IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SOMETHING SWEET ACQUISITION, INC., *et al.*[1]	Case No. 21-10992 (CSS)
	(Joint Administration Pending)
Debtors.	

DECLARATION OF LAWRENCE FOX IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND REQUESTS FOR FIRST DAY RELIEF

I, LAWRENCE FOX, hereby declare, under penalty of perjury, as follows:

1. I am the Chief Financial Officer of the above-captioned debtor and debtor-in-possession ("Something Sweet Acquisition") along with the subsidiary debtor and debtor-in-possession Something Sweet, Inc. ("Something Sweet", and with Something Sweet Acquisition, collectively referred to as the "Debtors"). I have served as Chief Financial Officer of the Debtors since February 1, 2021 and have sat on the Board of Directors since January 2014.

2. As Chief Financial Officer, I am responsible for assisting in the management of the Debtors' operations, overseeing its liquidity management, and guiding the growth of the Debtors' business and brand. In my capacity as Chief Financial Officer of the Debtors and previous experience as a member of the Board of Directors, I am familiar with the operations and management of the Debtors.

3. I submit this declaration (the "First Day Declaration") in support of the Debtors' chapter 11 petitions and requests for relief contained in certain "first day" applications and motions filed on or shortly after the date hereof (the "First Day Motions").

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[1] The names and last four digits of the tax identification numbers for each of the Debtors are as follows: Something Sweet Acquisition (8621); Something Sweet, Inc. (1256). The Debtors' corporate address is 724 Grand Avenue, New Haven, CT 06511.

4. On July 2, 2021, (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to manage their property as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. Except as otherwise indicated herein, all facts set forth in this First Day Declaration are based upon my personal knowledge of the Debtors' operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Debtors' management and the Debtors' advisors, or my opinion based on my experience, knowledge, and information concerning the Debtors' operations. I am authorized to submit this First Day Declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts set forth herein.

6. Part I of this First Day Declaration provides a brief overview of the Debtors and a summary of these Chapter 11 cases and describes in more detail the Debtors' business, corporate structure and history, capital and debt structure, developments which led to the Debtors' chapter 11 filings, and the Debtors' goals during these cases. Part II sets forth the relevant details of the various First Day Motions.

I. OVERVIEW

A. Debtors' Business Model

7. The Debtors are a large-scale baking company that produce high-quality, high volume, private label baked goods, including pies and cakes. Their products are sold through regional and national grocery store and 'big box' store chains.

8. The Debtors and their competitors operate with low profit margins to make themselves competitive to 'big box' store chains.

9. In 2019, Something Sweet began to execute a new strategy to expand their existing business to increase its sales to 'big box' stores and continue to grow its profits. Namely, it started offering a new product line of fruit pies that were intended to be popular with consumers throughout the year, instead of focusing on its more traditional seasonal offerings. This expansion continued into 2020.

10. Since May 2019, Something Sweet has received approximately $6,900,000.00 in funding from Saybrook Corporate Opportunity Funds ("Saybrook") to support its growth and execute its expansion.

11. The Debtors maintain two operating facilities in New Haven, Connecticut, and an additional storage facility also in New Haven. Something Sweet is the lessee of these three properties, two manufacturing sites and one storage facility, in New Haven, Connecticut.

12. Without a doubt, the business prospects for the Debtors were drastically and negatively changed with the mid-March 2020 Covid-19 pandemic restrictions. The Debtors experienced a decrease in business just as their second manufacturing site opened and costs increased. Furthermore, the added costs of goods reduced profits in a market with already slim profit margins.

13. In particular, in April and May 2020, the Debtors experienced a decrease in sales because of the ongoing pandemic.

14. In addition, Something Sweet experienced a significant increase in the cost of labor, goods, and freight costs as a result of the pandemic. The business issues caused primarily by the pandemic resulted in consistent liquidity issues for which the Debtors have not fully recovered.

15. Since this time, the Debtors resumed normal business operations, but continue to experience financial issues. The Debtors have struggled to recover from last year, when their accounts payables grew as part of their expansion.

16. Traditionally the Debtors business is slow during the first half of the year and sales are dramatically higher during the second half of the year around the holiday seasons. The Debtors have been unable to pay their accounts payables with the revenue from the lower sales volume in the beginning of the year.

17. The Debtors determined in early 2021 that in order to solve its financial issues it must seek additional investment in the company or potentially seek a sale of the business and its assets. In February 2021, the Debtors engaged the Peakstone Group as an investment banker to market the Debtors and its assets for either potential investments or a sale. The entities were originally seeking initial capital of $4 million with a purchase option to follow in 2022.

18. Peakstone began the marketing process by sending out a one-page informational advertisement to hundreds of contacts to elicit interest in the entities.

19. Next, Peakstone would send a Confidential Information Memorandum to interested parties that executed a Non-Disclosure Agreement. So far, at least twenty-five (25) parties have expressed interest and executed a Non-Disclosure Agreement.

20. On June 17, 2021, a potential buyer that agreed to the Debtors sale terms backed out when it became apparent the Debtors would need additional cash before closing to continue operations.

21. Unfortunately, as of the Petition Date, the Debtors were unable to reach a final agreement with any party on a sale transaction notwithstanding the interest that has been show in the Debtors' business and assets.

22. Because the Debtors essentially ran out of cash and were unable to obtain additional financing, on June 25, 2021, the Debtors were forced to effectively cease operations. At the time, the Debtors mothballed their operations and facilities, secured their manufacturing and storage facilities, and terminated almost all of their employees.

23. The Debtors continue to believe that even as a shuttered operation, they are an attractive business for a third-party sale.

B. Corporate Structure and Employees

24. Something Sweet Acquisition is a Delaware corporation organized in 2010. Something Sweet is the operating entity and is a Connecticut corporation also formed in 2010.

25. The Board of Directors consists of five (5) individuals including myself.

26. Approximately one hundred and twenty (120) employees worked across the three (3) sites. Employees include both manufacturing employees and business operation employees, including accounting, sales, and other necessary administrative functions.

27. Prior to the disruption in business, payroll was approximately $200,000 every two weeks. As noted, the Debtors have presently ceased operations and terminated almost all of their employees. As of the Petition Date, the Debtors were current in payments to its employees, including wages and benefits.

C. Capital and Debt Structure

28. Since its inception, the Debtors have relied on increasing their product offerings to continue growth. Set forth below is a description of the Debtors' capital and funded debt structure as of the date hereof.

a. *Capital and Sales*

29. Sales and operations have temporarily ceased.

30. Based on its performance from January through April 2021, the Debtors were on track for their best year of sales. Something Sweet sold $4.7 million of product in these four months compared to its budget of $3.7 million. This also compares favorably to 2019 and 2020 when sales for the same four months were $2.7 million and $2.3 million, respectively.

31. As of December 31, 2020, the Debtors had assets, net of liabilities, worth approximately $1,231,465.00 (on a book value basis), primarily in inventory, equipment, and intellectual property.

b. Secured Debt

32. As of the Petition Date, the Debtors had secured debt of approximately$7,933,259.19 spread across various lenders. The Debtors primary lending facility is an accounts receivable factoring agreement with Accord Financial, Inc. ("Accord") through a Master Purchase and Sale Agreement dated July 14, 2017 (the "Factoring Agreement"). Pursuant to the Factoring Agreement, Accord purchased certain accounts receivable of the Debtors in exchange for funding advances. In addition, Accord retained a first position security interest in substantially all of the Debtors' assets as security for the advances made to the Debtors. As of the Petition Date, the Debtors owed Accord approximately $649,372.19.

33. Next, the Debtors are obligated under an equipment loan to Capital Equipment Solutions, LLC ("CES") pursuant to a term promissory note and security agreement dated February 13, 2019 (the "CES Equipment Loan"). The initial loan was made to Loeb Solutions, LLC and was subsequently assigned to CES, which is an affiliate of Loeb Solutions, LLC. Based on a subordination agreement involving Accord, CES, Saybrook, CES has a first position security interest in certain equipment collateral, and a second position security interest in all assets of the

Debtors. As of the Petition Date, the Debtors owed CES $553,887.00 under the CES Equipment Loan.

34. Finally, the Debtors are obligated to COF Loans Acquistion, LLC, and entity affiliated with Saybrook, under various subordinated secured promissory notes, which are subordinated to the obligations owed to Accord and Loeb, which have been assigned to CES. As of the Petition Date, the Debtors owed approximately $6,730,000.00 to Saybrook under these various subordinated notes.

c. Unsecured Debt

35. As of the Petition Date, the Debtors had other unsecured debt on a consolidated basis of approximately $6,420,184.00.

d. Equity Security Holders

36. Something Sweet is owned 100% by Something Sweet Acquisition, which in turned is owned 100% by Copenhagen Acquisition LLC, which is an affiliate of Saybrook.

D. Objectives in Chapter 11

37. The Debtors have elected to proceed under chapter 11, in order to proceed with a swift and efficient marketing process that it hopes will lead to a successful sale of the Debtors' assets. The Debtors secured a debtor-in-possession financing facility from an affiliated entity of Saybrook in order to fund the administrative costs of the chapter 11 case. In addition, the Debtors have continued their engagement with the Peakstone Group as investment banker to continue the marketing of the assets for sale. The Debtors believe that even in a mothballed state, they are an attractive business for a third-party sale. As such, the Debtors, with the support of its major stakeholders, including Accord Financial and Saybrook, are confident that a sale process within

chapter 11 is the best course of action for the Debtors and all of its creditors. Without this process, the Debtors would simply move to a straight liquidation of its assets through chapter 7.

II. FIRST DAY MOTIONS

A. Motion of the Debtors for Entry of an Order Authorizing and Directing the Joint Administration of Debtors' Chapter 11 Cases for Procedural Purposes Only

38. The Debtors request the joint administration of the cases for procedural purposes only. Specifically, the Debtors request that the Court maintain one file and one docket for the cases under the Something Sweet case and also request that the caption of each of the cases be modified to reflect the joint administration of the cases. Additionally, the Debtors request that the Court authorize the Debtors to use a combined service list for the jointly administered cases for purposes of noticing creditors of the Debtors' estates.

39. The Debtors are direct and indirect affiliates of each other and constitute "affiliates" within the meaning of section 101(2) of the Bankruptcy Code. Joint administration of the cases will avoid the unnecessary administrative burden on the Court and parties-in-interest in these cases. Joint administration will also permit the Clerk to use a single general docket for the cases and to combine notices to creditors and other parties-in-interest of the Debtors' respective estates. Joint administration will protect parties-in-interest by ensuring that such parties-in-interest in each of the Debtors' respective cases will be apprised of the various matters before the Court in each of the cases.

40. I believe that if the Court approves joint administration of the cases, the Debtors will be able to reduce fees and costs resulting from the administration of the cases and ease the onerous administrative burden of having to file documents in more than one case. I have also been advised that joint administration will ease the administrative burden for the Court and all parties to the cases and obviate the need for duplicative notices, motions, applications and orders,

thereby saving time and expense for the Debtors and their estate. Based on the foregoing, the Debtors believe that joint administration of the cases is in the best interests of the Debtors, their estates and all parties-in-interest, and should be granted.

B. Motion of the Debtors for Entry of an Interim Order and Final Order (A) Authorizing the Continued Use of Existing Cash Management Systems (the "Cash Management Motion")

41. By the Cash Management Motion, the Debtors seek entry of interim and final orders (i) authorizing but not directing the continued use of their existing Cash Management System; and (ii) providing any additional relief required in order to effectuate the foregoing. The Debtors also requests the right, in their discretion, to (i) pay any Bank Account related fees; and (ii) open new debtor-in-possession accounts as may be necessary to facilitate the Chapter 11 Cases and their operations, or as may otherwise be necessary to comply with the requirements of any debtor-in-possession financing and/or cash collateral order entered in the Chapter 11 Cases.

42. Further, the Debtors request that the Court waive the requirements of Bankruptcy Code section 345(b) on an interim basis and permit the Debtors to maintain their deposits in the Bank Accounts in accordance with existing deposit practices until such time as the Debtor obtain this Court's approval to deviate from the guidelines imposed under Bankruptcy Code section 345(b) on a final basis. The Debtors' existing deposit practices are significantly less burdensome and more appropriately tailored to their business needs than the practices otherwise required under the Bankruptcy Code and by the U.S. Trustee Guidelines.

43. The continued use of the Cash Management is essential to the Debtors' business. The Debtors believe that the Cash Management System mechanisms are well-suited to the Debtors' business needs and operations.

44. The Cash Management System is a practical mechanism that allows the Debtors to transfer their revenues to the payment of their obligations that decreases the burdens on the Debtors, and that provides several important benefits, including the ability to: (i) control and monitor corporate funds; (ii) ensure cash availability; (iii) accept certain foreign currencies; and (iv) reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate balance and presentment information.

45. Without the relief requested, I believe the Debtors would be unable to effectively and efficiently preserve the assets of the Debtors for the benefits of all stakeholders. Such a result would cause significant harm to the Debtors' businesses and the value of their estates. Accordingly, I believe that the relief requested is in the best interest of the Debtors, their estates and creditors, and all parties in interest.

C. Motion of the Debtors for Order (A) Authorizing the Debtors to (I) Maintain and Renew Existing Insurance Policies; (II) Continue Insurance Premium Financing; (III) Pay Insurance Premium Financing Obligations Arising Thereunder; and (B) Authorizing Financial Institutions to Honor All Obligations Related Thereto (the "Insurance Motion")

46. By the Insurance Motion, the Debtors seek authority to continue to maintain and administer the Insurance Policies (as defined in the Insurance Motion) as required throughout the duration of the chapter 11 cases. Authorization would include the Debtors ability to revise, extend, renew, supplement, or change the Insurance Policies as need, or upon expiration, and pay commissions related to the foregoing to Lockton, or other insurance broker. Authorization would also permit the Debtors to satisfy all obligations arising and relating to the Insurance Policies. In addition, authorization would include the Debtor's ability to make payments as they come due, and continue, renew, or replace any premium financing that is currently in with pursuant to the Premium Finance Agreement (as defined below).

47. In the ordinary course of the Debtors' business, the Debtors maintain insurance policies providing coverage for rental property, products, personal injury, automobile, umbrella, directors and officers liability, workers compensation, employers' liability, and pollution liability. These Insurance Policies are essential to the preservation of the Debtors' businesses and assets, and necessary to protect the Debtors' estates.

48. The Debtors maintain their Insurance Policies through multiple insurers. To assist them in their efforts to obtain insurance coverage necessary to operate their business in a reasonable, prudent, and cost-effective manner, the Debtors utilize the expertise of Lockton Companies ("**Lockton**") as insurance brokers. The Debtors believe it is in the best interest of their creditors and estate to continue their business relationship with Lockton. The Debtors believe that continuation of the Broker's services is necessary to ensure the Debtors' ability to secure Insurance Policies on advantageous terms at competitive rates, facilitate the proper maintenance of the Debtors' Insurance Policies post-petition, and ensure adequate protection of the Debtors' property post-petition.

49. The Debtors finance the costs certain insurance premiums through a premium finance agreement ("**Premium Finance Agreement**") with US Premium Finance, a division of Ameris Bank ("**USPF Lender**"). Pursuant to the Premium Financing Agreement, the Debtors financed premiums of approximately $27,840. Under the Premium Finance Agreement, the Debtors, among other things, grant USPF Lender a security interest in all of the Debtors' right, title and interest in the insurance policy and all rights including all dividends, payment on claims, unearned premiums, and unearned commissions. Pursuant to the Premium Finance Agreement, the Debtors paid USPF Lender a down payment in the amount of $4,617.40 and agreed to make ten (10) monthly installments with respect to those Policies covered by the Premium Finance

Agreement. The interest rate under Premium Finance Agreement is 5.05% per year. Each monthly installment amount paid on account of the Premium Finance Agreement is $2,848.91.

50. Without the relief requested, I believe the Debtors would be unable to effectively and efficiently preserve the assets of the Debtors for the benefits of all stakeholders. Such a result would cause significant harm to the Debtors' businesses and the value of their estates. Accordingly, I believe that the relief requested is in the best interest of the Debtors, their estates and creditors, and all parties in interest.

D. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Financing, (II) Authorizing the Use of Cash Collateral, (III) Granting Liens and Superpriority Claims, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the "DIP Financing Motion")

51. By the DIP Motion, the Debtors respectfully request that the Court enter interim and final orders (i) authorizing the Debtors to enter into senior secured and superpriority post-petition financing (the "DIP Facility") with Copenhagen Acquisition LLC as lender under the DIP Facility (in such capacity, the "DIP Lender") (ii) authorizing the Debtors to use Cash Collateral; (iv) granting liens and superpriority administrative claims to the DIP Lender pursuant to section 364 of the Bankruptcy Code; and (iv) granting related relief. Specifically, by the DIP Motion, the Debtors request interim and final authorization for it to obtain the DIP Facility, which if approved on a final basis would consist of post-petition financing in a total amount of $500,000.00

52. Unsecured financing is not available to the Debtors. The Debtors exhausted its avenues to obtain any additional unsecured financing. The Debtors spoke to a number of outside parties about lending either on an unsecured basis, or through a traditional DIP facility, but none of those third parties ultimately expressed interest in doing so. Additionally, the Debtors explored potential financing from its existing unsecured creditor body. The DIP Lender, who is a current secured creditor and the ultimate equity holder of the Debtors, was the only party that expressed

interest in providing additional financing, but only would do so if such financing was on a secured basis. The DIP Lender also expressed interest in providing the financing in the form of a debtor-in-possession financing in the context of a chapter 11 case, which ultimately lead to the terms of the DIP Facility.

53. As discussed in detail above, this Chapter 11 Cases follows several exhaustive yet unavailing efforts by the Debtors to attract capital and consummate strategic transactions over the past year. Faced with the depletion of remaining liquidity and the inability to obtain further funding outside of chapter 11, the Debtors' management took the steps they deemed necessary and exercised their best business judgment in negotiating the DIP Facility. The Debtors' management and the Board ultimately concluded that the DIP Facility will provide immediate access to capital to pay their limited ongoing expenses while enabling the Debtor to seek a sale of their assets in the context of the chapter 11 bankruptcy cases.

54. Without this financing, the Debtors would most likely have liquidated under chapter 7 with no chance for a recovery to their creditors. The DIP Facility is the Debtors' best and only means of obtaining the liquidity necessary to avoid a shutdown of their business, preserve going concern value, and effectuate this reorganization.

55. The proceeds of the DIP Facility are sized to preserve and promote the viability of the Debtors' assets and support the Debtor through the anticipated pendency of this chapter 11 cases, but nothing more. Moreover, the financial terms and covenants of the DIP Facility are standard and reasonable for financing of this kind.

56. Based on the Debtors' negotiations regarding the DIP Facility, the terms of the DIP Loan Documents constitute, on the whole, the most favorable terms the Debtors could achieve upon which the DIP Lender will extend the necessary post-petition financing. Although the

Debtors explored whether the DIP Lender would provide the DIP Facility without certain provisions, in the course of negotiations, the DIP Lender indicated it would not be willing to provide the DIP Facility without such terms. In particular, the DIP Lender would not provide financing without the provisions requiring, in particular, (i) the achievement of certain case milestones, including the pursuit of the sale process; and (ii) securing the DIP Facility with the appropriate liens and super priority claims. These are key components of consideration for the DIP Lender without which it has indicated it is unwilling to provide the DIP Facility.

57. Accordingly, the Debtors, in consultation with its advisors – recognizing the absence of any competing financing proposals and the benefits to be provided under the DIP Facility – determined that the terms of the DIP Facility were superior to any other set of terms reasonably available to the Debtors at this time, and in fact the only available terms. Therefore, the DIP Facility provides the Debtors with the best, most feasible, and value-maximizing financing option available at this time.

58. Moreover, the Debtors have concluded that the economic terms of the DIP Facility are fair and reasonable and are consistent with what can be expected in a debtor-in-possession financing facility. After thorough analysis by the Debtors and their advisors, they have concluded that the terms of the DIP Facility are reasonable and appropriate under the circumstances. The non-economic terms of the DIP Facility, including the case milestones, are also within the range of what can be expected for a debtor-in-possession financing facility, particularly considering the facts and circumstances of these cases, the nature of the Debtors' assets, and the extensive marketing and sale process that preceded these cases.

59. For these reasons, in the Debtors' prudent business judgment, the terms of the DIP Facility are fair and reasonable in the circumstances of these cases and the Debtors could not obtain

post-petition financing from any other lending source. Accordingly, I believe that the relief requested in the DIP Motion is in the best interests of the Debtors, their estates and creditors, and all parties in interest.

III. CONCLUSION

60. For the reasons described herein and in the First Day Motions, I believe that the Debtors will be able to proceed with a value maximizing sale process in these chapter 11 cases provided that it obtains the relief that it seeks in the First Day Motions. I therefore respectfully request that the Court grant the relief requested in each of the First Day Motions.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: July 9, 2021

/s/ Lawrence Fox
Lawrence Fox
Debtors' Chief Financial Officer