

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:

HARVEST SHERWOOD FOOD
DISTRIBUTORS, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 25-80109 (SGJ)

(Joint Administration Requested)

**DECLARATION OF ERIC KAUP
IN SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS,
DEBTOR IN POSSESSION FINANCING, AND FIRST DAY PLEADINGS**

I, Eric Kaup, pursuant to section 1746 of title 28 of the United States Code hereby declare that the following is true and correct to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer of Harvest Sherwood Food Distributors, Inc. ("Harvest Sherwood") and, together with its debtor affiliates in the above-captioned Chapter 11 Cases (as defined below) as debtors and debtors in possession, the "Debtors" or the "Company").

2. On April 25, 2025, I was appointed as Chief Restructuring Officer. Prior to that, beginning in early February 2025, I provided strategic consulting services for the Debtors in connection with my role as Executive Vice President, Chief Commercial Officer, and Special Counsel (collectively, "CCO") of Hilco Global (as defined below), including evaluating the Debtors' contemplated winddown and asset dispositions. Since first commencing work for the

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor's federal tax identification number, are Del Mar Holding LLC (9207), Del Mar Acquisition Inc. (8866), Surfliner Holdings, Inc. (9456), Harvest Sherwood Food Distributors, Inc. (8995), Harvest Meat Company, Inc. (9136), LAMCP Capital, LLC (N/A), Western Boxed Meats Distributors, Inc. (8735), Cascade Food Brokers, Inc. (1389), Hamilton Meat, LLC (6917), SFD Acquisition LLC (8995), SFD Transportation Corp. (1551), Sherwood Food Distributors, L.L.C. (4375), and SFD Company LLC (1175). The Debtors' service address is c/o Epiq Corporate Restructuring, LLC, 10300 SW Allen Blvd., Beaverton, OR 97005.

Debtors, I personally have been involved with the Debtors' business and operations. Accordingly, I have acquired significant knowledge of the Debtors, their businesses, and the circumstances that led to the commencement of these Chapter 11 Cases, as well as the Debtors' financial affairs, capital structure, operations, and related matters.

3. I have held the position of CCO at Hilco Global since January 2024. During my more than 20 years of experience at Hilco Global, I have led or otherwise been actively involved in the engagements for winding down entities in industries such as transportation, manufacturing, retail, and consumer (among others). Prior to my appointment as CCO, I served as Executive Vice President and General Counsel from March 2007–January 2024, and from January 2004–March 2007, I served as Executive Vice President and Assistant General Counsel at Hilco Global. Prior to joining Hilco Global, I was an associate at Skadden, Arps, Slate, Meagher & Flom LLP in its restructuring practice, where I participated in many of the nation's then-largest chapter 11 filings, including Safety-Kleen Corporation, Outboard Marine Corporation, Polaroid Corporation, and National Steel Corporation. I received a Bachelor of Arts in Economics and Political Science from Yale University and a Juris Doctor from the Ohio State University Moritz College of Law.

4. On the date hereof (the "Petition Date"), the Debtors commenced in the United States Bankruptcy Court for the Northern District of Texas (the "Court") voluntary cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). I am knowledgeable about and familiar with the Company's day-to-day operations, books and records, and businesses and financial affairs, as well as the circumstances leading to the commencement of these Chapter 11 Cases. I submit this declaration (this "Declaration") in support of the Debtors' voluntary petitions for relief and the motions and applications that the

Debtors filed with the Court, including the DIP Motion,² and the other “first-day” pleadings filed contemporaneously herewith (collectively, the “First Day Motions”). I am authorized to submit this Declaration on behalf of the Debtors.

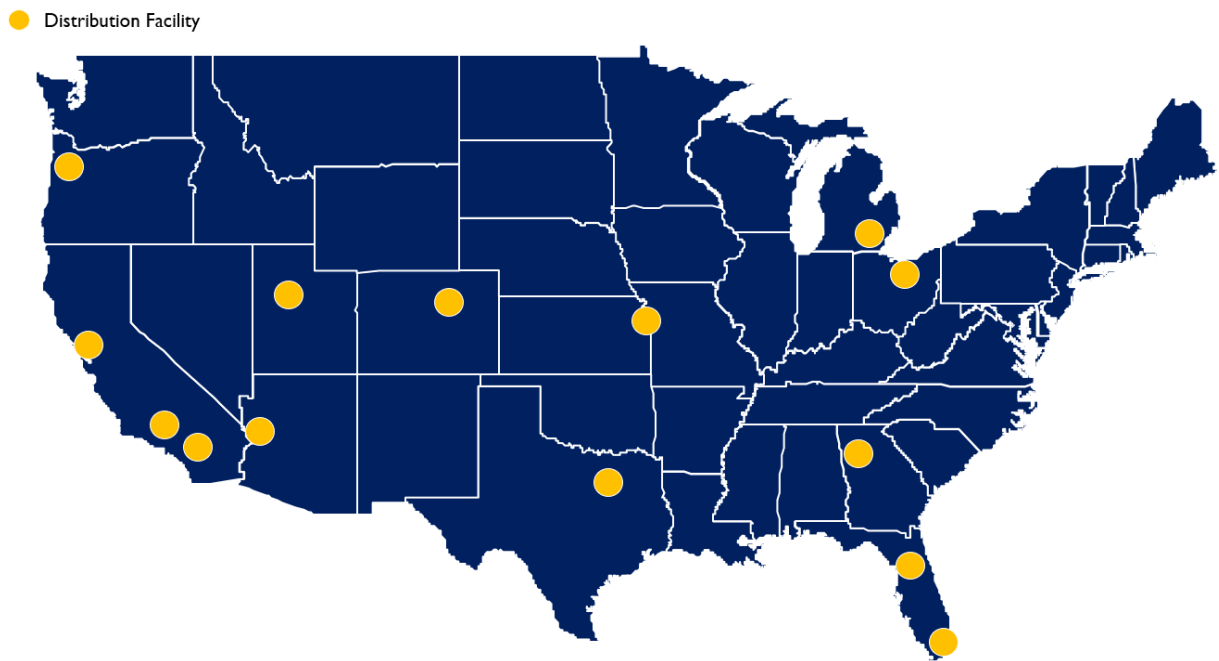
5. Except as otherwise indicated, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by the Debtors’ former employees, my opinion based on experience, knowledge, and information concerning the Debtors’ operations and financial condition, and my discussions with the Company’s restructuring Advisors (as defined below)—Sidley Austin LLP (“Sidley”) as global counsel to Harvest Sherwood, Meru, LLC (“Meru”) as financial advisor, Houlihan Lokey Capital, Inc. (“Houlihan”), as investment banker, and Hilco Commercial Industrial, LLC and Hilco Receivables, LLC (collectively, “Hilco Global,” and, together with Sidley and Houlihan, the “Advisors”) as winddown advisor. If called upon to testify, I would testify to the facts set forth in this Declaration.

6. This Declaration is organized into five sections. Section I provides an overview of the Debtors and the Chapter 11 Cases. Section II provides background information on the Debtors’ organizational structure and business. Section III describes the Debtors’ capital structure. Section IV describes the events leading to the commencement of the Chapter 11 Cases and the Debtors’ prepetition restructuring efforts. Section V summarizes the relief requested in, and the legal and factual bases supporting, the DIP Motion and all of the other First Day Motions.

² “DIP Motion” shall mean the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Senior Secured Liens and Provide Claims with Superpriority Administrative Expense Status, and (D) Grant Adequate Protection to the Prepetition Secured Parties; (II) Modifying the Automatic Stay; (III) Scheduling a Final Hearing, and (IV) Granting Related Relief*, filed contemporaneously herewith.

I. Overview

7. Prior to the Petition Date, Harvest Sherwood was the largest independent wholesale food distributor in the United States with approximately \$4 billion of annual revenue. Through its vast network of 14 distribution centers, Harvest Sherwood shipped over 32 million pounds of food per week to protein and perishable food producers, independent food retailers, regional and national retail chains, cruise lines, and food service customers throughout the United States. Offering a wide range of commodities and branded selections such as bakery products, deli, beef, pork, lamb, veal, poultry, seafood, and frozen foods, Harvest Sherwood met the unique needs of niche markets and food retailers of all sizes, and offered marketing resources that helped maximize grocery sales.



8. As described in more detail below, various industry headwinds and operational challenges prompted the Company to evaluate strategic options with respect to its capital structure, liquidity, and go forward operations. Since mid-2024, with the support of its Advisors (and other third party professionals), the Company actively pursued strategic alternatives to maximize the

value of its assets, including potential sale, restructuring and/or financing transactions. Pursuit of these options included, among other things, commencement of a fulsome marketing and sale process run by Houlihan for all or a portion of the Company's assets (the "Marketing Process"). Simultaneously, the Company engaged in negotiations with its ABL Lenders (as defined below) and third-parties regarding incremental liquidity to preserve the Company as a going concern (collectively with the Marketing Process, the "Restructuring Process").

9. As described further herein, notwithstanding these efforts, the Company experienced numerous operational challenges during the Restructuring Process, including the prospective loss of a major customer, Sprouts Farmers Market ("Sprouts"), and a key industry credit rating downgrade. These events were immediately followed by Sprouts withholding tens of millions of dollars of payments owed to the Company for goods previously shipped (among other vendor and customer holds). This sudden loss of operational revenue rendered all potential strategic alternatives unactionable as the Company no longer had sufficient operational liquidity to continue evaluating and/or progressing a go-forward comprehensive sale transaction. Consequently, in mid-February 2025, the Company, with the support of its ABL Lenders, commenced an orderly winddown process to liquidate its remaining inventory, collect on its accounts receivable, and transition certain of its national distribution centers to new operators (collectively, the "Winddown Process").³

10. The Winddown Process is well-underway, and the Company has completed the sale of substantially all its remaining inventory. As described in greater detail herein, on February 18, 2025, the Company provided notice to its employee base in accordance with the Federal Worker

³ By mid-March 2025, a significant ad hoc committee of unsecured creditors formed the prior month (the "Ad Hoc Unsecured Creditors' Committee") also began meaningfully engaging with the Company and ultimately supported the Company's winddown process.

Adjustment and Retraining Notification Act, 29 U.S.C. 2101 et seq., and state equivalents (collectively, the “WARN Act”) that it would shut down all operations by April 21, 2025, with employees remaining on payroll and benefits through that date. Accordingly, the Company has ceased ordinary course operations, is primarily pursuing collection of certain accounts receivable and monetization of the Litigation Assets (as defined below), and further anticipates completing the sale of its remaining key facility in Dallas, Texas during these Chapter 11 Cases.

11. The Company commences these Chapter 11 Cases with the support of its ABL Lenders and the Ad Hoc Unsecured Creditors’ Committee to conclude its orderly Winddown Process and maximize the value of its assets for the benefit of all of its stakeholders. This value-maximizing process includes the pursuit of certain valuable litigation claims, including the Anti-Trust Litigation Assets, Sprouts Litigation Assets, and Goodman Litigation Assets (each as defined below and, collectively, the “Litigation Assets”) that could serve as the foundation for a material recovery to unsecured creditors. For the reasons stated herein, I believe that the commencement of these Chapter 11 Cases is critical to ensure that (i) the Company maximizes the value of its Litigation Assets by continuing to pursue its claims in connection therewith and (ii) any proceeds derived therefrom (and from the Company’s other assets) are equitably distributed to the Company’s stakeholders.

II. Debtors’ Business

A. Corporate History and Operational Scope

12. Harvest Sherwood was a national food distribution operator primarily comprised of two regional operators that were formerly separately-owned—Sherwood Food Distributors and Harvest Food Distributors. Together, they provided food distribution services across the United States.

13. *Sherwood Food Distributors.* Since its founding in 1969 as Regal Packing Company, Sherwood Food Distributors grew to become one of the largest independent distributors in the meat and food industry, shipping over 20 million pounds of food products weekly on a fleet of over 250 trucks through a network of distribution centers in Atlanta, Cleveland, Detroit, Miami, and Orlando. In total, these distribution centers comprised over one million square feet of refrigerated warehouse space with over a million cases in stock covering over 50 food categories. Through its leading technological capabilities, Sherwood Food Distributors provided retail and wholesale customer solutions and options unrivaled in value, quality, and reliability.

14. *Harvest Food Distributors.* Harvest Food Distributors was founded in 1989 as Harvest Meat Company with offices and distribution centers in Phoenix and San Diego. It aimed to provide independent food companies that did not have the scale to be self-distributors the opportunity for access to national and regional brands and products. While independent food distribution was not new at the time, Harvest Food Distributors launched a novel strategy to provide customers with greater ease of access to beef, pork, poultry and seafood products. Fundamentally, the strategy focused on providing a wide selection of protein items that could fit any demographic with all brands and products demanded by consumers. Coupled with high fill rates and on time delivery, access to a wide selection of brands and products was immediately embraced by customers in Phoenix and San Diego, among other places. Harvest Food Distributors maintained more than 6,000 retail and foodservice customers including independent grocers, supermarkets, foodservice distributors, food manufacturers and club stores.

15. *Harvest Sherwood.* In 2017, Harvest Food Distributors and Sherwood Food Distributors merged to form a nationwide protein and perishable food distribution network, servicing independent food retailers, regional retail chains, national retail chains, cruise lines, and

foodservice distributors nationwide. The merger brought together two family-owned companies to serve as a single, trusted partner for producers and customers. Both companies retained their individual identities while leveraging their shared network of distribution routes and warehouses throughout the United States to meet local needs reliably and frequently, while providing a platform for customer expansion and growth.

B. Company's Operations

16. The Company coordinated the complex flow of proteins from food manufacturers to customers, serving as a valued link between over 650 suppliers and nearly 3,500 customers at any given time. Through its robust distribution infrastructure, Harvest Sherwood served as a valued path to market for suppliers, enabling a broad range of supplier products to gain access into a disparate customer base across the United States. As a scaled buyer, Harvest Sherwood provided suppliers with volume and demand certainty, removing supply chain complexities and allowing suppliers to consolidate multiple cuts of protein within one customer. Harvest Sherwood's value to suppliers was reflected by the number of longstanding supplier relationships it maintained, lasting 25 years or more on average. In addition to its strong supplier relationships, Harvest Sherwood also served as a valued partner to customers. Through Harvest Sherwood's supplier relationships, customers gained access to approximately 20,000 product offerings across a broad range of categories, combined with the convenience and value of buying from a scaled product specialist. Harvest Sherwood demonstrated best-in-class customer service, product knowledge, and category and consumer insights, and offered value-added services to help customers optimize their merchandizing strategy, such as ad planning, demand planning, and special events, all of which are critical factors in driving customer retention.

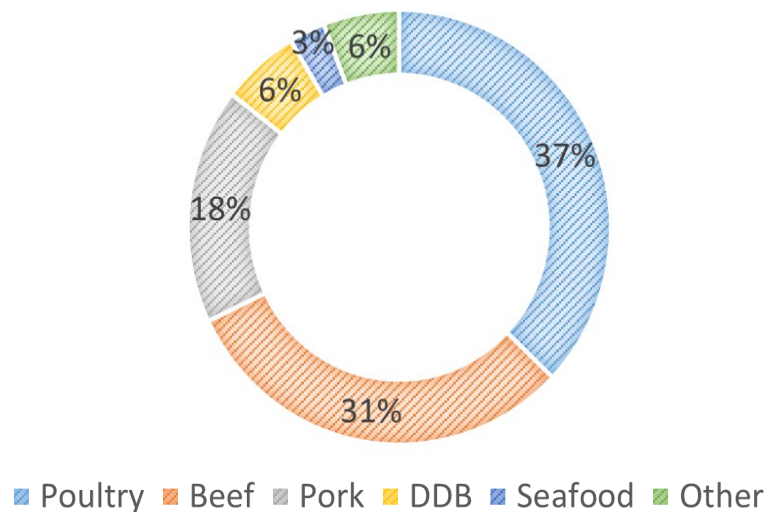
17. Harvest Sherwood's historical customer base can be divided into four distinct segments: (a) independent retailers and regional retail chains, (b) national specialty chains,

(c) distributors, further processors, and foodservice, and (d) cruise and travel. Each segment faced unique challenges for which Harvest provided specialized, tailored solutions.

18. Harvest Sherwood offered a diversified array of fresh product offerings which were of key strategic importance to retailers, as perishable product offerings are destinations for consumers. Fresh offerings were a key point of difference for Harvest Sherwood's customer base as compared to big-box chains and e-commerce, and Harvest Sherwood's supplier base provided for a wide breadth of store perimeter

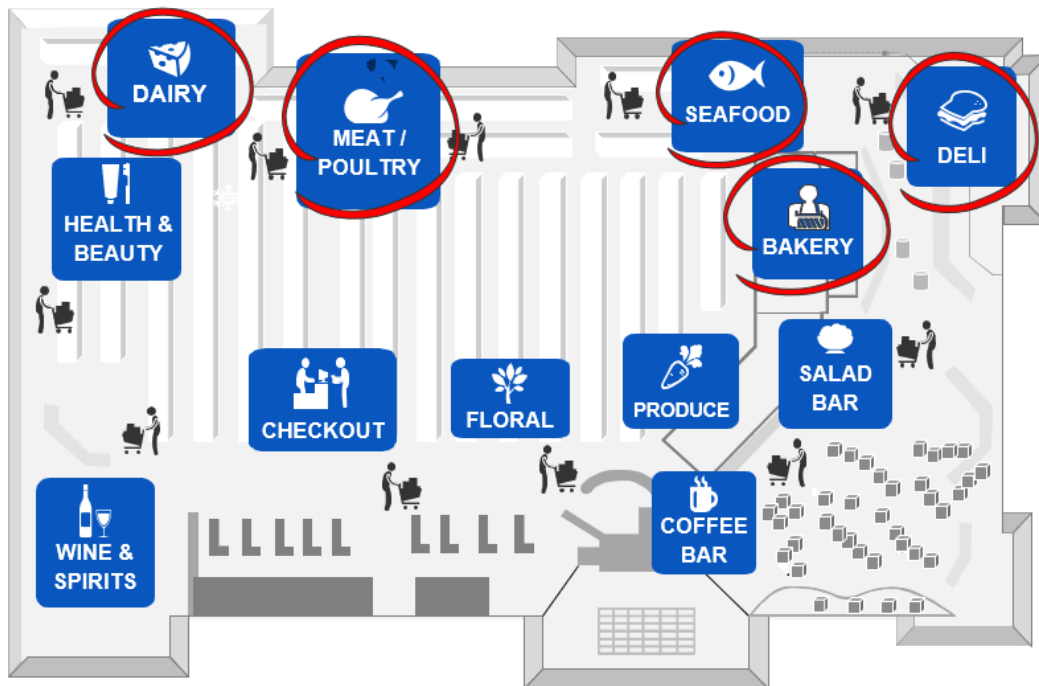
meat, seafood, deli, dairy, and bakery products. The perimeter of a store is more profitable when compared to center aisles for retailers, and typically houses perishable products like meat, seafood, dairy, deli, and bakery items. Perishable perimeter

Diversified product mix as a percentage of volume for twelve-month period ending June 2024

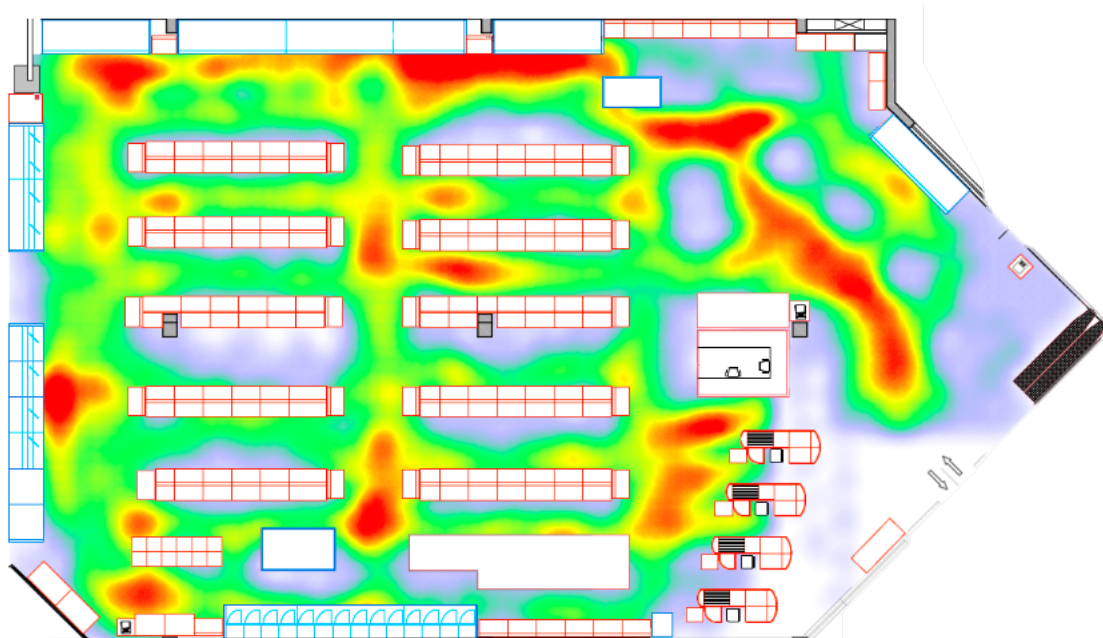


products account for approximate 25%–30% of retailer gross margins, as compared to the approximately 20%–25% of retailer gross margins derived from center aisle product offerings. Protein is a primary driver of end consumer spending and earns high margins for retailers, with the average purchase size including a protein often being twice as much as a purchase without protein. Shoppers dedicate a greater share of time in grocery stores at the fresh product offerings housed around the perimeter of the store, which is the primary driver of store visits for over 65% of consumers.

19. Harvest Sherwood distributed a wide breadth of store perimeter meat, seafood, deli, dairy, and bakery products that were key drivers for retail success.



Average retail store layout; Harvest Sherwood product categories circled.



Heat map reflecting increased customer traffic at perimeter.

III. Corporate and Capital Structure

A. Corporate Structure

20. Debtor Del Mar Holding LLC (“Del Mar Holding”) is the direct or indirect parent of all of the other Debtors. The Company is privately owned by Del Mar Partners 2015, L.P., Del Mar Offshore Partners 2015, L.P., and the co-founders of former Harvest Food Distributors. A copy of the Company’s organizational chart is attached hereto as **Exhibit A**.

B. Board of Directors / Independent Directors

21. In connection with the Company’s evaluation of strategic alternatives, on August 27, 2024, Del Mar Holding appointed Tim Pohl as an independent director (“Mr. Pohl”) to lead efforts to evaluate strategic alternatives. Mr. Pohl was subsequently appointed as independent director and the sole member of a transaction committee of Surfliner Holdings, Inc. (“Surfliner” and such committee, the “Transaction Committee”) on October 10, 2024. Mr. Pohl was also appointed to the boards of Harvest Sherwood Food Distributors, Inc. (“HSFD”), Harvest Meat Company, Inc. (“HMC”), Sherwood Food Distributors LAMCP Capital, LLC (“LAMCP”), Western Boxed Meats Distributors, Inc. (“Western”), Cascade Food Brokers, Inc. (“Cascade”), Hamilton Meat, LLC (“Hamilton”), and SFD Transportation Corp. (“SFD Transportation”) on March 18, 2025 in connection with a Second Amendment (as defined below) to the Prepetition Credit Agreement (as defined below).⁴

22. Since its formation in October 2024, the Transaction Committee oversaw all aspects of the Restructuring Process, and later the Winddown Process, including, among other things, negotiations with the ABL Lenders and other third-parties, the Company’s Marketing

⁴ The other board members of Surfliner, Harvest Sherwood, HMC, LAMCP, Western, Cascade, Hamilton, and SFD Transportation resigned in connection with the Second Amendment.

Process conducted by Houlihan, and the winddown of the Company's operations prior to the Petition Date.

23. On April 16, 2025, Surfliner, Harvest Sherwood, HMC, LAMCP, Western, Cascade, Hamilton, and SFD Transportation appointed Jill Frizzley as an additional independent director ("Ms. Frizzley" or the "Independent Director"). On April 25, 2025, Mr. Pohl resigned from the Boards of Del Mar, Surfliner, Harvest Sherwood, HMC, LAMCP, Western Boxed Meats, Cascade, Hamilton Meat, and SFD Transportation.⁵ Ms. Frizzley was subsequently added to the boards of Del Mar Holding and Del Mar Acquisition Inc. on May 5, 2025.

C. The Debtors' Capital Structure

24. As of the Petition Date, the Debtors estimate approximately \$323.5 to \$558.5 million in total liabilities as set forth below.

Facility / Obligations	Outstanding Amount
Prepetition ABL Facility	\$79.1 million
Capital Provision Agreement	\$35 to \$70 million ⁶
Unsecured Note	\$9.40 million
Trade / Vendor / Lease Obligations	\$200 to \$400 million ⁷
Total Estimated Liabilities	\$323.5 to \$558.5 million

i. Prepetition ABL Facility

25. On June 17, 2022, Surfliner, Harvest Sherwood, HMC, Hamilton, Western, SFD Acquisition, SFD, and Sherwood entered into that certain Credit Agreement (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, including as amended by that certain Amendment No. 1 to Credit Agreement, dated as of October 10, 2024

⁵ SFD Acquisition LLC ("SFD Acquisition"), Sherwood Food Distributors, L.L.C. ("Sherwood"), and SFD Company LLC ("SFD") are member-managed entities.

⁶ These amounts exclude the accumulation of interest, as described further below.

⁷ The Debtors continue to evaluate total trade and vendor obligations as numerous vendors commenced litigation against the Company prepetition and asserted damages for, in addition to ordinary payables claims, lost profits, and consequential and punitive damages, among other things.

(the “First Amendment”), and that certain Amendment No. 2 to Credit Agreement, dated as of March 18, 2025 (the “Second Amendment”), the “Prepetition Credit Agreement”) with the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders party thereto, which initially provided for a \$350 million revolving credit facility (the “Prepetition ABL Facility”).⁸ The Prepetition ABL Facility is secured by liens on substantially all of the Debtors’ assets.

26. As of the Petition Date, the Debtors estimate approximately \$79.1 million in total funded debt obligations under the Prepetition ABL Facility.

ii. Capital Provision Agreement

27. On December 21, 2022, certain of the Company entities executed that certain Capital Provision Agreement, dated December 21, 2022, with Blakemore Investments LLC and Milwaukee Investments LP (collectively, “Burford Capital”) in which Burford Capital provided \$35,000,000 to the Company to be used for operating capital (such agreement, the “Capital Provision Agreement”). The Capital Provision Agreement includes an unsecured obligation of the Company to pay Burford Capital 100% of the first \$35,000,000 of proceeds obtained from the Anti-Trust Litigation Assets and 50% of the next \$70,000,000 of such proceeds (with additional interest accruing after 2025 if the Capital Provision Agreement is still in effect).⁹

iii. Unsecured Note

28. On December 1, 2017, Del Mar Holding entered that certain Management Equity Subscription and Agreement (the “Option Agreement”) with a minority owner and former executive of the Company (the “Equity Holder”). Following a dispute regarding the payment

⁸ Pursuant to the Second Amendment, the total aggregate commitment under the Prepetition Credit Agreement was reduced to \$140 million.

⁹ The Capital Provision Agreement does not provide for any assignment of the Anti-Trust Litigation Assets nor any security interest in such assets to or in favor of Burford Capital.

terms of the Option Agreement, the Equity Holder commenced litigation against Del Mar Holding for payment under the Option Agreement (the “Option Agreement Litigation”) in the amount of \$9,398,253,70.¹⁰ In connection with the Option Agreement Litigation, Del Mar Holding entered into a certain Promissory Note, dated November 22, 2024, with the Equity Holder (the “Unsecured Note”) with a face value equal to the same amount and a maturity date of December 31, 2028. The Unsecured Note includes quarterly payments commencing December 31, 2025 if certain Company liquidity conditions are met. The Equity Holder dismissed the Option Agreement Litigation shortly after entry into the Unsecured Note.

iv. Trade, Vendor, and Lease Obligations

29. In addition to the Company’s funded debt obligations, as of the Petition Date, the Company owes an estimated \$200 to \$400 million to third-party suppliers, vendors, and other ordinary course unsecured creditors.¹¹

D. Litigation Assets

30. As described further herein, the Company is a plaintiff in various litigation proceedings, including with respect to certain (a) anti-trust claims, (b) contract claims, and (c) fraud claims against a former employee.

i. Anti-Trust Litigation Assets

31. The Company holds claims against and is a plaintiff in various anti-trust and price-fixing proceedings against several pork, chicken, and beef producers (the “Anti-Trust Defendants” and such claims, collectively, the “Anti-Trust Litigation Assets”). In total, the Company has asserted over \$1.1 billion in damages (excluding treble damages) against the Anti-Trust

¹⁰ See *Leavy v. Del Mar Holdings LLC*, C.A. No. 2024-1075- (Del. Ch. Oct. 21, 2024).

¹¹ As set forth above, the Debtors continue to evaluate total trade and vendor obligations as numerous vendors commenced litigation against the Company prepetition and asserted damages for, in addition to ordinary payables claims, lost profits, and consequential and punitive damages, among other things.

Defendants.¹² The Anti-Trust Litigation Proceedings are ongoing with anticipated trial dates ranging from the second half of 2025 through 2026.

ii. Sprouts Litigation Assets

32. As described further below, on February 24, 2025, the Company filed a complaint against Sprouts in the Superior Court of the State of Delaware on account of a breach of contract claim regarding Sprouts' withholding of substantial payments to the Company.¹³ In total, the Company has asserted damages in the approximate amount of \$42 million (the "Sprouts Litigation Assets"). The Company anticipates filing additional claims regarding the Sprouts Litigation in this Court promptly following or contemporaneously with the Petition Date.

iii. Goodman Litigation Assets

33. On November 14, 2024, the Company filed a complaint in the Circuit Court for the County of Oakland in the State of Michigan against a former employee ("Goodman") on account of a multi-year scheme to defraud the Company and usurp its business opportunities.¹⁴ Such litigation, including forensic analysis regarding the scope of the Company's losses, is ongoing. The Company estimates that the losses on account of such scheme could exceed several millions of dollars over the life of the scheme (the "Goodman Litigation Assets"). Goodman was a member of the Debtors' sales teams and was not an officer or director of any of the Debtors.

¹² The Company is evaluating additional anti-trust claims with respect to, among other things, its historical turkey and potato purchases.

¹³ See *Harvest Sherwood Food Distributors, Inc., v. Sprouts Farmers Market, Inc. and SFM LLC D/B/A Sprouts Farmers Market*, N25C-02-494 SKR CCLD (Sup. Ct. Del.) (the "Sprouts Litigation").

¹⁴ See *Sherwood Food Distributors L.L.C. v. Walter Goodman, Zachary Goodman, and Superba Group, LLC*, 2024-210757-CB (Mich. Cir. Ct.).

IV. Events Leading to Commencement of the Chapter 11 Cases

A. Operational Headwinds and Liquidity Challenges

34. Over the last several months, the Company faced multiple challenges and headwinds in the current food transportation and delivery market environment. First, the Company, like other food distributors, relies heavily on trucks, drivers, and warehouses to move and store large volumes of perishable and non-perishable goods across long distances and diverse geographies. Rising costs and volatility of fuel, labor, and transportation expenses in addition to fluctuation in the prices of diesel, wages, insurance, maintenance, and food products (in part due to various food shortages) had a material impact on the margins and cash flows of the Company, which operates in a highly competitive and low-margin industry.

35. Second, the Company faced increasingly unpredictable and dynamic consumer preference and demand pattern changes, which required, among other things, providing increased variety, convenience, quality, and sustainability in its food offerings. These shifting dynamics materially increased the complexity, risk, and cost of sourcing, handling, and distributing food products, as well as required capital expenditures for innovation, differentiation, and customization of food offerings.

36. The impact of these challenges was fully realized after two critical events in late 2024 and early 2025. First, in December 2024, the Company's largest customer, Sprouts, communicated an intent to migrate to full self-distribution for a variety of product categories across its store network, including all of its products that were historically distributed by the Company. The Company initially consummated a Memorandum of Understanding with Sprouts, effective as of December 26, 2024 (the "Sprouts MOU"), which would have provided for a smooth transition of services between the Company and Sprouts. Despite the Sprouts MOU, no transition plan ultimately materialized.

37. Second, on January 27, 2025, the Company was downgraded from “Recommended” to “Cautionary” status by SEAFAX, a well-known industry credit rating agency, which had an immediate and pronounced impact on the Company’s liquidity and vendor/customer relationships. Within days of the credit rating downgrade, the Company was placed on hold by a substantial number of its vendors and customers and received an even greater amount of vendor and customer outreach citing operational and liquidity concerns.

B. Exploration of Strategic Options and Engagement with Financial Stakeholders

38. In June 2024, the Company engaged Sidley and Ankura Consulting Group, LLC (“Ankura”) to assess and pursue the Restructuring Process in the face of its operational headwinds. In August 2024, (i) the Company appointed Andrew Scriven of Ankura as Chief Transformation Officer and (ii) engaged Houlihan to run the Marketing Process and otherwise assist the Company on restructuring and financing alternatives during the Restructuring Process.

39. As part of the Marketing Process, Houlihan contacted 63 potentially interested parties, 45 of which executed non-disclosure agreements and received access to confidential diligence information. In mid-October 2024, the Company received indications of interest (“IOIs”) from four potentially interested parties ranging from \$175 million to \$225 million to purchase a subset of the Company’s distribution centers (the “Perimeter Assets”). Despite these initial IOIs, the SEAFAX downgrade and Sprouts’ decision to begin insourcing resulted in (i) two of the bidders withdrawing from the process and (ii) two bidders revising their IOIs in late January 2025 to \$42 million and \$125 million, respectively. The Company determined that these bids were materially below the liquidation value of the Company’s assets and were, therefore, unactionable. The Company and Houlihan also encouraged the bidders to submit alternative

structures, but those bids were similarly unactionable. With no whole-company bids available, the Company pivoted to individual branch sales.

40. While simultaneously pursuing the Marketing Process, the Company also engaged with the lenders under its Prepetition ABL Facility (the “ABL Lenders”) to address liquidity concerns and potential/actual defaults under the Prepetition Credit Agreement. On October 10, 2024, the Company consummated the First Amendment, which addressed a potential future default regarding a fixed cover charge ratio covenant in the Prepetition Credit Agreement and provided for certain Restructuring Process milestones.

41. After consummating the First Amendment, the Company engaged with the ABL Lenders regarding potential incremental liquidity relief. Despite good faith and arm’s-length negotiations, the Company and its ABL Lenders were unable to consummate such a transaction. As an alternative, the Company directed Houlihan to reach out to third-party liquidity providers. Houlihan contacted eight potential special situations investors all of which executed non-disclosure agreements. One such party submitted an IOI for a priming bridge facility, but the proposal was ultimately unactionable due to its high cost and a request to prime the ABL Lenders’ existing liens. Additionally, no party was willing to provide junior secured or unsecured financing on terms that the Company could deem actionable.

42. On January 13, 2025, the ABL Lenders sent a Notice of Event of Default and Reservation of Rights to the Company on account of the failure to satisfy certain sale-related milestones in the Restructuring Process (due to the revised IOIs from the potential bidders). The Company began negotiating the Second Amendment with the ABL Lenders and continued discussions regarding potential liquidity relief. Simultaneously, the Company also began

negotiating with the ABL Lenders regarding a potential winddown budget and process to the extent an alternative transaction was no longer viable.

C. Prepetition Winddown Efforts

43. Following the SEAFAX credit rating downgrade, many of the Company's vendors began to withhold shipments absent cash on delivery. In addition, on February 5, 2025, Sprouts informed the Company that it would withhold payments for goods previously distributed on account of the Company's financial condition (citing missed third-party vendor payments). In total, Sprouts initially withheld \$55 million of payments it would have otherwise provided to the Company in the ordinary course and the Company responded by ceasing go-forward product distributions to Sprouts. On February 11, 2025, the Company reached what it understood to be a resolution with Sprouts regarding the non-payments (the "Harvest/Sprouts Settlement"), resumed distributions, and received partial payments on the \$55 million owed. Six days later, Sprouts breached the Harvest/Sprouts Settlement and again ceased payments to the Company (including for new goods distributed to Sprouts in accordance with the Harvest/Sprouts Settlement). In total, Sprouts withheld approximately \$42 million in payments to the Company. As noted above, on February 24, 2025 the Company commenced the Sprouts Litigation to recover such amounts, and such litigation is ongoing.

44. Faced with these operational pressures, the failure of the Marketing Process, and the sudden withholding of tens of millions of the Company's operating revenue by Sprouts, the Company determined that no going concern transaction would be viable on the timeline dictated by the Company's liquidity situation. The Company then made the difficult decision to shut down its operations and, in connection therewith, executed the Second Amendment on March 18, 2025, which provided for a waiver of all applicable events of default under the Prepetition Credit Agreement and finalized commitments for the Company's orderly Winddown Process.

45. After determining to commence its Winddown Process, the Company worked with Hilco Global¹⁵ to monetize the Company's existing inventory and collection of accounts receivable. Over an eight week period, the Company monetized substantially all of its inventory to recover approximately \$140 million on account of such inventory, which had a face value cost of approximately \$154 million (*i.e.*, an approximately 91% recovery rate).

46. Prior to these inventory sales, the Company had approximately \$205 million of accounts receivable, which increased to approximately \$345 million in connection with the inventory sales. As of the Petition Date, the Company has approximately \$87 million of remaining accounts receivable. These amounts derive from over 2,500 accounts, only approximately ten of which have remaining balances that exceed \$1 million.

i. "As-Is" Branch Sales

47. In addition to the inventory sales described above, the Company also consummated sales of certain of its branch operations to potentially interested strategic purchasers, including those that previously participated in the Marketing Process. In sum, during the Winddown Process the Company sold five distribution center operations in Denver, Salt Lake City, Los Angeles, Kansas City, and Miami in which the purchasers (i) assumed certain lease, employee, and other obligations and (ii) purchased the inventory¹⁶ held at such branches.¹⁷

¹⁵ The Company had previously engaged Hilco Global on February 8, 2025 to provide services in connection with its Restructuring Process, and ultimately, its Winddown Process.

¹⁶ Approximately \$7.25 million of the inventory sales described above were consummated pursuant to these branch sales.

¹⁷ The Company also anticipates consummating an assignment of its last remaining distribution center in Dallas, Texas during these Chapter 11 Cases.

ii. WARN Notices and Distribution Center Exits

48. On February 18, 2025 (the “Notice Date”), the Company notified its entire employee base of approximately 1,500 individuals that the Company would cease operations and commence a reduction in force (a “RIF”) for all such employees on April 21, 2025. Since the Notice Date, the Company and its employees worked around the clock to preserve the value of the Company’s assets and ensure an orderly process with respect to, among other things, inventory liquidation, accounts receivable collection, retention of corporate records, and compliant decommissioning or transitioning of refrigeration systems. As of the Petition Date, all employees have been terminated by the Company pursuant to the RIF (with a very limited subset still assisting the Company in its Winddown Process as independent contractors). In addition, as of the Petition Date, the Company has exited all of its distribution centers other than the Dallas distribution center, which is anticipated to be assigned during these Chapter 11 Cases.

D. The Ad Hoc Unsecured Creditors’ Committee

49. On February 27, 2025 the Company received a letter from the Ad Hoc Unsecured Creditors’ Committee requesting information regarding the Company’s financial condition and Winddown Process given the publicly reported RIF and business closures. Since its first meeting with the Ad Hoc Unsecured Creditors’ Committee and its advisors on March 3, 2025, the Company has had frequent discussions with the Ad Hoc Unsecured Creditors’ Committee and/or its advisors regarding the Winddown Process and its evaluation of strategic options throughout such process. As of the Petition Date, I understand that the Ad Hoc Unsecured Creditors’ Committee comprises approximately 25 of the Company’s unsecured creditors holding approximately \$27 million of purported claims. I further understand that the Ad Hoc Unsecured Creditors’ Committee is supportive of the commencement of these Chapter 11 Cases.

E. Burford Capital's Attempt to Seize Control of Anti-Trust Assets

50. During the Winddown Process, the Company engaged with Burford Capital in good faith to provide updates to Burford Capital regarding the Company's operations and the Anti-Trust Assets. Within days of such engagement, on April 9, 2025, the Company received a Notice of Remedy Event and Reservation of Rights from counsel to Burford Capital providing that a Remedy Event (as defined therein) had occurred under the Capital Provision Agreement and that Burford Capital was exercising certain rights thereunder. Specifically, Burford Capital asserted that the Company's financial condition resulted in a Material Adverse Effect (as defined in the Capital Provision Agreement) and that Burford Capital would exercise complete control over the Anti-Trust Litigation Assets on a go-forward basis. The Company disputes the occurrence of the purported Remedy Event and reserves all of its rights in connection with the Capital Provision Agreement.

51. The Debtors continue to pursue their claims pursuant to the Anti-Trust Litigation Proceedings, anticipate the resolution of certain of the claims thereunder during the course of these Chapter 11 Cases, and have commenced these Chapter 11 Cases to ensure the equitable distribution of proceeds derived therefrom for the benefit of all of the Company's stakeholders.

F. Involuntary Chapter 7 Petition

52. On April 18, 2025, three creditors of Sherwood purportedly holding less than \$700,000 in unsecured claims (the "Petitioning Creditors") filed an involuntary chapter 7 petition against Sherwood in the United States Bankruptcy Court for the Eastern District of Michigan (the "Involuntary Petition").¹⁸ Promptly upon learning about the commencement of the Involuntary Proceeding, the Company and the Ad Hoc Unsecured Creditors' Committee engaged

¹⁸ See *In re Sherwood Food Distributors*, Case No. 25-44044 (TJT) (Bankr. E.D. Mich. April 18, 2025).

with the Petitioning Creditors in good faith regarding a potential voluntary dismissal of the Involuntary Petition given the imminency of these Chapter 11 Cases. Contemporaneously with the date hereof, the Petitioning Creditors and the Debtors will file or have filed a joint stipulation for dismissal of the Involuntary Petition in the Eastern District of Michigan.

G. The Commencement of the Chapter 11 Cases

53. Throughout the Winddown Process, the Company, in consultation with its ABL Lenders and the Ad Hoc Unsecured Creditors' Committee, worked to identify a formal process that would maximize the value of the Company's remaining assets and best position the Company to pursue its Litigation Assets. The Company evaluated a myriad of potential options including, among other things, a fully out-of-court process or a court supervised assignment for the benefit of creditors. Ultimately, the Company, with the support of its ABL Lenders and the Ad Hoc Unsecured Creditors' Committee, determined that both of these options would be insufficient processes to effectively wind down the Company's remaining affairs. This determination was informed by, among other things, the fact that the Company has thousands of vendors and customers, many of which have or likely would have commenced suits against the Company in courts across the United States (in the absence of the protections of the Bankruptcy Code). Accordingly, I believe that the commencement of these Chapter 11 Cases is in the best interests of the Debtors' estates and stakeholders.

V. The First Day Motions

54. Contemporaneously herewith, the Debtors have filed a number of First Day Motions seeking orders granting various forms of relief intended to facilitate the efficient and orderly administration of these Chapter 11 Cases. I am familiar with the contents of each of the First Day Motions and believe that the relief sought therein is necessary to enable the Debtors to operate during these Chapter 11 Cases with minimal disruption and best serves the Debtors' estates

and creditors' interests. In addition to the DIP Motion, the First Day Motions include, without limitation, the following:

- “Claims Agent Retention Application”: *Debtors’ Emergency Application for Entry of an Order Authorizing the Retention and Employment of Epiq Corporate Restructuring, LLC as Claims, Noticing, and Solicitation Agent, Effective as of the Petition Date;*
- “Creditor Matrix Motion”: *Debtors’ Emergency Motion for Entry of an Order (I) Authorizing the Debtors to File (A) a Consolidated Creditor Matrix and (B) a Consolidated List of 30 Largest Unsecured Creditors; (II) Authorizing the Debtors to Redact Certain Personally Identifiable Information; (III) Establishing a Complex Case Service List; (IV) Approving the Form and Manner of Notice of Commencement; and (V) Granting Related Relief;*
- “Global First Day Motions”:
 - *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Continue to Operate Their Existing Cash Management System; and (II) Granting Related Relief;*
 - *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Claims of Critical Vendors; and (II) Granting Related Relief;*
 - *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Satisfy Certain Prepetition Contractor Obligations; and (II) Granting Related Relief;*
 - *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Taxes and Fees; and (II) Granting Related Relief; and*
 - *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Approving Debtors’ Continued Use of LC Facility; and (II) Granting Related Relief.*
- “Joint Administration Motion”: *Debtors’ Emergency Motion for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases; and*
- “Schedules and Statements Extension Motion”: *Debtors’ Emergency Motion for Entry of an Order (I) Extending Time for the Debtors to File Schedules and Statements of Financial Affairs and 2015.3 Reports and (II) Granting Related Relief.*

55. I have consulted with my colleagues at the Company and the Debtors' Advisors regarding the relief requested in the First Day Motions, and understand each of the First Day Motions and the relief requested therein. To the best of my knowledge and belief, the factual statements contained in each of the First Day Motions are true and accurate. Where applicable, a brief summary of the facts supporting the First Day Motions is set forth below. To the extent any contain additional facts, those facts are incorporated herein by reference. Capitalized terms used but not otherwise defined in this section of this Declaration shall have the meanings ascribed to such terms in the relevant First Day Motions.

56. I understand that Federal Rule of Bankruptcy Procedure 6003 provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent relief is necessary to avoid immediate and irreparable harm." However, I believe, based on conversations with the Advisors, that the Debtors urgently need the relief requested in the operational First Day Motions to continue their winddown uninterrupted during these cases, and that that failure to grant the relief requested in any of the First Day Motions may result in immediate and irreparable harm to the Debtors, and their estates. Accordingly, I believe and am advised that emergency consideration of such motions is warranted.

57. I further believe that the relief requested in the First Day Motions is necessary, in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will allow the Debtors to continue their winddown with minimal disruption and maximize value preservation during the pendency of these Chapter 11 Cases. Additionally, I believe that (1) the relief requested in each operational First Day Motion is critical; (2) unless the relief is granted, the Debtors risk the probability of harm, or, alternatively, loss of economic advantage to the estate

which is disproportionate to the amount of the prepetition claim sought to be satisfied; and (3) there is no practical or legal alternative by which the Debtors can deal with the claimants sought to be paid other than by payment of the claim.

58. First, it is critical that the Debtors (a) maintain their Cash Management System, (b) pay the Critical Vendor Claims, (c) satisfy the Contractor Obligations, (d) be authorized to pay the Taxes and Fees, and (e) satisfy their payment obligations to the Utility Providers through the LC Facility. Each of the requests in the Global First Day Motions have been narrowly tailored to the Debtors' circumstances, where only a small amount of relief is required to ensure a smooth transition of the Debtors' winddown efforts in these chapter 11 cases. The Debtors, in consultation with their advisors, have identified those limited costs with respect to each of the foregoing that preserve the Debtors' access to critical and bare minimum operations, namely, bank account services, winddown vendors, Contractors, and utilities, which resulted in the extremely limited relief requested in the Global First Day Motions. The Debtors have also determined those certain Taxes and Fees they believe should be paid in order to minimize fees, penalties and other administrative expenses that, if incurred, would be detrimental to the Debtors' stakeholders. Failure to address the foregoing at the outset of these chapter 11 cases would, therefore, imperil the Debtors' winddown efforts.

59. Second, given the extremely limited amount of cash outflows required for the relief requested herein as compared to the total amount of potential assets and liabilities of the Debtors described in the First Day Declaration, imperiling the Debtors' winddown process without this relief would cause a disproportionate amount of harm to the Debtors' estates.

60. Third, with respect to the Cash Management System, Contractor Obligations, Utility Providers, and Critical Vendors, the Debtors, with the assistance of their advisors, analyzed

alternative methods to address these critical services and determined that procuring alternatives would only increase the amount of cost and administrative burden to the estates. Indeed, the Payment Obligations all were assessed prepetition by the Debtors in consultation with their advisors. In particular, the Debtors analyzed if any alternatives to the Payment Obligations were practicable and/or more cost efficient than continuing to satisfy the Payment Obligations consistent with prepetition practices. Ultimately, the Debtors determined in their business judgment that no more cost efficient alternatives were available to satisfy the Debtors' winddown needs.

61. Accordingly, for the reasons set forth herein and in each respective First Day Motion, I believe that the Court should grant the relief requested in each of the First Day Motions.¹⁹

A. DIP Motion

62. Pursuant to the DIP Motion, the Debtors request approval of and authority to enter into a \$105,000,000 million senior secured superpriority debtor-in-possession credit facility (the "DIP Facility"). I believe that consummation of the proposed DIP Facility (a) is in the best interest of the Debtors, their estates, and all parties in interest in these Chapter 11 Cases and (b) will provide the Debtors with access to sufficient working capital and liquidity to successfully exit from these Chapter 11 Cases.

i. Immediate Need for Postpetition Financing and Approved Budget

63. Based on discussions with and materials prepared by the Debtors and MERU, I am generally familiar with the Debtors' current liquidity and liquidity forecast. I have reviewed the DIP Budgets prepared by the Debtors and MERU and agreed upon with the DIP Lenders.

¹⁹ Capitalized terms used but not otherwise defined in the following descriptions of the First Day Motions shall have the meaning given to such term in the applicable First Day Motion.

64. I understand that the Debtors enter chapter 11 with limited cash on hand and available liquidity will be exhausted shortly after the Petition Date. Accordingly, absent entry into the DIP Facility, the Debtors will not have sufficient liquidity for these proceedings and would be forced to convert to a value-destructive chapter 7 process. Such a process would likely not be funded with sufficient capital to preserve and maximize the value of the Debtors' key remaining assets (including the Litigation Assets).

ii. Negotiation and Terms of DIP Financing

65. The Debtors' prepetition secured indebtedness informs the negotiations and terms of the Debtors' proposed DIP Facility. As of the Petition Date, the Company has approximately \$79.1 million in total funded debt obligations under its Prepetition Credit Agreement. I am advised that the Prepetition ABL Facility is secured by valid and perfected first-priority liens on substantially all of the Debtors' assets, leaving minimal unencumbered assets to secure postpetition financing. In addition, I understand that the secured creditors under the Prepetition ABL Facility will not consent to the priming of their security interests by a third party proposing postpetition financing and, based on my experience, no lender would consent to such priming under the circumstances. Further, potential third party financiers noted that the Company's collateral package, which primarily consists of litigation assets, makes third-party DIP financing particularly challenging. Based upon my understanding of the Debtors' liquidity needs, the current state of debt markets, and inquiries to potential postpetition financing sources, I do not believe alternative sources of financing are readily available to the Debtors on better or comparable terms than the DIP Facility.²⁰

²⁰ As described above, I also understand that Houlihan reached out to eight potential special situations investors to provide potential financing prior to the commencement of these Chapter 11 Cases. The Debtors received one proposal for a priming bridge facility, but I understand that the proposal was ultimately unactionable due to its high cost and

66. Notwithstanding the foregoing, the Debtors, with the assistance of the Advisors, sought proposals for postpetition financing from third-parties outside of the Debtors' existing capital structure. Specifically, the Debtors solicited interest from four financial institutions to determine the extent of the market's interest in providing postpetition financing, whether on a priming basis, junior or unsecured basis, or otherwise. As of the date of this declaration, the Debtors have not received any actionable proposals from any of the contacted potential lenders. Accordingly, based on the foregoing, in my view it is unlikely that any third-party lenders will be willing to provide DIP Financing as (a) there are insufficient unencumbered assets to secure postpetition financing of the size needed to permit the Debtors fund these Chapter 11 Cases and (b) no third-party lenders contacted indicated a willingness to provide postpetition financing.

67. Accordingly, the Debtors, with the assistance of their Advisors, focused on finalizing negotiations with the ABL Lenders (as DIP lenders, the "DIP Lenders") and their advisors to obtain the best terms available for postpetition financing.²¹ Over the course of several days, the Debtors actively negotiated the terms and provisions of the DIP Facility. These arms'-length negotiations led to improvements in terms for the Debtors, including, among other things, the amount of new money available upon entry of an interim financing order, the terms of the proposed roll-up, and additional material provisions. The proposed DIP Facility contemplates an approximately \$105,000,000 million senior secured superpriority postpetition revolving loan financing facility, consisting of (a) \$25,896,170.16 of new money financing to the Debtors (the "New Money DIP Loans"), with \$5,000,000 of the New Money DIP Loans made available

the ABL Lenders' unwillingness to consent to priming liens. I also understand that none of these parties were willing to provide junior secured or unsecured financing on terms that the Company could deem actionable.

²¹ The Debtors, will continue a marketing process to obtain improved financing options during the period between entry of an interim order and final order.

upon entry of the interim financing order, and (b) a roll up and conversion into obligations under the DIP Facility of the remaining \$79,103,829.84 of obligations under the ABL Facility. The DIP Facility is also linked to certain case milestones, which were required by the DIP Lenders as a condition to providing the DIP Facility.

68. In my view, the DIP Facility is the best postpetition financing available to the Debtors and the terms of the DIP Facility are fair and reasonable given the Debtors' circumstances and the industry and economic pressures they face. In particular, in my opinion, the interest, fees, and related terms contemplated by the DIP Facility, each of which taken as a whole were material components of the structure of the DIP Facility, are fair, reasonable, and comparable to other debtor in possession financings and generally consistent with market terms for companies facing similar circumstances as the Debtors.

69. I also believe the provision of perfected first priority security interests and liens on substantially all of the Debtors' assets is reasonable under the circumstances. This was a requirement of the DIP Lenders, and, in my view and experience and based on my work on this matter, absent such protections, no lender would have agreed to provide the DIP Facility without obtaining such protections. Moreover, the provision of adequate protection to the ABL Lenders to compensate them for any postpetition diminution in value, was necessary to allow the Debtors to continue to use cash collateral. These provisions are customary when prepetition secured creditors consent to a senior postpetition facility and the terms thereof are, in my opinion, fair and reasonable under the circumstances.

70. Accordingly, based on my experience with debtor-in-possession financing transactions, as well as my involvement in the negotiation of the DIP Facility, I believe the DIP Facility is the best financing available to the Debtors under the circumstances and will allow

the Debtors maximize the value of its assets during these Chapter 11 Cases for the benefit of all parties in interest. I believe that the terms of the DIP Facility taken as a whole are fair and reasonable and are the most favorable terms the Debtors could obtain under the circumstances, and the DIP Facility should be approved.

B. Creditor Matrix Motion

71. Pursuant to the Creditor Matrix Motion, the Debtors seek authorization to, among other things, (i) file (a) a consolidated creditor matrix and (b) a consolidated list of their 30 largest unsecured creditors; (ii) redact certain personally identifiable information; and (iii) establish the Complex Service List.

72. I am advised that Bankruptcy Rule 1007(a) requires each debtor to file a separate mailing matrix, each containing names and addresses of all creditors, including individuals, as well as a separate list of top unsecured creditors for each debtor. I believe the preparation of separate lists of creditors for each Debtor would be expensive, time consuming, and administratively burdensome, and accordingly understand that the Debtors request authority to file one Consolidated Creditor Matrix for all Debtors. Further, because a significant number of creditors may be shared among the Debtors, the Debtors request authority to file the Consolidated Top 30 Creditors List for all Debtors, rather than file separate top 20 creditor lists for each Debtor. I understand that the Consolidated Top 30 Creditors List will help alleviate administrative burden, costs, and the possibility of duplicative service.

73. Because the personal information contained in the Consolidated Creditor Matrix could be used to perpetuate identity theft or create other risks to the individuals' safety and welfare, I believe that cause exists to authorize the Debtors to redact the personally identifiable information of individuals, including individuals who are employees, directors, officers, or individual equity holders of the Debtors from the Consolidated Creditor Matrix, the Consolidated Top 30 Creditors

List, the Debtors' list of equity security holders, and subsequent affidavits of service for documents in these Chapter 11 Cases served on such individuals.

74. Finally, I am advised that, in compliance with the requirements of Bankruptcy Rule 2002(a), through Epiq Corporate Restructuring, LLC, the Debtors' proposed claims and noticing agent, the Debtors propose to serve the Notice of Commencement on all parties entitled to notice of commencement of these Chapter 11 Cases, to advise them of these Chapter 11 Cases. It is my understanding that service of the Notice of Commencement on the Consolidated Creditor Matrix will not only avoid confusion among creditors but will also prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties entitled to receive such notice under Bankruptcy Rule 2002.

C. Global First Day Motions

75. Pursuant to the Global First Day Motions, the Debtors seek minimal relief to conduct only those activities which are truly necessary to complete their orderly winddown, such as (a) continuing access to the Debtors' Cash Management System, including the collection of certain Accounts Receivable; (b) paying certain critical vendors; (c) satisfying certain Contractor Obligations; (d) paying certain Taxes and Fees; and (e) providing LC Facility payment access to the Utility Providers (each as described in more detail below, and, collectively, the "Payment Obligations").

76. I believe that it is critical that the Debtors satisfy the Payment Obligations because (1) the items and actions covered by such Payment Obligations are critical and instrumental to the Debtors' ability complete the Winddown Process in an orderly and efficient manner; (2) the limited amount of cash outflows required to satisfy the Payment Obligations is extremely limited compared to the total amount of potential assets and liabilities of the Debtors, and the inability to satisfy the Payment Obligations would cause a disproportionate amount of harm to the Debtors'

estates; and (3) there are no workable alternatives to address the critical services sought to be satisfied by the Payment Obligations, and procuring alternatives would only increase the amount of cost and administrative burden to the Debtors estates.

i. The Cash Management System

77. The Debtors maintain a cash management system which was used to collect, manage, and disburse funds used in the Company's businesses. The Debtors historical use of the Cash Management System was to collect and disburse cash generated by the their businesses, pay their financial obligations, centrally control and monitor corporate funds and available cash, comply with the requirements of their financing agreements, obtain accurate account balances and other financial data, forecast financial performance, and ensure cash availability and liquidity. The Cash Management System is narrowly tailored to meet the Debtors' organizational needs while reducing administrative expenses. The Cash Management System includes 16 bank accounts maintained at JP Morgan and 2 bank accounts maintained at Wells Fargo, all of which are controlled by the Debtors.²² The Debtors incur periodic service charges and other fees in connection with the maintenance of the Cash Management System.

78. The Debtors maintain relationships with each other in the ordinary course of business that result in intercompany cash and non-cash transfers among them. These Intercompany Transactions are generally related to the flow of funds from the Prepetition ABL Facility throughout the Debtors' corporate structure as needed to fund operations in their individual branches. The Debtors track and allocate receivables and payables generated pursuant to the Intercompany Transactions, and manage the flow of cash among the Company entities, through

²² Given the Debtors operating status, the Debtors anticipate closing a majority of the Bank Accounts during the postpetition period.

their accounting and finance department. While the Debtors substantially ceased operations prior to the Petition Date, I understand that authority to continue Intercompany Transactions in the ordinary course of business is necessary to preserve the value of the Debtors' estates and thus directly benefits the Debtors' stakeholders. Limited Intercompany Transactions will still be necessary to, among other things, process limited payments to independent contractors, third-party vendors and support services, and other matters related to the orderly winddown of the Debtors' operations.

79. In the ordinary course of business, the Debtors receive payment for inventory and other goods sold through the collection of certain accounts receivable. The Debtors historically issued invoices to customers for goods sold, which specified the payment terms, due date, and any discounts or penalties for early or late payment. To reconcile and track amounts owed, the Debtors maintain a system of accounts receivable management, which involves sending reminders, statements, and collection letters to customers, as well as contacting them by phone or email, to ensure timely and accurate payment of invoices. The Debtors collect on the Accounts Receivable in the ordinary course of business as such amounts become due and payable by applying cash receipts from customers to the corresponding accounts receivable balances, and reconciling any discrepancies or disputes with the customers or the sales team. Additionally, the Debtors monitor the aging of accounts receivable and evaluate the collectability and creditworthiness of customers, and make appropriate provisions for doubtful or uncollectible accounts. I understand that the Debtors' ability to collect the Accounts Receivable in the ordinary course is critical to maximize the value of the Debtors' estates and thus directly benefit the Debtors and all stakeholders.

ii. The Critical Vendors

80. To effectively carry out the Winddown Process, the Debtors will rely on limited products and services provided by third-party vendors. I understand that the Debtors intend to pay

only those counterparties that are *truly* essential to the Debtors' limited operations and business, and that will benefit the Debtors' estates, including, without limitation, digital and physical document storage providers, payroll providers, and IT infrastructure providers.

81. To mitigate the risks to the Debtors' winddown efforts posed by failing to pay prepetition amounts owed to Critical Vendors, the Debtors and their advisors engaged in a comprehensive process to (a) identify those vendors that are "critical" to the Debtors' restructuring efforts and (b) quantify the relief necessary to avoid immediate and irreparable harm to the Debtors and their estates at the outset of these Chapter 11 Cases as a result of nonpayment of prepetition claims of the Critical Vendors.

82. After a thorough analysis, the Debtors designated certain vendors and processes as necessary to legally and financially carry out their winddown process and thus preserve value for the benefit of all stakeholders. Accordingly, the Debtors seek to pay prepetition amounts owed to the Critical Vendors in an amount not to exceed \$215,000 on an interim basis (which represents approximately 0.1% of overall prepetition amounts owed to vendors and payees) and \$430,000 on a final basis (which represents approximately 0.2% of overall prepetition amounts owed to vendors and payees).

iii. The Contractor Obligations

83. To complete the Winddown Process, the Debtors anticipate utilizing the services of approximately 10 or fewer independent contractors. At this time, the Debtors do not anticipate the need for any additional Contractors, but request authority to utilize the services of additional Contractors if the need arises. The Contractors are former employees of the Debtors with critical institutional knowledge of the Debtors' records and historical processes. The Contractors are therefore key to the success of the Debtors' winddown efforts and are responsible for ensuring, among other things, that the Debtors' efforts continue to run smoothly and effectively. The

Contractors are utilized and are anticipated to be utilized on an hourly basis as needed throughout the term of their agreements. The Debtors will rely on the Contractors to perform a range of services critical to the Debtors' operations. Accordingly, I understand that the authority to pay Contractors is critical to facilitating the Debtors' orderly winddown and maximizing the value of their estates.

iv. The Taxes and Fees

84. The Debtors seek authority, but not direction, to pay and remit all prepetition and postpetition obligations on account of Taxes and Fees, including: (a) Taxes and Fees that accrue or are incurred postpetition; (b) Taxes and Fees that have accrued or were incurred prepetition but were not paid prepetition or were paid in an amount less than actually owed, or otherwise remain outstanding; and (c) Taxes and Fees incurred for prepetition periods that become due and payable after the commencement of these the chapter 11 cases.

85. I understand that the Debtors' failure to pay the Taxes and Fees could materially and adversely impact the Debtors' chapter 11 process in several ways, as the Taxing Authorities may take certain actions, including, but not limited to, filing liens, imposing penalties or other fines, and potentially holding directors and officers personally liable for the failure to pay such Taxes and Fees, all of which would cause a significant disruption to the Debtors' daily operations and could potentially impose substantial costs on the Debtors' estates.. Moreover, I understand that the Debtors collect and hold certain outstanding tax liabilities in trust for the benefit of the applicable Taxing Authorities, and these funds may not constitute property of the Debtors' estates.

v. The Utility Providers

86. As set forth above, the Debtors have exited substantially all of their distribution centers other than the facility located in Dallas, Texas. To manage the Dallas Facility, the Debtors obtain electrical, water, pest control, waste removal, and telephone services from five different

utility providers. The Utilities for the Dallas Facility are factored into the Debtors' Dallas Facility rent payments pursuant to the lease agreement in connection therewith and average approximately \$15,000 per month. While the Debtors were historically current on such rent, the Debtors also obtained a third-party provided letter of credit for the benefit of the landlord to use in the event of any rent non-payments (and related utility payments) at the Dallas Facility (the "LC Facility"). As of the Petition Date, \$489,000 remains available under the LC Facility. The Debtors anticipate that the landlord will draw on the LC Facility until the Dallas Facility is monetized during the chapter 11 cases.

87. Uninterrupted Utility Services are essential to the Debtors' maintenance of the Dallas Facility, which the Debtors anticipate to monetize during these chapter 11 cases. Should any Utility Provider refuse or discontinue service, the Debtors' ability to monetize the Dallas Facility may be frustrated to the detriment of the Debtors' stakeholders.

vi. The Insurance Policies

88. Prior to the Petition Date, the Debtors maintained various insurance policies, including property, primary casualty, excess casualty, cyber, and other miscellaneous policies through several different insurance carriers. In connection with the Winddown Process, the Debtors have ceased ordinary course operations and have sold, assigned, or otherwise disposed of substantially all of the property covered by the Insurance Policies. The cost to continue coverage under the prepetition insurance policies through September 2025 for the minimal amount of property remaining is approximately \$483,000 (in the form of additional premiums). In light of the high cost of maintaining coverage under the Insurance Policies for business operations that have now ceased, the Debtors have determined, in their business judgment, to forgo additional insurance premium payments. However, I understand that, to the extent consistent with the DIP

Budgets, the Debtors may acquire insurance coverage on a postpetition basis for the limited property remaining prior to such property's liquidation.

D. Joint Administration Motion

89. Pursuant to the Joint Administration Motion, the Debtors request entry of an order approving the joint administration of related chapter 11 cases.

90. I understand that joint administration is procedurally more efficient because such joint administration saves the Debtor and their estates substantial time and expense, by removing the need to prepare, replicate, file, and serve duplicative notices, applications, and orders. Furthermore, I understand that joint administration will relieve the Court of entering duplicative orders and maintaining duplicative files and dockets and will spare the U.S. Trustee the time and effort of reviewing duplicative pleadings and papers.

91. I believe that joint administration is warranted and that consolidating these Chapter 11 Cases will assist the Debtors in preserving the value of the estate by avoiding duplicative expenses.

E. Schedules and Statements Extension Motion

92. Pursuant to the Schedules and Statements Motion, the Debtors request entry of an order extending the deadline by which the Debtors must file (a) their schedules of assets and liabilities, schedules of current income and expenditures, schedules of executory contracts and unexpired leases, and statements of financial affairs (collectively, the "Schedules and Statements") to and including June 7, 2025, thirty-three (33) days from the Petition Date, and (b) their initial reports of financial information with respect to entities in which the Debtors hold a controlling or substantial interest as set forth in rule 2015.3 of the Federal Rule of Bankruptcy Procedures (the "Bankruptcy Rules" and, such reports, the "2015.3 Reports") to and including June 7, 2025, 33

days from the Petition Date, in each case without prejudice to the Debtors' right to request additional extensions of such deadline for cause shown.

93. I understand that completing the Schedules and Statements and 2015.3 Reports requires the Debtors to spend considerable time and effort to collect, review, and assemble copious amounts of information in addition to attending to the day-to-day demands of the chapter 11 process. Before the Petition Date, the Debtors focused primarily on preparing the necessary pleadings to commence these cases and engaging in negotiations with their lenders and other parties in interest. Following the Petition Date, the substantial amount of work entailed in completing the Schedules and Statements and 2015.3 Reports will be directly competing with the demands upon the Debtors to address critical matters during the initial postpetition period. The Debtors, with the assistance of their professional advisors, have been and will continue working diligently and expeditiously to prepare the Schedules and Statements and 2015.3 Reports within the additional time requested.

94. I believe that an extension will not harm creditors or other parties in interest because, even under the extended deadline, the Debtors will file the Schedules and Statements and 2015.3 Reports in advance of any deadline for filing proofs of claim in these chapter 11 cases.

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

Dated: May 5, 2025
Dallas, Texas

/s/ Eric Kaup

Name: Eric Kaup

Title: Chief Restructuring Officer

Exhibit A

Organizational Chart

**Harvest Sherwood Food
Distributors, Inc.
Corporate Structure**

- Debtor
- Debtor Obligated Under Prepetition ABL Facility
- Non-Debtor

