UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
RADIOSHACK CORPORATION, *et al.*,[1]	:	Case No. 15-10197 (BLS)
Debtors.	:	(Jointly Administered)
	:	**Related Docket No.: 2296**

DEBTORS' OBJECTION TO THE MOTION OF SALUS CAPITAL PARTNERS, LLC TO CONVERT THE DEBTORS' CHAPTER 11 CASES TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

The above-captioned debtors (collectively, the "Debtors") file this objection to the Motion of Salus Capital Partners, LLC to Convert Debtors' Chapter 11 Cases to Cases Under Chapter 7 of the Bankruptcy Code [D.I. 2296] (the "Motion to Convert") filed by Salus Capital Partners, LLC ("Salus"). In support of this objection, the Debtors incorporate the Declaration of Carlin Adrianopoli in Support of Debtors' Objection to Motion to Convert (the "Adrianopoli Declaration"), attached hereto as Exhibit A, and respectfully represent as follows:

Preliminary Statement

With the agreement of their secured lenders, including Salus, the Debtors have proceeded to liquidate the vast majority of their assets pursuant to processes and expedited timelines discussed and approved prior to the commencement of the bankruptcy cases. By all

[1] The Debtors are the following eighteen entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): RadioShack Corporation (7710); Atlantic Retail Ventures, Inc. (6816); Ignition L.P. (3231); ITC Services, Inc. (1930); Merchandising Support Services, Inc. (4887); RadioShack Customer Service LLC (8866); RadioShack Global Sourcing Corporation (0233); RadioShack Global Sourcing Limited Partnership (8723); RadioShack Global Sourcing, Inc. (3960); RS Ig Holdings Incorporated (8924); RSIgnite, LLC (0543); SCK, Inc. (9220); Tandy Finance Corporation (5470); Tandy Holdings, Inc. (1789); Tandy International Corporation (9940); TE Electronics LP (9965); Trade and Save LLC (3850); and TRS Quality, Inc. (5417). The address of each of the Debtors is 300 RadioShack Circle, Fort Worth, Texas 76102.

measures, the liquidation has been extraordinarily successful, generating substantial recoveries for the benefit of creditors.

Despite that success and an acknowledgement that the liquidation process is not yet complete, Salus requests that the Court halt the ongoing and unfinished liquidation process to invoke the drastic remedy of a chapter 7 conversion. It seeks this extraordinary relief based on unsupported allegations that are simply not true.

First, the estates are not administratively insolvent and the Debtors have not accrued administrative expenses at unsustainable levels or beyond their ability to pay. As Salus well knows based on its involvement in every budget negotiation since the outset of these cases, the Debtors have met their ongoing obligations as they have come due. Additionally, expenses have remained within budget despite higher than anticipated professional fees and the Debtors have not been in violation of any of the disbursement covenants associated with those budgets. Further, the Debtors have sufficient cash, collateral carve-outs and an agreed subordination by Salus (which Salus acknowledges in its Motion to Convert) to pay anticipated future expenses and anticipated priority claims.[2]

Second, contrary to Salus's assertion, there is more to achieve in these chapter 11 proceedings. As Salus readily admits, the liquidation of assets is not yet complete. Moreover, the Debtors continue to have a variety of obligations under a transition services agreement with General Wireless, an agreement that, by its terms, will be breached by a conversion to chapter 7. Further, intercreditor allocation disputes that have already been the subject of discussions among

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2 The Internal Revenue Service has asserted a priority claim against the Debtors in excess of $100 million. The Debtors and the Creditors' Committee have engaged in negotiations with the Department of Justice to resolve this claim, and the Debtors are optimistic that an acceptable settlement will be reached. Even if a settlement cannot be negotiated, however, for the reasons set forth in their brief filed with the Court on June 2, 2015 [D.I. 2307], the Debtors believe that the IRS's claim lacks merit. The Court is currently scheduled to determine the tax claim on June 25, 2015, the same date as the hearing on the Motion to Convert.

the parties remain to be resolved, the disposition of well over a thousand remaining leases and executory contracts needs to be considered and determined, and a number of issues regarding the continuing wind down of the Debtors' operations need to be addressed.

Third, there is a demonstrable benefit to liquidating the remaining assets in chapter 11. Continuation of the existing process, which is being conducted by individuals with extensive history and experience with the relevant issues, should be significantly more cost-effective than liquidation in chapter 7. A new manager of the remaining aspects of the liquidation will have a steep learning curve that will result in increased costs and delay, in addition to the incremental costs of the chapter 7 trustee.

The Motion to Convert is not supported by any evidence and Salus has failed to establish cause, even if the allegations in the Motion to Convert were treated as evidence, which they are not. There has been no substantial or continuing loss to or diminution of the estates because liquidation recoveries have vastly exceeded expenses. Moreover, even if cause could be established, the Motion to Convert should be denied because (a) there are unusual circumstances, including the existence of continuing obligations under the transition services agreement, the variety of ongoing tasks in which the Debtors are engaged in connection with the liquidation, and the recent filing (within approximately four months of the filing of these cases) of a confirmable plan, that establish that conversion is not in the best interests of creditors and (b) there is a reasonable likelihood that the proposed plan, for which the Debtors have sought a confirmation hearing as early as July 22, 2015, will be confirmed soon.

The Debtors respectfully submit that the Motion to Convert is without merit and should be denied.

Relevant Background

Administrative Solvency

1. Since February 5, 2015, the date these cases were commenced (the "Petition Date"), the Debtors have paid all their obligations when they came due and have, at all times including now, had sufficient cash and commitments from their secured lenders to fund the administrative costs of these cases. Indeed, even before these cases were filed, the Debtors took steps to ensure administrative solvency by negotiating and then entering into a Debtor-In-Possession Financing Support Agreement (the "DIP Support Agreement"), pursuant to which Salus and Salus CLO 2012-1, Ltd. agreed not to contest the subordination of their liens to a separate carve-out reserve of up to $39 million to pay certain professional fees and expenses and administrative claims.

2. Since the Petition Date, the Debtors have carefully controlled to the extent possible, monitored and tracked receipts and expenses based on budgets negotiated with and agreed to by the ABL Lenders and the SCP Lenders. As a result of these efforts, the Debtors have remained under budget with respect to total expenses despite the fact that, as Salus asserts, professional fees have exceeded forecasts. (Decl. ¶ 9.) Indeed, the Debtors have not violated any of the disbursement covenants negotiated in connection with the DIP Credit Agreement or the subsequent cash collateral agreements. (Id.)

Liquidation of the Debtors' Assets

3. Immediately upon the Petition Date or shortly thereafter, the Debtors commenced parallel efforts, on aggressive timelines negotiated with and agreed to by the ABL and SCP Lenders, including Salus, to close stores and liquidate inventory, market and sell leases for the closing stores and sell the majority of their remaining assets through a sale process that included the simultaneous solicitation of going concern and liquidation bids.

4. Pursuant to orders entered on February 6 and 20, 2015, the Debtors commenced store closing sales at over 2,000 locations. The Debtors are continuing to conduct store closing sales at approximately 267 of their stores. (Decl. ¶ 5(h).)

5. During the same time period, the Debtors marketed their real estate leases for stores that were closing. As a result of those efforts, approximately 180 leases were sold. (Decl. ¶ 5(j).)

6. Further, the Debtors conducted a robust sale and auction process for a majority of their assets, which resulted in a sale, approved by the Court on April 1, 2015, of more than 1,700 store leases, the inventory and fixtures at those stores and certain other assets (the "Going Concern Sale") to General Wireless, Inc. (together with General Wireless Operations, Inc., as applicable, "General Wireless"). As part of the Going Concern Sale, Sprint Solutions, Inc. ("Sprint") separately negotiated a strategic alliance agreement, pursuant to which Sprint and General Wireless would establish co-branded stores for the sale of products, warranties, services and accessories of the types that were sold by RadioShack Corporation ("RadioShack") as of the Petition Date and Sprint mobile devices.

7. In connection with the Going Concern Sale, RadioShack agreed to enter into a certain Transition Services Agreement (the "TSA") with General Wireless, which provides for the orderly transition of services from RadioShack to General Wireless. (Decl. ¶ 5(a).) Those services include (a) the use of certain RadioShack employees, (b) access to certain contracts, (c) access to certain properties and physical assets, (d) certain distribution services and (e) certain other services, including access to and administration of business licenses, merchant identifications for credit card processing, and regulatory matters (collectively, the "Transition Services"). Depending on the type of Transition Service, General Wireless is obligated to pay a

portion or all of the costs of service. Under the TSA, General Wireless may require RadioShack to provide most Transition Services through the end of September 2015, and may require RadioShack to provide Transition Services related to the sourcing business through the end of December 2015. (Decl. ¶ 8(a).)

8. In addition to the Going Concern Sale, the Debtors have also sold substantially all their other assets, including domestic and foreign intellectual property, their equity in a Mexico subsidiary, seven parcels of owned real property, including four distribution centers, customer data and their global sourcing business. Moreover, the Debtors have negotiated and entered into favorable settlements with AT&T and Sprint to collect amounts owed under agreements in place on the Petition Date and secured additional recoveries from, among other things, the collection of debit balances owed by vendors and receivables owed by dealer/franchisees and warranty providers, unwinding of letters of credit and tax refunds. These sales, settlements and other efforts have generated substantial recoveries for creditors, and the Debtors expect to receive approximately $100 million in additional proceeds over the next month. (Decl. ¶ 6.)

9. The proceeds of these transactions have been used to make substantial payments to the Debtors' secured creditors. As a result of a credit bid and payment of cash by General Wireless, the principal and interest owed to the First Out ABL Lenders, which was over $250 million in the aggregate, has been paid in full. In addition, as a result of the proceeds generated from these other transactions, the SCP Lenders have received $55 million in principal and interest payments to date and substantial additional payments will be made shortly from the Sprint settlement (approved by the Court today) and the sale of intellectual property, customer

data and the global sourcing business to General Wireless (anticipated closing tomorrow). (Decl. ¶ 6.)

Wind Down of the Debtors' Operations

10. The Debtors have also been performing a variety of other tasks in connection with their efforts to wind down the Debtors' business operations. These efforts include necessary headcount reductions to appropriately size the workforce to match the extent of the work needed to discharge the Debtors' obligations in these proceedings. They also include the rejection of approximately 1,800 executory contracts and 2,000 leases to date and the development and execution of a plan to rapidly streamline the Debtors' remaining systems and operations. (Decl. ¶ 7.)

Plan and Disclosure Statement

11. Consistent with their efforts to efficiently and expeditiously liquidate the Debtors' assets in order to maximize creditor recoveries, the Debtors, on June 5, 2015, filed a motion seeking to schedule a combined hearing on the adequacy of the Debtors' disclosure statement and confirmation of a plan for July 22, 2015 and to establish procedures for the solicitation and tabulation of votes on the plan. The Court set the hearing on the solicitation procedures motion for June 25, 2015.

12. The Debtors have worked in cooperation with the official committee of unsecured creditors (the "Creditors' Committee") on the terms of a proposed plan of liquidation and solicited comments on that plan from the First Out ABL Lenders and the SCP Lenders. The plan was filed with the Court on June 12, 2015. The Debtors similarly circulated a form of disclosure statement to the Creditors' Committee, the First Out ABL Lenders and the SCP Lenders for review and comment. The disclosure statement was filed today.

Significant Work Remains to be Completed

13. Although the substantial majority of the Debtors' assets have been sold or are under contract to be sold, significant work remains to complete the liquidation and wind down process. First, as indicated above, the Debtors are continuing to provide a variety of services to General Wireless (the cost of which is reimbursed by General Wireless) under the TSA. Most of the core business operations related to the stores operated by General Wireless are still being performed by the Debtors, including the use of store and corporate employees, the maintenance of benefit plans, the provision of services under a variety of executory contracts and the operation of the global sourcing business. These services or a portion of them, in particular the services related to the global sourcing business, are expected to continue through December. (Decl. ¶ 8(a).)

14. The Debtors are continuing to operate 267 stores, which operations are expected to continue through the end of the month. Once these locations are closed, the Debtors will take steps to assume and assign the leases or, alternatively, if there is no interest in purchasing the leases, reject them. (Decl. ¶ 8(b).)

15. The Debtors are also in the process of removing and selling equipment and fixtures in the four distribution centers that are under contracts for sale. This process is expected to continue through the end of September 2015. Further, the Debtors are continuing their efforts to collect vendor debit balances, unwind letters of credit, secure sales and other tax refunds and obtain the return of deposits. These tasks are anticipated to continue through September. (Decl. ¶ 8(d).)

16. Finally, the Debtors will have to make determinations regarding the disposition of approximately 1,500 contracts that remain in effect either because of the TSA or the ongoing administration of the estates. In addition, the Debtors have various data destruction

requirements to discharge, both as to electronic as well as paper files, pursuant to agreements with AT&T and Verizon; they also have ongoing obligations with respect to existing legal holds on data due to litigation, and responsibilities to file tax returns and perform general administrative functions, including accounts payable and payroll. (Decl. ¶ 8(e).)

Unencumbered Assets

17. Certain of the Debtors' assets, including, in particular, store leases, one-third of the value of the equity in their Mexico subsidiary and certain litigation including avoidance actions, were not pledged as collateral to the Debtors' lenders. A dispute currently exists between the SCP Lenders and the Creditors' Committee regarding the extent and value of the unencumbered assets, including whether the lenders' security interests in certain collateral were properly perfected, whether the SCP Lenders have adequate protection liens in unencumbered assets and to what extent sale proceeds should be allocated to unencumbered assets. At this point in time, the outcome of this dispute is unknown, but the Debtors believe that more than sufficient unencumbered proceeds, together with proceeds available to the Debtors as a result of the DIP Support Agreement and the professional fee carve-out negotiated in connection with the DIP Credit Agreement, will exist to pay all anticipated priority and administrative expenses, including those required to be paid under the proposed plan of liquidation. (Decl. ¶ 10.)

Argument

I. Salus Has Failed To Establish Cause to Convert These Cases.

18. Section 1112(b) of the Bankruptcy Code requires a court on request of a party in interest and after notice and a hearing to "convert a case under this chapter to a case under chapter 7 . . . if the movant establishes cause." 11 U.S.C. § 1112(b)(1). The moving party bears the burden of establishing "cause" pursuant to section 1112(b). See In re Lizeric Realty

Corp., 188 B.R. 499, 503 (Bankr. S.D.N.Y. 1995). This burden is a heavy one: "Conversion or dismissal . . . is a drastic measure . . . [and] . . . the harshness of conversion or dismissal mandates that it result only upon a strong evidentiary showing." In re Dark Horse Tavern, 189 B.R. 576, 580 (Bankr. N.D.N.Y. 1995); see also DCNC North Carolina I, L.L.C. v. Wachovia Bank, Civil Action No. 09-3775, 2009 U.S. Dist. LEXIS 93046, *10 (Bankr. E.D. Pa. Oct. 6, 2009) ("Bankruptcy Courts should proceed in a deliberate manner when confronted with a motion under Section 1112(b) and should not 'precipitously sound the death knell for a Chapter 11 debtor by prematurely converting or dismissing the case.'" (quoting In re Tracey Serv. Co., Inc., 17 B.R. 405, 409 (Bankr. E.D. Pa. 1982))).

19. The Bankruptcy Code lists sixteen non-exclusive examples of "cause." 11 U.S.C. § 1112(b)(4). Salus relies solely on section 1112(b)(4)(A), which defines cause as "the substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood rehabilitation." 11 U.S.C. § 1112(b)(4)(A) (emphasis added).[3] Salus does not allege, nor could it, that there exists any other basis for converting these cases to cases under chapter 7.

20. Salus has failed to establish that there has been a "substantial or continuing loss to or diminution of" the Debtors' estates. Courts have found that the cost of selling or liquidating a debtor's property does not constitute a loss to or diminution of the estate under section 1112(b)(4)(A) if the sale efforts generated value well in excess of those costs. See In re Legacy Estate Group, LLC, No. 05-14659, 2006 Bankr. LEXIS 2782, at *5 (Bankr. N.D. Cal. Oct. 9, 2006). In that case, the debtor operated wineries that it sold during its chapter 11 case for about $97 million. Id. at *2. A creditor filed a motion to convert the case to chapter 7,

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[3] Salus concedes that it must prove both a "substantial or continuing loss to or diminution of the estate" and "the absence of a reasonable likelihood of rehabilitation." See Mot. ¶ 14 ("Section 1112(b)(4)(A) involves a two-pronged analysis. . . ."); see also In re FRGR Managing Member LLC, 419 B.R. 576, 581 (Bankr. S.D.N.Y. 2009) ("A party seeking to demonstrate cause under § 1112(b)(4)(A) must establish both the 'substantial or continuing loss' prong as well as the 'absence of a reasonable likelihood or rehabilitation.'").

arguing that the administrative expenses incurred during the case, which totaled about $4.6 million, constituted cause to convert the case. Id. at *3. The creditor noted that the debtor's operating reports, which included the expenses associated with the sale, showed a loss. Id. at *4. In denying the motion to convert, the court found that there was no substantial or continuing loss to or diminution of the estate "because the estate ha[d] been enhanced overall by the sale . . . ." Id. at *4.

21. Salus argues that because the Debtors are no longer operating and have incurred material administrative expenses in these cases, including professional fees and expenses, there is, by definition, a loss to or diminution of the estate. (Mot. ¶¶ 15-16.) This misguided argument ignores, however, the fact that the value generated by the Debtors' sale efforts far exceeds the administrative costs that have been incurred and has significantly enhanced the Debtors' estates.

22. In point of fact, to date the Debtors have completed sales that have generated substantial cash proceeds or reduction in secured debt. (Decl. ¶ 5.) This has permitted the Debtors to pay all principal and interest of the First Out ABL Lenders. (Id. ¶ 6.) In addition, the Debtors have paid the SCP Lenders approximately $55 million in principal and interest. (Id.) Further, pending sales and other transactions are expected to generate approximately $100 million in additional proceeds within the next several weeks. (Id.) This substantial value generated by the Debtors' sale efforts in chapter 11, which is far greater than the amount of administrative expenses incurred to date, demonstrates that there has been no substantial loss to or diminution of the Debtors' estates. See In re Legacy Estate Group, LLC, 2006 Bankr. LEXIS 2782 at *4.

23. In support of its position, Salus relies primarily upon Loop Corp. v. U.S. Trustee, 379 F.3d 511 (8th Cir. 2004), but that case is easily distinguishable. In that case, it had been months since the debtor had finished liquidating all of its assets, and its secured creditors had already been paid in full. As a result, the administrative expenses that were being incurred by the debtor when the motion was filed generated no proceeds or cash flow for the estate and, therefore, were viewed as losses. In addition, in Loop, the creditors' committee supported conversion, and the bankruptcy court expressly found that chapter 7 was preferable to proceeding under chapter 11. Id. at 515.

24. In contrast, here, the administrative expenses incurred to date by the Debtors resulted in the generation of significant value for the estates and creditors, including Salus. Moreover, the Debtors are still in the process of liquidating their assets, which will generate additional cash, and seek to expeditiously confirm a plan of liquidation, which will permit distributions to be made to creditors more promptly and efficiently. Furthermore, the Creditors' Committee opposes conversion, and for the reasons discussed below and in the Adrianopoli Declaration, remaining in chapter 11 is in the best interest of the Debtors' creditors and estates because it is a demonstrably superior alternative to a chapter 7 liquidation proceeding.

25. Salus also alleges, with no evidentiary support, that the Debtors have incurred "substantial administrative expenses far beyond their ability to pay." (Mot. ¶ 16.) This is not true. The Debtors have taken great care to ensure that their estates are administratively solvent and will remain so through the confirmation and effectiveness of a plan. (Decl. ¶ 9.) For example, prior to filing these cases, the Debtors negotiated the DIP Support Agreement with Salus that ensures that certain administrative claims of up to $39 million will be paid from the

SCP Lenders' collateral. In addition, in accordance with the terms of the DIP financing orders and cash collateral stipulations, and pursuant to budgets negotiated with and agreed to by the secured lenders, the Debtors have paid the administrative costs of these chapter 11 cases in full and as they have come due.

26. Although Salus argues that the Debtors exceeded their forecasted budget for the eight-week period ending March 28, 2015 (see Mot. ¶ 16), it fails to disclose that total expenses have actually been under budget and that the Debtors have never been in violation of the related disbursement covenants. (Decl. ¶ 9.) As noted above, the Debtors believe there are more than sufficient unencumbered assets, together with the professional fee carve out and the subordination in the DIP Support Agreement, to pay ongoing and accrued administrative and priority claims. (Decl. ¶ 10.)

27. Finally, Salus appears to argue that conversion is appropriate now because professional fees and expenses in the future will result in a loss to or diminution of the estates. (Mot. ¶16.) The Debtors are mindful that professional costs in these cases have been substantial and agree that it is important to push these cases to a conclusion as soon as possible to minimize the incurrence of additional costs. That is precisely why the Debtors are seeking to expedite and minimize the costs associated with a plan confirmation process by requesting an expedited process timeline and a combined hearing on the disclosure statement and plan confirmation.

28. Because Salus has failed to demonstrate a substantial or continuing loss to or diminution of the Debtors' estates pursuant to section 1112(b)(4)(A), the Debtors respectfully submit that the Motion to Convert should be denied.

II. Even if "Cause" Exists, Conversion Is Not Proper Under the Circumstances of These Cases.

29. The analysis does not end even if a movant has shown cause. Under section 1112(b)(1) of the Bankruptcy Code, a court must deny a motion to convert if the court finds "unusual circumstances establishing that converting or dismissing the case is not in the best interests of creditors and the estate" and "there is a reasonable likelihood that a plan will be confirmed within . . . a reasonable period of time." 11 U.S.C. § 1112(b)(2).

A. These Cases Present "Unusual Circumstances" That Require Denial of the Motion to Convert.

30. The Bankruptcy Code does not define "unusual circumstances" within the meaning of section 1112(b) of the Bankruptcy Code. In re New Towne Dev., LLC, 404 B.R. 140, 147 (Bankr. M.D. La. 2009) ("Section 1112(b) does not define unusual circumstances . . . ."). Court have found that the term unusual circumstances "contemplates conditions that are not common in most Chapter 11 cases." See In re Melendez Concrete, Inc., No. 11-09-12334, 2009 Bankr. LEXIS 2925, at *25 (Bankr. D.N.M. Sept. 15, 2009); In re New Towne Dev., LLC, 404 B.R. at 147. It is not necessary to find that "the circumstances are 'extraordinary and compelling' to find that they are 'unusual.'" In re Melendez Concrete, Inc., 2009 Bankr. LEXIS 2925, at *25.

31. "Courts have much discretion in determining whether there are unusual circumstances that weigh against conversion or dismissal." In re New Towne Dev., LLC, 404 B.R. at 147. By their nature, unusual circumstances vary according to the facts and circumstances of each case. See, e.g., In re Wilderness Crossings, LLC, 440 B.R. 484, 486-88 (Bankr. W.D. Mich. 2010) (noting that, despite nine months of post-petition operating losses, wire transfer of $2.3 million from "white knight" lender, an agreement from the IRS to discount $54,000 in penalties and substantial creditor support for reorganization all amounted to "unusual

circumstances"); In re Melendez Concrete, Inc., 2009 Bankr. LEXIS 2925, at * 27 (finding that the severity of recession was not "common circumstance" and that "an orderly sale of construction equipment by an experienced owner financially motivated to maximize value is of unusual value and benefit to the estate and its creditors as a whole," and this qualified as an "unusual circumstance"); In re Sco Group, No. 07-11337, 2009 Bankr. LEXIS 4731, at *16 (Bankr. D. Del. 2009) (finding existence of outstanding litigation claims of uncertain value to be an "'unusual circumstance' which militate[d] against conversion," and noting that merits of such litigation should be further explored by newly appointed chapter 11 trustee); In re Alternate Fuels, Inc., No. 09-20173, 2009 Bankr. LEXIS 1654, at *14 (Bankr. D. Kan. May 8, 2009) (noting that pending interpleader case provided an "unusual circumstance," as conversion would cause the interpleader case to proceed in district court that had already stated that the case was best handled by the bankruptcy court).

32. These chapter 11 cases present "unusual circumstances" that establish that conversion is not in the best interests of the creditors or the estate. As an initial matter, it would be unusual to convert a chapter 11 case when the debtor is in the midst of providing ongoing services promised pursuant to a post-petition agreement. As described above, the Debtors entered into the TSA to provide certain transition services to General Wireless in connection with a $150 million sale of a majority of the Debtors' assets—a sale that significantly enhanced the Debtors' estates. The Debtors may be required to provide services to General Wireless through the end of the year. A conversion to chapter 7 at this time would create potential disruption and a risk that the estates would breach their obligations under the TSA, leading potentially to a substantial administrative claim, or fail to obtain full reimbursement for services

performed under the TSA. (Decl. ¶ 11.) In fact, the TSA specifically provides that a conversion of these cases to cases under chapter 7 is a breach of the agreement.

33. It would also be unusual to convert a case at a time when the debtor remains in the midst of a liquidation process it commenced with the support of its lenders, including the lender seeking to convert the case. Here, the Debtors have significant work remaining to complete the liquidation of their assets and wind down their estates. (Decl. ¶ 8.)

34. Among other things, the Debtors are continuing to operate 267 stores for purposes of liquidating remaining inventory, a process expected to conclude at the end of the month. Once the store liquidations are complete, the Debtors will exit the locations and either reject or assume and assign the remaining leases. (Decl. ¶ 8(b).) Further, the Debtors are in the process of removing and selling equipment and fixtures in their distribution centers, a process that could extend through the end of the year. (Id. ¶ 8(c).) The Debtors are also continuing to collect or monetize other assets, including outstanding vendor balances, letters of credit, sales tax refunds and deposit returns. (Id. ¶ 8(d).)

35. The Debtors are also continuing to wind down the remaining obligations of the estate. They will shortly face decisions to reject or assume and assign approximately 1,500 contracts, many of which are currently being used in conjunction with the TSA. The Debtors further have compliance obligations with respect to data destruction and need to make determinations regarding data subject to litigation holds. (Decl. ¶ 8(e).) An abrupt conversion to chapter 7, which will effectively interject new management with no knowledge or experience into the midst of these efforts, will likely disrupt the orderly liquidation process being carried out by the Debtors thereby delaying and reducing creditor recoveries. Among other things, a chapter 7 conversion would result in yet another transition that would require an expenditure of

substantial additional funds to educate the trustee and any new professionals the trustee elects to employ. (Decl. ¶ 11.) Moreover, a conversion would (a) add the incremental costs of the chapter 7 trustee itself in addition to the potential incremental costs associated with the education of new professionals and (b) likely cause a substantial delay due to the time needed by the trustee and his or her professionals to both (i) understand the complexity of the Debtors' business, the number and nature of pending issues, stakeholder issues, and tasks that must be performed and (ii) develop plans and strategies to carry out the numerous tasks required to complete the liquidation and wind down of the Debtors' estates. (Id.)

36. Further, it would be atypical to convert a case when an issue that is fundamental to creditor recoveries remains pending and has been the subject of negotiations by the parties. Here, an unresolved dispute currently exists between the SCP Lenders and the Creditors' Committee regarding the extent and value of the unencumbered assets, including whether the lenders' security interests in certain collateral were properly perfected, whether the SCP Lenders have adequate protection liens in unencumbered assets and to what extent sale proceeds should be allocated to unencumbered assets. The parties have had discussions to consensually resolve this dispute, and certain proceeds received from the Debtors' sales have been reserved and, in some cases, already allocated based on those negotiations. If these cases are converted to chapter 7 before this dispute is resolved by the parties or the Court, these complex issues will be subject to negotiation with a chapter 7 trustee who again would have no prior knowledge or understanding of the issues, resulting not only in a material delay of the resolution of these issues but also a corresponding delay in distributions to creditors. (Decl. ¶ 11(e).)

37. Finally, it would be unusual to convert a chapter 11 case where the debtor has actually proposed a confirmable plan and sought to confirm that plan on an expedited basis. In contrast to a conversion to chapter 7, pursuit of a plan would permit the Creditors' Committee an opportunity to establish a structure for the liquidation of unencumbered assets that is acceptable to the members of the Creditors' Committee. In addition, confirmation and consummation of a plan would also substantially reduce the incurrence of professional fees and expenses, the stated primary goal of the Motion to Convert, but would do so more effectively. It would avoid both the chapter 7 trustee's fees and the costs and delay attributable to the "learning curve" to which a new manager and his or her professionals would be subject. It would also leave in place experienced and knowledgeable individuals with critical background and history regarding the remaining issues and tasks, including the services being performed under the TSA. (Decl. ¶¶ 11, 12.)

38. Based on the foregoing, the Debtors respectfully submit that the unusual circumstances of their cases make clear that converting them to chapter 7 is not in the best interest of creditors and their estates.

B. There Is a Reasonable Likelihood That a Plan Will be Confirmed Soon.

39. The Debtors' proposed plan of liquidation, which was filed on June 12, 2015, is relatively straightforward. It provides for distributions of the Debtors' property in accordance with the absolute priority rule and would establish a liquidating trust, overseen by members of or individuals selected by the Creditors' Committee, that would be responsible for liquidating the Debtors' property, including all claims of the estate, and administering all aspects of the plan, including objecting to claims and making distributions to creditors. As stated above, the Debtors believe that there will be sufficient cash to pay all administrative and priority claims under the plan; they also believe that the plan is feasible and that it satisfies the best interests test.

(Decl. ¶ 10.) Importantly, the Debtors are seeking approval of procedures to solicit votes on the plan at the June 25 omnibus hearing and are requesting a combined disclosure statement/confirmation hearing on the plan on July 22, 2015. Accordingly, the Debtors respectfully submit that there is a reasonable likelihood that the plan will be confirmed "in a reasonable period of time." See 11 U.S.C. § 1112(b)(2)(A).

WHEREFORE, the Debtors respectfully request that the Court deny the Motion to Convert.

Dated: June 18, 2015
Wilmington, Delaware

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EXHIBIT A

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
RADIOSHACK CORPORATION, *et al.*,[1]	:	Case No. 15-10197 (BLS)
Debtors.	:	(Jointly Administered)

DECLARATION OF CARLIN ADRIANOPOLI
IN SUPPORT OF DEBTORS' OBJECTION TO MOTION TO CONVERT

Carlin Adrianopoli, being first duly sworn, deposes and states as follows:

A. Background and Engagement by the Debtors

1. Although employed by FTI Consulting, Inc. ("FTI"), I have been engaged by RadioShack Corporation, one of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), to serve as Chief Financial Officer. I have held this position since December 15, 2014. In performing my role as Chief Financial Officer, I have become familiar with the Debtors' history, day-to-day operations, business and financial affairs, and books and records, as well as the Debtors' efforts during the course of these Chapter 11 cases to preserve and maximize value through a comprehensive, but expedited liquidation of their assets.

[1] The Debtors are the following eighteen entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): RadioShack Corporation (7710); Atlantic Retail Ventures, Inc. (6816); Ignition L.P. (3231); ITC Services, Inc. (1930); Merchandising Support Services, Inc. (4887); RadioShack Customer Service LLC (8866); RadioShack Global Sourcing Corporation (0233); RadioShack Global Sourcing Limited Partnership (8723); RadioShack Global Sourcing, Inc. (3960); RS Ig Holdings Incorporated (8924); RSIgnite, LLC (0543); SCK, Inc. (9220); Tandy Finance Corporation (5470); Tandy Holdings, Inc. (1789); Tandy International Corporation (9940); TE Electronics LP (9965); Trade and Save LLC (3850); and TRS Quality, Inc. (5417). The address of each of the Debtors is 300 RadioShack Circle, Fort Worth, Texas 76102.

2. I joined FTI in 2002 and have been a senior managing director in FTI's Corporate Finance/Restructuring practice since 2010. I have more than 16 years of experience serving as financial advisor and providing interim management and performance improvement services to corporations, various creditor classes, equity owners, and directors of underperforming companies.

3. I have been directly involved with or overseen the liquidation of the Debtors' assets in these cases, and have also been directly involved with or overseen the establishment and implementation of the transition services agreement with General Wireless and the general wind down of the operations of the estate.

4. I submit this Declaration in support of the Debtors' objection to the motion of Salus Capital Partners, LLC to convert the Chapter 11 cases to cases under Chapter 7 of the Bankruptcy Code. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtors' management or the Debtors' professionals that I believe in good faith to be reliable; (c) my review of relevant documents; or (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If called upon to testify, I could and would testify to the facts set forth in this Declaration. I am authorized by the Debtors to submit this Declaration.

B. Asset Sales To Date

5. Since February 5, 2015, the date the Chapter 11 cases were commenced (the "Petition Date"), the Debtors have focused their efforts on maximizing the value of, and monetizing, all classes of the Debtors' assets for the benefit of creditors. In the approximate four and a half month period that has transpired since the Petition Date, the Debtors have sold or entered into contracts to sell, or have otherwise monetized, the assets described below, which

comprise the vast majority of the Debtors' assets. Because of the nature of many of these assets and the Debtors' limited resources, all these sales were conducted, or continue to be conducted, in an accelerated timeframe in order to maximize value for creditors.

(a) Initial General Wireless and Sprint Sale. Following a sale and auction process that included the solicitation of liquidation bids, the Debtors sold leases, inventory and fixed assets at 1,743 stores to General Wireless and Sprint for approximately $150 million in the form of cash and a credit bid. In connection with that sale, the Debtors entered into a transition services agreement ("TSA") with General Wireless, which, as discussed below, remains in effect at the current time. In addition to generating value substantially in excess of liquidation, this sale preserved approximately 7,000 RadioShack jobs, while leaving a going concern business that will continue to provide broader economic benefits to the economy through support of merchandise vendors, landlords and the payment of taxes to government organizations.

(b) Second General Wireless Sale. Following a competitive sale and auction process that included the active participation of four groups of bidders, the Debtors entered into an agreement with General Wireless to sell domestic intellectual property ("IP"), certain foreign IP, the Debtors' e-commerce business, customer data and the global sourcing business for $26.2 million in cash. General Wireless is also separately entering into new agreement with dealers and franchisees. In connection with their efforts to obtain Court approval of this sale, the Debtors engaged in extensive negotiations, including a mediation, with the Texas Attorney General and the attorneys general of a number of other states, the Consumer Ombudsman, and AT&T and Verizon regarding the sale of customer data. In addition, the Debtors negotiated for and obtained the inclusion of a provision in the sale agreement that requires the dealers and franchisees to pay amounts they owe the Debtors before entering into new agreements with General Wireless, thereby assuring that the Debtors collect several million in trade receivables. The sale is expected to close this week; however, the Debtors will remain obligated to transfer customer data, which is not expected to be completed until the end of July.

(c) Mexico. Prior to the filing, Salus was not supportive of continuing to operate the stores in Mexico given historical and forecasted operating losses. However, because the Debtors believed that those operations had potential material value, a compromise was reached that permitted the Debtors to continue operating the stores provided no material cash flow was used for that purpose. Following an extensive marketing process, the Debtors entered into an agreement to sell their Mexico retail business and related intellectual property assets for approximately $32 million to Office Depot de Mexico, S.A. de C.V ("ODM"). The Debtors have closely managed this business to preserve its value as a going concern and, although as discussed above, significant liquidity needs had been forecasted for the Mexico operations, did so without any additional funding. Since entering into the agreement with ODM, the Debtors have worked closely with ODM and the Mexican authorities to obtain regulatory approval for the sale as expeditiously as possible. Closing of the sale in fact occurred today.

(d) Other Foreign IP. Following an extensive marketing process, the Debtors separately sold certain intellectual property in Central/South America and the Middle East/North Africa in two transactions generating $6.5 million in proceeds.

(e) Owned Real Estate. The Debtors extensively marketed their owned real estate, which includes distribution centers in Texas, Maryland, and California. The marketing process culminated in two agreements for the purchase of seven properties at an aggregate price of over $50 million. These sales have been approved by the Court and are expected to close in the next 10 days. Nonetheless, the Debtors must still remove and sell the fixed assets in the distributions centers post-closing.

(f) AT&T Settlement. Concurrent with the initial General Wireless sale, which initially contemplated an assignment of the Debtors' contract with AT&T to General Wireless, the Debtors successfully negotiated a global settlement with AT&T. The settlement provided for the payment of (i) a $5.5 million termination payment to the Debtors to resolve outstanding disputes with respect to future residual payments, (ii) the payment of 100% of the book value of AT&T inventory held by the Debtors up to $10.5 million and (iii) the payment of accounts receivable and offsets to be reconciled by the Debtors. To date, the Debtors have received over $21 million from AT&T pursuant to the terms of the settlement.

(g) Sprint Settlement. The Debtors and Sprint had a number of significant disputes with respect to amounts owed by each to the other under agreements in place on the Petition Date. These disputes resulted in a spread or divergence of views of approximately $28 million. Following lengthy negotiations, the Debtors reached a settlement with Sprint pursuant to which Sprint agreed to pay $20 million in cash within three business days of Court approval of the settlement. The settlement has been approved by the Court and payment of the $20 million is expected shortly.

(h) Store Inventory. Since the Petition Date, the Debtors have been liquidating inventory in 1,784 so-called "Tranche A through E" closing stores. Through March 31, the estates have recovered approximately $84.3 million before expenses and Hilco commissions from the liquidation of inventory in these stores. Since April 2, the Debtors have been liquidating inventory in the 361 so-called "Tranche F and G stores," the stores that were ultimately not included in the General Wireless transaction. To date, the liquidation of this inventory has generated approximately $43.3 million before operating expenses and Hilco commissions. At the current time, store closing sales are continuing in 267 of the "Tranche G" stores with all store closing sales scheduled to be completed by the end of June.

(i) Bulk Inventory. In addition to the store inventory liquidations, the Debtors have sold over $20 million in inventory on a bulk basis, including $12 million of inventory to General Wireless, $6 million to Verizon and Defense Mobile and $2 million to dealer/franchisees.

(j) Lease Sales. The Debtors extensively marketed their real estate leases with respect to stores that were closing. Those efforts resulted in the sale of over 180 leases for approximately $3.4 million in net proceeds. Some of those sales remain pending and closing is expected at the end of June.

(k) Other Sales and Recoveries. In addition to the items described above, the Debtors have collected debit balances owed by vendors and, receivables owed by dealer/franchisees and warranty providers, unwound letter of credit obligations and obtained the return of associated cash collateral, sold fixed assets at leased store locations, secured tax refunds, and monetized a variety of other miscellaneous assets. Although significant work remains to monetize the remainder of these assets, since April 1, 2015, the Debtors have realized over $10 million from these efforts.

6. Through the sales, transactions and other efforts enumerated above, along with the sale of inventory and collection of receivables in the ordinary course prior to the General Wireless/Sprint sale, the Debtors have generated significant recoveries for creditors. As a result of the General Wireless credit bid and the payment of proceeds to creditors, the principal, obligations under issued letters of credit, and interest owed to the First Out ABL Lenders, which was over $250 million in aggregate, has been paid in full. In addition, the SCP lenders have received over $55 million in principal and interest payments to date. In the next several weeks, the Debtors expect to receive approximately $100 million in incremental proceeds from the transactions described above, a significant portion of which will be paid to the SCP Lenders.

C. Substantial Progress Has Been Made on Wind Down of Estates

7. In addition to the work described above involving the liquidation and monetization of the Debtors' assets, the Debtors have been engaged in a number of activities and projects to wind down the Debtors' business.

(a) Headcount reductions: As of the Petition Date, the estate had approximately 21,000 full- and part-time hourly and salaried employees. As of June 15, the Debtors employed approximately 9,000 employees, of which approximately 7,400 are effectively leased to General Wireless pursuant to the terms of the TSA. The reductions are the result of store closures, cutbacks in the corporate ranks and attrition and have been the result of diligent efforts to match the size of the workforce to the extent of work needed to efficiently and effectively discharge the Debtors' responsibilities in these cases.

(b) Contract Rejections. To date, the Debtors have rejected approximately 2,000 store leases. In addition, the Debtors have filed notices seeking to reject in excess of 1,800 other executory contracts, many of which have since been rejected, resulting in savings to the estate.

(c) Estate Migration and Downsizing Plan. The Debtors are engaged in the development and execution of a plan to rapidly streamline estate operations and to position the estates to maximize the value of their remaining assets. This plan is expected to take effect shortly after the completion of the store closing sales and includes the following activities:

(d) Office Space. The Debtors are currently exploring smaller office space options to reflect the substantially reduced workforce necessary for the remaining wind down of the estates. This includes discussions with General Wireless with respect to its future space.

(e) Go-Forward Estate Employees. Based on anticipated future workflows, the Debtors are assessing their resource requirements and exploring alternatives to full-time personnel to ensure that costs are minimized.

(f) IT Systems. The estate's legacy IT systems are costly and sized for a large, public retailer. Once store operations are completed, the Debtors may be able to reduce costs by migrating to simpler IT alternatives. Given the remaining issues to be addressed by the Debtors, which include additional sales of assets and the provision of services under the TSA, the future IT needs of the estate are an important issue that must be carefully addressed. The Debtors are currently analyzing the estate's systems to determine their data content, evaluating what data will or may be required in the future, determining the required access to such data, and evaluating alternatives to house such information and provide lower cost systems on a go-forward basis.

(g) Termination of 401(k) Plan. The Debtors are also investigating the most effective manner and appropriate timing to terminate their 401(k) savings plan and a similar plan in Puerto Rico.

(h) Distribution Center Closures. The Debtors have four distribution centers that are expected to be sold within the next ten days. One of these centers is still operating under the TSA and the Debtors are carefully managing its staffing and activities to keep costs to a minimum. In addition several of the facilities have substantial fixtures in place that must be removed as per the agreement with the buyer. The Debtors will need to manage the removal and sale of these assets in a safe and cost effective manner.

(i) Transition of Operations to General Wireless. As anticipated in the TSA, the operations of the Debtors and General Wireless have substantial overlap between them. The Debtors have worked diligently with General Wireless to transition these operations to General Wireless, which will reduce the complexity of the remaining obligations under the TSA and permit further downsizing of the Debtors' operations.

D. Work Remaining.

8. Although significant progress has been made to date in realizing value from assets, distributing proceeds to secured creditors and winding down the operations of the Debtors, substantial work remains.

(a) Transition Services. Pursuant to the TSA, the Debtors are providing a variety of services to General Wireless, the cost of which is reimbursed by General Wireless. Most of the core business operations of the stores purchased by General Wireless are still provided by the Debtors under the TSA and include the leasing of store and corporate employees and the maintenance of various benefit plans, the provision of services under various executory contracts, and maintenance of the operations of the sourcing business purchased by General Wireless under the IP sale agreement. The term of the TSA extends through the end of September for most services, but continues through December with respect to transition services related to the sourcing business. Operations under the TSA are highly complex, requiring numerous and frequent reconciliations and analyses, meetings and negotiations to resolve business issues that inevitably occur, and close coordination with General Wireless to ensure that actions taken by either General Wireless or the Debtors do not negatively impact the other party. Such activities require knowledgeable and technically skilled individuals, who are deeply familiar with the operations of RadioShack to ensure that the appropriate actions are taken given the complex nature of the business and its systems and the potential for unintended and harmful consequences.

(b) Remaining Stores. The Debtors are still operating 267 closing stores. These stores are expected to continue operating through June 30, 2015. Once the store liquidations are complete the Debtors will exit the locations and either reject or assume and assign the remaining leases based on the outcome of a further marketing process.

(c) Remaining Equipment and Fixtures. The Debtors are working with the joint venture of Hilco, Gordon Brothers and Tiger Capital to remove and sell equipment and fixtures from the company's four distribution centers. This process is expected to potentially extend through the end of September.

(d) Other Assets. The Debtors are also continuing their efforts to collect debit vendor balances, unwind letters of credit, secure sales and other tax refunds, and obtain the return of various deposits. These activities are expected to continue through September.

(e) Remaining Wind Down Projects. A number of work streams remain with respect to the wind down of the Debtors' operations. These include determinations regarding the ultimate disposition of approximately 1,500 contracts that are currently in place either in connection with the TSA or the administration of the estates, compliance with various data destruction requirements applicable both to electronic as well as paper files, including requirements of the agreed protocol with AT&T and Verizon; handling of various legal holds on data due to litigation; filing of tax returns; and maintenance of normal administrative functions (e.g., accounts payable, payroll, etc.).

E. Administrative Solvency

9. Throughout these cases and even before, the Debtors have taken steps to ensure the administrative solvency of these proceedings. Prior to filing, the Debtors negotiated a DIP Support Agreement with Salus, which provided for a carve-out of certain administrative expenses from SCP collateral. Under the DIP agreement approved by the Court early in these cases, the Debtors prepared a budget that was agreed to with both the First Out ABL Lenders and the SCP Lenders and was subject to a covenant on disbursements. While the professional fees in the DIP budget were above the forecasted amount, the disbursements in total (including

professional fees), were significantly below the forecasted amount and the Debtors were in compliance with all disbursement covenant tests. In addition, since the repayment of the First Out ABL Lenders, the Debtors have closely managed and tracked receipts and expenses to budgets (the "Cash Collateral Budgets") negotiated with their lenders in order to maintain compliance with those agreed budgets. The Debtors have significantly outperformed the receipts forecast in the Cash Collateral Budgets and remained in compliance with all disbursement covenants.

10. Under the current cash collateral order, the Debtors are continuing to pay all obligations as they come due. In addition, the Debtors anticipate that unencumbered proceeds, the professional fee carve-out negotiated in connection with the DIP Agreement and the agreed subordination under the DIP Support Agreement will generate sufficient funds to pay all administrative and priority claims under the Debtors' proposed plan of liquidation that was filed last week.

F. Conversion to Chapter 7 Will Not Benefit Creditors

11. As I understand it, if these cases are converted to Chapter 7 liquidation proceedings, a trustee would be appointed who would be responsible for ensuring the performance of the various remaining tasks described above, including liquidation of the remaining assets, performance under the TSA and the wind down of the remaining operations. I believe that the introduction of a new individual, presumably without any material knowledge or understanding of the various tasks and the issues related thereto, will expose the estates to unnecessary risks, could reduce recoveries, increase costs, and delay the various activities of the estate and distributions to creditors.

(a) As I discussed above, under the TSA, the Debtors are obligated to perform a variety of functions with respect to the operations of the business purchased by General Wireless. In addition, the Debtors are required to closely track the costs incurred under the TSA to ensure that the estates are fully reimbursed for the costs of these functions. A transition of responsibilities for these activities to an individual with no prior involvement creates a material risk of both a breach of the TSA, which could result in a substantial administrative claim against the estates, and the loss or reimbursement for the costs of the services provided by the estates.

(b) As discussed above, the Debtors anticipate collecting additional proceeds from a variety of remaining assets, and those proceeds could total $10 milltion to $15 million or more. Historical knowledge of transactions with suppliers, obligations underlying letters of credit, the existence and nature of various deposits, and a variety of other information the Debtors and their professionals have gained over a substantial period of time will be critical to the success of collecting or monetizing these assets. Potential recoveries from these assets will be at risk if this knowledge is not preserved and applied to these collection efforts.

(c) It is my understanding that a Chapter 7 trustee may bring in a new set of professionals upon his or her appointment. Given the breadth and complexity of the remaining issues the Debtors face, significant time would likely be needed to educate the new professionals on the remaining issues, historical facts, and operations of the Debtors. This transition would likely generate significant additional costs and, even then, would be unlikely to ensure a continuation of the same level of knowledge that currently exists among the Debtors and their professionals.

(d) Further, it is my understanding that, in addition to the professional fees the estates would be required to bear, a trustee would also receive an additional fee equal to 3% of all distributions. This incremental cost would further reduce recoveries to creditors in these cases.

(e) Lastly, significant disputes remain regarding the allocation of proceeds among creditor constituencies. While the current stakeholders and professionals have significant knowledge and a broad understanding of the issues related to allocation, a Chapter 7 trustee and potentially the professionals he or she chooses to retain would not. As a result, there would likely be a significant delay before the allocation issues are resolved or adjudicated resulting in a substantial delay in the timing of additional distributions to creditors.

G. <u>Pursuit of a Plan Is a Demonstrably Better Alternative</u>

12. In my view, the prompt pursuit of confirmation of a Chapter 11 plan of liquidation is a superior alternative to a Chapter 7 liquidation in view of the circumstances.

Among other things, an expedited plan process would avoid the transition costs and risks described above, and eliminate potentially millions of dollars in Chapter 7 trustee fees. A plan process would also ensure that the Debtors and their professionals, who have produced significant recoveries to date despite limited resources and considerable time pressure, remain in place to complete the various liquidation and wind down tasks that remain unfinished at this point. The Debtors and their professionals could continue to seamlessly fulfill the Debtors' obligations under the TSA, minimizing the risk of a breach, and ensuring that all obligations of General Wireless under the TSA are timely paid. Finally, the pursuit of a Chapter 11 plan would allow the Debtors and their professionals and the Committee and its professionals to remain involved in the negotiation and resolution of significant creditor issues, including allocation of proceeds, creating a higher likelihood that distribution to creditors would occur considerably earlier than would be the case in a Chapter 7 liquidation.

Dated: June 18, 2015

Carlin Adrianopoli
Chief Financial Officer