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Hearing Date: December 15, 2016
Time: 2:00 p.m.

Objection Deadline: December 14, 2016
Time: 4:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

HOLSTED MARKETING, INC.
d/b/a Holsted Jewelry,

Chapter 11

Case No. 16-11683 (JLG)

Debtor.
-----X

**NOTICE OF HEARING ON EMERGENCY APPLICATION PURSUANT TO
11 U.S.C. §§105(a) AND 364(b) FOR INTERIM AND FINAL ORDERS AUTHORIZING
THE DEBTOR TO OBTAIN POST-PETITION FINANCING FROM VICTOR BENSON**

PLEASE TAKE NOTICE, that on **December 15, 2016 at 2:00 p.m.**, or as soon thereafter as counsel can be heard, an interim hearing (the "**Hearing**") will be held before the Honorable James L. Garrity, Jr., United States Bankruptcy Judge, at the United States Bankruptcy Court, Southern District of New York, Alexander Hamilton U.S. Custom House, Courtroom 601, One Bowling Green, New York, New York 10004 on the motion (the "**Motion**") of Holsted Marketing, Inc. d/b/a Holsted Jewelers (the "**Debtor**") seeking entry of an order, pursuant to sections 105(a) and 364(b) of title 11, United States Code (the "**Bankruptcy Code**"), authorizing and approving the terms and conditions under which the Debtor may obtain post-petition financing from its President and majority shareholder, Victor Benson.

PLEASE TAKE FURTHER NOTICE, that objections, if any, to the entry of an order granting the relief sought in the Motion on an interim basis may be raised at the Hearing or, if before the Hearing, shall be in writing, filed with the Court electronically in accordance with General Order M-399 by registered users of the Court's electronic case filing system and, by all other parties in interest, mailed to the Clerk of the United States Bankruptcy Court, Alexander Hamilton U.S. Custom House, One Bowling Green, New York, New York 10004-1408, on a CD-

Rom or flash drive, preferably in Portable Document format (PDF), WordPerfect or any other Windows-based word processing format (with two, single sided copies delivered directly to the Chambers of Judge James L. Garrity, Jr., United States Bankruptcy Court, Courtroom 601, Alexander Hamilton U.S. Custom House, New York, New York 10004, and served in accordance with General Order M-399 upon: (i) SilvermanAcampora LLP, attorneys for the Debtor, 100 Jericho Quadrangle, Suite 300, Jericho, New York 11753, Attn: Gerard R. Luckman, Esq., (ii) counsel to Rosenthal & Rosenthal, Inc., Platzer, Swergold, Levine, Goldberg, Katz & Jaslow, LLP, 475 Park Avenue South, 18th Floor, New York, New York 10016, Attn: Henry G. Swergold, Esq., (iii) counsel to the Committee, Troutman Sanders LLP, 875 Third Avenue, New York, New York 10022, Attn: Hugh M. McDonald, Esq. and Brett D. Goodman, Esq.; (iv) counsel to Versant Supply Chain, Inc., Drinker Biddle & Reath, LLP, 1177 Avenue of the Americas, 41st Floor, New York, New York 10018, Attn: Michael P. Pompeo, Esq.; and (v) the Office of the United States Trustee, 201 Varick Street, Suite 1006, New York, New York 10014, Attn: Serene Nakano, Esq., so as to be received no later than **4:00 p.m.** on **December 14, 2016.**

PLEASE TAKE FURTHER NOTICE, that the Hearing may be adjourned without further notice other than the filing of a notice on the Court's electronic docket for this case or the announcement of such adjournment in open Court.

Dated: Jericho, New York
December 9, 2016

SILVERMANACAMPORA LLP
Attorneys for the Debtor

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UNITED STATES BANKRUPTCY COURT
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In re:

HOLSTED MARKETING, INC.
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**EMERGENCY APPLICATION PURSUANT TO 11 U.S.C.
§§105(a) AND 364(b) FOR INTERIM AND FINAL ORDERS AUTHORIZING
THE DEBTOR TO OBTAIN POST-PETITION FINANCING FROM VICTOR BENSON**

Holsted Marketing, Inc. d/b/a Holsted Jewelry (the “**Debtor**”), the above-captioned debtor and debtor-in-possession, submits this (the “**Application**”) seeking the entry of interim and final orders authorizing and approving the terms and conditions under which the Debtor may obtain post-petition financing from its President and majority shareholder, Victor Benson (“**Benson**”), and scheduling a final hearing thereon, and in support of the Application, respectfully sets forth and represents as follows:

BACKGROUND

1. On June 8, 2016 (the “**Petition Date**”), the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code in this Court.
2. The Debtor provides multi-channel marketing strategies for its retail clients and under its own brand, Holsted Jewelers. The Debtor’s primary business is the promotion of merchandise through the utilization of mailing lists obtained from its clients as well as direct to the consumer. The Debtor also sells merchandise on its web site, HolstedJewelers.com, and merchandise on a wholesale basis to its direct marketing clients.

3. Additional information about the Debtor's business and the events leading up to the Petition Date can be found in the "Declaration of Roy Rathbun Under Local Rule 1007-2 in Connection with Chapter 11 Filings and in Support of Certain 'First Day' Motions," dated June 8, 2016 (ECF Doc. No. 5).

4. The Debtor is authorized to remain in possession of its property and to continue in the operation and management of its business as a debtor-in-possession under Bankruptcy Code §§ 1107 and 1108.

5. On June 27, 2016, the Office of the U.S. Trustee filed a *Notice of Appointment of Creditors' Committee* (ECF Doc. No. 25) appointing Direct Dimensions, Inc., Quad/Graphics, Inc., and Netcast BPO Services, LLC to the Official Committee of Unsecured Creditors (the "**Committee**").

6. To date, no trustee or examiner has been appointed in this matter.

JURISDICTION AND VENUE

7. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, and the "Amended Standing Order of Reference" of the United States District Court for the Southern District of New York, dated January 31, 2012 (Preska, C.J.).

8. This is a core proceeding pursuant to 28 U.S.C. §157(b).

9. Venue is proper before this Court pursuant to 28 U.S.C. §§1408 and 1409.

10. The statutory predicates for the relief requested herein are Bankruptcy Code §§105(a) and 364(b).

RELIEF REQUESTED

11. Throughout its chapter 11 case, the Debtor has struggled with liquidity issues while it attempted to downsize its business model, and has remained at or near the maximum level of its credit limit on its debtor-in-possession financing. The Debtor has now determined, after several meetings with the Committee, that the Debtor will not be able to confirm a plan of reorganization in this case and that the Debtor's should be liquidated for the benefit of its

creditors.

12. To that end, the Debtor has proposed to the Committee and the Debtor's debtor-in-possession lender, Rosenthal & Rosenthal, Inc. ("**Rosenthal**"), that the Debtor wind-down its business in an orderly manner so as to maximize the value of its remaining inventory and ensure the continued collection of receivables. The Debtor has prepared a proposed budget for that wind-down process, and expects to discuss the parameters of a wind-down with the Committee and Rosenthal in the coming days.

13. In order to facilitate the wind-down, the Debtor requires additional funding of approximately \$200,000 to ensure that it remains current on its post-petition obligations, including payments to estate professionals. The Debtor's President and majority shareholder, Victor Benson, who has personally guaranteed the Debtor's debt to Rosenthal, has offered to loan the Debtor the required \$200,000 in exchange for an administrative claim with such administrative claim subordinate to other administrative claims against the Debtor's estate (the "**Benson Loan**"). As agreed between the Debtor and Benson, the Benson Loan will not bear any interest and Benson will not charge the Debtor any fees in connection therewith.

14. Bankruptcy Code §364(b) provides that:

The court, after notice and a hearing, may authorize the trustee to obtain unsecured credit or to incur unsecured debt other than under subsection (a) of this section, allowable under section 503(b)(1) of this title as an administrative expense.

15. Accordingly, Bankruptcy Code §364(b) authorizes this Court to allow the Debtor to obtain post-petition financing from Benson in exchange for an administrative claim under Bankruptcy Code §503(b)(1) that is on par with all other administrative claims against the Debtor. As described above, however, the Debtor and Benson have agreed that the claim granted to Benson in exchange for the Benson Loan will be subordinate to other administrative claims in the Debtor's case, including those of the estate's retained professionals.

16. Without immediate access to the Benson Loan, the Debtor may be forced to

terminate its business and/or convert its case to a case under chapter 7 of the Bankruptcy Code. Such a result would destroy the going-concern value of the Debtor's assets and would prevent the Debtor from maximizing the value of its assets for its creditors.

**REQUEST FOR IMMEDIATE BORROWINGS AND USE OF CASH
COLLATERAL ARE NECESSARY TO AVOID IRREPARABLE HARM**

17. Pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2), a minimum of 15 days' notice is required before a final hearing on this Application may commence. Bankruptcy Rules 4001(b)(2) and (c)(2) also provide, however, that the Court may conduct a hearing before such 15 day period expires, and may authorize the obtaining of credit to avoid immediate and irreparable harm to the estate pending a final hearing. FED. R. BANKR. P. 4001(c)(2).

18. As stated above, it is essential that the Debtor be authorized by this Court to obtain the Benson Loan on an interim basis as set forth herein pending the final hearing on the Application. The Benson Loan addresses the current administrative insolvency in the Debtor's case and, if the Court does not permit the Benson Loan on an interim basis, the Debtor may be forced to immediately cease business, destroying any possibility of selling its remaining inventory in the ordinary course of business or through a court-approved sales process in order to maximize value.

NOTICE WITH RESPECT TO THE INTERIM HEARING

19. The Debtor will provide notice by electronic transmission, facsimile or overnight mail of this Application pursuant to Bankruptcy Rule 4001 to (a) the Office of the United States Trustee for Region 2, (b) counsel to Rosenthal, (c) counsel to the Committee, (d) counsel to Versant Supply Chain, the Debtor's fulfillment center, and (e) all parties who have requested notice in this case. The Debtor respectfully submits that such notice is sufficient and requests that this Court find that no further notice of the relief requested herein is required.

NOTICE WITH RESPECT TO THE FINAL HEARING

20. The Debtor also proposes to serve a copy of the Interim Order and this

Application by first class mail, within two (2) days after entry of the Interim Order, upon (a) all parties receiving notice of the interim hearing, and (b) all of the Debtor's remaining creditors.

21. The Debtor respectfully submits that such notice is sufficient, and requests that this Court find that no further notice of the proceedings to be held in connection therewith is required.

22. No previous application for the relief sought herein has been made to this or any other Court.

WHEREFORE, the Debtor respectfully requests that the Court enter interim and final orders authorizing the Debtor to obtain the Benson Loan, and grant the Debtor such further relief as is just and proper.

Dated: Jericho, New York
December 9, 2016

SILVERMANACAMPORA LLP
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