default may be waived by the DIP Lenders in their sole discretion. Upon the occurrence and during the continuance of any Event of Default, subject to five (5) business days' notice to the Debtor (the "Remedies Notice Period") and an opportunity to seek an expedited hearing before the Bankruptcy Court, the DIP Lenders declare the following without further order of or application to the Bankruptcy Court:

[5] "Material Adverse Effect" means, excluding results from the filing and administration of the Chapter 11 Case, a material adverse effect on (a) the business, operations, properties, prospects, assets, or condition (financial or otherwise) of the Debtor, (b) the ability of the Debtor to perform the DIP Obligations in accordance with the terms of the DIP Loan Documents or the DIP Lenders' ability to enforce any of its rights and remedies with respect to the DIP Obligations in accordance with the terms of the DIP Loan Documents, or (c) the DIP Collateral or DIP Lenders' DIP Liens on the DIP Collateral or the priority of such DIP Liens.

Material Provision	Summary Description of Material Provision
	(i) All DIP Obligations immediately due and payable (up to the amount borrowed); (ii) All DIP Commitments immediately terminated; (iii) Termination of the DIP Credit Facility, without affecting the DIP Liens or the DIP Obligations; and (iv) Trigger of the Carve-Out and delivery to the Debtor of a notice thereof (a "Carve-Out Trigger Notice"). Further, the DIP Lenders shall be entitled to exercise all rights and remedies under the DIP Term Sheet and the DIP Orders entered by the Bankruptcy Court.
Adequate Protection Fed. R. Bankr. P. 4001(c)(1)(B)(ii)	Not applicable.
Carve Out Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i)(F) DIP Term Sheet: Carve-Out, p. 4 Proposed Interim DIP Order ¶ 15	The "Carve-Out" is an amount equal to the sum of all allowed and unpaid claims for unpaid fees and expenses incurred prior to the earlier of (a) the Maturity Date or (b) the delivery of a Carve-Out Trigger Notice (defined below) (the "Professional Fees") incurred by persons or firms ("Professional Persons") retained by the Debtor whose retention is approved by the Bankruptcy Court pursuant to sections 327 or 328 of the Bankruptcy Code and the Subchapter V Trustee, subject to the terms of the Budget, the DIP Order, and any other interim or other compensation orders entered by the Bankruptcy Court which have not been paid by the Borrower prior to the Closing Date and are ultimately allowed by the Bankruptcy Court pursuant to sections 328, 330, 331, and 503 of the Bankruptcy Code or any order of the Bankruptcy Court. Notwithstanding anything to the contrary in the DIP Term Sheet, the DIP Lenders shall not be required to make any DIP Loans in excess of the DIP Commitment to fund the Carve-Out.

Material Provision	Summary Description of Material Provision
Waiver/Modification of Automatic Stay Fed. R. Bankr. P. 4001(c)(1)(B)(iv); Local Rule 4001- 2(a)(i)(S) Proposed Interim DIP Order ¶ 17	The automatic stay is modified to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents.
Release Fed. R. Bankr. P. 4001(c)(1)(B)	None.
Stipulations of the Debtor Local Rule 4001-2(a)(i)(Q)	None.
Binding Effect of the Debtor's Stipulations on Third Parties Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i)(Q)	Not applicable.
Challenge Period Fed. R. Bankr. P. 4001(c)(1)(B); Local Rule 4001-2(a)(i)(Q)	Not applicable.
Limitation on Charging Expenses Against Collateral / Section 506(c) Waiver Fed. R. Bankr. P. 4001(c)(1)(B)(x); Local Rule 4001-2(a)(i)(T), (V)	None.
Section 552(b) Waiver Local Rule 4001-2(a)(i)(W)	None.

Material Provision	Summary Description of Material Provision
Provisions that Limit the Court's Discretion Local Rule 4001-2(a)(i)(C)	None.
Liens on Unencumbered Assets Fed. R. Bankr. P. 4001(c)(1)(B)(i); Local Rule 4001-2(a)(i)(G) DIP Term Sheet: Priority, pp. 2–4. Proposed Interim DIP Order ¶ 11	The DIP Credit Facility is secured, pursuant to section 364(c)(2) of the Bankruptcy Code, by a first-priority perfected lien on, and security interest in, all present and after-acquired property of the Debtor, wherever located, not subject to a lien or security interest on the Petition Date. The property referred to above is collectively referred to as the "DIP Collateral" and shall include, without limitation, all assets (whether tangible, intangible, personal, or mixed) of the Borrower, whether now owned or hereafter acquired and wherever located, before or after the Petition Date, including, without limitation, all accounts, proceeds of leases, inventory, equipment, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, patents, copyrights, trademarks, and other general intangibles, and all products, offspring, profits, and proceeds thereof. the Chapter 11 Case. Notwithstanding the foregoing, the DIP Collateral shall not include (and the DIP Liens shall not extend to) assets scheduled and held by the Debtor in trust (but only for so long as such assets are held in trust).
Milestones Local Rule 4001-2(a)(i)(H)	None.
Prepayment Penalty Local Rule 4001-2(a)(i)(I)	None.
Joint Liability Local Rule 4001-2(a)(i)(J)	None.

Material Provision	Summary Description of Material Provision
Payment of DIP Lenders Party's Fees Without Review Local Rule 4001-2(a)(i)(K)	None.
Restriction on Use of Estate Funds for Investigations Local Rule 4001-2(a)(i)(L)	None.
Cross-Collateralization and Administrative Expense Status Local Rule 4001-2(a)(i)(N)	Not applicable.
Roll Up Local Rule 4001-2(a)(i)(O)	Not applicable.
Non-Consensual Priming Liens Local Rule 4001-2(a)(i)(P) DIP Term Sheet: Priority, pp. 2–4.	Subject only to the Permitted Liens and to the Carve-Out, pursuant to section 364(d)(1) of the Bankruptcy Code, a first-priority perfected senior priming lien on, and security interest in, the DIP Collateral, wherever located, that may be subject to a validly perfected security interest in existence on the Petition Date, which shall be primed by, and made subject and subordinate to, the perfected first priority senior priming liens and security interests to be granted to the DIP Lenders, which senior priming liens and security interests in favor, and for the benefit, of the DIP Lenders.
Provisions Approving All Terms of the Loan Agreement Local Rule 4001-2(a)(i)(R)	Not applicable.
Provisions Limiting Arguments Local Rule 4001-2(a)(i)(T)	None.

Material Provision	Summary Description of Material Provision
Liens on Avoidance Actions Local Rule 4001-2(a)(i)(U)	None.
Marshalling Waiver Local Rule 4001-2(a)(i)(X)	None.
Security and Priority Status Fed. R. Bankr. P. 4001(c)(1)(B)(i)–(iii) DIP Term Sheet: Priority, pp. 2–4. Proposed Interim DIP Order ¶ 11	The DIP Obligations shall be secured by the following liens and security interests (the "DIP Liens"): (i) subject only to the Permitted Liens, and to the Carve-Out, pursuant to section 364(d)(1) of the Bankruptcy Code, a first-priority perfected senior priming lien on, and security interest in, the DIP Collateral, wherever located, that may be subject to a validly perfected security interest in existence on the Petition Date, which shall be primed by, and made subject and subordinate to, the perfected first priority senior priming liens and security interests to be granted to the DIP Lenders, which senior priming liens and security interests in favor, and for the benefit, of the DIP Lenders; (ii) pursuant to section 364(c)(2) of the Bankruptcy Code, a first-priority perfected lien on, and security interest in the DIP Collateral, wherever located, not subject to a lien or security interest on the date of commencement of the Chapter 11 Case; and (iii) pursuant to section 364(c)(3) of the Bankruptcy Code, a junior perfected lien on, and security interest in, the DIP Collateral; *provided* that the DIP Liens shall be senior to and shall prime all liens other than Permitted Liens. The DIP Liens shall be effective and perfected as of the entry of the Interim Order and without necessity of the execution, filing, or recording of control agreements, financing statements, or other agreements. However, the DIP Lenders may, in their discretion, require the execution, filing, or recording of any or all of the documents described in the preceding sentence.

Material Provision	Summary Description of Material Provision
Non-Consensual Priming Liens Local 4001-2(a)(i)(F)	Not applicable.
Covenants Fed. R. Bankr. P. 4001(c)(1)(B) DIP Term Sheet: Covenants, pp. 8–9	The Debtor shall: (i) timely deliver, or cause to be timely delivered, to the DIP Lenders the DIP Financial Reports, all in accordance with the provisions set forth in the DIP Term Sheet; (ii) deliver to DIP Lenders any and all financial and other data, documents, and information requested by DIP Lenders and provide access to any and all such other data, documents, and information (including, without limitation, historical data, documents, and information) and to personnel (including, without limitation, through in-person, telephonic, or videoconference meetings), all as may be requested by the DIP Lenders; (iii) (A) upon the request of DIP Lenders, during normal business hours, and on reasonable prior notice (provided no prior notice is required if an Event of Default has occurred and is continuing), make the Debtor's inventory, equipment, other DIP Collateral, and books and records concerning the DIP Collateral (including software used in the business) available to DIP Lenders for inspection at the place where it is located, and shall make its log and maintenance records pertaining to the inventory and equipment available to DIP Lenders for inspection, and (B) take all reasonable action necessary to correctly and completely maintain such books, records, logs, and maintenance records; (iv) upon request of the DIP Lenders, obtain additional insured and loss payee endorsements, as applicable, to the Borrower's insurance policies with respect to the DIP Collateral that name the DIP Lenders as additional insureds and loss payees, as applicable,

Material Provision	Summary Description of Material Provision
	in form and substance reasonably acceptable to the DIP Lenders; (v) comply with the provisions of the DIP Loan Documents; and (vi) take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper, or advisable under applicable law, and to execute and deliver such documents and other papers, as may be required or reasonably requested by the DIP Lenders to carry out the provisions of the DIP Loan Documents. The Debtor shall not, without the prior written consent of the DIP Lenders, do, cause to be done, or agree to do or cause to be done, any of the following: (i) create, incur, assume, or suffer to exist any indebtedness, except indebtedness expressly contemplated by the DIP Term Sheet; or (ii) create, incur, assume or suffer to exist any lien upon any of its property, assets, income, or profits, whether now owned or hereafter acquired, except Permitted Liens.
Representations and Warranties Fed. R. Bankr. P. 4001(c)(1)(B) DIP Term Sheet: Representations and Warranties, pp. 5–7	The Borrower shall ensure that each of the following representations and warranties is true and correct as of the Closing Date: (i) *Collateral Title*. The Debtor has the corporate power to transfer each item of the collateral upon which it has granted a DIP Lien pursuant to the DIP Loan Documents, free of all liens whatsoever, except for Permitted Liens, DIP Liens, and validly perfected security interests in favor of a third party in existence on the Petition Date. (ii) *Due Organization*. The Debtor is a limited liability company duly organized, legally existing, and in good standing under the laws of its jurisdiction of incorporation or organization.

Material Provision	Summary Description of Material Provision
	(iii) *Compliance with Applicable Laws*. By entering into the DIP Loan Documents, the Debtor is not in violation of any law, rule, or regulation or in default with respect to any judgment, writ, injunction, or decree of any governmental authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect. (iv) *Conflict*. Subject to the approval of the Bankruptcy Court, the DIP Loan Documents do not (a) violate any provisions of the Debtor's organizational documents, or any material law, regulation, order, injunction, judgment, decree, or writ to which the Debtor is subject or (b) other than the commencement of the Chapter 11 Case and as a reasonable consequence of the commencement of the Chapter 11 Case, conflict with or result in the material breach or termination of, constitute a default under, or accelerate or permit the acceleration of any performance required by, any material lease, agreement, or other contract to which the Debtor is a party or by which the Debtor or any of its property is bound which is not subject to the automatic stay. (v) *Material Adverse Effect*. Other than the commencement of the Chapter 11 Case and as a reasonable consequence of the commencement of the Chapter 11 Case, no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing since the Petition Date. (vi) *Information Correct*. No information, report, financial statement, exhibit, or schedule furnished by or on behalf of the Debtor to the DIP Lenders in connection with the negotiation of any DIP Loan Documents contains, when furnished, any material misstatement of fact or omitted or omits, when furnished, to state any material fact necessary to make the statements, in the light of circumstances under which they were, are, or will be made, not misleading (it being recognized by the DIP Lenders that (a) projections and pro forma financial information, are based upon good-faith estimates

Material Provision	Summary Description of Material Provision
	and assumptions believed by the Debtor to be reasonable at the time made, and (b) projections and estimates as to future events are not to be viewed as facts and that the actual results during the period or periods covered by any such projections and estimates may differ materially from projected or estimated results).
Indemnification Fed. R. Bankr. P. 4001(c)(1)(B)(ix)	None.
Releases and Waivers Fed. R. Bankr. P. 4001(c)(1)(B)(iv), (v), (vii), (viii), (x)	None.
Establishment of Deadlines Fed. R. Bankr. P. 4001(c)(1)(B)(vi)	None.
Granting of a Lien on any Claim or Cause of Action Fed. R. Bankr. P. 4001(c)(1)(B)(xi)	None.

BASIS FOR RELIEF

A. THE REQUESTED RELIEF SHOULD BE GRANTED PURSUANT TO SECTIONS 364(c) AND 364(d)(1) OF THE BANKRUPTCY CODE.

23. As set forth above, the Debtor's ability to maximize the value of its estate and successfully navigate the Chapter 11 Case hinges upon it being able to access postpetition financing. Section 364 of the Bankruptcy Code distinguishes among (a) obtaining unsecured credit in the ordinary course of business, (b) obtaining unsecured credit outside the ordinary course of business, and (c) obtaining credit with specialized priority or on a secured basis. Pursuant to

section 364(c) of the Bankruptcy Code, if a debtor cannot obtain postpetition credit on an unsecured basis, a court may authorize such debtor to obtain credit or incur debt that is entitled to superpriority administrative expense status, secured by a senior lien on unencumbered property or secured by a junior lien on encumbered property. *See* 11 U.S.C. § 364(c).

24. Under section 364 of the Bankruptcy Code, courts also may authorize postpetition credit secured by a senior or equal lien on encumbered property if the debtor cannot obtain credit elsewhere and the interests of existing lienholders are adequately protected. *See* 11 U.S.C. § 364(d)(1). Specifically, section 364(d)(1) of the Bankruptcy Code provides, in relevant part, that a court may, after notice and a hearing:

> authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if—
>
> (A) the [debtor] is unable to obtain credit otherwise; and
>
> (B) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.

11 U.S.C. § 364(d)(1).

I. The Debtor Has Exercised Its Business Judgment in Entering Into the DIP Credit Facility and Satisfies the Heightened Scrutiny Required for an Insider.

25. A debtor's decision to enter into a postpetition lending facility under section 364 of the Bankruptcy Code is generally governed by the business judgment standard. *See In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990) ("Cases consistently reflect that the court's discretion under section 364 is to be utilized on grounds that permit reasonable business judgment to be exercised so long as the financing agreement does not contain terms that leverage the bankruptcy process and powers or its purpose is not so much to benefit the estate as it is to benefit parties in interest."); *see also In re Farmland Indus., Inc.*, 294 B.R. 855, 881 (Bankr. W.D.

Mo. 2003) (noting that approval of postpetition financing requires, *inter alia*, an exercise of "sound and reasonable business judgment"); *In re Trans World Airlines, Inc.*, 163 B.R. 964, 974 (Bankr. D. Del. 1994) (noting that the interim loan, receivable facility, and asset-based facility were approved because they "reflect[ed] sound and prudent business judgment . . . [were] reasonable under the circumstances and in the best interest of [the debtor] and its creditors.").

26. However, when a transaction is between a debtor and its insider, "courts apply a 'heightened scrutiny' test in assessing the bona fides of a transaction among a debtor and an insider of the debtor." *In re LATAM Airlines Grp. S.A.*, 620 B.R. 722, 769 (Bankr. S.D.N.Y. 2020). "A claim arising from the dealings between a debtor and an insider is to be rigorously scrutinized by the courts." *Schubert v. Lucent Techs. Inc. (In re Winstar Commc'ns, Inc.)*, 554 F.3d 382, 412 (3d Cir. 2009) (quoting *Fabricators Inc. v. Tech. Fabricators, Inc. (In re Fabricators, Inc.)*, 926 F.2d 1458, 1465 (5th Cir. 1991)).

27. In seeking to enter into the DIP Credit Facility, the Debtor has not only exercised sound business judgment but has also satisfied the heightened scrutiny test for entering into transactions with insiders. The DIP Lenders, as equity holders, did not participate in the board's negotiation and voting on approval of the DIP Credit Facility.

28. The use of its current cash reserves and reliance on business operations is insufficient to meet the Debtor's working capital needs to operate its business in the ordinary course and simultaneously navigate, and emerge from, the Chapter 11 Case. There is an urgent need for DIP Financing because the Debtor's current finances are insufficient to allow the Debtor to continue to operate its business and meet its obligations in the Chapter 11 Case.

29. The Debtor engaged in arm's length negotiations with the DIP Lenders and further improved the terms of the DIP Credit Facility. The DIP Term Sheet contains terms and conditions

that are the best available and provides the Debtor with sufficient liquidity to effectively operate the Debtor's business through the Chapter 11 Case and make necessary administrative payments. This Court has previously approved similar debtor-in-possession financing agreements where the debtor was not able to obtain postpetition financing under other conditions. *See*, *e.g.*, *In re BLH Topco LLC*, Case No. 25-10576 (CTG) (Bankr. D. Del. Apr. 24, 2025) [D.I. 129]; *In re Brightmark Plastics Renewal LLC*, Case No. 25-10472 (LSS) (Bankr. D. Del. Apr. 22, 2025) [D.I. 152]; *In re Viridos, Inc.*, Case No. 25-10697 (CTG) (Bankr. D. Del. Apr. 15, 2025) [D.I. 16]; *In re Smallhold, Inc.*, Case No. 24-10267 (CTG) (Bankr. D. Del. Apr. 17, 2024) [D.I. 129].

30. The funds provided by the DIP Credit Facility are essential to enable the Debtor to continue to operate during the course of this Chapter 11 Case and allow it to emerge from bankruptcy. Indeed, failure to obtain approval of the DIP Credit Facility potentially would lead to a wind-down of the Debtor's business operations which, in turn, would adversely affect its creditors and the estate.

31. Accordingly, pursuant to sections 364(c) and (d) of the Bankruptcy Code, the Debtor respectfully submits that it should be granted authority to obtain financing from the DIP Lenders on the terms set forth in the DIP Term Sheet.

II. The DIP Credit Facility Represents the Best Financing Available.

32. A debtor seeking financing under section 364 of the Bankruptcy Code must make a reasonable effort to seek other sources of unsecured credit, but is granted deference in acting in accordance with its business judgment and, indeed, is not required to seek credit from every possible source. *See*, *e.g.*, *In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 37–40 (Bankr. S.D.N.Y. 1990) (approving financing facility and holding that debtor made reasonable efforts to satisfy the standards of section 364(c) to obtain less onerous terms where debtor approached four lending institutions, was rejected by two, and selected the least onerous financing option from the

remaining two lenders); *Bray v. Shenandoah Fed. Sav. & Loan Assoc. (In re Snowshoe Co.)*, 789 F.2d 1085, 1088 (4th Cir. 1986) ("[t]he statute imposes no duty to seek credit from every possible lender before concluding that such credit is unavailable").

33. Moreover, where few lenders likely can or will extend the necessary credit to a debtor, "it would be unrealistic and unnecessary to require [the debtor] to conduct such an exhaustive search for financing." *In re Sky Valley, Inc.*, 100 B.R. 107, 113 (Bankr. N.D. Ga. 1988), *aff'd sub nom.*, *Anchor Sav. Bank FSB v. Sky Valley, Inc.*, 99 B.R. 117, 120 n.4 (N.D. Ga. 1989); *see also In re Garland Corp.*, 6 B.R. 456, 461 (B.A.P. 1st Cir. 1980) (secured credit under section 364(c)(2) authorized, after notice and a hearing, upon showing that unsecured credit unobtainable); *In re Stanley Hotel, Inc.*, 15 B.R. 660, 663 (D. Colo. 1981) (bankruptcy court's finding that two national banks refused to grant unsecured loans was sufficient to support conclusion that section 364 requirement was met); *In re Ames Dep't Stores*, 115 B.R. at 37–39 (debtor must show that it made reasonable efforts to seek other sources of financing under section 364(a) and (b)).

34. Over a period of several weeks, the Debtor had informal discussions with various parties regarding potential financing, but only received a debtor-in-possession financing proposal from the DIP Lenders. The DIP Credit Facility is the only financing available to the Debtor. Postpetition financing is not otherwise available without granting, pursuant to section 364(c)(1) of the Bankruptcy Code, claims having priority over any and all administrative expenses of the kinds specified in sections 503(b) and 507(b) of the Bankruptcy Code, and securing such indebtedness and obligations with the security interests in and the liens upon the DIP Collateral pursuant to section 364(c) and (d) of the Bankruptcy Code. The Debtor obtained the necessary postpetition financing needed on terms it believes to be favorable and reasonable. Accordingly, the Debtor's

efforts to obtain postpetition financing satisfy the statutory requirements of section 364(c) of the Bankruptcy Code.

III. The DIP Credit Facility Is Necessary to Maintain the Debtor's Ongoing Business Operations and Successfully Navigate the Chapter 11 Case.

35. The DIP Credit Facility, if approved, will provide essential working capital, allowing the Debtor to maintain its ongoing business operations. Without the DIP Credit Facility, the Debtor will not be able to continue its operations while funding the attendant costs of being in bankruptcy.

36. In addition, the DIP Credit Facility will provide the Debtor's various constituencies, including customers, employees, vendors, and service providers, with confidence in the Debtor's ability to maintain operations while working through the Chapter 11 Case.

37. If the relief sought in this Motion is denied or delayed, the Debtor's ability to receive a discharge and conclude the Chapter 11 Case will be put at risk but, most likely, the Debtor will be forced to cease operations. Accordingly, the DIP Credit Facility is necessary to maximize value for the Debtor's estate and inure to the benefit of creditors and all parties in interest.

IV. The Terms of the DIP Credit Facility Are Fair, Reasonable, and Adequate Under the Circumstances.

38. In considering whether the terms of postpetition financing are fair and reasonable, courts consider the terms in light of the relative circumstances of both the debtor and the potential lender. *See In re Farmland Indus., Inc.*, 294 B.R. 855, 886 (Bankr. W.D. Mo. 2003); *see also Unsecured Creditors' Comm. Mobil Oil Corp. v. First Nat'l Bank & Tr. Co. (In re Ellingsen MacLean Oil Co.)*, 65 B.R. 358, 365 (W.D. Mich. 1986) (a debtor may have to enter into hard bargains to acquire funds). The appropriateness of a proposed financing facility should also be considered in light of current market conditions. *See Transcript of Record* at 740:4–6, *In re Lyondell Chem. Co.*, No. 09-10023 (REG) (Bankr. S.D.N.Y. Feb. 27, 2009) ("[B]y reason of

present market conditions, as disappointing as the [DIP] pricing terms are, I find the provisions reasonable here and now.").

39. The terms and conditions of the DIP Credit Facility were negotiated in good faith and at arms' length among the parties, culminating in the DIP Term Sheet that is designed to provide the Debtor with essential working capital and maintain the Debtor's ongoing business operations while working towards emerging from the Chapter 11 Case. Indeed, when viewed in its totality, the DIP Credit Facility reflects the Debtor's exercise of prudent business judgment consistent with its fiduciary duties and is supported by fair consideration.

V. The Priming of Liens Should Be Approved.

40. As previously mentioned, if a debtor is unable to obtain credit under the provisions of section 364(c) alone, the debtor may obtain credit secured by a senior or equal lien on property of the estate that is already subject to a lien, commonly referred to as a "priming lien." 11 U.S.C.§ 364(d). To justify a priming lien, a debtor need only demonstrate "by a good faith effort that credit was not available without" the protections afforded to potential lenders by sections 364(c) and (d) of the Bankruptcy Code. *See In re Snowshoe Co.*, 789 F.2d at 1088; *see also In re Plabell Rubber Prods., Inc.*, 137 B.R. 897, 900 (Bankr. N.D. Ohio 1992). The determination of adequate protection is a fact-specific inquiry to be decided on a case-by-case basis. *See In re Mosello*, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996). "Its application is left to the vagaries of each case . . . but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process." *Id.* (quoting *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986)).

41. The Debtor has minimal secured debt, but the DIP Lenders have requested a priming lien in substantially all of the Debtor's assets. As far as the Debtor is aware, the only

secured parties hold Permitted Liens that would not be primed by the DIP Liens.[6] Accordingly, the Debtor is not aware of any secured party that will suffer from a priming lien. Therefore, to the extent the DIP Facility affords the DIP Lenders a priming lien, such priming lien should be approved.

VI. Section 364(e) Protections Should Apply to the DIP Credit Facility.

42. Section 364(e) of the Bankruptcy Code protects a good-faith lender's right to collect on loans extended to a debtor's estate, and its right in any lien securing those loans, even if the authority of the trustee to obtain such loans or grant such liens is later reversed or modified on appeal. Section 364(e) of the Bankruptcy Code provides that:

> The reversal or modification on appeal of an authorization under [section 364 of the Bankruptcy Code] to obtain credit or incur debt, or of a grant under this section of a priority or a lien, does not affect the validity of any debt so incurred, or any priority or lien so granted, to an entity that extended such credit in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and the incurring of such debt, or the granting of such priority or lien, were stayed pending appeal.

11 U.S.C. § 364(e).

43. As explained herein, the DIP Financing is the result of the Debtor's reasonable and informed determination that the DIP Lenders offered favorable terms on which to obtain needed postpetition financing, and of arm's length, good-faith negotiations between the Debtor and the DIP Lenders. The terms and conditions of the DIP Financing are reasonable and appropriate under the circumstances, and the proceeds of the DIP Financing will be used only for purposes that are permissible under the Bankruptcy Code. Further, no consideration is being provided to any party to the DIP Financing other than as described herein. Accordingly, the Court should find that the

[6] The Debtor and the DIP Lenders expressly reserve their rights to contest the extent, validity, or perfection or seek avoidance of all such liens.

DIP Lenders are "good faith" lenders within the meaning of section 364(e) of the Bankruptcy Code and are entitled to all of the protections afforded by that section.

B. THE DEBTOR'S REQUEST FOR USE OF CASH COLLATERAL IS APPROPRIATE.

44. The Debtor's use of property of the estate is governed by section 363 of the Bankruptcy Code, which provides in pertinent part that:

> If the business of the debtor is authorized to be operated under section . . . 1108 . . . of this title and unless the court orders otherwise, the [debtor] may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1).

45. Pursuant to section 363(c)(2) of the Bankruptcy Code, the Court may authorize the Debtor to use cash collateral as long as the applicable secured creditors consent or are adequately protected. *See In re McCormick*, 354 B.R. 246, 251 (Bankr. C D. Ill. 2006) (to use the cash collateral of a secured creditor, the debtor must have the consent of the secured creditor or must establish to the Court that the secured creditor's interest in the cash collateral is adequately protected). "Cash Collateral" is defined as, "cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents in which the estate and an entity other than the estate have an interest." 11 U.S.C. § 363(a).

46. The Debtor has an urgent need for the immediate use of the Cash Collateral pending the Final Hearing on this Motion and seeks to use Cash Collateral, to which the DIP Lenders have consented. The Debtor requires the use of the Cash Collateral to effect the orderly continuation of the operation of its business, maintain business relationships with vendors, suppliers, and customers, administer this Chapter 11 Case, and to satisfy other working capital and operational needs. Because such use is essential to the preservation of the Debtor's estate and the Debtor's

secured lenders have consented, the Court should approve the Debtor's use of Cash Collateral under section 363(c)(2) of the Bankruptcy Code.

C. MODIFICATION OF THE AUTOMATIC STAY ON A LIMITED BASIS IS WARRANTED.

47. The relief requested herein contemplates a modification of the automatic stay pursuant to Bankruptcy Code section 362 to the extent necessary to permit the DIP Lenders to exercise, upon the occurrence of an Event of Default and the Remedies Notice Period, all rights and remedies provided for in the DIP Loan Documents, and to take various actions without further order of or application to the Court.

48. Stay modification provisions of this sort are ordinary and usual features of debtor-in-possession financing facilities and, in the Debtor's business judgment, are reasonable under the present circumstances. Accordingly, the Court should modify the automatic stay to the extent contemplated by the DIP Loan Documents and the Proposed Orders.

D. SCHEDULING A FINAL HEARING.

49. The Debtor is contemporaneously filing a motion to shorten notice of the hearing on the Motion.

50. In addition, the Debtor is requesting the Final Hearing to be held more than fourteen days after service of the Motion as required by Bankruptcy Rule 4001 and Local Rule 9006-1.

51. Bankruptcy Rules 4001(b) and (c) provide that a hearing on a motion to obtain credit under section 364 of the Bankruptcy Code may not be commenced earlier than fourteen (14) days after the service of such motion. Del. Bankr. L.R. 4001(b), (c).

52. Further, as a default, Local Rule 9006-1(c)(ii) provides, "the deadline for objection(s) is seven (7) days before the hearing date." Del. Bankr. L.R. 9006-1(c)(ii).

53. The Debtor respectfully submits that allowing the Motion to be considered on shortened notice at an interim hearing on May 22, 2025 is reasonable and appropriate under the circumstances and that a Final Hearing be scheduled to consider entry of the Final DIP Order.

E. WAIVER OF BANKRUPTCY RULE 6004(h)

54. The Debtor believes an efficient and expeditious approval and implementation of the DIP Credit Facility is in the best interests of its creditors and other parties in interest. Accordingly, the Debtor seeks waiver of the 14-day stay of orders authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

NOTICE

55. Notice of this Motion will be provided to: (i) the Office of the United States Trustee; (ii) the Subchapter V Trustee; (iii) the Debtor's twenty (20) largest unsecured creditors; and (iv) all parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtor submits that no other or further notice is necessary.

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CONCLUSION

WHEREFORE, for the reasons set forth herein, the Debtor respectfully request that the Court (a) enter the Interim DIP Order substantially in the form annexed hereto as **Exhibit A** granting the relief requested in the Motion and such other and further relief as may be just and proper, and (b) schedule a Final Hearing on the Motion to consider entry of a Final DIP Order.

Dated: May 15, 2025
Wilmington, Delaware

PASHMAN STEIN WALDER HAYDEN, P.C.

/s/ Richard W. Riley
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-and-

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Counsel to the Debtor and Debtor in Possession

Exhibit A

Proposed Interim DIP Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
HOUSE SPIRITS DISTILLERY LLC,	Case No. 25-10660 (KBO)
Debtor.[1]	(Subchapter V)
	Re: D.I. __

INTERIM ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, AND 507 (I) AUTHORIZING THE DEBTOR TO OBTAIN SECURED POSTPETITION FINANCING, (II) GRANTING LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (III) AUTHORIZING THE USE OF CASH COLLATERAL, (IV) MODIFYING THE AUTOMATIC STAY, (V) SCHEDULING A FINAL HEARING, AND (VI) GRANTING RELATED RELIEF

Upon the motion (the "Motion")[2] of the above captioned debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 case (the "Chapter 11 Case" or "Case"), pursuant to sections 105(a), 361, 362, 363(c), 364, 503, 506, and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 2002-1, 4001-1, 4001-2, and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Delaware (the "Local Rules") seeking, among other things, entry of an interim order (this "Interim DIP Order"):

i. authorizing the Debtor to obtain postpetition financing, consisting of senior, secured superpriority priming debtor-in-possession facility comprised of a new money term loan credit facility in an aggregate principal amount up to $1,550,000.00, to be drawn in tranches

[1] The last four digits of the Debtor's federal tax identification number are 2069. The Debtor's mailing address is 65 SE Washington Street, Portland, OR 97214.

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

subject to the Budget (as defined below) (the "DIP Credit Facility") to be advanced and made available to the Debtor from the lenders (the "DIP Lenders") identified in Annex A to the DIP Term Sheet attached hereto as **Exhibit 1** (with such changes or amendments, if any, as were or may be made with the agreement of the DIP Lenders prior to or as a result of the Interim Hearing (as defined below) and as amended, supplemented, or otherwise modified from time to time in accordance with the terms and conditions set forth herein, the "DIP Term Sheet"), and the Budget (as defined below and together with the DIP Term Sheet, the DIP Order, and the DIP Financial Reports (as defined below), the "DIP Loan Documents") (i) to provide working capital and general corporate purposes and operations of the Debtor, (ii) to pay bankruptcy-related costs and expenses, (iii) if the Debtor elects the Equity Conversion Option, to make payments pursuant to an Approved Plan (as defined in the DIP Term Sheet), and (iv) any other purpose agreed upon in the DIP Loan Documents;

ii. authorizing the Debtor to execute and enter into the DIP Loan Documents and to perform all such other and further acts as may be required in connection with the DIP Loan Documents, including all obligations of the Borrower to the DIP Lenders under the DIP Credit Facility, including, without limitation, all principal and accrued interest, premiums (if any), costs, fees, and expenses or any other amounts due, or any exposure of each DIP Lender and its affiliates in respect of cash management incurred on behalf of the Borrower under the DIP Credit Facility (solely up to the amount borrowed, collectively, the "DIP Obligations"), and all instruments, security agreements, assignments, pledges, mortgages, reaffirmations, and other documents referred to therein or requested by the DIP Lenders to give effect to the terms thereof;

iii. authorizing the Debtor to use proceeds of the DIP Loan (the "DIP Proceeds") as permitted in the DIP Loan Documents and in accordance with this Interim DIP Order;

iv. authorizing the Debtor to grant, and granting, superpriority administrative expense claims status pursuant to Bankruptcy Code § 364(c)(1) to the claims of the DIP Lenders in respect of the DIP Obligations;

v. granting liens on and security interests in the DIP Collateral (as defined below), subject only to the Carve-Out (as defined below) and Permitted Liens (as defined below), as follows: (a) pursuant to Bankruptcy Code §§ 364(c)(2) and (d), valid, perfected, enforceable, and non-avoidable first priority priming liens on and security interests in all now owned or hereafter acquired assets and property of the Debtor, and (b) pursuant to Bankruptcy Code § 364(c)(3), valid, perfected, enforceable, and non-avoidable second-priority or other junior liens on and security interests in all now owned or hereafter acquired assets and property of the Debtor that, as of the Petition Date, is subject to any of the Permitted Liens (as defined below), in each case on the terms set forth in the DIP Loan Documents;

vi. modifying the automatic stay pursuant to Bankruptcy Code § 362 to the extent necessary to implement and effectuate the terms and provisions of this Interim DIP Order and the DIP Loan Documents;

vii. scheduling a final hearing to consider entry of a final order (the "Final DIP Order") authorizing, among other things, the Debtor to obtain financing under the DIP Loan Documents and continue using cash collateral (as defined in section 363(a) of the Bankruptcy Code, the "Cash Collateral"); and

viii. granting the Debtor such other and further relief as is just and equitable.

The Court having held a hearing on the Motion on May 22, 2025 (the "Interim Hearing"); the Court having considered all objections, if any, to the Motion; and upon the record made (a) by the Motion and the exhibits attached thereto; (b) the *Declaration of Thomas Mooney in Support of*

Debtor's Emergency Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, and 507 (I) Authorizing the Debtor to Obtain Secured Priming Postpetition Financing, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Authorizing the Use of Cash Collateral, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief to be filed prior to the Final Hearing (as defined below), and (c) at the Interim Hearing, and after due deliberation and consideration, and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND CONCLUDED THAT:[3]

A. On April 6, 2025 (the "Petition Date"), the Debtor filed a voluntary petition for relief with the Court under subchapter V of chapter 11 of the Bankruptcy Code. The Debtor is continuing to operate and maintain its business as debtor in possession pursuant to section 1184 of the Bankruptcy Code.

B. This Court has jurisdiction over the Chapter 11 Case and the Motion pursuant to 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of this Chapter 11 Case and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The Court has authority to enter this Interim DIP Order consistent with Article III of the United States Constitution.

C. Sufficient and adequate notice of the Motion and entry of this Interim DIP Order has been given pursuant to sections 102(1) and 364(c)–(d) and Bankruptcy Rules 2002 and

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. Pursuant to Bankruptcy Rule 7052, to the extent any of the following conclusions of law constitute findings of fact, they are adopted as such. Statements made by the Court from the bench during the Final Hearing shall constitute additional conclusions of law and findings of fact, as appropriate.

4001(b)(2) to all entities entitled thereto such that no other or further notice of the Motion or of the entry of this Interim DIP Order need be provided to any entity.

D. The Debtor hereby admits, stipulates, and agrees that an immediate and ongoing need exists for the Debtor to obtain the DIP Credit Facility and borrow the DIP Loan in order for the Debtor to confirm a chapter 11 plan (a "Plan") and maximize the value of its business and assets as debtor in possession under chapter 11 of the Bankruptcy Code through, among other things: the orderly continuation of the operation of their businesses; maintenance of business relationships with vendors, suppliers, and customers; paying payroll obligations; satisfaction of other working capital and operational needs; and accomplishing the other acts necessary to be in a position to confirm a Plan. The Debtor does not have sufficient available resources of working capital to operate its business in this Chapter 11 Case in the ordinary course without postpetition financing. The Debtor's ability to maintain business relationships with vendors, to pay employees, and otherwise to fund operations is essential to the Debtor's viability and preservation of the going-concern value of its business and successful reorganization.

E. The Debtor admits, stipulates and agrees as follows, for itself and its estate, that all proceeds of the DIP Collateral are Cash Collateral of the DIP Lenders within the meaning of section 363(a) of the Bankruptcy Code, and subject to the terms of this Interim DIP Order, including subject to the DIP Liens.

F. The Debtor is unable to obtain unsecured credit allowable under Bankruptcy Code § 503(b)(1) as an administrative expense, and the Debtor is unable to obtain the postpetition financing that it needs on terms more favorable than those provided in the DIP Term Sheet. Without limiting the foregoing, postpetition financing is not available to the Debtor without the

Debtor granting to the DIP Lenders the DIP Liens and the Superpriority Claim (as defined below) provided under the DIP Term Sheet and this Interim DIP Order.

G. The DIP Credit Facility has been negotiated in good faith and at arms-length among the Debtor and the DIP Lenders. Any credit extended and loans made to the Debtor pursuant to the DIP Term Sheet and this Interim DIP Order shall be deemed to have been extended, issued, or made, as the case may be, in good faith as required by, and within the meaning of, Bankruptcy Code § 364(e), and the DIP Lenders are entitled to the protections of Bankruptcy Code § 364(e).

H. The use of Cash Collateral and extension of credit under the DIP Credit Facility is fair and reasonable and reflects the Debtor's exercise of prudent business judgment consistent with its fiduciary duties. The DIP Lenders have provided fair, adequate, and sufficient consideration that constitutes reasonably equivalent value for the DIP Liens conveyed to, and the rights, protections, and benefits obtained by, the DIP Lenders under this Interim DIP Order and under the DIP Loan Documents.

I. Entry of this Interim DIP Order is in the best interests of the Debtor's estate and creditors because its implementation, among other things, will allow for the immediate availability to the Debtor of working capital to use Cash Collateral and to borrow $500,000.00 on an interim basis to avoid immediate and irreparable harm and will enhance the Debtor's prospects for a confirmation of a Plan.

J. The DIP Lenders are willing to provide the DIP Credit Facility to the Debtor, but only upon the terms and conditions set forth in this Interim DIP Order and the other DIP Loan Documents. Absent entry of this Interim DIP Order, the DIP Lenders would not provide the DIP Credit Facility but for the terms and conditions set forth in this Interim DIP Order.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.

2. Any objections to the Motion or to entry of this Interim DIP Order that have not been withdrawn or otherwise resolved are hereby OVERRULED.

3. The execution and delivery of the DIP Term Sheet and other DIP Loan Documents by the Debtor is authorized and approved. Further, the Debtor is expressly authorized and directed to (a) execute and deliver to the DIP Lenders any other document of any kind required to be executed and delivered in connection with the DIP Term Sheet and the other DIP Loan Documents; (b) take any action to carry out the intent and purpose of the DIP Term Sheet and other DIP Loan Documents, including all such actions to create, protect, and perfect the DIP Liens in favor of the DIP Lenders, and (c) comply with and perform all of the terms and conditions contained in the DIP Term Sheet and other DIP Loan Documents. Upon execution and delivery of the DIP Term Sheet and entry of this Interim DIP Order, the DIP Loan Documents shall constitute valid and binding obligations of the Debtor, enforceable against the Debtor and its estate and any successor trustee, in accordance with the terms thereof. No obligation, payment, transfer or grant of security under the DIP Loan Documents as approved under this Interim DIP Order shall be stayed, restrained, voided, voidable, or recoverable under the Bankruptcy Code or applicable nonbankruptcy law, except to the extent this Interim DIP Order expressly provides otherwise.

4. The Debtor is expressly authorized to borrow from the DIP Lenders, on an interim basis, up to $500,000.00, and, pending entry of the Final DIP Order (as defined below), a maximum principal amount of the DIP Loan outstanding up to $1,550,000.00, on the terms and conditions set forth in the DIP Loan Documents and this Interim DIP Order.

5. The DIP Obligations are subject to (i) a Commitment Fee equal to $50,000, which shall be earned on the Closing Date and capitalized and added to the unpaid principal amount of the DIP Loan, and (ii) interest at the annual rate of 16.00%, computed based on a 360-day year, which shall be capitalized and added to the unpaid principal amount of the DIP Loan on the last Business Day of each month ("Interest"). The fees and expenses relating to the DIP Credit Facility, including the Commitment Fee and all other fees associated with the DIP Credit Facility, are authorized and approved for payment without further order of the Court.

6. The Debtor is hereby authorized to use Cash Collateral and the DIP Proceeds in accordance with the budget approved by the DIP Lenders (the "Budget"). The initial Budget is attached as **Exhibit 2** hereto. Until the payment and satisfaction in full in cash of all DIP Obligations, the Debtor shall provide to the DIP Lenders, on or before 5:00 p.m. New York City time on Friday of every other week, starting on May 30, 2025 (the "Initial Reporting Date"), (A) an updated 13-week budget Budget, and (B) a variance report for the immediately preceding two-week period comparing the actual receipts and disbursements of the Debtors, on a line-item basis, from the values set forth in the Budget (a "Budget Variance Report", and together with the Budget, the "DIP Financial Report"). The initial Budget shall be satisfactory to the DIP Lenders in their sole discretion, and each subsequent Budget shall, to the extent it deviates from or extends beyond the initial Budget, be satisfactory to the DIP Lenders in their sole discretion. The Debtor shall ensure that there shall be no unfavorable variance from the Budget of 20.0% or more (a "Prohibited Variance," and any variance that is not a Prohibited Variance, a "Permitted Variance") from either (a) the total receipts in the aggregate or (b) the total operating disbursements in the aggregate (excluding Professional Fees (defined below)), in each case, for every two-week period after the Initial Reporting Date (the "Variance Period"). For the avoidance of doubt, any delivery of a

Budget or a Budget Variance Report due on any day that is not a business day shall instead be delivered on the next business day thereafter

7. Upon an Event of Default (as defined in the DIP Term Sheet) and the Remedies Notice Period (as defined below), the DIP Lenders may declare the following without further order of or application to the Bankruptcy Court: (a) all DIP Obligations immediately due and payable (up to the amount borrowed); (b) all DIP Commitments immediately terminated; (c) termination of the DIP Credit Facility, without affecting the DIP Liens or the DIP Obligations; and (d) trigger of the Carve-Out and delivery to the Debtor and its counsel, the Office of the United States Trustee, and the Subchapter V Trustee of a Carve-Out Trigger Notice (as defined below).

8. Following an Event of Default and the Remedies Notice Period, the DIP Lenders are authorized to collect upon, convert to Cash Proceeds (as defined below), and enforce checks, drafts, instruments, and other forms of payment now or hereafter coming into its possession or under their control which constitute DIP Collateral or proceeds of DIP Collateral, subject to the provisions hereof. As used herein, "Cash Proceeds" means Cash Collateral and other cash coming into the possession or control of the Debtor, including arising from the collection or other conversion to cash of the DIP Collateral, including cash from the sale of inventory and the collection of accounts receivable, tax refunds, deposits subject to setoff, and insurance proceeds.

9. Following an Event of Default and the Remedies Notice Period, the DIP Lender is authorized to collect upon, convert to Cash Proceeds, and enforce checks, drafts, instruments, and other forms of payment now or hereafter coming into its possession or under their control which constitute DIP Collateral or proceeds of DIP Collateral, subject to the provisions hereof.

10. Following an Event of Default and subject to the Carve-Out, the Debtor will not use or seek to use Cash Proceeds, unless the Debtor obtains an order of the Court approving such

use and: (i) the DIP Lenders have consented to such order; or (ii) at the time of the entry of such an order, there are no DIP Obligations outstanding, and no obligation of the DIP Lenders to extend additional DIP Loan.

11. As security for the DIP Obligations, and as provided in the DIP Loan Documents and this Interim DIP Order, the DIP Lenders, shall have (effective and continuing, without the necessity of the execution, filing, and/or recordation of mortgages, security agreements, control agreements, patent security agreements, trademarks security agreements, pledge agreements, financing statements, or otherwise) (a) pursuant to Bankruptcy Code §§ 364(c)(2), 364(c)(3), and 364(d)(1), valid, binding, fully perfected, enforceable, and non-avoidable first-priority priming liens on and security interests in all assets (whether tangible, intangible, personal, or mixed) of the Borrower, whether now owned or hereafter acquired and wherever located, before or after the Petition Date, including, without limitation, all cash, accounts, proceeds of leases, inventory, equipment, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, patents, copyrights, trademarks, and other general intangibles, and all products, offspring, profits, and proceeds thereof in the Chapter 11 Case (collectively, the "DIP Collateral"); *provided,* that the DIP Liens are senior and superior in priority to all other secured and unsecured creditors of the Debtor's estate, subject only to (i) the Carve-Out and (ii) existing liens that under applicable law, are senior to, and have not been subordinated to, the liens of the DIP Lenders under the DIP Loan Documents, but only to the extent that such liens are valid, perfected, enforceable, and non-avoidable liens as of the Petition Date or perfected following the Petition Date as permitted by section 546 of the Bankruptcy Code, (collectively, the "Permitted Liens").

12. This Interim DIP Order shall be sufficient and conclusive evidence of the priority, perfection, and validity of the DIP Liens granted herein, effective as of the Petition Date, without

any further action by the Debtor or the DIP Lenders and without the execution, filing, or recordation of any financing statements, security agreements, mortgages, certificates, or other agreements, documents or instruments. Notwithstanding the foregoing, the Debtor shall execute and deliver to the DIP Lenders such financing statements, mortgages, instruments, certificates, agreements, and other documents as the DIP Lenders may request from time to time to provide further evidence of the perfection of the DIP Liens, and any such documents filed by the DIP Lenders shall be deemed filed as of the Petition Date.

13. In accordance with Bankruptcy Code § 364(c)(1), to the extent the DIP Liens do not satisfy the DIP Obligations, the DIP Obligations shall constitute claims with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, Bankruptcy Code §§ 105, 326, 328, 330, 331, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), or 726 (to the extent permitted by law), and/or 364(c)(1), and any other provision of the Bankruptcy Code (other than section 506(c) of the Bankruptcy Code), and shall at all times be senior to the rights of the Debtor, any chapter 11 trustee, any chapter 7 trustee, or any other creditor in the Chapter 11 Case (the "Superpriority Claim"); *provided*, *however*, that the Superpriority Claim shall be subject to the Carve-Out. For the avoidance of doubt, the Superpriority Claim is not payable from credit card receipts or cash proceeds thereof that are not property of the Debtor's estate.

14. While any portion of the DIP Obligations remains unpaid or any of the DIP Loan Documents remains in effect, the Debtor shall not seek entry of any order approving or authorizing (under Bankruptcy Code §§ 105 or 364, or otherwise) (a) the granting of any lien or security interest in any of the DIP Collateral in favor of any party other than the DIP Lenders, other than Permitted Liens, or (b) the obtaining of credit or the incurring of indebtedness that is entitled to

superpriority administrative status, in either case *pari passu* with or superior to that granted to the DIP Lenders pursuant to this Interim DIP Order, unless, in connection with any transaction cited in clause (a) or (b) of this Paragraph 14, such request by the Debtor seeks to authorize and direct that the full amount of the DIP Obligations shall first be paid indefeasibly and in full from the proceeds of the DIP Collateral.

15. The DIP Lenders' liens, claims, and security interests in the DIP Collateral and its Superpriority Claim shall be subject only to the Permitted Liens and the right to payment of the following (the "Carve-Out"):

(a) to the extent allowed by the Bankruptcy Court (regardless of whether the order allowing such fees is entered before or after the Carve-Out Trigger Notice is received), an amount equal to the sum of all allowed and unpaid claims for unpaid fees and expenses incurred prior to the earlier of (a) the Maturity Date or (b) the delivery of a Carve-Out Trigger Notice (defined below) (the "Professional Fees") incurred by persons or firms ("Professional Persons") retained by the Debtor whose retention is approved by the Bankruptcy Court pursuant to sections 327 or 328 of the Bankruptcy Code and the Subchapter V Trustee, subject to the terms of the Budget, the DIP Order, and any other interim or other compensation orders entered by the Bankruptcy Court which have not been paid by the Borrower prior to the Closing Date and are ultimately allowed by the Bankruptcy Court pursuant to sections 328, 330, 331, and 503 of the Bankruptcy Code or any order of the Bankruptcy Court;

(b) in the event of a conversion of the Case to a case under chapter 7 of the Bankruptcy Code, allowed fees and expenses incurred by a trustee and any professional retained

by such trustee, in an aggregate amount not to exceed $20,000; *provided*, *however*, no portion of the Carve-Out shall be utilized for the payment of professional fees and disbursements incurred in connection with any challenge to (i) the amount, extent, priority, validity, perfection, or enforcement of the indebtedness of the Borrower owing to the DIP Lenders or any of their affiliates, or (ii) liens or security interests in the collateral securing such indebtedness, including challenges to the perfection, priority, or validity of the liens granted in favor of the DIP Lenders or any of its affiliates with respect thereto.

The Carve-Out and the DIP Loan (or the proceeds thereof) may not be used to investigate or challenge the validity, perfection, priority, extent, or enforceability of the DIP Credit Facility, or the liens or security interests securing the DIP Credit Facility. Any funding of the Carve-Out shall constitute advances under the DIP Credit Facility secured by the DIP Collateral and shall be otherwise entitled to the protections granted under the Interim DIP Order, the Final DIP Order, the Bankruptcy Code, and applicable law. The Carve-Out shall not reduce the amounts payable to the DIP Lenders under the DIP Credit Facility. All amounts owed to Debtor's Professionals under the Carve-Out must be allowed by order of the Bankruptcy Court. Nothing herein shall be construed to impair the ability of any party to object to any of the fees, expenses, reimbursement, or compensation described in clause (b). For purposes of the foregoing, "Carve-Out Trigger Notice" shall mean a written notice delivered by the DIP Lenders to the Debtor and its counsel, the Office of the United States Trustee, and the Subchapter V Trustee, which notice may be delivered following the occurrence and during the continuance of an Event of Default. Upon receipt of any Carve-Out Trigger Notice, any party in interest may seek an emergency hearing from the Court on any issue, including whether an Event of Default has occurred, within five (5) days of receipt of

such notice (the "Remedies Notice Period"). The DIP Lenders are prohibited from exercising any remedies with respect to the Interim DIP Order, the DIP Credit Facility, and the DIP Term Sheet during the Remedies Notice Period.

16. The DIP Credit Facility shall terminate and the DIP Loan and all other DIP Obligations shall mature and be due and owing, in full in cash unless otherwise agreed to by the DIP Lenders on the earliest of (i) the date that is 180 days following the Closing Date (as defined in the DIP Term Sheet), (ii) the acceleration of the DIP Loan upon the occurrence of an Event of Default, (iii) the date the Bankruptcy Court converts the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, or (iv) the date the Bankruptcy Court dismisses the Chapter 11 Case (any such date, the "Maturity Date").:

17. The automatic stay imposed by Bankruptcy Code § 362(a) is hereby modified, to the extent necessary, to implement and effectuate the terms and conditions of this Interim DIP Order.

18. The Debtor is authorized to perform all acts and execute and comply with the terms of such other documents, instruments, and agreements in addition to the DIP Loan Documents, as the DIP Lenders may reasonably require, as evidence of and for the protection of the DIP Obligations, or which otherwise may be deemed reasonably necessary by the DIP Lenders to effectuate the terms and conditions of this Interim DIP Order and the DIP Loan Documents. The Debtor and the DIP Lenders are hereby authorized to implement, in accordance with the terms of the DIP Loan Documents, any non-material modifications of the DIP Loan Documents without further order of this Court.

19. By executing the DIP Loan Documents or taking any actions pursuant to this Interim DIP Order or the Final DIP Order, the DIP Lenders shall not: (a) be deemed to be in control

of the operations or liquidation of the Debtor; or (b) be deemed to be acting as a "responsible person" with respect to the operation, management, or liquidation of the Debtor.

20. The DIP Lenders shall not be required to file any proof of claim in the Chapter 11 Case for any claim under the DIP Loan Documents, or for any claim allowed herein.

21. The DIP Lenders' failure, at any time or times hereafter, to require strict performance by the Debtor (or by any trustee) of any provision of this Interim DIP Order or the DIP Loan Documents, shall not waive, affect, or diminish any right of the DIP Lenders thereafter to demand strict compliance and performance therewith. No delay on the part of the DIP Lenders in the exercise of any right or remedy under this Interim DIP Order, the DIP Loan Documents, the Bankruptcy Code, or applicable nonbankruptcy law shall preclude any other or further exercise of any right or remedy. The DIP Lenders shall not be deemed to have suspended or waived any of their rights or remedies under this Interim DIP Order, the DIP Loan Documents, the Bankruptcy Code, or applicable nonbankruptcy law unless such suspension or waiver is in writing, signed by a duly authorized officer of such party, and directed to the Debtor.

22. Any stay, modification, reversal, or vacation of this Interim DIP Order shall not affect the validity and enforceability of any DIP Obligations of the Debtor to the DIP Lenders incurred pursuant to this Interim DIP Order or the validity, priority, or enforceability of any of the DIP Liens and the Superpriority Claim granted to the DIP Lenders under this Interim DIP Order. Notwithstanding any such stay, modification, reversal, or vacation, all DIP Liens and the Superpriority Claim granted under this Interim DIP Order, the DIP Loan made pursuant to this Interim DIP Order, and all DIP Obligations incurred by the Debtor pursuant hereto and pursuant to the terms of the DIP Loan Documents prior to the effective date of any such stay, modification, reversal, or vacation shall be governed in all respects by the original provisions of this Interim DIP

Order, and the DIP Lenders shall be entitled to all the rights, privileges, and benefits, including, without limitation, the DIP Liens, and priorities granted herein with respect to all such DIP Obligations.

23. The provisions of this Interim DIP Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (a) confirming any plan of reorganization in the Chapter 11 Case (and, to the extent not satisfied in full, the DIP Obligations shall not be discharged by the entry of any such order, notwithstanding Bankruptcy Code § 1141(d)); (b) converting the Chapter 11 Case to a chapter 7 case; (c) appointing a chapter 11 trustee, or (d) dismissing the Chapter 11 Case. The terms and provisions of this Interim DIP Order as well as the Superpriority Claim and DIP Liens granted pursuant to this Interim DIP Order and the DIP Loan Documents shall continue in full force and effect notwithstanding the entry of such order, and such Superpriority Claim, DIP Liens, and any adequate protection liens shall maintain their priority as provided by this Interim DIP Order until all of the DIP Obligations are paid indefeasibly and in full, subject to the Carve-Out.

24. The provisions of this Interim DIP Order shall be binding upon and inure to the benefit of the DIP Lenders, the Debtor, and their respective successors and assigns, including any trustee appointed or elected in the Case, whether under chapter 11 or chapter 7.

25. If there is any inconsistency between the terms of the DIP Loan Documents and the provisions of this Interim DIP Order, the provisions of this Interim DIP Order shall control to the extent of such inconsistency.

26. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, or 9014 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim DIP Order shall be valid, take full effect, and be enforceable immediately upon entry hereof; there shall

be no stay of execution or effectiveness of this Interim DIP Order; and any stay of the effectiveness of this Interim DIP Order that might otherwise apply is hereby waived for cause shown.

27. A hearing to consider entry of the Final DIP Order and final approval of the DIP Credit Facility (the "Final Hearing") is scheduled for June ____, 2025, at __:___ _.m. (Eastern Time) before the Karen B. Owens, in the United States Bankruptcy Court for the District of Delaware. Within two (2) business days following entry of this Interim DIP Order, the Debtor shall serve or cause to be served by United States mail, first-class postage prepaid, notice of entry of this Interim DIP Order and of the Final Hearing (the "Final Hearing Notice"), together with copies of the Interim DIP Order and the Motion, on (a) the parties having been given notice of the Interim Hearing, (b) any party which has filed prior to such date a request for notices with this Court, and (c) the Subchapter V Trustee. The Final Hearing Notice shall state that any party-in-interest objecting to the entry of the proposed Final DIP Order shall file written objections with the Court no later than June ____, 2025, at 4:00 p.m. (Eastern Time), which objections shall be served so as to be actually received on or before such date on: (a) counsel for the Debtor, Pashman Stein Walder Hayden, P.C., 824 North Market Street, Suite 800, Wilmington, Delaware, 19801, Attn: Joseph C. Barsalona II (jbarsalona@pashmanstein.com), Richard W. Riley (rriley@pashmanstein.com), and Amy M. Oden (aoden@pashmanstein.com); (b) the Subchapter V Trustee, Archer & Greiner P.C., 300 Delaware Avenue, Suite 1100, Wilmington, Delaware, 19801, Attn: Natasha M. Songonuga (nsongonuga@archerlaw.com); (c) counsel to the DIP Lenders, Bielli & Klauder, LLC, 1204 N. King Street, Wilmington, DE 19801, Attn: David M. Klauder, Esq. (dklauder@bk-legal.com); and (d) the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Building, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware, 19801, Attn: Hannah J. McCollum (hannah.mccollum@usdoj.gov). The

Final Hearing may be continued from time to time without further notice other than given in open court.

28. The Court has and will retain jurisdiction to enforce this Interim DIP Order according to its terms.

Exhibit 1

DIP Term Sheet

HOUSE SPIRITS DISTILLERY LLC

SUPERPRIORITY SECURED
DEBTOR-IN-POSSESSION CREDIT FACILITY TERM SHEET

Summary of Terms and

Conditions

This Summary of Terms and Conditions (including all schedules, annexes, and exhibits hereto, this "DIP Term Sheet," and together with the DIP Order and the DIP Financial Reports (each as defined below), the "DIP Loan Documents") outlines certain terms of a superpriority secured debtor-in-possession term loan credit facility to be provided by the DIP Lenders (as defined below) to the Debtor (as defined below) (each, a "Party" and together, the "Parties") in connection with the Debtor's bankruptcy case commenced under chapter 11, subchapter V, of title 11 of the United States Code, §§ 101–1532 (as amended, the "Bankruptcy Code") styled *In re House Spirits Distillery LLC*, Case No. 25-10660 (KBO) (the "Chapter 11 Case") pending in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), subject to the conditions herein and as set forth more fully below.

This DIP Term Sheet is not an offer for the purchase, sale, or subscription or invitation of any offer to buy or sell or to subscribe for any securities. The terms and conditions set forth in this DIP Term Sheet do not constitute or create an agreement, obligation, or commitment of any kind by or on behalf of any party, unless and until executed by each of the undersigned parties hereto.

Purpose:	The DIP Credit Facility (as defined below) will be provided to the Debtor for the purpose of funding, among other things, postpetition working capital and operational expenses, administrative expenses and other bankruptcy costs, and, if the Debtor elects the Equity Conversion Option, payments pursuant to an Approved Plan, in each case from the Closing Date through the Maturity Date (as defined below), pursuant to applicable provisions of the Bankruptcy Code, in each case, in accordance with the DIP Loan Documents and subject to Bankruptcy Court approval.
Borrower:	House Spirits Distillery LLC (the "Debtor" or the "Borrower"), as debtor and debtor in possession under the Bankruptcy Code.
DIP Lenders:	The DIP Lenders identified on Annex A hereto.
Closing Date:	The date of the satisfaction or waiver by the DIP Lenders of each of the "Conditions to Initial DIP Draw" set forth below (the "Closing Date").
Facility Type and Amount:	A secured superpriority priming debtor-in-possession facility comprised of a new money term loan credit facility in an aggregate principal amount up to $1,550,000, to be drawn in tranches subject to the Budget (as defined below) (the "DIP Credit Facility"; the DIP Lenders' commitment under the DIP Credit Facility, the "DIP Commitment"; the loan provided thereunder the "DIP Loan"; the DIP Lenders' claim under the DIP Credit Facility, up to the amount borrowed, the "DIP Claim"; and proceeds received by the Borrower from the DIP Loan, the "DIP Proceeds").

Availability:	On or before one (1) business day following the Closing Date, the DIP Lenders shall remit the first tranche of the DIP Proceeds to the Debtor in the amount of $500,000, subject to satisfaction of the conditions to the initial draw set forth herein. Subsequent draws under the DIP Facility shall be (a) in amounts no less than $200,000, (b) made on no less than five (5) business days' notice to the DIP Lenders, and (c) subject to satisfaction of the conditions to subsequent draws set forth herein, including the entry of the Final DIP Order.
Permitted Uses:	The DIP Loan will be used for (i) working capital and general corporate purposes and operations of the Debtor, (ii) bankruptcy-related costs and expenses, (iii) if the Debtor elects the Equity Conversion Option, payments pursuant to an Approved Plan, and (iv) any other purpose agreed upon in the DIP Loan Documents.
Budget, Projections, and Reporting:	The Borrower agrees that until the payment and satisfaction in full in cash of all DIP Obligations (as defined below, solely up to the amount borrowed), the Debtor shall deliver to the DIP Lenders on a weekly basis, no later than 5:00 p.m. New York City time on Friday of every other week, and commencing on May 30, 2025 (the "Initial Reporting Date"), (A) an updated 13-week budget (the "Budget"), and (B) a variance report for the immediately preceding two-week period comparing the actual receipts and disbursements of the Debtors, on a line-item basis, from the values set forth in the Budget (a "Budget Variance Report", and together with the Budget, the "DIP Financial Report"). The initial Budget shall be satisfactory to the DIP Lenders in their sole discretion, and each subsequent Budget shall, to the extent it deviates from or extends beyond the initial Budget, be satisfactory to the DIP Lenders in their sole discretion. The Debtor shall ensure that there shall be no unfavorable variance from the Budget of 20.0% or more (a "Prohibited Variance," and any variance that is not a Prohibited Variance, a "Permitted Variance") from either (a) the total receipts in the aggregate or (b) the total operating disbursements in the aggregate (excluding Professional Fees (defined below)), in each case, for every two-week period after the Initial Reporting Date (the "Variance Period"). For the avoidance of doubt, any delivery of a Budget or a Budget Variance Report due on any day that is not a business day shall instead be delivered on the next business day thereafter.
Priority:	All obligations of the Borrower to the DIP Lenders under the DIP Credit Facility, including, without limitation, all principal and accrued interest, premiums (if any), costs, fees, and expenses or any other amounts due, or any exposure of each DIP Lender and its affiliates in respect of cash management incurred on behalf of the Borrower under the DIP Credit Facility (solely up to the amount borrowed, collectively, the "DIP Obligations"), shall be secured by the following liens and security interests (the "DIP Liens"):

	(i) subject only to existing liens that under applicable law, are senior to, and have not been subordinated to, the liens of the DIP Lenders under the DIP Loan Documents, but only to the extent that such liens are valid, perfected, enforceable, and non-avoidable liens as of the Petition Date or perfected following the Petition Date as permitted by section 546 of the Bankruptcy Code (collectively, the "Permitted Liens") and to the Carve-Out (as defined below), pursuant to section 364(d)(1) of the Bankruptcy Code, a first-priority perfected senior priming lien on, and security interest in, substantially all the Debtor's assets, wherever located, that may be subject to a validly perfected security interest in existence on the Petition Date, which shall be primed by, and made subject and subordinate to, the perfected first priority senior priming liens and security interests to be granted to the DIP Lenders, which senior priming liens and security interests in favor, and for the benefit, of the DIP Lenders; (ii) pursuant to section 364(c)(2) of the Bankruptcy Code, a first-priority perfected lien on, and security interest in, all present and after-acquired property of the Debtor, wherever located, not subject to a lien or security interest on the date of commencement of the Chapter 11 Case; and (iii) pursuant to section 364(c)(3) of the Bankruptcy Code, a junior perfected lien on, and security interest in, all present and after-acquired property of the Debtor, wherever located, that is subject to an existing perfected lien (collectively, the "Permitted Liens"); *provided* that the DIP Liens shall be senior to and shall prime all liens other than Permitted Liens. The property referred to in the preceding clauses (i), (ii), and (iii) is collectively referred to as the "DIP Collateral" and shall include, without limitation, all assets (whether tangible, intangible, personal, or mixed) of the Borrower, whether now owned or hereafter acquired and wherever located, before or after the Petition Date, including, without limitation, all accounts, proceeds of leases, inventory, equipment, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, patents, copyrights, trademarks, and other general intangibles, and all products, offspring, profits, and proceeds thereof. The DIP Liens shall be effective and perfected as of the entry of an order, in form and substance satisfactory to the DIP Lenders in their sole discretion, authorizing the Debtor to enter into the DIP Credit Facility on an interim basis (the "Interim DIP Order") and without necessity of the execution, filing, or recording of control agreements, financing statements, or other agreements. However, the DIP Lenders may, in their discretion, require the execution, filing, or recording of any or all of the documents described in the preceding sentence.

	Notwithstanding the foregoing, the DIP Collateral shall not include (and the DIP Liens shall not extend to) assets scheduled and held by the Debtor in trust (but only for so long as such assets are held in trust).
Superpriority DIP Claims:	The DIP Claim shall be entitled to the benefits of section 364(c)(1) of the Bankruptcy Code, having superpriority over any and all administrative expenses of the kind that are specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject only to the Carve-Out. The DIP Claim will, at all times during the period that the DIP Loan remain outstanding, remain, in right of payment, senior in priority to all other claims or administrative expenses, subject to the Carve-Out.
Carve-Out:	The "Carve-Out" is an amount equal to the sum of all allowed and unpaid claims for unpaid fees and expenses incurred prior to the earlier of (a) the Maturity Date or (b) the delivery of a Carve-Out Trigger Notice (defined below) (the "Professional Fees") incurred by persons or firms ("Professional Persons") retained by the Debtor whose retention is approved by the Bankruptcy Court pursuant to sections 327 or 328 of the Bankruptcy Code and the Subchapter V Trustee, subject to the terms of the Budget, the Interim DIP Order, the order in form and substance satisfactory to the DIP Lenders in their sole discretion, authorizing the Debtor to enter into the DIP Credit Facility on a final basis (as may be amended, supplemented, or modified from time to time solely in accordance with this DIP Term Sheet, the "Final DIP Order and together with the Interim DIP Order, the "DIP Order"), and any other interim or other compensation orders entered by the Bankruptcy Court which have not been paid by the Borrower prior to the Closing Date and are ultimately allowed by the Bankruptcy Court pursuant to sections 328, 330, 331, and 503 of the Bankruptcy Code or any order of the Bankruptcy Court. Notwithstanding anything to the contrary in this DIP Term Sheet, the DIP Lenders shall not be required to make any DIP Loans in excess of the DIP Commitment to fund the Carve-Out.
Interest Rate:	A per annum rate equal to 16.00%, computed based on a 360-day year, which shall be capitalized and added to the unpaid principal amount of the DIP Loans on the last Business Day of each month.
Commitment Fee:	$50,000, which shall be earned on the Closing Date and capitalized and added to the unpaid principal amount of the DIP Loans.
Maturity Date:	All DIP Obligations will be due and payable in full in cash unless otherwise agreed to by the DIP Lenders on the earliest of (i) the date that is 180 days following the Closing Date, (ii) the acceleration of the DIP Loan upon the occurrence of an Event of Default, (iii) the date the Bankruptcy Court converts the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, or (v) the date the Bankruptcy Court dismisses the Chapter 11 Case (any such date, the "Maturity Date").

	All principal of, and accrued interest on, the DIP Loan and all other amounts owing to the DIP Lenders under the DIP Credit Facility shall be payable on the Maturity Date.
Voluntary Prepayments:	Voluntary prepayments of the DIP Loan shall be permitted at any time, without premium or penalty.
Representations and Warranties:	The Borrower shall ensure that each of the following representations and warranties is true and correct as of the Closing Date: (i) *Collateral Title*. The Debtor has the corporate power to transfer each item of the collateral upon which it has granted a DIP Lien pursuant to the DIP Loan Documents, free of all liens whatsoever, except for Permitted Liens, DIP Liens, and validly perfected security interests in favor of a third party in existence on the Petition Date. (ii) *Due Organization*. The Debtor is a limited liability company duly organized, legally existing, and in good standing under the laws of its jurisdiction of incorporation or organization. (iii) *Compliance with Applicable Laws*. By entering into the DIP Loan Documents, the Debtor is not in violation of any law, rule, or regulation or in default with respect to any judgment, writ, injunction, or decree of any governmental authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect. (iv) *Conflict*. Subject to the approval of the Bankruptcy Court, the DIP Loan Documents do not (a) violate any provisions of the Debtor's organizational documents, or any material law, regulation, order, injunction, judgment, decree, or writ to which the Debtor is subject or (b) other than the commencement of the Chapter 11 Case and as a reasonable consequence of the commencement of the Chapter 11 Case, conflict with or result in the material breach or termination of, constitute a default under, or accelerate or permit the acceleration of any performance required by, any material lease, agreement, or other contract to which the Debtor is a party or by which the Debtor or any of its property is bound which is not subject to the automatic stay. (v) *Material Adverse Effect*. Other than the commencement of the Chapter 11 Case and as a reasonable consequence of the commencement of the Chapter 11 Case, no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing since the Petition Date.

	(vi) *Information Correct*. No information, report, financial statement, exhibit, or schedule furnished by or on behalf of the Debtor to the DIP Lenders in connection with the negotiation of any DIP Loan Documents contains, when furnished, any material misstatement of fact or omitted or omits, when furnished, to state any material fact necessary to make the statements, in the light of circumstances under which they were, are, or will be made, not misleading (it being recognized by the DIP Lenders that (a) projections and pro forma financial information, are based upon good-faith estimates and assumptions believed by the Debtor to be reasonable at the time made, and (b) projections and estimates as to future events are not to be viewed as facts and that the actual results during the period or periods covered by any such projections and estimates may differ materially from projected or estimated results).
Conditions to Initial DIP Draw:	The obligation of the DIP Lenders to fund the initial tranche of the DIP Loan on the Closing Date will be subject to satisfaction, or waiver by the DIP Lenders in their sole discretion, of the following conditions precedent: (i) *Agreement*. The DIP Lenders shall have received a counterpart of (i) this Agreement duly executed and delivered by a duly authorized officer of the Debtor and (ii) each other DIP Loan Document duly executed and delivered by a duly authorized officer of the Debtor. (ii) *DIP Financing Order*. The DIP Lenders shall have received a copy of the Interim DIP Order entered by the Bankruptcy Court, and the Interim DIP Order shall be in full force and effect and shall not have been reversed, modified, amended, supplemented, stayed, vacated or subject to stay. (iii) *Initial Budget*. The DIP Lenders shall have received the initial Budget. (iv) *Collateral Filings*. Each document (including any UCC financing statement) required by the DIP Loan Documents or reasonably requested by the DIP Lenders to be filed, registered, or recorded in order to create in favor of the DIP Lenders, a perfected Lien on the DIP Collateral described therein, prior and superior in right to any other person (as defined in the Bankruptcy Code) (other than with respect to Permitted Liens), shall be in proper form for filing, registration, or recordation. (v) *Representation and Warranties*. Each of the representations and warranties made in or pursuant to the DIP Loan Documents shall be true and correct in all material respects on and as of the Closing Date; *provided*, *that* to the extent stated

	to relate to a specific earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such earlier date; *provided*, *further*, *that* any representation and warranty that is qualified as to "materiality," "Material Adverse Effect", or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates. (vi) *No Default or Event of Default*. No Default or Event of Default shall have occurred and be continuing on the Closing Date or will occur immediately after giving effect to the Initial Draw. (vii) *Notice of Borrowing*. The DIP Lenders shall have received a timely Notice of Borrowing. (viii) *Good Standing Certificate of Debtor*. The DIP Lenders shall have received a good standing certificate, dated as of a recent date for the Debtor from its jurisdiction of organization. (ix) *Lien Searches*. The DIP Lenders shall have received customary lien searches in the United States reasonably requested by them.
<u>Conditions to Subsequent DIP Draws:</u>	(x) *Notice of Borrowing*. The DIP Lenders shall have received a timely Notice of Borrowing. (xi) *Representation and Warranties*. Each of the representations and warranties made in or pursuant to the DIP Loan Documents shall be true and correct in all material respects on and as of the Closing Date; *provided*, *that* to the extent stated to relate to a specific earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect", or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates. (xii) *No Default or Event of Default*. No Default or Event of Default shall have occurred and be continuing on such Borrowing Date or will occur immediately after giving effect to such DIP Loan. (xiii) *Final DIP Order*. The Final DIP Order shall have been entered by the Bankruptcy Court and be in full force and effect, and shall not have been vacated, stayed, reversed, modified, or amended.

	(xiv) *DIP Financial Reports*. The DIP Lenders shall have timely received all DIP Financial Reports and no Prohibited Variances shall have occurred.
Covenants:	The Debtor shall: (i) timely deliver, or cause to be timely delivered, to the DIP Lenders the DIP Financial Reports, all in accordance with the provisions set forth above; (ii) deliver to DIP Lenders any and all financial and other data, documents, and information requested by DIP Lenders and provide access to any and all such other data, documents, and information (including, without limitation, historical data, documents, and information) and to personnel (including, without limitation, through in-person, telephonic, or videoconference meetings), all as may be requested by the DIP Lenders; (iii) (A) upon the request of DIP Lenders, during normal business hours, and on reasonable prior notice (provided no prior notice is required if an Event of Default has occurred and is continuing), make the Debtor's inventory, equipment, other DIP Collateral, and books and records concerning the DIP Collateral (including software used in the business) available to DIP Lenders for inspection at the place where it is located, and shall make its log and maintenance records pertaining to the inventory and equipment available to DIP Lenders for inspection, and (B) take all reasonable action necessary to correctly and completely maintain such books, records, logs, and maintenance records; (iv) upon request of the DIP Lenders, obtain additional insured and loss payee endorsements, as applicable, to the Borrower's insurance policies with respect to the DIP Collateral that name the DIP Lenders as additional insureds and loss payees, as applicable, in form and substance reasonably acceptable to the DIP Lenders; (v) comply with the provisions of the DIP Loan Documents; and (vi) take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper, or advisable under applicable law, and to execute and deliver such documents and other papers, as may be required or

	reasonably requested by the DIP Lenders to carry out the provisions of the DIP Loan Documents. The Debtor shall not, without the prior written consent of the DIP Lenders, do, cause to be done, or agree to do or cause to be done, any of the following: (i) create, incur, assume, or suffer to exist any indebtedness, except indebtedness expressly contemplated by this DIP Term Sheet; or (ii) create, incur, assume or suffer to exist any lien upon any of its property, assets, income, or profits, whether now owned or hereafter acquired, except Permitted Liens.
Events of Default:	"Events of Default" shall include the following and any other defaults specified as such in the DIP Order: (i) failure by the Debtor to be in compliance in all respects with any provision of the DIP Loan Documents (including the DIP Financial Reports); (ii) reversal, modification, amendment, stay, or vacation of the DIP Order, as entered by the Bankruptcy Court, without the prior written consent of the DIP Lenders; (iii) the appointment in the Chapter 11 Case of a responsible officer with enlarged powers relating to the operation of the business of the Debtor (powers beyond those set forth in sections 1106(a)(3) and (a)(4) of the Bankruptcy Code); (iv) the filing of a motion by the Debtor seeking dismissal of the Chapter 11 Case or the conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code; (v) the granting of relief from the automatic stay by the Bankruptcy Court as to any material assets of the Debtor to any other creditor or party in interest in the Chapter 11 Case; (vi) any event or circumstance occurs that could reasonably be expected to have a Material Adverse Effect;[1] or

[1] "Material Adverse Effect" means, excluding results from the filing and administration of the Chapter 11 Case, a material adverse effect on (a) the business, operations, properties, prospects, assets, or condition (financial or otherwise) of the Debtor, (b) the ability of the Debtor to perform the DIP Obligations in accordance with the terms of the DIP Loan Documents or the DIP Lenders' ability to enforce any of its rights and remedies with respect to the DIP Obligations in accordance with the terms of the DIP Loan Documents, or (c) the DIP Collateral or DIP Lenders' DIP Liens on the DIP Collateral or the priority of such DIP Liens.

	(vii) any provision in this DIP Term Sheet shall cease to be binding on or enforceable against the parties hereto. An Event of Default may be waived by the DIP Lenders in their sole discretion.
Remedies Upon Default:	Upon the occurrence and during the continuance of any Event of Default, subject to five (5) business days' notice to the Debtor (the "Remedies Notice Period") and an opportunity to seek an expedited hearing before the Bankruptcy Court, the DIP Lenders declare the following without further order of or application to the Bankruptcy Court: (i) All DIP Obligations immediately due and payable (up to the amount borrowed); (ii) All DIP Commitments immediately terminated; (iii) Termination of the DIP Credit Facility, without affecting the DIP Liens or the DIP Obligations; and (iv) Trigger of the Carve-Out and delivery to the Debtor of a notice thereof (a "Carve-Out Trigger Notice"). Further, the DIP Lenders shall be entitled to exercise all rights and remedies under the DIP Term Sheet and the DIP Orders entered by the Bankruptcy Court.
Approved Plan	The Debtor shall propose a Chapter 11 Plan reasonably acceptable to the DIP Lenders that, in any event, either (a) repays the DIP Obligations in full in cash or (b) so long as no Event of Default has occurred and is continuing, (1) provides the DIP Lenders the portion of equity of the reorganized Debtor based on the estimated enterprise value of the Debtor at the time of confirmation of an Approved Plan in satisfaction of any DIP Obligations (up to the amount borrowed) not repaid in cash and (2) satisfies all other claims against the Debtor in a manner satisfactory to the DIP Lenders using cash on hand and proceeds of the DIP Loans (the "Equity Conversion Option"). If the Debtor elects the Equity Conversion Option, the DIP Lenders may, in their sole discretion, cause the Debtor to assume any executory contract or unexpired lease pursuant to the Plan.
Governing Law and Jurisdiction:	The laws of the State of Delaware (except as governed by the Bankruptcy Code) shall govern this DIP Term Sheet and each DIP Loan Document, except with respect to conflicts of laws. The DIP Loan Documents will provide that the Borrower and the DIP Lenders shall submit to the exclusive jurisdiction of the Bankruptcy Court

	for purposes of resolving any and all disputes as may arise under the DIP Loan Documents and shall further waive any right to trial by jury.

ANNEX A – LIST OF DIP LENDERS

Themiscyra S.A. - $500,000

Endurance Invest Corp. - $400,000

Maria Isabel Leal - $400,000

Trillo San Carlos S.A.- $250,000

Exhibit 2

Budget

Westward Whiskey
Cashflow by Week

	FORECAST 12-May	FORECAST 19-May	FORECAST 26-May	FORECAST 2-Jun	FORECAST 9-Jun	FORECAST 16-Jun	FORECAST 23-Jun	FORECAST 30-Jun	FORECAST 7-Jul	FORECAST 14-Jul	FORECAST 21-Jul	FORECAST 28-Jul	FORECAST 4-Aug	FORECAST 11-Aug
Direct to Consumer (DTC) Revenue Received	$ 20,000	$ 18,000	$ 18,000	$ 144,000	$ 20,000	$ 20,000	$ 20,000	$ 24,608	$ 24,608	$ 24,608	$ 24,608	$ 24,608	$ 24,608	$ 24,609
OLCC Fees on DTC	(4,500)	(4,500)	(4,500)	(4,500)	(21,563)	(21,563)	(15,500)	(15,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)
Wholesale		16,000		16,000		16,000		16,000		16,000		16,000		16,000
Interest Income & Other														
DIP Loan			$ 500,000		$ 200,000		$ 200,000		$ 200,000		$ 200,000		$ 200,000	
Total Cash Received	**$ 15,500**	**$ 29,500**	**$ 513,500**	**$ 155,500**	**$ 198,438**	**$ 14,438**	**$ 204,500**	**$ 25,108**	**$ 220,108**	**$ 36,108**	**$ 220,108**	**$ 36,108**	**$ 220,108**	**$ 36,109**
Employee Payroll + Payroll Taxes		107,570		107,570		107,570		107,570		107,570		107,570		
Retirement Contributions		*11,088*				*11,088*				*11,088*				*11,088*
Health Insurance		23,340				23,340				23,340				23,340
HSA & FSA	635	635	635	635	635	635	635	635	635	635	635	635	635	635
Contractors			59,000	6,000			59,000	6,000				59,000	6,000	
Total Payroll & Contractors	**$ 635**	**$ 142,633**	**$ 59,635**	**$ 114,205**	**$ 635**	**$ 142,633**	**$ 59,635**	**$ 114,205**	**$ 635**	**$ 142,633**	**$ 635**	**$ 167,205**	**$ 6,635**	**$ 35,063**
Travel Costs	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**	**$ 4,769**
Advertising & Promotion	**$ -**	**$ -**	**$ 5,000**	**$ 5,000**	**$ -**	**$ -**	**$ -**	**$ 5,000**	**$ 5,000**	**$ -**	**$ -**	**$ 5,000**	**$ 5,000**	**$ -**
OTHER OPERATING EXPENSES														
Postage & Shipping	1,267	1,267	10,505	10,172	10,172	10,172	10,172	1,267	1,267	1,267	1,267	1,267	1,267	1,267
Supplies (DTC events, Janitor, water, PPE)	2,400	2,400	6,337	2,400	2,400	2,400	6,337	2,400	2,400	2,400	2,400	6,337	2,400	2,400
Fees - Markets, SED, Events	404	404	404	404	404	404	404	404	404	404	404	404	404	404
Parking & Mileage	192	192	192	192	192	192	192	192	192	192	192	192	192	192
Whiskey Club Marketing	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313	1,313
DTC Airport Rent	13,825					13,825				8,000				
DTC Utilities			1,150					1,150				1,150		
Telephone			1,082					1,082				1,082		
Dues, Subscriptions & Fees			6,000	5,000				6,000	5,000			6,000	5,000	
StkThruPut Insurance	-	-	5,432	-	-	-	-	5,432	-	-	-	5,432		
Prop & Casualty Insurance		-		-	-	-	-		-	-	-			
Workers Comp	-	-	1,000	-	-	-	-	1,000	-	-	-	1,000		
ParkStreet Fees	-	-	2,300	-	-	-	-	2,300	-	-	-	2,300		
Payroll service Fees	-	-	3,300	-	-	-	-	3,300	-	-	-	3,300		
Legal Fees	-			9,000	-	-	-	-	9,000	-	-	-	-	
Bank Fees				320				320				320		
Bankruptcy Counsel - Pashman			113,246			80,000					80,000			
Bankruptcy Support - EPIQ	50,000					50,000								
Subchapter V Trustee Fees		5,000				5,000								
Other -cushion														
Total Other Operating Expenses	**$ 69,401**	**$ 10,576**	**$ 152,261**	**$ 28,801**	**$ 14,481**	**$ 163,306**	**$ 18,418**	**$ 26,160**	**$ 19,576**	**$ 13,576**	**$ 85,576**	**$ 30,097**	**$ 10,576**	**$ 5,576**
OTHER PRODUCT SUPPY & CM														
Purchase of Packaging	-	10,500	-	120,689	-	5,000	-	5,000	-	5,000	-	5,000	-	5,000
Facilities Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Barrell Storage	-	-	25,000	-	-	-	-	25,000	-	-	-	25,000	-	
Distillery Rent	-	-	27,697	-	-	-	-	27,697	-	-	-	27,697	-	
AVP Warehouse storage	7,000	-	7,000	-	-	-	-	7,000	-	-	-	7,000	-	
Storage (AWC…)	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Production Utilities	900		1,800	2,000	900		1,800	2,000			1,800	5,000		
Property Tax	27,174	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment (Rent, repairs & maintenance)	-	-	-	1,000	1,000	-	-	1,000	1,000	-	-	1,000	1,000	1,667
Logistics (Shipping, storage, other)	-	-	2,500	2,500	-	-	-	2,500	2,500	-	-	2,500	2,500	
Temporary Labor for Packaging	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
TTB Excise Tax														
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Product Supply & CM Total	**38,974**	**14,400**	**67,897**	**130,089**	**5,800**	**8,900**	**5,700**	**74,097**	**7,400**	**8,900**	**5,700**	**77,097**	**7,400**	**10,567**
TOTAL NET CASH FLOW	**$ (98,279)**	**$ (142,878)**	**$ 223,938**	**$ (127,364)**	**$ 172,753**	**$ (305,171)**	**$ 115,978**	**$ (199,123)**	**$ 182,728**	**$ (133,770)**	**$ 123,428**	**$ (248,060)**	**$ 185,728**	**$ (19,866)**
Beginning Cash Available	$ 567,739	$ 469,460	$ 326,582	$ 550,520	$ 423,156	$ 595,908	$ 290,737	$ 406,715	$ 207,592	$ 390,320	$ 256,549	$ 379,977	$ 131,916	$ 317,644
Projected Ending Cash Available	**$ 469,460**	**$ 326,582**	**$ 550,520**	**$ 423,156**	**$ 595,908**	**$ 290,737**	**$ 406,715**	**$ 207,592**	**$ 390,320**	**$ 256,549**	**$ 379,977**	**$ 131,916**	**$ 317,644**	**$ 297,778**
Adjustment to Bank Balance														
Adjusted Ending Cash Available	**$ 469,460**	**$ 326,582**	**$ 550,520**	**$ 423,156**	**$ 595,908**	**$ 290,737**	**$ 406,715**	**$ 207,592**	**$ 390,320**	**$ 256,549**	**$ 379,977**	**$ 131,916**	**$ 317,644**	**$ 297,778**

* Available Cash is net of Secured Cash Account and Purchase Card balance