

Marcus A. Helt
 TX Bar No. 24052187
 Jack Haake
 TX Bar No. 24127704
 Michael Wombacher
 TX Bar No. 24120434
MCDERMOTT WILL & EMERY LLP
 2801 North Harwood Street, Suite 2600
 Dallas, Texas 75201-1664
 Telephone: (214) 295-8000
 Facsimile: (972) 232-3098
 Email: mhelt@mwe.com
 jhaake@mwe.com
 mwombacher@mwe.com

Darren Azman (admitted *pro hac vice*)
 Jerry L. Hall (*pro hac vice* pending)
 Steven Z. Szanzer (admitted *pro hac vice*)
 Ethan Dover (admitted *pro hac vice*)
MCDERMOTT WILL & EMERY LLP
 One Vanderbilt Avenue
 New York, New York 10017-3852
 Telephone: (212) 547-5400
 Facsimile: (212) 547-5444
 E-mail: dazman@mwe.com
 jerryhall@mwe.com
 sszanzer@mwe.com
 edover@mwe.com

*Proposed Counsel to the
 Official Committee of Unsecured Creditors*

**IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE NORTHERN DISTRICT OF TEXAS
 DALLAS DIVISION**

)	
In re:)	Chapter 11
)	
HARVEST SHERWOOD FOOD)	Case No. 25-80109 (SGJ)
DISTRIBUTORS, INC, <i>et al.</i> , ¹)	
)	(Jointly Administered)
Debtors.)	
)	
)	
HARVEST SHERWOOD FOOD)	
DISTRIBUTORS, INC.,)	
)	
Plaintiff,)	Adv. Pro. No. 25-08002 (SGJ)
)	
v.)	
)	

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are Del Mar Holding LLC (9207), Del Mar Acquisition Inc. (8866), Surfliner Holdings, Inc. (9456), Harvest Sherwood Food Distributors, Inc. (8995), Harvest Meat Company, Inc. (9136), LAMCP Capital, LLC (N/A), Western Boxed Meats Distributors, Inc. (8735), Cascade Food Brokers, Inc. (1389), Hamilton Meat, LLC (6917), SFD Acquisition LLC (8995), SFD Transportation Corp. (1551), Sherwood Food Distributors, L.L.C. (4375), and SFD Company LLC (1175). The Debtors’ service address is c/o Epiq Corporate Restructuring, LLC 10300 SW Allen Blvd., Beaverton, OR 97005.

SPROUTS FARMERS MARKET, INC.,)
SFM, LLC D/B/A/ SPROUTS FARMERS)
MARKET, AND JOHN DOE DEFENDANTS)
1-200,)
)
Defendants.)
)
)

**THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS' OBJECTION, AND JOINDER IN SUPPORT OF THE
DEBTORS' OBJECTION, TO SPROUTS FARMERS MARKET'S
MOTION PURSUANT TO 28 U.S.C. § 157(D) AND
L.R. BANKR. P. 5011-1, (I) TO WITHDRAW THE REFERENCE
AND (II) FOR TEMPORARY STAY OF THE ADVERSARY PROCEEDING**

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The Official Committee of Unsecured Creditors (the “Committee”) appointed in the above-captioned chapter 11 cases hereby files this objection and joinder (the “Objection”) to *Harvest Sherwood Food Distributors, Inc.’s Brief in Opposition to Sprouts Farmers Market’s Motion to Withdraw the Reference* [Docket No. 45] (the “Debtors’ Objection”)² to *Sprouts Farmers Market’s Motion Pursuant to 28 U.S.C. § 157(d) and L.R. Bankr. P. 5011-1, (I) to Withdraw the Reference and (II) for Temporary Stay of the Adversary Proceeding* [Docket No. 23] and the accompanying *Sprouts Farmers Market’s Memorandum of Law in Support of its Motion, Pursuant to 28 U.S.C. § 157(d) and L.R. Bankr. P. 5011-1, (I) to Withdraw the Reference and (II) for Temporary Stay of the Adversary Proceeding* [Docket No. 24] (together, the “Motion”). In support of the Objection, the Committee respectfully states as follows:

OBJECTION

1. The Committee expressly joins, adopts, and incorporates herein by reference the legal arguments set forth in the Debtors’ Objection.
2. As detailed in the Debtors’ Objection, the Motion is inappropriate and should be denied. Most importantly, Sprouts failed to meet its high burden of demonstrating “cause” for withdrawal and, indeed, makes only conclusory and baseless assertions in its Motion to, yet again, delay the adjudication of the underlying causes of action in the Adversary Proceeding and avoid the Court’s jurisdiction. The Adversary Proceeding asserts “core” claims that are inextricably intertwined with the claims administration process, which falls exclusively within the jurisdiction of the Court. Permitting withdrawal would cause unnecessary delay in the administration of these chapter 11 cases, thereby risking the erosion of the estates’ value and prejudicing the interests of

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Debtors’ Objection or the Motion, as applicable.

all creditors. Accordingly, to ensure efficient and timely resolution of the underlying causes of action in the Adversary Proceeding, it is essential for the Court to maintain jurisdiction and deny Sprouts' request to stay the Adversary Proceeding.

I. The Court Should Deny the Withdrawal of the Reference

3. In determining whether to exercise discretion to withdraw the bankruptcy reference “for cause” under 28 U.S.C. § 157(d), courts in this District consider the following six factors articulated *Holland Am. Ins. Co. v. Succession of Roy*, 777 F.2d 992 (5th Cir. 1985): (a) whether the issues are core or non-core; (b) whether jury demands have been made; (c) whether withdrawal would foster a more economical use of the parties' resources; (d) whether withdrawal would promote uniformity in bankruptcy administration; (e) whether withdrawal would expedite the bankruptcy process; and (f) whether withdrawal reduces forum shopping and confusion. *See, e.g., In re Morrison*, 409 B.R. 384, 385 (S.D. Tex. 2009) (considering the *Holland* factors and accepting the bankruptcy court's recommendation to deny a motion to withdraw the reference); *In re BJ Servs., LLC*, No. 20-33627 (MI), 2023 WL 2395749, at *2 (Bankr. S.D. Tex. Mar. 6, 2023) (considering the *Holland* factors and recommending that the district court deny the motion to withdraw the reference). Sprouts' bears the burden of showing “cause” under 28 U.S.C. § 157(d); a burden it has failed to meet. *Holland Am.*, 777 F.2d at 998.

4. While Sprouts is not incorrect that this District has placed an emphasis on the first two factors, courts have found that the most significant factor is the first factor. *See In re Highland Cap. Mgmt. L.P.*, No. 19-34054 (SGJ), 2021 WL 2850562, at *4 (Bankr. N.D. Tex. July 7, 2021); *BJ Servs.*, at *2 (“The most important factor is whether the matters referred are core or non-core.”); *Beta Operating Co., LLC v. Aera Energy LLC (In re Mem'l Prod. Partners LP)*, No. 17-30262 (MI), 2018 WL 1807056, at *4 (Bankr. S.D. Tex. Feb. 9, 2018) (“The majority of courts evaluating a request to withdraw the reference place paramount importance on whether the claims at issue are

core or non-core.”) (quoting *In re Quality Lease & Rental Holdings, LLC*, No. 14-60074 (DRJ), 2016 WL 416961, at *5 (Bankr. S.D. Tex. Feb. 1, 2016)).

a. The Adversary Proceeding Involves Core Claims

5. Congress has categorized bankruptcy proceedings—each falling within the scope of bankruptcy subject matter jurisdiction—into the following three distinct types: (a) matters that “arise under” title 11; (b) matters that “arise in” a case under title 11; and (c) matters that are “related to” a case under title 11. *See Highland*, at *7 (citing *Stern v. Marshall*, 131 S. Ct. 2594 (2011)); *Matter of Wood*, 825 F.2d 90, 97 (5th Cir. 1987) (“If the proceeding involves a right created by the federal bankruptcy law, it is a core proceeding; for example, an action by the trustee to avoid a preference. If the proceeding is one that would arise only in bankruptcy, it is also a core proceeding; for example, the filing of a proof of claim or an objection to the discharge of a particular debt.”). Matters that arise under title 11 or in a title 11 case are, by definition, “core” matters. *See id.*

6. While a proceeding may be a “core” matter and, therefore, the court has the statutory power to issue a final order on a particular claim, it must also turn on whether “the action at issue stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process.” *Stern*, 131 S. Ct. at 2618. In the Debtors’ Complaint, Count I (Actual Fraudulent Transfers, citing 11 U.S.C. §§ 544(b), 548(a)(1)(A)), Count II (Constructive Fraudulent Transfers, also citing 11 U.S.C. §§ 544(b), 548(a)(1)(A)), and Count III (Turnover of Property of the Estate, citing 11 U.S.C. § 542) are “core” proceedings that arise under the Bankruptcy Code and are integral to the administration of the Debtors’ bankruptcy estates.³ *See e.g., In re Huff*, 625 B.R.

³ Additionally, section 157(b)(2)(H) of the Bankruptcy Code provides that “proceedings to determine, avoid, or recover fraudulent conveyances: are core proceedings within the meaning of the Bankruptcy Code.” 11 U.S.C. § 157(b)(2)(H).

654, 656 (Bankr. S.D. Tex. 2021) (finding that fraudulent transfer claims were “core” proceedings). The resolution of these claims directly impacts the equitable distribution of estate property among creditors, a fundamental objective of the bankruptcy process. In other words, the Debtors’ success respecting these claims will directly drive the value of creditor recovery and, thus, they are intertwined with the administration of these chapter 11 cases.

7. Count IV (Breach of Contract), Count V (Promissory Estoppel), Count VI (Fraud), and Count VII (Quasi-Contract / Unjust Enrichment) are statutorily “core” proceedings under the catchall provision of section 157(b)(A) as “matters concerning the administration of the estate”. 28 U.S.C. §157. Sprouts previewed the counterclaims and affirmative defenses that it will likely assert in the Adversary Proceeding in the Answer/Counterclaim in the Delaware Action, which asserts multiple affirmative defenses and counterclaims that directly affect the administration of the Debtors’ estates and could directly impact the recovery of unsecured creditors.⁴ Sprouts filing a proof of claim – which it will need to do to preserve the viability of their alleged claims – will only further intertwine the claims asserted in the Adversary Proceeding with administration of the estate. Accordingly, Count IV, Count V, and Count VI also constitute “core” matters.

b. Sprouts Will Likely Not Have Jury Trial Rights

8. It is well-established that a claimant submits to the personal jurisdiction of the bankruptcy court and waives any right to a jury trial on matters integral to the claims allowance process. This is often the result of simply filing a proof of claim. *See Langenkamp v. Culp*, 111 S. Ct. 330, 331 (1990) (“Respondents filed claims against the bankruptcy estate” and “[c]onsequently, they were not entitled to a jury trial”). Interestingly, Sprouts has referenced that its Answer/Counterclaim in the Delaware Action asserts multiple affirmative defenses (including,

⁴ As further detailed in the Debtors’ Objection, Sprouts has even asserted “setoff” and “recoupment” claims in the Dismissal Motion. *See Debtors’ Objection*, ¶ 33.

among other things, recoupment and setoff) and counterclaims.⁵ It goes without question that these claims alone are inextricably intertwined with the Adversary Proceeding and the claims administration process of these chapter 11 cases, so as to constitute consent to the equitable jurisdiction of the bankruptcy court and would likely require Sprouts to file a claim and various counterclaims and affirmative defenses in the Adversary Proceeding. *See Highland*, at *7 (holding that the claims asserted in an adversary proceeding were not inextricably intertwined with the equitable process of the claims resolution because of defendant's withdrawal of its proofs of claim and affirmative defense of setoff in its adversary proceeding).

9. As further detailed in the Debtors' Objection, Sprouts' Answer/Counterclaim are intertwined with the claims administration process, which alone would waive any right to a jury trial because it is integral to the claims allowance process. *See id.* However, in the event that Sprouts' interprets *Langenkamp* to mean that a Sprouts must first file a proof of claim to waive its jury trial rights, it is difficult to fathom Sprouts not ultimately filing a proof of claim in these chapter 11 cases. The Court has not yet entered an order setting a bar date to file proofs of claims, but the Debtors, in coordination with the Committee, are actively working to establish an appropriate bar date to facilitate the efficient administration of claims in these chapter 11 cases. Sprouts has not attested that it will forgo filing a proof of claim, and with a bar date that has not yet passed, the opportunity to avail itself to these chapter 11 cases remains open.

10. Accordingly, Sprouts has not met its burden with respect to this factor.

c. Withdrawal of the Reference Would Lead to Unnecessary Duplication and Waste of the Estates, Parties, and Judicial Resources

11. "When dealing with a proceeding involving a bankruptcy estate and its creditors, the efficient use of the debtor's and creditors' resources in efforts to administer the debtor's estate

⁵ See Motion, ¶ 10.

and to resolve any related litigation is of significant importance.” *In re Royce Homes, LP*, 578 B.R. 748, 762 (Bankr. S.D. Tex. 2017); *see also, In re BJ Servs., LLC*, 2023 WL 2395749, at *3 (determining that a Bankruptcy Court familiar with the facts to and the preponderance of bankruptcy issues supports the denial of a motion to withdraw reference).

12. Contrary to Sprouts’ assertions that the Court is “no more familiar with the substance of the litigation than the District Court”⁶, Sprouts has been an active participant in these chapter 11 cases from the very onset. Further, the Court has ruled on the Motion to Transfer (as defined below) and the Abstention Motion and is considering the Dismissal Motion.

13. Efficiency is a main concern of the Committee. In light of the fact that the Court has extensive experience dealing with similar disputes as those raised in the Adversary Proceeding, coupled with it is intimately familiar with the Adversary Proceeding, the parties, and these chapter 11 cases, the Committee believes that this factor supports a denial of the Motion.

d. Administrative Uniformity Would be Better Served by Denial of the Motion

14. For most of the same reasons, the “administrative uniformity” factor weighs against withdrawal of the reference. *See In re BJ Servs.*, 2023 WL 2395749, at *3 (“The [c]ourt’s familiarity with the main bankruptcy case and its underlying facts suggests that the [c]ourt’s retention of this proceeding will promote uniformity in bankruptcy administration.”); *Mem’l Prod. Partners LP*, at *6 (holding that the “administrative uniformity” factor weighed against withdrawal of the reference with respect to a core proceeding arising directly in the debtor’s bankruptcy case to a district court unfamiliar with the dispute). In particular, the Court is intimately familiar with the Adversary Proceeding, the parties, and these chapter 11 cases. Accordingly, the Committee believes that this factor supports a denial of the Motion.

⁶ Motion, ¶ 50.

e. Withdrawal of the Reference Would Substantially Delay the Bankruptcy Process

15. Sprouts has admitted that it is “not anywhere close to being ready for trial in this case, regardless of the forum.” Hr’g Tr. 143:18–20, June 26, 2025. Sprouts continues to employ litigation tactics aimed at delaying the Adversary Proceeding to the detriment of the Debtors’ estates and unsecured creditors. Withdrawing the reference at this stage risks further delay, particularly if the District Court is unable to promptly schedule a trial. Moreover, the Court has made clear it can proceed expeditiously and efficiently in these matter. *See* Hr’g Tr. 165:23–166:22, June 26, 2025 (“[I]t is the normal protocol in this district for the district judges, the federal district judges, to use the bankruptcy judges as magistrate judges . . . [this court] can give quick hearings on dispositive motions, discovery disputes, and whatnot”). A prompt resolution of the Adversary Proceeding would expediate the bankruptcy process and is in the best interests of creditors. Accordingly, litigating all disputes between the parties once, before the Court, is clearly the most efficient path.

f. Denial of the Withdrawal of the Reference Would Not Promote Forum Shopping and a Withdrawal of the Reference Would Only Create Confusion

16. Courts “should be skeptical of attempts to avoid bankruptcy courts as an unfavorable forum for determining whether to withdraw the reference.” *Curtis v. Cerner Corp.*, No. 19-00417 (MA), 2020 WL 1983937, at *3 (S.D. Tex. April 27, 2020). Since the outset of these chapter 11 cases, Sprouts has repeatedly attempted to circumvent the Court’s jurisdiction—not only by seeking to transfer the Adversary Proceeding, but also these chapter 11 cases. On May 27, 2025, Sprouts filed *Sprouts Farmers Market’s Motion Pursuant to 28 U.S.C. §§ 1408 & 1412 and Rule 1014 of the Federal Rules of Bankruptcy Procedure to Transfer Venue* [Docket No. 161] (the “Motion to Transfer”). Having no success, on June 18, 2025, Sprouts filed the Dismissal Motion. Still undeterred, and evidently hoping for a second chance to achieve

indirectly what it could not accomplish through the Motion to Transfer, Sprouts filed the Motion after the Court denied the Motion to Transfer. Accordingly, Sprouts has done and will likely continue to do anything it can to avoid a ruling by the Court.

17. These chapter 11 cases—and the related Adversary Proceeding—have been pending before the Court for months. Because of the very nature of bankruptcy, the Court has invested a substantial amount of time and effort learning about the Debtors and the events leading up to the commencement of these chapter 11 cases. Considering that the Adversary Proceeding will have both direct and indirect impacts on the ultimate distribution of value to unsecured creditors, the Committee, as well as other key stakeholders, have invested significant time and resources in understanding its implications. Granting the Motion would only create confusion among unsecured creditors, casting doubt on whether the claims against Sprouts are relevant to these chapter 11 cases—when, in fact, they are central to potential recoveries.

II. Staying the Adversary Proceeding Would Prejudice Unsecured Creditors

18. Sprouts also seeks a temporary stay of the Adversary Proceeding pending the District Court ruling on the Motion.⁷ Notably, Sprouts concedes—albeit in a footnote—that it bears the burden of demonstrating multiple factors to justify such relief, a burden that the Committee believes that Sprouts cannot meet. To prevail, Sprouts must demonstrate that ““(a) the likelihood of prevailing on the merits[;] (b) that the [movant] will suffer irreparable harm if the stay is denied; (c) that the Debtors will not be substantially harmed by the stay; and (d) that the public interest will be served by granting the stay.”” See *In re Residential Cap., LLC*, 519 B.R. 890, 904 (Bankr. S.D.N.Y. 2014) (quoting *In re Dana Corp.*, No. 06–10354(BRL), 2007 WL 2908221, at *1 (Bankr. S.D.N.Y. Oct. 3, 2007)). Sprouts has not even tried to meet this burden—

⁷ See Motion, ¶ 55-56.

it is unclear what irreparable harm (if any) would be caused if the stay is not granted. However, granting a stay on the Adversary Proceeding would delay these chapter 11 cases and create more of an administrative burden on the Debtors' estates, thereby directly impacting creditor recovery. The Committee remains committed to moving as expeditiously as possible to preserve value in these chapter 11 cases for the benefit of its creditor constituents. In stark contrast, Sprouts is taking actions that clearly undermine that goal. For the abovementioned reasons, the Motion should be denied in its entirety.

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WHEREFORE, the Committee respectfully requests that the Court sustain this Objection and the Debtors' Objection and grant the Debtors such other and further relief as the Court deems necessary or appropriate under the circumstances.

Dated: Dallas, Texas
July 22, 2025

MCDERMOTT WILL & EMERY LLP

/s/ Marcus A. Helt

Marcus A. Helt (TX Bar No. 24052187)
Jack Haake (TX Bar No. 24127704)
Michael Wombacher (TX Bar No. 24120434)
2801 North Harwood Street, Suite 2600
Dallas, Texas 75201-1664
Telephone: (214) 295-8000
Facsimile: (972) 232-3098
Email: mhelt@mwe.com
jhaake@mwe.com
mwombacher@mwe.com

-and-

Darren Azman (admitted *pro hac*)
Jerry L. Hall (*pro hac vice* pending)
Steven Z. Szanzer (admitted *pro hac vice*)
Ethan Dover (admitted *pro hac vice*)
One Vanderbilt Avenue
New York, New York 10017-3852
Telephone: (212) 547-5400
Facsimile: (212) 547-5444
E-mail: dazman@mwe.com
jerryhall@mwe.com
sszanzer@mwe.com
edover@mwe.com

*Proposed Counsel to the Official Committee of
Unsecured Creditors*

CERTIFICATE OF SERVICE

I do hereby certify that, on July 22, 2025, a true and correct copy of the foregoing objection was served via CM/ECF to all parties authorized to receive electronic notice in this case.

/s/ Marcus A. Helt

Marcus A. Helt