

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
Caption in Compliance with D.N.J. LBR 9004-1

THOMPSON HINE LLP

Jeremy Campana (NJ Bar ID 031852000)
Curtis L. Tuggle (*pro hac vice* pending)
Jonathan S. Hawkins (*pro hac vice* pending)
3900 Key Center
127 Public Square
Cleveland, OH 44114
Telephone: 216.566.5500
Email: jeremy.campana@thompsonhine.com
curtis.tuggle@thompsonhine.com
jonathan.hawkins@thompsonhine.com

Attorneys for the Merchants Parties

In re:

CROWN CAPITAL HOLDINGS LLC, *et al.*

Debtors.¹

Chapter 11

Case No. 25-15351 (MBK)

(Jointly Administered)

**NOTICE OF HEARING ON THE MERCHANTS PARTIES' MOTION TO DISMISS,
ABSTAIN, AND/OR TERMINATE THE AUTOMATIC STAY
AND GRANT RELATED RELIEF**

PLEASE TAKE NOTICE that on October 30, 2025 at 11:30 a.m. (prevailing Eastern time), or as soon thereafter as counsel may be heard, Computershare Trust Company, National Association, as trustee for the benefit of the Registered Holders of Merchants Multifamily Trust 2022-RSS1, Multifamily Mortgage Pass-Through Certificates Series 2022-RSS1 and Merchants Bank of Indiana, acting by and through their Special Servicer, Merchants Capital Corp. (collectively, "**Merchants**") shall appear before the Honorable Michael B. Kaplan, United States Bankruptcy Judge, in Courtroom 8 of the United States Bankruptcy Court for the District of New Jersey, 402 East State Street, Trenton, NJ 08608 and seek the entry of an order granting *The Merchants Parties' Motion to Dismiss, Abstain, or Terminate the Automatic Stay and Grant Related Relief* (the "**Motion**") substantially in the form submitted with the Motion.

¹ The lead debtor in these chapter 11 cases, along with the last four digits of the debtor's federal tax identification number, is Crown Capital Holdings LLC (1411). A complete list of each of the debtors in these chapter 11 cases and their service address for purposes of these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://omniagentsolutions.com/CrownCapital>.

PLEASE TAKE FURTHER NOTICE that the Motion sets forth the relevant legal and factual bases upon which the relief requested should be granted. A proposed Order granting the relief requested in the Motion is also submitted with the Motion.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall: (a) be in writing; (b) state with particularity the basis of the objection; and (c) be filed with the Clerk of the United States Bankruptcy Court electronically by attorneys who regularly practice before the Bankruptcy Court in accordance with the *General Order Regarding Electronic Means for Filing, Signing, and Verification of Documents dated March 27, 2002* (the “**General Order**”) and the Commentary Supplementing Administrative Procedures dated as of March 2004 (the “**Supplemental Commentary**”) (the General Order, the Supplemental Commentary and the User’s Manual for the Electronic Case Filing System can be found at www.njb.uscourts.gov, the official website for the Bankruptcy Court) and, by all other parties-in-interest, on CD-ROM in Portable Document Format (PDF), and shall be served in accordance with the General Order and the Supplemental Commentary, so as to be received no later than seven (7) days prior to the hearing date set forth above.

PLEASE TAKE FURTHER NOTICE that copies of all documents filed in these chapter 11 cases may be obtained free of charge by visiting the website of Omni Agent Solutions, Inc., at <https://omniagentsolutions.com/CrownCapital>. You may also obtain copies of any pleadings by visiting the Court’s website at <https://www.njb.uscourts.gov> in accordance with the procedures and fees set forth therein.

PLEASE TAKE FURTHER NOTICE that unless objections are timely filed and served, the Motion will be decided on the papers in accordance with D.N.J. LBR 9013-3(d) and the relief requested may be granted without further notice or hearing.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Dated: October 15, 2025

Respectfully Submitted

THOMPSON HINE LLP

/s/ Jeremy Campana

Jeremy Campana (NJ Bar ID 031852000)

Curtis L. Tuggle (*pro hac vice* pending)

Jonathan S. Hawkins (*pro hac vice* pending)

3900 Key Center

127 Public Square

Cleveland, OH 44114

Telephone: 216.566.5500

Email: jeremy.campana@thompsonhine.com

curtis.tuggle@thompsonhine.com

jonathan.hawkins@thompsonhine.com

Attorneys for the Merchants Parties

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1	
THOMPSON HINE LLP Jeremy Campana (NJ Bar ID 031852000) Curtis L. Tuggle (<i>pro hac vice</i> pending) Jonathan S. Hawkins (<i>pro hac vice</i> pending) 3900 Key Center 127 Public Square Cleveland, OH 44114 Telephone: 216.566.5500 Email: jeremy.campana@thompsonhine.com curtis.tuggle@thompsonhine.com jonathan.hawkins@thompsonhine.com <i>Attorneys for the Merchants Parties</i>	
In re: CROWN CAPITAL HOLDINGS LLC, <i>et al.</i> Debtors. ¹	Chapter 11 Case No. 25-15351 (MBK) (Jointly Administered)

**THE MERCHANTS PARTIES' MOTION TO DISMISS,
ABSTAIN, AND/OR TERMINATE THE AUTOMATIC STAY
AND GRANT RELATED RELIEF**

Computershare Trust Company, National Association, as trustee for the benefit of the Registered Holders of Merchants Multifamily Trust 2022-RSS1, Multifamily Mortgage Pass-Through Certificates Series 2022-RSS1 and Merchants Bank of Indiana (“**MBI**”), acting by and through their Special Servicer, Merchants Capital Corp. (collectively, “**Merchants**”), by and through their undersigned counsel, seek entry of an order dismissing the chapter 11 cases of the

¹ The lead debtor in these chapter 11 cases, along with the last four digits of the debtor’s federal tax identification number, is Crown Capital Holdings LLC (1411). A complete list of each of the debtors in these chapter 11 cases and their service address for purposes of these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://omniagentsolutions.com/CrownCapital>.

Debtors² or abstaining or terminating the automatic stay, and granting related relief (the “**Motion**”). In support of the Motion, Merchants respectfully states as follows:

I. PRELIMINARY STATEMENT

1. Court-appointed receivers, after a comprehensive marketing process supported by a reputable, national broker have secured binding purchase agreements and executed letters of intent for all the Debtors’ Properties at pricing that materially exceeds stalking horse constructs embedded in the Debtors’ proposed DIP facility. If the windows to consummate the Receivers’ respective sales are missed, the estates will incur immediate and irreparable harm as buyers walk, carrying costs mount, and administrative expenses balloon with no offsetting upside.

2. The urgency is not theoretical. Each of the properties (the “**Properties**”) has been under the stewardship of neutral receivers for more than 120 days, during which time the broker ran disciplined, asset-level sale processes that identified actionable interest at superior values. Those efforts have culminated in binding contracts or letters of intent with prospective buyers (“**Potential Buyers**”) that represent the best outcome for all stakeholders. Absent relief, there is a strong risk the Potential Buyers terminate the purchase agreements, cease discussions with the receivers, and simply look for other places to deploy their capital.

3. Rather than maximize the sales at hand, the Debtors cases appear to be postured to use the bankruptcy to give preferred parties an opportunity to purchase the Properties (defined below) with expensive DIP financing. Debtors’ intended course of action would destroy—not create—value. It duplicates an already successful process, chills competitive bidding, delays

² For purposes of this Motion, the term “**Debtors**” shall collectively mean Evergreen Regency Townhomes, LTD (Case No. 25-20506), Gallatin Apts LLC (“**Gallatin**”) (Case No. 25-20509), Mon View Apts LLC (“**Mon View**”) (Case No. 25-20515), Palisades Apts LLC (“**Palisades**”) (Case No. 25-20517), Slidell Apartments LLC (“**Slidell**”) (Case No. 25-20522), Valley Royal Court Apts LLC (“**Valley Royal**”) (Case No. 25-20526), and Woodside Village Owner LLC (“**Woodside**”) (Case No. 25-20529). This Motion does not seek relief with respect to any other debtor.

closing, and guarantees higher administrative burn while substantially guaranteeing recoveries materially below the receivers' market-tested outcomes.

4. The stakes are straightforward. There is no equity in these assets, and there is no path to rehabilitation. The only rational, value-maximizing course is to allow the Receivers' sales to proceed to closing without further disruption. Every day of delay threatens to unravel the superior bids in hand, increases Merchants' deficiency, and prejudices other stakeholders. Accordingly, Merchants respectfully requests entry of an order dismissing these chapter 11 cases for cause under section 1112(b), abstaining under section 305(a), or terminating the automatic stay under section 362(d) so that the receivers' value-maximizing sales can close without further risk of termination by the Potential Buyers.

II. JURISDICTION AND VENUE

5. The United States Bankruptcy Court for the District of New Jersey (the "**Court**") has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and the *Standing Order of Reference to the Bankruptcy Court Under Title 11, entered on July 23, 1984, and amended on June 6, 2025* (Bumb, C.J.). This matter is a core proceeding under 28 U.S.C. § 157(b). Merchants confirms its consent to the entry of a final order by the Court.

6. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

7. The bases for the relief requested herein are sections 105(a), 305, 362, and 1112 of title 11 of the United States Code (the "**Bankruptcy Code**"), rules 1017, 2002, 4001, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") and rule 4001-1 of the Local Bankruptcy Rules for the District of New Jersey (the "**Local Rules**").

III. BACKGROUND

8. On October 6, 2025 (the “**Petition Date**”), the Debtors and thirty-four of their affiliates each filed voluntary petitions under chapter 11 of the Bankruptcy Code and continue to be in possession of their estates as debtors in possession pursuant to Section 1107 of the Bankruptcy Code.³

9. Prior to the Petition Date, MBI made loans to the Debtors (collectively the “**Loans**” and each individually, a “**Loan**”), each of which are each secured by a first priority (or a first and second) security interest and mortgage (or deeds of trust, as applicable) on the Debtors’ respective real estate and personal property used to operate the apartment complexes situated at the Properties. Each of the Debtors are in maturity default. Thus, Merchants commenced state court actions (collectively, the “**Receiverships**”) in the respective jurisdictions where the Properties are located, and the Properties were placed in the custody of impartial receivers (collectively, the “**Receivers**”). The Receivers have been in possession of the Debtors’ Properties for over 120 days. The Receivers each retained various affiliates of, or entities doing business under the trade name, Newmark (collectively “**Newmark**”), a real estate brokerage firm well regarded for its expertise in the affordable housing space to design and carry out value-maximizing sale processes.

10. The Loans, Receiverships, status of Newmark’s efforts and anticipated unsecured deficiency due Merchants for the Debtors are each summarized in the following table.

³ On or about May 19, 2025, Crown Capital Holdings LLC (“**Crown**”) and ten of its affiliates (the “**Initial Debtors**”) not including the Debtors filed voluntary chapter 11 petitions in the Court and are jointly administered under the case captioned *In re CBRM Realty Inc., et al.*, Case No. 25-15343. Crown was severed from joint administration with the Initial Debtors and serves as the lead debtor for the Debtors’ chapter 11 proceedings.

Debtor	Property Location	Receiver /Appointment Date	Approx. Loan Balance	Status of Sale / Value	Deficiency ⁴
Evergreen Regency Townhomes, LTD	Flint, MI	Hilco 1/14/2025	\$25 million	- Under \$1.5 million LOI with contract intended to be executed on the Petition Date	(\$23.5M)
Slidell Apartments LLC	Flint, MI	Hilco 1/9/2025	\$8 million	- Under \$6 million contract - State Court approved	(\$2M)
Mon View Apts LLC	Pittsburgh, PA	Trigild 12/12/2024	\$21.1 million	- Under \$11 million LOI - Final judgment & decrees awarded	(\$10.1M)
Palisades Apts LLC	Pittsburgh, PA	Trigild 12/12/2024			
Gallatin Apts LLC	Pittsburgh, PA	Trigild 12/12/2024			
Valley Royal Court Apts LLC	Pittsburgh, PA	Trigild 12/12/2024			
Woodside Village Owner LLC	Danville, VA	Trigild 1/23/2025	\$12.3 million	- Under \$10 million contract - Receiver's deadline to file motion with state court is October 27, 2025	(\$2.3M)

11. The details of each Loan, and the status of the pre-petition sales achieved in the state court proceedings are set forth in (a) Merchants' opposition [Dkt. No. 47] to *Debtors' Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to Obtain Postpetition Financing, (ii) Granting Liens and Superpriority Administrative Expense Claims, (iii) Modifying the Automatic Stay, and (iv) Granting Related Relief* [Dkt. No. 13] (the "**DIP Motion**"); (b) the declaration of Tucker Watson [Dkt. No. 49] filed in connection with Merchants' opposition to

⁴ Not including pre-closing operating losses and other prorations.

the DIP Motion which is fully incorporated herein by reference;⁵ and (c) the declaration of Andy Daitch filed in connection with Merchants' opposition to the DIP Motion [Dkt. No. 51] which is fully incorporated herein by reference.

12. On the Petition Date, the Debtors filed the DIP Motion, proposing a post-petition financing facility designed not to stabilize assets in distress but to position the proposed DIP lender (as more particularly described in the DIP Motion) and its affiliates as stalking horse purchasers with a **no cash** purchase price, credit-bid rights, break-up fees, expansive and inappropriate releases, and case control milestones. The initial \$6.45 million interim draw is slated, per the DIP Term Sheet, to fund substantial non-operational items, including approximately \$1.775 million in "restructuring costs" deposited into a professional-fee escrow, a DIP origination fee on the interim draw (another \$193,506), and an interest reserve of \$129,004 that would protect the DIP lender's unusually high 18% annual interest rate. By contrast, the proposed capital expenditure outlays on the interim draw are a mere \$1.37 million across all 41 debtors. The interim draw appears to be less about property preservation and tenant welfare and more about ensuring professionals fees are paid.

13. The DIP Motion foreshadows the Debtors' intentions with respect to their respective cases and underscores the absence of sufficient income. The goal is not reorganization or rehabilitation of the Debtors. Rather, the bankruptcy cases appear to be a mechanism to vault certain stakeholders⁶ ahead of prepetition lenders in a misguided sale process, belying the inherent lack of good faith.

⁵ Note a scrivener's error appears in the Watson Declaration in ¶21. The definition of AHRCO Loan Documents should read: "together with the other documents and agreements executed in connection with the *AHRCO* Loans, the "AHRCO Loan Documents."

⁶ Merchants anticipates, on information and belief, to better describe to the Court the nature of the investments underwriting the proposed DIP after an opportunity for discovery.

IV. RELIEF REQUESTED

14. Merchants seeks entry of an order dismissing the Debtors' chapter 11 cases for cause pursuant to 11 U.S.C. § 1112(b)(1) or abstention under 11 U.S.C. § 305(a). In the alternative, Merchants seeks relief from the automatic stay pursuant to 11 U.S.C. § 362(d)(1) and (2) to allow the Receivers to document and consummate their existing sales to preserve the value generated by Newmark's extensive marketing efforts and limiting administrative expenses. Finally, because time is of the essence with respect to each of the Receivers' sales, Merchants seeks waiver of the 14-day stay of Bankruptcy Rule 4001 and any other stay of effectiveness of the order of this Court.

V. ARGUMENT

A. The Court Should Dismiss the Debtors' Chapter 11 Cases for Cause Under Section 1112 Because Rehabilitation is Futile, Diminution in the Value of the Debtors' Estates, and the Cases Were Filed in Bad Faith.

15. In relevant part, Section 1112(b)(1) of the Bankruptcy Code states:

on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate.

11 U.S.C. § 1112(b)(1).⁷

16. While the term "cause" is not defined in the Bankruptcy Code, subparagraph (4) of Section 1112(b) includes a nonexclusive list of examples. "Courts have wide latitude in determining whether cause exists to convert or dismiss." *In re Nugelt, Inc.*, 142 B.R. 661, 665

⁷ "The court may not convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter if the court finds and specifically identifies unusual circumstances establishing that converting or dismissing the case is not in the best interests of creditors and the estate, and the debtor or any other party in interest establishes that— (A) there is a reasonable likelihood that a plan will be confirmed within the timeframes established in sections 1121(e) and 1129(e) of this title, or if such sections do not apply, within a reasonable period of time; and (B) the grounds for converting or dismissing the case include an act or omission of the debtor other than under paragraph (4)(A) – (i) for which there exists a reasonable justification for the act or omission; and (ii) that will be cured within a reasonable period of time fixed by the court." 11 U.S.C. § 1112(b)(2).

(Bankr. D. Del. 1992). Among these examples is “substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation.” 11 U.S.C. § 1112(b)(4)(A); *In re SGL Carbon Corp.*, 200 F.3d 154, 160 (3d Cir. 1999) (these “factors are not exhaustive” and “a court may consider whether other facts and circumstances qualify as ‘cause.’”).

17. A debtor’s bad faith constitutes cause for dismissal. *In re Integrated Telecom Express, Inc.*, 384 F.3d 108, 118 (3d Cir. 2004) (“Chapter 11 bankruptcy petitions are subject to dismissal under 11 U.S.C. § 1112(b) unless filed in good faith, and the burden is on the bankruptcy petitioner to establish that its petition has been filed in good faith. Whether the good faith requirement has been satisfied is a ‘fact intensive inquiry’ in which the court must examine ‘the totality of facts and circumstances’ and determine where a ‘petition falls along the spectrum ranging from the clearly acceptable to the patently abusive.’”) (citations omitted). Third Circuit cases have “focused on two inquiries that are particularly relevant to the question of good faith: (1) whether the petition serves a valid bankruptcy purpose, *e.g.*, by preserving a going concern or maximizing the value of the debtor’s estate, and (2) whether the petition is filed merely to obtain a tactical litigation advantage.” *Id.* at 119-20. “To be filed in good faith, a petition must do more than merely invoke some distributional mechanism in the Bankruptcy Code. It must seek to create or preserve some value that would otherwise be lost—not merely distributed to a different stakeholder—outside of bankruptcy.” *Id.* at 129. Courts consider the following non-exhaustive list of factors when determining dismissal for bad faith:

(1) the debtor has few or no unsecured creditors; (2) there has been a previous bankruptcy petition by the debtor or a related entity; (3) the prepetition conduct of the debtor has been improper; (4) the petition effectively allows the debtor to evade court orders; (5) there are few debts to non-moving creditors; (6) the petition was filed on the eve of foreclosure; (7) the foreclosed property is the sole or major asset of the debtor; (8) the debtor has no ongoing business or employees;

(9) there is no possibility of reorganization; (10) the debtor's income is not sufficient to operate; (11) there was no pressure from non-moving creditors; (12) reorganization essentially involves the resolution of a two-party dispute; (13) a corporate debtor was formed and received title to its major assets immediately before the petition; and (14) the debtor filed solely to create the automatic stay.

In re StingFree Techs. Co., 427 B.R. 337, 352 (E.D. Pa. 2010). The Third Circuit has noted, once the issue of good faith has been raised, the burden is on the debtor to establish that the petition has been filed in good faith. *In re SGL Carbon Corporation*, 200 F.3d at 162.

18. Cause for dismissal exists in the Debtors' instant chapter 11 cases under Section 1112(b)(4)(A) and because the Debtors' petitions were filed in bad faith.

19. Cause under 1112(b)(4)(A) is clear given the undeniable diminution in the value of the Debtors' estates risked simply by the chapter 11 case itself. With valuable offers in hand, Debtors filed these cases with an eye toward selling the same Properties for much less. Whether or not the Properties improve over the short term is irrelevant—what matters is that Debtors have but substantial value at risk of complete loss without a possible remedy, and, strangely, without an apparent upside to the estate, either. Therefore, these chapter 11 proceedings can only result in substantially worse outcomes for all of the Debtors' respective creditors on account of diminution in the value of Debtors' estates—diminution Debtors have no meaningful way to adequately protect Merchants from. Debtors will accrue millions in carrying costs and administrative expenses to run a speculative and, at best, duplicative process that risks “the bird in hand.”

20. Regardless of the likely loss in value occasioned by Debtors' stay in bankruptcy, there are several significant badges of bad faith present in this case sufficient for a finding of cause. Specifically, the following badges are present:

- a. Factor 3 – Prepetition Misconduct: Debtors readily acknowledge the criminal conduct of their owners and managers prior to the Petition Date.

- b. Factor 4 – Evading Court Orders: Debtors hope to avoid the orders appointing the Receivers, many of which outright prohibited Debtors from filing bankruptcy.
- c. Factor 6 – Eve of Foreclosure: Debtors’ petitions were filed on the eve of the Receivers’ completion of foreclosure sales to the Potential Buyers.
- d. Factor 7 – Foreclosure of Sole Asset: the Properties subject to Merchants’ state court actions are the Debtors’ only assets.
- e. Factor 8 – No Ongoing Business: Debtors have no ongoing business or employees – only professionals hired to study financial reports generated by others. On the contrary, all operations are being handled by the Receivers.
- f. Factor 9 – No Possibility of Reorganization: Debtors admit the purpose of this case is to take another run at a sale process for the Properties, not reorganize. Reorganization is futile because there are no unencumbered assets in the Debtors’ estates.
- g. Factor 10 – Insufficient Income: Debtors readily admit, and the DIP Motion functionally demonstrates, that Debtors have insufficient cash resources of their own and need to borrow it from third parties.
- h. Factor 14 – Sole Purpose is Stay: The timing of Debtors’ petitions evidences the objective of using the bankruptcy stay as a litigation tool to advance a flawed sale process by disrupting the existing – and successful – sale process run by the Receivers.

21. Generally speaking, the proper bankruptcy purpose of these cases is difficult to understand. It appears Debtors’ purpose is to facilitate the stalking horses’ acquisition of the Debtors’ property at bargain prices; that is not a legitimate bankruptcy purpose. Halting the Receivers’ largely completed sale processes in favor of a new sale process that gives the DIP lender and an opportunity to purchase the Properties for substantially less than they are worth is also not a legitimate bankruptcy purpose. *See In re Integrated Telecom Express, Inc.*, 384 F.3d at 118. The fact that stalking horse buyer with credit bidding rights under the DIP for many of the Properties is a close affiliate of the management company operating at nearly all the facilities underscores the risk of impropriety – real or perceived – potentially infused in the process.

22. Ultimately, the Debtors’ strategy for these chapter 11 proceedings, a going concern sale of the Properties, is highly value destructive in light of the Receivers’ executable or nearly-executable transactions pending. Newmark’s efforts demonstrate not only that the rehabilitative / reorganizational goal of these chapter 11 cases is impossible, but also that there is simply no equity in any of the Properties. Duplicating those efforts at incredible expense is not an appropriate use of the bankruptcy process.

23. Debtors’ chapter 11 cases do not serve to preserve or create value. *See In re Integrated Telecom Express, Inc.*, 384 F.3d at 129 (Debtors “must seek to create or preserve some value that would otherwise be lost—not merely distributed to a different stakeholder—outside of bankruptcy.”).

24. In any case, there will be zero distribution to unsecured creditors—at least from Merchants’ collateral⁸—and therefore no prospect of restructuring or valid purpose for remaining in bankruptcy. The offers received by the Receivers after a fulsome marketing process serve as the best evidence of the value of the Debtors’ properties and evidence that the values do not surpass the liens of Merchants. The hypothetical best-case outcome of these chapter 11 proceedings is measurably inferior to the mature, orderly sale process under the Receivers’ competent, impartial, and court-supervised oversight. With no equity, no cash, no means of

⁸ The Debtors may argue that the Debtors possess claims against the Debtors’ principal, Moshe Silber. *See Declaration of Matthew Dundon in Support of Debtors’ Chapter 11 Petitions and First Day Filings* [Dkt. No. 21] (the “**Dundon Decl.**”), ¶¶ 13-14. However, it is doubtful whether these claims are recoverable, even if meritorious; speculative claims are not sufficient to confirm a plan on feasibility grounds. *In re Am. Cap. Equip., LLC*, 688 F.3d 145, 162 (3d Cir. 2012) (“‘cause’ also exists if there is not ‘a reasonable possibility of a successful reorganization within a reasonable period of time.’”); *Paradigm Elizabeth, LLC v. Empire TFI Jersey Holdings, LLC*, 560 B.R. 238, 240 (D.N.J. 2016) (finding no reasonable likelihood that debtor would be rehabilitated within a reasonable time); *In re DCNC N.C. I, LLC*, 407 B.R. 651, 670 (Bankr. E.D. Pa. 2009) (granting motion to dismiss where debtors lacked a reasonable prospect of confirming a plan. The Debtor’s reorganization relied on speculative litigation); *see In re Prisco Props., LLC*, Bankr. D.N.J. No. 10-21719, 2010 Bankr. LEXIS 3885 (Nov. 1, 2010) (Where the debtor evaded the absolute assignment of rents under its mortgages by diverting the funds new accounts in a different bank and by failing to charge any rent to its controlled tenant, it had breached its fiduciary duty to creditors under new Jersey law, and cause for conversion or dismissal was established under 11 U.S.C. § 1112(b)).

offering adequate protection or meaningful recovery on account of its substantial unsecured deficiencies, dismissal is warranted.⁹

B. The Court should Abstain under Section 305(a) Because Completion of the Receiver's Sales is in the Best Interests of Creditors.

25. The Court has authority to dismiss the chapter 11 proceedings pursuant to 11 U.S.C. § 305(a)(1), which provides, “[t]he court, after notice and a hearing, may dismiss a case under this title, or may suspend all proceedings in a case under this title, at any time if— (1) the interests of creditors and the debtor would be better served by such dismissal or suspension . . .” 11 U.S.C. § 305(a)(1). In considering dismissal motions under Section 305(a)(1), “courts have considered a wide range of factors, including but not limited to who filed the bankruptcy petition, the availability of another forum to resolve the pending disputes, the necessity of federal proceedings to achieve a just and equitable solution, the expense of the federal proceedings in comparison with the proceedings in another forum, the purpose of the party seeking to remain in bankruptcy court, the economy and efficiency of having the bankruptcy court handle the matter and the possible prejudice to various parties.” *Steinman v. Spencer (In re Argus Group 1700)*, 206 B.R. 737, 755 (Bankr. E.D. Pa. 1996) (internal quotations omitted)). Importantly, “the purpose of the party seeking to remain in bankruptcy court” also strongly counsels in favor of dismissal under Section 305(a)(1). *Id.* at 755. Filing bankruptcy solely to avoid or frustrate a receiver justifies dismissal under Section 305(a)(1). *See, e.g., In re Fast Food Props., Ltd. #1*, 5 B.R. 539, 540 (Bankr. C.D. Cal. 1980) (in *sua sponte* dismissing the case where there were no unsecured creditors and only two secured creditors, the court stated, “[i]t is obvious to me that this Chapter 11 case was filed solely for the purpose of frustrating the enforcement of the power

⁹ Merchants urges the Court to dismiss rather than convert. Alternatively, if the Court is inclined to convert, Merchants requests that the Court grant Merchants relief from stay and deem the Properties under Receiver control abandoned.

of sale provision under Su-Jac's deed of trust and that the Chapter 11 case should be dismissed.").

26. As demonstrated herein, dismissal is in the best interests of all creditors in this case. Each of the Receivers currently has a sale resulting from the robust marketing process run by Newmark that encompasses all of the potential value in each Debtor. The binding purchase agreements and letters of intent are all millions of dollars higher than the proposed stalking horses. Allowing the Receivers to proceed with these sales maximizes value compared to the Debtors' proposed process because it minimizes delay, carrying costs, and administrative expenses. Allowing the Potential Buyers to walk substantially guarantees that the recovery for Merchants will be millions less than it could have been in the Receiverships. This harms unsecured creditors by inflating Merchants' deficiency claim. With no benefit apparent to hampering a sale process overseen by professionals under court supervision, this Court may rightfully abstain under Section 305(a).

C. In the Alternative, the Court Should Lift the Stay to Allow the Receivers to Pursue Existing Sales.

27. Section 362(d) of the Bankruptcy Code sets forth several independent grounds for granting relief from the automatic stay. *See* 11 U.S.C. § 362(d). In relevant part, Section 362(d) provides:

On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as by terminating, annulling, modifying, or condition such stay—

(1) for cause, including the lack of adequate protection of an interest in property of such party in interest

(2) with respect to a stay of an act against property under subsection (a) of this section, if—

(A) the debtor does not have an equity in such property; and

(B) such property is not necessary to an effective reorganization;

11 U.S.C. § 362(d)(1) and (2).

28. Numerous courts have found bad faith constitutes cause for granting relief from the stay. *In re Nelson*, 66 B.R. 231, 232 (Bankr. D.N.J. 1986) (creditor granted relief from stay to continue foreclosure proceedings); *In re Stoltzfus*, No. 09-11904bf, 2009 Bankr. LEXIS 2634, at *8 (Bankr. E.D. Pa. March 30, 2009) (collecting authorities). The test for determining whether a bankruptcy case was filed in bad faith is the same under § 362 and § 1112(b). *In re Schaffer*, 597 B.R. 777, 791 n.21 (Bankr. E.D. Pa. 2019) (finding that a bad faith filing constituted cause for stay relief) (citing *In re Laguna Assocs. Ltd. Pshp.*, 30 F.3d 734, 737-38 (6th Cir. 1994)). “While lack of adequate protection of an interest in property of the moving party is one cause for relief, it is not the only cause. ‘Cause’ may exist to terminate the stay under § 362(d)(1) even if adequate protection is provided. *Id.* at 789 citing *In re Porter*, 371 B.R. 739, 745 (Bankr. E.D. Pa. 2007). “Except for lack of adequate protection, ‘cause’ is not defined by § 362(d)(1). Cause is a flexible concept and courts often conduct a fact intensive, case-by-case balancing test, examining the totality of the circumstances to determine whether sufficient cause exists to lift the stay.” *In re SCO Grp., Inc.*, 395 B.R. 852, 856 (Bankr. D. Del. 2007) (citing *In re Wilson*, 116 F.3d 87, 90 (3d Cir. 1997)).

29. Here, Merchants has demonstrated the Debtors’ petitions were filed in bad faith because there is no valid bankruptcy purpose and no reasonable prospect of reorganizing. For the same reasons, if the Court does not dismiss the cases, it should grant relief from the stay to permit Merchants to proceed with its state court foreclosure actions and to allow the Receivers to complete their existing sales. The Debtors, the Debtors’ estates, and the Debtors’ creditors will not be harmed because the Receivers have arranged value maximizing transactions; by contrast,

the Debtors' proposed disposition will generate far less value and will require substantial and expensive new borrowing.

30. Furthermore, Merchants cannot be adequately protected if relief is not swiftly granted. Even though the Debtors propose to provide some adequate protection under the DIP loans in the form of debt service payments, these payments are to be funded with nonconsensual priming liens in favor of the DIP lenders that will never benefit Merchants because the no-cash stalking-horse bids are far lower than the Receivers' sales. Therefore, Merchants will suffer irreparable harm if the Receivers are not permitted to complete their sales regardless of the nominal adequate protection payments on offer.

31. “[E]gregious non-payment of a mortgage is sufficient by itself to grant stay relief for cause....the fact of non-payment alone, without *more* on the record, *will* generally result in our granting a motion for relief from the stay.” *Woodward v. U.S. Bank Nat’l Assoc. (In re Woodward)*, Bankr. E.D. Pa. No. 17-16163-MDC, 2020 Bankr. LEXIS 1941, at *22 (July 21, 2020) (quoting *In re Kessler*, 76 B.R. 434, 438 (Bankr. E.D. Pa. 1987) (internal quotations omitted)).

32. Finally, stay relief should be granted under 362(d)(2) because the Debtors have no equity in the Properties evidenced by the market tested bids received by the Receivers in comparison to the indebtedness of each Debtor on the Petition Date. The Debtors are not seeking reorganization or rehabilitation. Rather, they merely intend to sell the Properties in the bankruptcy. Accordingly, the Properties are not necessary for an effective reorganization. *In re Vieland*, 41 B.R. 134, 142 (Bankr. N.D. Ohio 1984) (in a chapter 13 case, the court granted stay relief because the property was not necessary for reorganization due to the debtor’s admission it planned to sell the property.); *see also Nazareth Nat’l Bank v. Trina-Dee, Inc.*, 731 F.2d 170, 171

(3d Cir. 1984) (in affirming the order granting relief from the stay, the Third Circuit stated “the party requesting such relief has the burden of proof on the issue of the debtor's equity. . . . [T]he debtor had the burden of proving that the property in issue is necessary to an effective reorganization. The bankruptcy court held that the debtor failed to carry this burden, and the debtor does not on this appeal contest that finding.”); *In re Hanley*, 102 B.R. 36, 37 (W.D. Pa. 1989) (“for property to be ‘necessary to an effective reorganization,’ it must be essential for a reorganization ‘that is in prospect.’ That is, there must be a reasonable possibility of a successful reorganization within a reasonable time.”) (citing *United Savings Association of Texas v. Timbers of Inwood Forest Associates, Ltd.*, 484 U.S. 365, 98 L. Ed. 2d 740, 751, 108 S. Ct. 626 (1988)).

33. In that regard, Merchants further reserves the right to assert the recorded assignment of rents and leases, combined with the Receivers’ control, excludes the rental proceeds from property of the estate. *First Fidelity Bank, N.A. v. Jason Realty, L.P. (In re Jason Realty, L.P.)*, 59 F.3d 423, 427 (3d Cir. 1995) (applying New Jersey law to an absolute assignment of rents in determining rental proceeds were property of mortgagee, not debtor). If the rents are not property of the estate, Debtors have no possible reorganization at hand. Any sale will require separate lender consent since no buyer would take title subject to the Debtor’s assignment of the rents to Merchants.

34. Merchants notes that Debtors have not identified themselves as debtors in a “Single Asset Real Estate” case (as that term is used in 11 U.S.C. § 101(51B)) pursuant to the selection at question 7 on the Debtors Form 201 Petitions. At this time, Merchants does not concede Debtors’ self-designation is accurate. While Debtors may have unsecured claims against former directors and officers, the core of each’s assets are the “single property or project” that

has no substantial other business in operation. 11 U.S.C. § 101(51B). The purpose in such designation—shortening the opportunity to disrupt a secured lender’s rights and fast track hopeless cases—is certainly applicable here. *See* 3 Collier on Bankr. § 362.07[5][b]. However, at this stage in the proceedings, it is sufficient that Debtors’ cases were not filed in good faith. *In re Laguna Assocs. LP*, 30 F.3d 734 (6th Cir. 1994). Merchants reserves the right to assert an entitlement to stay relief pursuant to 11 U.S.C. § 362(d)(3).

35. Finally, additional cause can be found where the sole asset is in the hands of a custodian entitled excuse from turnover pursuant to 11 U.S.C. § 543(d)(1). Given that more than 120 days have passed since Receivers took possession, the Debtors cannot even guarantee they will be able to secure access to cash collateral (even if the cash were property of the estates, which Merchants does not concede)—let alone fair DIP financing.

36. Based on the foregoing, in the event the Court determines dismissal is not warranted under the circumstances, Merchants is entitled to relief from the automatic stay in order to allow the Receivers to complete their value-maximizing sales. Furthermore, to the extent that this Motion is denied, Merchants respectfully requests that the Court construe the Motion as a request that the Receivers be excused from the turnover requirements of section 543(a) as the factors of section 543(d)(1) are satisfied.

VI. WAIVER OF MEMORANDUM OF LAW

37. Merchants respectfully requests the Court waive the requirement to file a separate memorandum of law pursuant to Local Rule 9013-1(a)(3) because the legal basis upon which Merchants relies is set forth in this Motion and does not raise any novel issues of law.

WHEREFORE, for the reasons set forth above, Merchants respectfully requests this Court enter an order substantially in the form attached hereto as **Exhibit B** dismissing the chapter 11 cases of the Debtors pursuant to 11 U.S.C. § 1112 or 305(a).

[Remainder of page intentionally left blank]

Dated: October 15, 2025

Respectfully Submitted

THOMPSON HINE LLP

/s/ Jeremy Campana

Jeremy Campana (NJ Bar ID 031852000)

Curtis L. Tuggle (*pro hac vice* pending)

Jonathan S. Hawkins (*pro hac vice* pending)

3900 Key Center

127 Public Square

Cleveland, OH 44114

Telephone: 216.566.5500

Email: jeremy.campana@thompsonhine.com

curtis.tuggle@thompsonhine.com

jonathan.hawkins@thompsonhine.com

Attorneys for the Merchants Parties

EXHIBIT A

(Proposed Order Granting Motion to Dismiss)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
Caption in Compliance with D.N.J. LBR 9004-1

In re:

CROWN CAPITAL HOLDINGS LLC, *et al.*

Debtors.¹

Chapter 11

Case No. 25-15351 (MBK)

(Jointly Administered)

ORDER GRANTING MOTION TO DISMISS

The relief set forth on the following pages, numbered three (3) through four (4), is hereby
ORDERED.

DATED: October __, 2025

Honorable Michael B. Kaplan
United States Bankruptcy Judge

¹ The lead debtor in these chapter 11 cases, along with the last four digits of the debtor's federal tax identification number, is Crown Capital Holdings LLC (1411). A complete list of each of the debtors in these chapter 11 cases and their service address for purposes of these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://omniagentsolutions.com/CrownCapital>.

Page 2

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*

Case No: 25-15351 (MBK)

Caption of Order Order Granting Motion to Dismiss

Dated: October 15, 2025

Respectfully Submitted

THOMPSON HINE LLP

/s/ Jeremy Campana

Jeremy Campana (NJ Bar ID 031852000)

Curtis L. Tuggle (*pro hac vice* pending)

Jonathan S. Hawkins (*pro hac vice* pending)

3900 Key Center

127 Public Square

Cleveland, OH 44114

Telephone: 216.566.5500

Email: jeremy.campana@thompsonhine.com

curtis.tuggle@thompsonhine.com

jonathan.hawkins@thompsonhine.com

Attorneys for the Merchants Parties

Page 3

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*
Case No: 25-15351 (MBK)
Caption of Order Order Granting Motion to Dismiss

Upon the motion (the “**Motion**”)² of Computershare Trust Company, National Association, as trustee for the benefit of the Registered Holders of Merchants Multifamily Trust 2022-RSS1, Multifamily Mortgage Pass-Through Certificates Series 2022-RSS1 (the “**Trust**”) and Merchants Bank of Indiana (“**MBI**”), acting by and through their Special Servicer, Merchants Capital Corp. (“**MCC**” and together with MBI, “**Merchants**”) for entry of an order (this “**Order**”) pursuant to sections 105(a), 305, and 1112 of title 11 of the United States Code (the “**Bankruptcy Code**”) dismissing the chapter 11 cases of certain of the above-captioned debtors; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being core under 28 U.S.C. § 157(b); and that this Court may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, its creditors, and other parties in interest; and this Court having reviewed the Motion; and all objections, if any, to the Motion having been withdrawn, resolved, or overruled; and this Court having found that notice of the Motion and opportunity for hearing on the Motion were appropriate under the circumstances and that no other or further notice be required; and this Court having determined that the legal and factual bases set forth in the Motion and at the hearing thereon establish just cause for the relief granted herein; and upon all of the proceedings before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.

² Capitalized terms used but not defined herein have the meanings given to such terms in the Motion.

Page 4

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*

Case No: 25-15351 (MBK)

Caption of Order Order Granting Motion to Dismiss

2. The chapter 11 petitions of Evergreen Regency Townhomes, LTD. (Case No. 25-20506), Slidell Apartments LLC (Case No. 25-20522), Mon View Apts LLC (Case No. 25-20515), Woodside Village Owner LLC (Case No. 25-20529), Palisades Apts LLC (Case No. 25-20517), Gallatin Apts LLC (Case No. 25-20509), and Valley Royal Court Apts LLC (Case No. 25-20526) are hereby DISMISSED.

3. This Order shall be immediately effective and enforceable upon its entry.

4. This Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1
In re: CROWN CAPITAL HOLDINGS LLC, <i>et al.</i> Debtors. ¹

Chapter 11
Case No. 25-15351 (MBK)
(Jointly Administered)

ORDER GRANTING MOTION TO DISMISS

The relief set forth on the following pages, numbered three (3) through four (4), is hereby
ORDERED.

DATED: October __, 2025

Honorable Michael B. Kaplan
United States Bankruptcy Judge

¹ The lead debtor in these chapter 11 cases, along with the last four digits of the debtor's federal tax identification number, is Crown Capital Holdings LLC (1411). A complete list of each of the debtors in these chapter 11 cases and their service address for purposes of these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://omniagentsolutions.com/CrownCapital>.

Page 2

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*

Case No: 25-15351 (MBK)

Caption of Order: Order Granting Motion to Dismiss

Dated: October 15, 2025

Respectfully Submitted

THOMPSON HINE LLP

/s/ Jeremy Campana

Jeremy Campana (NJ Bar ID 031852000)

Curtis L. Tuggle (*pro hac vice* pending)

Jonathan S. Hawkins (*pro hac vice* pending)

3900 Key Center

127 Public Square

Cleveland, OH 44114

Telephone: 216.566.5500

Email: jeremy.campana@thompsonhine.com

curtis.tuggle@thompsonhine.com

jonathan.hawkins@thompsonhine.com

Attorneys for the Merchants Parties

Page 3

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*
Case No: 25-15351 (MBK)
Caption of Order: Order Granting Motion to Dismiss

Upon the motion (the “**Motion**”)² of Computershare Trust Company, National Association, as trustee for the benefit of the Registered Holders of Merchants Multifamily Trust 2022-RSS1, Multifamily Mortgage Pass-Through Certificates Series 2022-RSS1 (the “**Trust**”) and Merchants Bank of Indiana (“**MBI**”), acting by and through their Special Servicer, Merchants Capital Corp. (“**MCC**” and together with MBI, “**Merchants**”) for entry of an order (this “**Order**”) pursuant to sections 105(a), 305, and 1112 of title 11 of the United States Code (the “**Bankruptcy Code**”) dismissing the chapter 11 cases of certain of the above-captioned debtors; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being core under 28 U.S.C. § 157(b); and that this Court may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, its creditors, and other parties in interest; and this Court having reviewed the Motion; and all objections, if any, to the Motion having been withdrawn, resolved, or overruled; and this Court having found that notice of the Motion and opportunity for hearing on the Motion were appropriate under the circumstances and that no other or further notice be required; and this Court having determined that the legal and factual bases set forth in the Motion and at the hearing thereon establish just cause for the relief granted herein; and upon all of the proceedings before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.

² Capitalized terms used but not defined herein have the meanings given to such terms in the Motion.

Page 4

Debtors: CROWN CAPITAL HOLDINGS LLC, *et al.*

Case No: 25-15351 (MBK)

Caption of Order: Order Granting Motion to Dismiss

2. The chapter 11 petitions of Evergreen Regency Townhomes, LTD. (Case No. 25-20506), Slidell Apartments LLC (Case No. 25-20522), Mon View Apts LLC (Case No. 25-20515), Woodside Village Owner LLC (Case No. 25-20529), Palisades Apts LLC (Case No. 25-20517), Gallatin Apts LLC (Case No. 25-20509), and Valley Royal Court Apts LLC (Case No. 25-20526) are hereby DISMISSED.

3. This Order shall be immediately effective and enforceable upon its entry.

4. This Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.