

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
HOMELIFE CORPORATION., et al.,¹) Case No. 01-2412 (JWV)
) (Jointly Administered)
Debtors.)
) **Hearing Date: January 9, 2003 at 1:30 p.m.**
) **Responses Due: December 31, 2002 at 4:00 p.m.**

SEVENTH OMNIBUS OBJECTION TO CLAIMS (SUBSTANTIVE)

The above-captioned debtors and debtors in possession (the “Debtors”), by and through their undersigned counsel of record, file this Seventh Omnibus Objection to Claims (Substantive) (the “Seventh Omnibus Objection”). In support of this Seventh Omnibus Objection, the Debtors state the following:

JURISDICTION

1. This Court has jurisdiction over the subject matter of this Motion pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. §§ 157(b)(2)(A) and (O).
2. The statutory bases for the relief requested are 11 U.S.C. §§ 105(a), 506 and 507.

BACKGROUND

3. On July 16, 2001 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code. The Debtors’ respective chapter 11 cases (the “Chapter 11 Cases”) have been consolidated for procedural purposes only. The Debtors are continuing to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
4. There are five debtors in these cases: HL Holding Corporation (“HLHC”), HomeLife Corporation (“HomeLife Corp.”), HomeLife de Puerto Rico, Inc. (“HL Puerto Rico”), Furniture Holding, LLC, and HLC 1 LLC (collectively, “HomeLife” or the “Debtors”). HLHC is the parent corporation of HomeLife Corp. and HL Puerto Rico. Furniture Holding, LLC is the wholly-owned subsidiary of HomeLife Corp., and HLC 1 LLC is the wholly-owned subsidiary of Furniture Holding, LLC. HLC 1 LLC owns parcels of real property that it leases to HomeLife Corp. HomeLife Corp. owns substantially all of the operating assets of the HomeLife entities.
5. No trustee or examiner has been appointed in these cases.

¹ The Debtors consist of the following entities: HomeLife Corporation, HL Holding Corporation, HomeLife de Puerto Rico, Inc., Furniture Holding LLC, and HLC 1 LLC.

6. On July 27, 2001, the United States Trustee appointed an official committee of unsecured creditors.

7. On December 19, 2001, the Court established a bar date of January 28, 2002 (the “Bar Date”) for filing proofs of claim for non-governmental entities. This order establishing the Bar Date (the “Prepetition Bar Date Order”) also required the filing of prepetition claims by governmental units no later than January 14, 2002 (the “Governmental Bar Date”).

THE OBJECTION AND REQUEST FOR RELIEF

8. By this Seventh Omnibus Objection, the Debtors seek disallowance and expungement, reclassification, or reduction and allowance, as appropriate, of the claims set forth in the attached Exhibits for the reasons described, and in such Exhibits:

- (a) The Claims set forth in **Exhibit A** attached as “Reclassify” are Claims that improperly assert secured or priority status (the “Reclassify Claims”);
- (b) The Claim set forth in **Exhibit B** attached as “Reclassify, Reduce and Allow” is a Claim that improperly asserts priority status and is asserted in an amount in excess of what the Debtors believe is owed to such creditor, based on the Debtors’ books and records, but is allowable at the status and in the amount indicated on **Exhibit B** (the “Reclassify, Reduce and Allow Claims”);
- (c) The Claim set forth in **Exhibit C** attached as “Reduce and Allow” is a Claim that is asserted in an amount in excess of what the Debtors believe is owed to such creditor, based on the Debtors’ books and records, but is allowable at the amount indicated on **Exhibit C** (the “Reduce and Allow Claims”);
- (d) The Claims set forth in **Exhibit D** attached as “No Liability” are Claims for which the Debtors have no liability according to their books and records and should be disallowed and expunged for all purposes (the “No Liability Claims”).

The Reclassify Claims

9. The Debtors object to the Reclassify Claims listed on **Exhibit A**, pursuant to §§ 502(b)(1), 506(a) and 507 of the Bankruptcy Code, because these claims improperly assert secured or priority status. In evaluating the Reclassify Claims, the Debtors have thoroughly reviewed their books and records, the proofs of claim and the supporting documentation provided by each claimant, and believe that the asserted classification of each such claim is not appropriate. Accordingly, the Debtors object to the Reclassify Claims and request that the Reclassify Claims be reclassified as provided on **Exhibit A**.

The Reclassify, Reduce and Allow Claims

10. The Debtors object to the Reclassify, Reduce and Allow Claim listed on **Exhibit B**, pursuant to §§ 502(b)(1), 506(a) and 507 of the Bankruptcy Code, because this claim

improperly asserts priority status, and is filed for an amount in excess of the amount stated on the Debtors' books and records. In evaluating the Reclassify, Reduce and Allow Claim, the Debtors have thoroughly reviewed their books and records, the proof of claim and the supporting documentation provided by the claimant. The Debtors believe that the asserted classification of such claim is not appropriate, and the amount of the Reclassify, Reduce and Allow Claim is overstated. Accordingly, the Debtors object to the Reclassify, Reduce and Allow Claim and request that the Reclassify, Reduce and Allow Claim be reclassified and allowed in the amount set forth on **Exhibit B**.

The Reduce and Allow Claims

11. The Debtors object to the Reduce and Allow Claim listed on **Exhibit C**, pursuant to section 502(b)(1) of the Bankruptcy Code, because this claim is filed for an amount that differs from the amount stated on the Debtors' books and records. In evaluating the Reduce and Allow Claim, the Debtors have thoroughly reviewed their books and records, the proof of claim, and the supporting documentation provided by the claimant. The Debtors believe that the asserted amount of the Reduce and Allow Claim is overstated. Accordingly, the Debtors object to the Reduce and Allow Claim and request that the Reduce and Allow Claim be reduced to and allowed in the amount set forth on **Exhibit C**.

The No Liability Claims

12. The Debtors object to the No Liability Claims pursuant to section 502(b)(1) of the Bankruptcy Code because the No Liability Claims are not enforceable against the Debtors or their property under any agreement or applicable law. Therefore, the Debtors request that the No Liability Claims listed on **Exhibit D** should be disallowed and expunged for all purposes.

13. The Debtors hereby reserve the right to object in the future to any of the Claims listed in this Seventh Omnibus Objection or on the attached Exhibits on any ground, and to amend, modify and/or supplement this Seventh Omnibus Objection, including without limitation, to object to amended claims and newly-filed claims. Separate notice and hearing will be scheduled for any such objection.

COMPLIANCE WITH LOCAL RULE 3007-1

14. The Debtors, by and through their counsel, affirmatively state that the Seventh Omnibus Objection to Claims complies with the requirements of Local Delaware Bankruptcy Rule 3007-1, as amended, effective September 18, 2002.

DECLARATION IN SUPPORT

15. The Declaration of Patrick Regan, Chief Financial Officer of HomeLife Corporation, one of the Debtors, attesting that the information contained in Exhibits A through D is true and correct to the best of his knowledge and belief, is attached in further support of this Seventh Omnibus Objection to Claims.

NOTICE

16. The Debtors will serve copies of this Seventh Omnibus Objection (with all exhibits) on: (i) counsel to the Official Committee of Unsecured Creditors, (ii) counsel to

Congress Financial (Central), (iii) counsel to the Sears Entities, and (iv) the Office of the United States Trustee. The Debtors will serve copies of this Seventh Omnibus Objection (without exhibits) on all parties that have requested that they be served with all pleadings filed in these cases pursuant to Federal Rule of Bankruptcy Procedure 2002 (the "2002 List"). Any party that is on the 2002 List may obtain a copy of the Seventh Omnibus Objection with all Exhibits by requesting the same from Bankruptcy Management Corporation ("BMC") at (888) 909-0100 or by going onto the BMC website at <http://www.bmccorp.net>.

17. The Debtors' claims agent, BMC, has served a copy of the Seventh Omnibus Objection and customized notice summarizing claim specific detail exactly as reflected in the Exhibit on which such creditor is listed upon those creditors that have filed claims that are affected by the Seventh Omnibus Objection in lieu of serving all Exhibits.

18. The Debtors submit that notice of this Seventh Omnibus Objection is sufficient under Federal Rule of Bankruptcy Procedure 3007 and that no further notice is necessary.

19. No previous request for the relief set forth herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order disallowing and expunging, reclassifying, or reducing and allowing, as appropriate, each of the Claims more fully described in this Seventh Omnibus Objection and/or shown on the attached Exhibits.

Dated: December 10, 2002

Respectfully submitted,

KIRKLAND & ELLIS
James H.M. Sprayregen, P.C.
James A. Stempel, Esq.
Jonathan P. Friedland, Esq.
200 East Randolph Drive
Chicago, IL 60601
(312) 861-2000
(312) 861-2200 (fax)

PACHULSKI, STANG, ZIEHL, YOUNG &
JONES P.C.

/s/

Laura Davis Jones (Bar No. 2436)
David W. Carickhoff, Jr. (Bar No. 3715)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

Co-Counsel for Debtors and Debtors in
Possession