IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TENNESSEE

In re:	Case No. 14-11077JLC
ISR GROUP, INCORPORATED,	Chapter 11
Debtors.	Hon. Jimmy L. Croom

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' PRELIMINARY OBJECTION TO (A) MOTION FOR INTERIM AND FINAL ORDERS, PURSUANT TO SECTIONS 105, 361, 362, 363, 364 AND 507 OF THE BANKRUPTCY CODE, (1) APPROVING POST PETITION FINANCING, (2) AUTHORIZING USE OF CASH COLLATERAL, (3) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (4) GRANTING ADEQUATE PROTECTION, (5) MODIFYING AUTOMATIC STAY, AND (6) SCHEDULING A FINAL HEARING AND (B) THE MOTION TO SELL PROPERTY FREE AND CLEAR OF LIENS UNDER SECTION 363(F) , FOR ENTRY OF ORDERS APPROVING BIDDING PROCEDURES AND GRANTING RELATED RELIEF

The Official Committee of Unsecured Creditors (the "**Committee**") appointed in the above-captioned chapter 11 proceeding (the "**Chapter 11 Case**") of ISR Group, Incorporated (the "**Debtor**"), by and through its proposed counsel, submits this preliminary objection (the "**Committee Omnibus Objection**") to (A) the Motion For Interim and Final Orders, Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code, (1) Approving Post Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying Automatic Stay, and (6) Scheduling a Final Hearing [Docket No. 24] (the "**Financing Motion**")[1] and (B) the Motion to Sell Property Free and Clear of Liens Under Section 363(f), for Entry of

[1] This objection to the Financing Motion includes an objection to entry of the Interim Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Post-Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying Automatic Stay and (6) Scheduling a Final Hearing (the "**Interim Financing Order**") on a final basis.

Orders Approving Bidding Procedures, and Granting Related Relief [Docket No. 43] (the "**Sale Motion**," and together with the Financing Motion, collectively, the "**Motions**").[2]

Preliminary Statement

1. The Committee has only recently been formed and retained counsel to represent it in connection with this Chapter 11 Case. The Committee is in the process of evaluating the parameters of the Debtor's inextricably interrelated Financing Motion and Sale Motion. Based on its initial evaluation, the Committee is deeply troubled by many questionable aspects of this Chapter 11 Case, and currently has more questions than answers. In particular, the speed in which the Debtor is attempting to drive through the proposed sale to TCFI IG LLC (the "**Lender/Stalking Horse Bidder**"), a party that holds its pre-petition secured debt, is its proposed post-petition lender – less than 30 days from the hearing on the Motions and less than 60 days from the filing of the Chapter 11 Case – is extremely troubling.

2. This Chapter 11 Case is plagued by several significant economic and due process concerns:

- The Debtor seeks approval of an expedited sale of all of its assets to the Lender/Stalking Horse Bidder, a buyer that, in reality or appearance, stands on each side of the proposed transaction. The Lender/Stalking Horse Bidder (i) is the pre-petition secured lender, (ii) is the proposed post-petition lender, (iii) participated in the selection of a purportedly independent Chief Restructuring Officer with sole management control over the Debtor by orchestrating a pre-petition behind-the-scene resignation by the prior equity holder and director, (iv) owns, or is in the process of becoming the owner of, the Debtor's equity, and (v)

[2] If not otherwise defined in this Committee Omnibus Objection, capitalized terms have the meanings given to them in the Motions.

has related or affiliated companies that, upon information and belief (and without adequate disclosure), compete with the Debtor.

- The Debtor is seeking to run this sale process on a shockingly expedited basis, with any competing bids to be submitted by June 20, 2014 (just 22 days from the date of the hearing on the Sale Motion), an auction to be held on June 25, 2014 if any competing Qualified Bids are submitted by Qualified Bidders (there being multiple hurdles to becoming a Qualified Bidder), and a hearing to approve the sale on June 26, 2014. The entire sale process is proposed to last less than 30 days and the sale would be approved less than 60 days from the filing of the Chapter 11 Case.
- The proposed sale would permit the sale for consideration that consists entirely of a "credit bid" of a debt purchased by the Lender/Stalking Horse Bidder at a significant discount on the eve of filing this Chapter 11 Cases. The stated purpose of the debt purchase was to obtain ownership and/or control of the Debtor's assets.
- The Committee has so far been unable to evaluate the extent and validity of the efforts to market the business to other interested purchasers. However, it is noteworthy that the Debtor's Chief Restructuring Officer was only installed approximately one week prior to the petition date, so the opportunity for any meaningful marketing seems non-existent.
- The Committee has so far been unable to evaluate the extent and validity of the Lender/Stalking Horse Bidder's collateral position, but the proposed financing to be provided by the Lender/Stalking Horse Bidder would mask any deficiency in the collateral position by cross-collateralizing all pre-petition and post-petition

obligations with all pre-petition and post-petition collateral. Any prospect for the Debtor to subsequently refinance the burdensome post-petition loans is effectively precluded by the terms of the proposed order. Thus, if it is subsequently determined that material estate assets do not serve as perfected collateral for the purchased debt, the Debtor would be without any ability to distance itself from the financing and the Committee would be without any ability to realize value for holders of general unsecured claims.

- The proposed transactions would also require the dismissal or release of all estate causes of action not only against the Lender/Stalking Horse Bidder, but also against the Lender/Stalking Horse Bidder's predecessor, all for no consideration. These releases would eliminate assets otherwise available to unsecured creditors.

3. The premise of the proposed financing is that, if it is not approved immediately, the Debtor will suffer ***immediate and irreparable harm*** and, therefore, the Debtor should be authorized to agree to the Lender/Stalking Horse Bidder's onerous and burdensome terms. However, based on information currently available to the Committee, the Committee believes the financing is an unwise decision that unfairly prejudices unsecured creditors and prematurely forces the Debtor down the Lender/Stalking Horse Bidder's preferred path – an expedited sale process, for no cash consideration, without any meaningful opportunity to market the assets.

4. Moreover, any justification for an expedited sale process outside of a plan of reorganization is completely absent here. The Debtor has provided no factual support or justification for the extraordinary relief it has requested. If approved, this expedited sale process will allow the Debtor to move forward with the proposed sale without any meaningful

opportunity for creditors to evaluate the plan to re-start the business and to sell to the Lender/Stalking Horse Bidder. Foregoing the protections of a plan confirmation process requires a showing that it is in the best interest of the debtor's estate that the assets be sold outside of a plan of reorganization, which the Debtor has not satisfied. Creditors should have the ability to analyze the proposal and vote on the proposed sale as part of a chapter 11 plan.

5. Finally, the Lender/Stalking Horse Bidder has proposed to credit bid its debt as its consideration for acquiring the assets of the Debtor – no additional cash will be paid.[3] While under the proposed terms of the post-petition financing the Debtor has agreed that the Lender/Stalking Horse Bidder has a valid, properly perfected lien on all of the Debtor's assets and that the face amount of the debt is correct, valid and owing, there has been no independent evaluation of the debt itself or the collateral security supporting it. The Lender/Stalking Horse Bidder should not be allowed to simply credit bid the full face amount of this debt (especially when it purchased the debt at a significant discount on the eve of bankruptcy) without an independent analysis being done as to its validity by the Committee.

6. And even if valid, there may be other grounds to support limiting the Lender/Stalking Horse Bidder's credit bid right to a lower amount – such as the amount it purchased the debt for – particularly given the multiple roles the Lender/Stalking Horse Bidder is playing and the level of control it appears to have had over the Debtor.

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[3] The Lender/Stalking Horse Bidder is providing additional consideration in the form of (a) a cash payment of $300,000 (per the Sale Motion, or $373,950 per the Stalking Horse APA) to be used exclusively for payments to creditors with unsecured priority claims under sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code ***who agree to work for the Lender/Stalking Horse Bidder after the closing on terms satisfactory to the Lender/Stalking Horse Bidder*** and (b) the assumption of certain liabilities of the Debtor, which are limited to obligations of the Debtor accruing after the closing of the sale under contracts assumed and assigned to the Lender/Stalking Horse Bidder as part of the sale. Critically, this additional consideration is almost, if not entirely, for the benefit of the Lender/Stalking Horse Bidder, not the Debtor or its estate.

7. At this early stage, approval of the Motions will conclusively decide the outcome of the Chapter 11 Case to the detriment of unsecured creditors. If the Debtor is allowed to continue on this expedited, unchecked course, the Committee and its constituents will be deprived of the information and time necessary to properly evaluate the Debtor's proposal, which will undoubtedly be to the detriment of all creditors in the Chapter 11 Case other than the Lender/Stalking Horse Bidder. The Committee needs additional information to evaluate the proposed sale, the Lender/Stalking Horse Bidder's debt and collateral security and the Lender/Stalking Horse Bidder's plan to restart the business. The Court should minimally adjourn the hearings and related objection deadlines and permit the Committee to conduct discovery relating to the Sale Motion and Financing Motion.

Argument

I. The Proposed DIP Financing Should Be Denied

A. The Proposed DIP Financing Fails to Meet the Standards for Approval

8. It is well settled that, in order to be approved, proposed post-petition financing must satisfy three tests. First, it must be found to be "***fair, reasonable, and adequate*** under the circumstances." *In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 39 (Bankr. S.D.N.Y. 1990) (emphasis added) (quoting *In re Crouse Grp., Inc.*, 71 B.R. 544, 551 (Dania. E.D. Pa. 1987)). Second, a debtor must show that the "proposed financing is in ***the best interests of the general creditor body.***" *In re Roblin Indus., Inc.*, 52 B.R. 241, 244 (Bankr. W.D.N.Y. 1985) (emphasis added); *see also In re Aqua Associates*, 123 B.R. 192, 196 (Dania. E.D. Pa. 1991) (requiring that "the credit acquired is of significant benefit to the debtor's estate"). Third, the financing must have been "negotiated ***in good faith and at arm's length*** between the Debtors, on the one hand ... and the Lenders, on the other hand." *In re Farmland Indus., Inc.*, 294 B.R. 855, 880 (Bankr. W.D. Mo. 2003) (emphasis added) (citing *In re WorldCom, Inc.*, No. 02-13533, 2002 WL

1732646, at *3 (Bankr. S.D.N.Y. July 22, 2002)); *see also Norris Square Civic Ass'n v. St. Mary Hosp. (In re St. Mary Hosp.)*, 86 B.R. 393, 402 (Bankr. E.D. Pa. 1988) (rejecting postpetition financing from entity that was "not an outside lender but ***the puppeteer of a marionette-debtor")*** (emphasis added).

9. Here, the proposed debtor-in-possession financing with Lender/Stalking Horse Bidder (the "**Proposed DIP Financing**") pursuant to the Debtor In Possession Financing Amendment and First Amendment to Loan Agreement (the "**DIP Facility**") fails to meet any of the tests set forth above. Given that the Debtor has ceased operations and, in the face of such an expedited auction process without any meaningful ability to market the assets to competing bidders, it cannot be said that the Proposed DIP Financing is providing a benefit to any party other than the Lender/Stalking Horse Bidder. Indeed, the amount and structure of the financing are designed to preclude a truly competitive sale process for the Debtor's assets and ensure the transfer of the Debtor's assets to Lender/Stalking Horse Bidder for a credit bid of the loan acquired by the Lender/Stalking Horse Bidder at a significant discount on the eve of bankruptcy. In essence, the Proposed DIP Financing is merely paying the cost of implementing what appears to be a potentially self-dealing sale transaction commenced shortly before the filing of the Chapter 11 Case.

10. In addition to requiring that the Financing Motion be approved within 13 days of the petition date on an interim basis and 30 days of the petition date on a final basis, the DIP Facility requires approval of the bidding procedures in the Sale Motion within 30 days of the petition date and approval of the sale itself within 60 days and, by its own terms, terminates upon the consummation of the Proposed Sale — as early as 60 days after the Debtor commenced this Chapter 11 Case. See DIP Facility at §§2(b) and 4. Thus, unlike almost every other case of

which the Committee is aware, the proposed DIP Financing does not provide funding, or accommodate the time necessary, for a competitive sale process.

11. Courts routinely reject post-petition financing agreements containing sale-related case milestones, refusing to "allow terms in financing arrangements that convert the bankruptcy process from one designed to benefit all creditors to one designed for the unwarranted benefit of the postpetition lender." *In re Mid-State Raceway, Inc.*, 323 B.R. 40, 59 (Bankr. N.D.N.Y. 2005) (quoting *In re Defender Drug Stores, Inc.*, 145 B.R. 312, 317 (B.A.P. 9th Cir. 1992)); *see also Aqua Assocs.*, 123 B.R. at 196 ("[c]redit should not be approved when it is sought for the primary benefit of a party other than the debtor"); *In re FCX, Inc.*, 54 B.R. 833, 838 (Bankr. E.D.N.C. 1985) ("[T]here is a difference between approval of a priority and a lien, which are specifically authorized under § 364, and other terms which are not."). To do otherwise would risk "pervert[ing] the reorganizational process from one designed to accommodate all classes of creditors and equity interests to one specially crafted for the benefit of the [lender]." *In re Tenney Vill. Co.*, 104 B.R. 562, 568 (Bankr. D.N.H. 1989).

12. To add insult to injury, Lender/Stalking Horse Bidder is proposing to be rewarded for funding a process designed for its exclusive benefit through the granting of liens on unencumbered pre- and post-petition assets (including Avoidance Actions) and a superpriority administrative claim for both post-petition loans and the alleged diminution in value of Lender/Stalking Horse Bidder's alleged prepetition collateral. See DIP Facility at §§2(b) and (e) and §§2.1.1-2.2 of Interim Financing Order. But for the Proposed DIP Financing, these substantial unencumbered assets would otherwise be available for general unsecured creditors or to serve as collateral for alternative, less onerous post-petition financing with a party that is not dictating the course of the Chapter 11 Case.

B. The Proposed DIP Financing Is Not the Product of Good-Faith Negotiation

13. Moreover, the Proposed DIP Financing was not negotiated at arms' length or in good faith. This is perhaps best demonstrated by the Debtor's admission, through silence in the DIP Financing Motion, that it made no real attempt to obtain financing from anyone else on any other terms. Instead of reciting unsuccessful attempts to obtain alternative financing from other sources, as is typical, the DIP Financing Motion simply contains the Debtor's conclusions that "no other sources of liquidity are available to the Debtor" and "because of the substantial amount of the Prepetition Obligations and the shutdown of the Debtor's business operations in December 2013, the Debtor was unable to obtain the necessary financing as unsecured debt under Section 503(b)(1), as an administrative expense under Section 364(a) or (b), or as debt secure by liens junior to the liens of the Lender. . . . The Debtor has not been able to obtain postpetition financing or other financial accommodations from any alternative prospective lender or group of lenders on more favorable terms or conditions than those set forth in this [Financing Motion]. See DIP Financing Motion ¶¶ 13 and 23, respectively. The Debtor's belief that it was futile to even explore other financing alternatives, as well as the terms of the Proposed DIP Financing themselves, demonstrate the "one-sided" nature of the proposed financing and belie the notion that the Proposed DIP Financing was the product of good-faith, arms'-length negotiation.

C. The Debtor Cannot Satisfy the Requirements of Bankruptcy Code Sections 364(c) and (d)

14. For these same reasons, the relief requested in the Financing Motion fails to satisfy Bankruptcy Code sections 364(c) and 364(d), which both require a showing that the Debtor was unable to obtain unsecured credit. *See, e.g., Ames Dep't Stores*, 115 B.R. at 40.

15. Courts do not "require a debtor to contact a seemingly infinite number of possible lenders" to meet this burden, but the Bankruptcy Code does "require the debtor to ***make an***

effort to carry the burden established in Section 364(d)." *In re Reading Tube Indus.*, 72 B.R. 329, 332 (Bantu. E.D. Pa. 1987) (emphasis in original); *see also Crouse Grp.*, 71 B.R. at 550 (stating that debtor must show that it "made the requisite unsuccessful efforts to obtain credit on other than the proposed less-than-desirable terms").

D. Specific Provisions of the Proposed DIP Financing are Inappropriate

16. In the unlikely event that the Court considers granting final approval of the Proposed DIP Financing on any basis, there are a number of provisions that should be removed or, at a minimum, modified, as follows:

a. Assets that are currently unencumbered (including Chapter 5 recoveries and D&O claims) should not serve as collateral for the pre-petition or post-petition loans.

b. Post-petition assets should only secure post-petition obligations.

c. The deposit control account/lockbox structure should not be re-instituted post-petition.

d. The Financing Order cannot nullify valid anti-assignment clauses in third party agreements.

e. Payments should be applied first to post-petition obligations.

f. The deadlines to obtain entry of the bidding procedure order and approving the sale are too short and should be extended.

g. The professional fee carveout is inadequate, and the allocation of professional fee allowance between Debtor and Committee is inequitable.

h. The restrictions on the Committee's use of the professional fee carevout to investigate claims against the Lender/Stalking Horse Bidder prohibit the Committee from performing its statutory obligations and should be removed.

i. Any restrictions on the Debtor's ability to obtain additional financing should be removed.

j. The Lender/Stalking Horse Bidder should be required to re-appear in front of the Court before exercising any enforcement remedies after the occurrence of an event of default.

k. The Debtor's release of Lender/Stalking Horse Bidder should relate solely to Debtor's role as lender, and not to Debtor's actions as equity holder or as stalking horse bidder.

l. To the extent the Debtor waives any right to bring any claim or to take any action against or relating to the Lender/Stalking Horse Bidder, the Committee should be authorized to take such action or to bring any such claim.

m. The Committee's right to contest, on any basis whatsoever, the Lender/Stalking Horse Bidder's ability to credit bid should be fully reserved.

n. Lender/Stalking Horse Bidder is not entitled to a finding that it is not a responsible person or owner operator for CERCLA.

o. The financing, together with the bidding procedures, constitute an impermissible *sub rosa* plan.

II. The Expedited Bidding Procedures and Proposed Sale Should Be Denied

A. The Debtor Cannot Meet the Standard for Approval of the Proposed Sale

17. Although section 363 of the Bankruptcy Code does not specify a standard for authorization of a debtor's use, sale, or lease of property, bankruptcy courts authorize sales of a debtor's assets only if the sale is based upon the sound business judgment of the debtor. *See, e.g., Meyers v. Martin (In re Martin)*, 91 F.3d 389, 39 (3rd Cir. 1996); *In re Trans World Airlines, Inc.*, No. 01-00056, 2001 WL 1820325, at *4 (Bankr. D. Del. April 2, 2001);

Dai-Ichi Kangyo Bank Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.), 242 B.R. 147, 153 (D. Del. 1999); *In re Del. & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991).

18. Courts typically consider the following factors in determining whether a proposed sale satisfies this standard: (i) whether a sound business justification exists for the sale; whether adequate and reasonable notice of the sale was given to interested parties; whether the sale will produce a fair and reasonable price for the property; and (iv) whether the parties have acted in good faith. *See Del. & Hudson Ry.*, 124 B.R. at 176; *In re Phx. Steel Corp.*, 82 B.R. 334, 335-36 (Bankr. D. Del. 1987); *In re United Healthcare Sys., Inc.*, No. 9701159, 1997 WL 176574, at *4 n.2 (D.N.J. March 26, 1997). However, the "sound business judgment" standard does not permit a court simply to rubberstamp a debtor's proposal. *See, e.g., Key3media Grp., Inc. v. Pulver.com, Inc. (In re Key3Media Grp., Inc.)*, 336 B.R. 87, 92-93 (Bankr. D. Del. 2005). Rather, a debtor must act in a manner that maximizes the value of its estate for all parties in interest. *In re Reliant Energy Channelview LP*, 594 F.3d 200, 209-210 (3d Cir. 2010); *In re Pinnacle Brands*, 259 B.R. 46, 53-54 (Banta. D. Del. 2001).

19. In light of this alternative, the expedited sale of substantially all of the Debtor's assets to Lender/Stalking Horse Bidder cannot be justified. *See, e.g., In re Encore Healthcare Assocs.*, 312 B.R. 52, 55 (Bankr. E.D. Pa. 2004) (requiring "some business justification, ***other than appeasement of major creditors***" for the terms of an asset sale) (emphasis added) (*citing Comm. of Equity Sec. Holders v. Lionel Corp. (In re The Lionel Corp.)*, 722, F.2d 1063, 1071 (2d Cir. 1983) (creditor appeasement "is insufficient as a matter of fact because it is not a sound business reason and insufficient as a matter of law because it ignores the equity interests required

to be weighed and considered under Chapter 11")).[4] The Committee submits that "a fully competitive auction sale," *In re Antaeus Tech. Servs., Inc.*, 345 B.R. 556, 565 (Bankr. W.D. Va. 2005) (*cited in Phila. Newspapers*, 599 F.3d at 316), with a sufficient and thorough marketing process, will maximize recoveries available to unsecured creditors by generating the highest possible purchase price for the Debtor's assets.

B. Specific Provisions of the Sale Motion Are Inappropriate

20. Preliminarily, the sale process is objectionable on the following grounds:

a. The sale process is essentially devoid of any marketing of the assets and there is no evidence that the assets were sufficiently marketed prepetition. The assets need to be properly and thoroughly marketed to ensure the estate is receiving the highest and best value.

b. The sale process and bid deadline are too short. Even if a marketing process was being attempted, which it is not, 22 days is simply too expedited and is unnecessary under the circumstances. There is no evidence that there is any need for such a fast process, other than the onerous and burdensome requirements being imposed by the Lender/Stalking Horse Bidder.

c. The break-up fee has not been justified as necessary under the applicable legal standards, and, in fact, it is not necessary here. The Lender/Stalking Horse Bidder has already purchased the loan that it is proposing to credit bid; it is highly unlikely that the Lender/Stalking Horse Bidder will refuse to go forward as the

[4] *See also Lionel*, 722 F.2d at 1071 ("As the Supreme Court has noted, it is easy to sympathize with the desire of a bankruptcy court to expedite bankruptcy reorganization proceedings for they are frequently protracted. The need for expedition, however, is not a justification for abandoning proper standards.") (*quoting Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 450 (1968)).

proposed purchaser if the break-up fee is not approved by this Court. Moreover, no evidence has been provided to support such a position.

d. The proposed credit bid has not been validated in any manner and the Lender/Stalking Horse Bidder should not be able to simply credit bid the full face amount of the debt without an evaluation of the debt and underlying security by the Committee.

e. There may be other grounds to limit the Lender/Stalking Horse Bidder's right to credit bid, particularly given the multiple roles the Lender/Stalking Horse Bidder is playing and the level of control it appears to have had over the Debtor. The Committee needs to conduct discovery on these issues and should have its right to contest, on any basis whatsoever, the Lender/Stalking Horse Bidder's ability to credit bid based on such further discovery fully reserved.

f. There has been no factual support provided for the sale of the assets outside a plan of reorganization so that creditors can properly evaluate and vote on the proposed sale.

g. The sale process, together with the proposed financing, constitutes an impermissible *sub rosa* plan.

Request for Adjournment of Hearing and Objection Deadline on the Motions

21. In light of the fact that the Committee has only recently been formed and retained counsel to represent it, and given the many unanswered questions that the Committee currently has, the Committee requested that the Debtor adjourn the hearing on the Motions and related objection deadline and commence informal discovery with the Committee on an expedited basis; however, the Debtor was not willing to adjourn these matters.

22. The Committee reserves its right to supplement this Committee Omnibus Objection including, without limitation, to contest the Lender/Stalking Horse Bidder's ability to credit bid as part of the proposed sale process.

Conclusion

23. The Committee requests that the Court deny the Motions. At this early stage, approval of the Motions will conclusively decide the outcome of the Chapter 11 Case to the detriment of unsecured creditors.

24. The Committee needs additional information to evaluate the proposed sale, the Lender/Stalking Horse Bidder's debt and collateral security and the Lender/Stalking Horse Bidder's plan to restart the business. At a minimum, the Court should adjourn the hearing and related objection deadline on the Motions and permit the Committee to conduct discovery.

Date: May 28, 2014

HONIGMAN MILLER SCHWARTZ AND COHN LLP
Proposed Counsel for the Committee of Unsecured Creditors of ISR Group, Incorporated

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CERTIFICATE OF SERVICE

I hereby certify that on May 28, 2014, a copy of the foregoing *Official Committee Of Unsecured Creditors' Preliminary Objection To (A) the Motion For Interim and Final Orders, Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code, (1) Approving Post Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying Automatic Stay, and (6) Scheduling a Final Hearing, and (B) the Motion to Sell Property Free and Clear of Liens Under Section 363(f) for Entry of Orders Approving Bidding Procedures, and Granting Related Relief* was electronically refiled to include this Certificate of Service, using the Court's automated ECF system, which will serve an electronic copy of same to the following:

E. Franklin Childress, Jr., counsel to the Debtor, at fchildress@bakerdonelson.com;

John Gaither, counsel to the Debtor, at jgaither@neliganlaw.com;

Patrick Neligan, Jr., counsel to the Debtor, at pneligan@neliganlwa.com;

Sean M. Haynes, counsel to the U.S. Trustee, at sean.m.haynes@usdoj.gov;

and all other parties registered to receive ECF notices in this matter.

Respectfully submitted,
HONIGMAN MILLER SCHWARTZ AND COHN LLP
Proposed Counsel to the Official Committee of Unsecured Creditors of ISR Group, Incorporated

Dated: May 28, 2014

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