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Signature Styles (Spiegel, Newport News & Shape Fx Brands) Files for Chapter 11 With Deal to Sell All Assets

Signature Styles, LLC and Signature Styles Gift Cards, LLC, which collectively operate a catalog and internet retailer specializing in women's apparel and accessories sold under the [Spiegel](#), [Newport News](#) and [Shape Fx](#) brands, filed for chapter 11 bankruptcy protection on Monday in Delaware. The companies were formed in June 2009 to acquire the assets of Spiegel Brands, Inc., which were being sold in a foreclosure sale conducted by Dymus Funding Company, LLC. Signature Styles was the only bidder for the assets and paid \$21.7 million.

The companies reported assets of \$48.6 million against liabilities of \$87.6 million. The companies' secured debt consists of \$14.6 million owed under a revolving credit facility provided by Zohar II 2005-1 Limited and Zohar III, Limited, and \$22.64 million owed under a term loan facility provided by Zohar III, Limited. The obligations owing to the Zohar entities, which are investment funds managed by companies whose collateral manager is related to Patriarch Partners Agency Services, LLC, are secured by liens on substantially all of the debtors' assets. The companies' remaining debt consists of \$9.8 million of trade debt, \$23.2 million of obligations to customers for returns, credits and gift cards, and various other unsecured obligations. The debtors' equity is wholly-owned by Zohar III, Limited.

The debtors plan to use the chapter 11 cases to sell substantially all of their assets and are seeking to retain Western Reserve Partners LLC to assist in the marketing and sale of the assets. They've also sought approval of bidding procedures to facilitate a quick sale and have received a stalking horse bid for the assets from a newly-created affiliate of the pre-petition lenders (i.e., the Zohar entities and Patriarch Partners). Under the proposed stalking horse agreement, the consideration that the purchaser (Artemiss, LLC) would provide for the assets would consist primarily of solely the assumption of certain liabilities of the Signature Styles companies. Specifically, the purchaser would assume the following liabilities:

- Up to \$30 million of outstanding DIP loan, pre-petition term loan and pre-petition revolver loan obligations. These claims are all owed to affiliates of the proposed purchaser.
- "All liabilities accruing or due to be performed from and after the closing under the Assumed Contracts, Assumed Leases and the Post-Petition Contracts" (all capitalized terms as defined in the sale agreement).
- "All liabilities for employee compensation and certain employee benefits."
- "The liabilities and obligations of Sellers to retail customers for (i) merchandise returned to Sellers that was purchased on or after the Petition Date [June 6, 2011] to the extent not satisfied as of the Closing Date, (ii) outstanding merchandise ordered on or after the Petition Date [June 6, 2011] to the extent not satisfied as of the Closing Date and (iii) gift cards or gift certificates purchased on or after the Petition Date [June 6, 2011] to the extent not satisfied as of the Closing Date."
- "All liabilities under or in respect of any employee benefit or welfare plan."



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However, if the stalking horse bidder is not the winning bidder at auction, the agreements provide that the successful bidder would not be able to assume any portion of the outstanding DIP loan, pre-petition term loan and pre-petition revolver loan obligations, but would instead be required to pay those obligations in full. In addition, the proposed agreement does provide some proposed relief for existing customers of the debtors (in other words, customers of Spiegel, Newport News and/or Shape Fx). If it is the successful bidder, Artemiss would provide "merchandise credits under its loyalty award program for prior retail customers of [the debtors] in amounts, dollar-for-dollar, equal to (a) the amounts payable for returns of merchandise purchased prior to the Petition Date [June 6, 2011] and that are to be settled in cash by [the debtors] under [the debtors'] current [return] policy and that remain outstanding on the Petition Date, and (b) up to \$10 million of the amount of any remaining balance of gift cards or gift certificates that were purchased by third parties prior to the Petition Date or that were issued or are to be issued for returns of merchandise purchased prior to the Petition Date in accordance with [the debtors' current return policy]." The new loyalty credits would be good only for merchandise offered for retail sale by the purchaser and would expire as follows:

- For merchandise return credits (subpart (a) above), on the first anniversary of the closing of the sale
- For gift card credits (subpart (b) above), four months after the closing of the sale

According to a footnote in the debtors' motion, they estimate that there are currently approximately \$18.1 million in outstanding gift cards and gift certificates which would fall within the \$10 million cap described in subpart (b) above.

To get copies some of the key court filings from the Signature Styles (Spiegel, Newport News & Shape Fx Brands) bankruptcy cases thus far, please visit the following links:

- [Chapter 11 Voluntary Petition](#)
- [Declaration of Robert Angart in Support of Chapter 11 Petitions and First Day Pleadings Filed by Signature Styles, LLC](#)
- [Motion to Approve Sale / Motion of Debtors for Entry of an Order, Pursuant to 11 U.S.C. §§ 363 and 365, Rules 2002, 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure and Local Rule 6004-1, Authorizing \(I\) the Sale of Substantially all of the Debtors Assets Free and Clear of Liens, Claims and Encumbrances and \(II\) the Assumption and Assignment of Executory Contracts and Unexpired Leases Filed by Signature Styles, LLC. \(Attachments: # 1 Exhibit A# 2 Exhibit B\)](#)
- [Motion of Debtors for an Order \(I\) Approving Bidding Procedures for the Sale of Substantially all of the Debtors Assets, \(II\) Approving Certain Bidding Protections, \(III\) Approving the Form and Manner of Notice of the Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases and \(IV\) Scheduling an Auction and Sale Hearing Filed by Signature Styles, LLC](#)
- [Motion to Approve Debtor In Possession Financing / Motion of the Debtors for Interim and Final Orders \(I\) Authorizing the Debtors to Obtain Postpetition Secured Financing, \(II\) Granting Certain Liens, \(III\) Modifying the Automatic Stay and \(IV\) Scheduling Interim](#)



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[and Final Hearings Filed By Signature Styles, LLC \(Attachments: # 1 Proposed Form of Order \(Exhibit A\)# 2 Exhibit A \(Part 1\) to Proposed Form of Order# 3 Exhibit A \(Part 2\) to Proposed Form of Order# 4 Exhibit A \(Part 3\) to Proposed Form of Order# 5 Exhibit B to Proposed Form of Order\)](#)

- [Motion to Pay Employee Wages / Motion of Debtors for Entry of an Order \(i\) Authorizing Payment of Wages, Compensation and Employee Benefits and \(ii\) Directing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations Filed By Signature Styles, LLC \(Attachments: # 1 Proposed Form of Order\)](#)

To get copies of other significant court filings from these cases, please visit:

http://www.chapter11cases.com/Signature-Styles-LLC-dba-Spiegel-Newport-News-Shape-Fx_c_26204.html