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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re:

DEDICATION & EVERLASTING LOVE TO ANIMALS dba D.E.L.T.A. Rescue,

Debtor.

Case No. 2:25-bk-13881-NB

Chapter 11

OPPOSITION TO CHAPTER 11 TRUSTEE'S MOTION FOR ENTRY OF AN ORDER: (I) APPROVING COMPROMISE OF CONTROVERSIES AND SETTLEMENT AGREEMENT PURSUANT TO RULE 9019 OF THE FEDERAL RULE OF BANKRUPTCY PROCEDURE AND (II) AUTHORIZING TRUSTEE TO LIQUIDATE ADDITIONAL INVESTMENTS IN ORDER TO FUND SETTLEMENT PAYMENTS; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ERICA GRILLO IN SUPPORT

Date: June 2, 2026
Time: 1:00 p.m.
Courtroom: 1545
Place: 255 E. Temple Street
Los Angeles, CA 90012

TO THE HONORABLE NEIL W. BASON, UNITED STATES BANKRUPTCY JUDGE, THE CHAPTER 11 TRUSTEE, THE UNITED STATES TRUSTEE, AND ALL PARTIES IN INTEREST:

Objectors Erica Grillo, Leo Grillo, Charles Leonard, and John Rustin as, respectively: Secretary of Dedication & Everlasting Love to Animals dba D.E.L.T.A. Rescue ("Debtor") and Board Members of Debtor ("Objectors"), submit this opposition to the Chapter 11Trustee's Motion to Approve Compromise Under Rule 9019 and to Liquidate Additional Investments [Dkt. 240] (the "Motion").

Objectors do not oppose a reasonable effort to resolve the Valentines litigation. Objectors do, however, oppose approval of this settlement on the present record because the Trustee has not carried the burden imposed by Federal Rule of Bankruptcy Procedure 9019 and 11 U.S.C. § 363(b). The Motion relies on generalized conclusions, but does not provide the evidence needed for the Court to make the informed, independent judgment required by *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414 (1968), *Martin v. Kane (In re A & C Props.)*, 784 F.2d 1377, 1381 (9th Cir. 1986), and *Woodson v. Fireman's Fund Ins. Co. (In re Woodson)*, 839 F.2d 610 (9th Cir. 1988).

Most importantly, the Motion asks the Court to approve a settlement for $5,500,000 even though the Trustee acknowledges that the secured claim, Claim 6-1, is for only $3,041,402.76, while the additional attorney-fee claim, Claim 7-1, remains unliquidated and, by the Trustee's own admission, likely reducible. Yet the Motion does not attach the fee motion, billing records, lodestar analysis, an estimate from appellate counsel, or any competent valuation showing why it is reasonable to pay approximately $2.46 million more than the secured judgment claim at this time. Nor does the Motion explain with competent evidence why the estate should liquidate additional charitable investment assets to fund that premium.

For these reasons, the Motion should be denied. At a minimum, the Court should continue the hearing, require a supplemental evidentiary submission, and set an evidentiary hearing.

Dated: May 19. 2026

Respectfully submitted,

/s/Keith Berglund
Keith Berglund
THE BERGLUND GROUP
Attorneys for Objectors

MEMORANDUM OF POINTS AND AUTHORITIES

The Motion should be denied. Trustee has not provided sufficient evidence to allow the Court to make an informed judgment on the proposed settlement. Indeed, from the information that the Trustee has provided, there are at least legitimate questions as to whether this settlement properly benefits the Debtor, the Estate, or the other creditors. For instance, it requires the Estate to pay over $2 million for attorneys' fees to the Judgment Creditor, but those fees have never been reviewed or approved by a court. The Motion also asks the Court to approve the sale of unspecified securities without even addressing the issue as to whether those securities were purchased with restricted funds from charitable donations that are not even properly part of the bankruptcy estate.

Quite simply, the Trustee has not met his burden of setting forth sufficient evidence to approve the Motion and it should be denied or, at a minimum, the hearing should be continued and the Trustee should be required to provide additional evidence in support of the Motion.

I. RELEVANT BACKGROUND

1. The Trustee seeks approval of a settlement requiring total payments of $5.5 million, consisting of an initial $4 million payment and eight quarterly installment payments totaling $1.5 million, with NIAC contributing $726,000.
2. The Motion states that Claim 6-1 is a secured claim based on the judgment in the amount of $3,041,402.76, and that Claim 7-1 is a general unsecured claim for attorney's fees in the amount of $4,259,719.92.
3. The Motion further states that the estate appears solvent, that the estate's Merrill Lynch investment accounts held approximately $14.498 million as of April 30, 2026, and that all non-*Valentines* claims total only about $470,000.

4. The Motion concedes that the attorney-fee claim appears objectionable and likely reducible, but provides no billing records, time summaries, fee motion, or expert or attorney declaration quantifying any realistic range of allowance.
5. The Motion also states that appellate costs, and even potential new-trial costs, would be borne by NIAC and not by the estate.
6. The Trustee separately seeks authority to liquidate additional investments, but does not identify which securities will be sold, what tax consequences will result, what investment income will be lost, why previously granted liquidation authority is insufficient, or what narrower alternatives were evaluated.
7. The Trustee also does not establish that the investments that he is proposing be liquidated are even properly part of the bankruptcy estate as the Trustee has not presented any evidence that the Trustee has performed any tracing of the source of the funds that funded the investment to ensure that such funds are not subject to charitable trusts restricting the funds to be used for specific charitable purposes.

II. THE TRUSTEE HAS NOT SHOWN THAT THE INVESTMENTS CAN BE USED TO SATISFY THE JUDGMENT CREDITOR

The Trustee's draft treats the $14.498 million Merrill Lynch investment accounts strictly as generic financial corporate assets. Under California law, a 501(c)(3) public benefit corporation does not "own" its money like a commercial business; its assets are held in a charitable trust. *See* L.B. Research & Education Foundation v. UCLA Foundation (2005) 130 Cal. App. 4th 171, 178.

The Bankruptcy Code is clear that the property of a bankruptcy estate does not include "any power that the debtor may exercise solely for the benefit of an entity other than the debtor," 11 U.S.C. § 541(b)(1), or "[p]roperty in which the debtor holds, as of the commencement of the

case, only legal title and not an equitable interest . . . .'' 11 U.S.C. § 541(d). Similarly, the estate does not include property containing ''[a] restriction on the transfer of a beneficial interest of the debtor in a trust that is enforceable under applicable nonbankruptcy law. . . .'' 11 U.S.C. § 541(c)(2). Although the Bankruptcy Code defines what is property of the estate, ''[p]roperty interests are created and defined by state law.'' *Butner v. U.S.*, 440 U.S. 48, 55; 99 S. Ct. 914, 918 (1979); *see also In re Mantle*, 153 F.3d 1082, 1084 (9th Cir. 1998) (bankruptcy courts must look to state property law to determine whether property is to be included in bankruptcy estate).

Under California law, donations restricted for certain charitable purposes cannot be used for other purposes. These restricted funds are not included in the bankruptcy estate over which the Trustee has authority. *See* 11 U.S.C. § 541(c)(2) (estate does not include property whose transfer is restricted). The Trustee has completely failed to present any evidence that there has been any audit or trace of the investment portfolio to determine what percentage consists of untouchable, donor-restricted charitable trust funds. Liquidating potentially restricted donor funds to satisfy an unadjudicated private attorney fee claim would directly violate donor intent, breach fiduciary duties, and potentially expose the nonprofit to regulatory liability by the California Attorney General.[1]

III. THE TRUSTEE HAS NOT MET THE RULE 9019 BURDEN

Even if the investment funds are available to fund a potential settlement, Rule 9019 does not permit approval of a compromise based on conclusory assurances alone. The Court must make an informed, independent judgment that the compromise is fair and equitable. *TMT Trailer Ferry*, 390 U.S. 414; *A & C Props.*, 784 F.2d at 1381; *Woodson*, 839 F.2d 610.

[1] California's Attorney General has already filed an appearance in this action through David Eldan of the Charitable Trusts Section [Dkt. 232] and has an independent statutory interest in the California Uniform Prudent Management of Institutional Funds Act implications.

Under *A & C Properties*, the Court must consider: (1) the probability of success in the litigation; (2) difficulties in collection; (3) the complexity, expense, inconvenience, and delay of the litigation; and (4) the paramount interests of creditors and proper deference to their reasonable views. 784 F.2d at 1381. The Trustee bears the burden of putting forward enough competent evidence to permit the Court to evaluate those factors. He has not done so here.

A. The Motion does not justify paying approximately $2.46 million above the secured judgment claim.

The central defect in the Motion is simple: it asks the Court to authorize payment far above the existing judgment-based claim without giving the Court the evidence necessary to assess the value of the unresolved fee component.

The Trustee states that Claim 6-1 is $3,041,402.76 and that Claim 7-1 is $4,259,719.92. The Trustee specifically concedes that the fee claim *likely would be reduced*, and that there is a *medium to high probability* of such reduction. But the Trustee does not attach the underlying fee motion, billing records, billing rates, time summaries, or even a declaration from counsel experienced in fee litigation explaining why the estate should pay a premium of roughly $2.46 million over the secured judgment claim rather than litigate the allowance of Claim 7-1.

Without this underlying evidence, especially in light of the Trustee's admission that the attorney fee award would likely be reduced, the record before the Court does not contain sufficient evidence of the probable value of the compromise to allow the Court to approve it, even given the deference courts give to Trustee's business judgment. *See In re Mickey Thompson Entertainment Group, Inc.,* 292 B.R. 415, 420 (9th Cir. BAP 2003) (finding clear error where bankruptcy court approved settlement where there was contradictory evidence of whether it was in the estate's best interest).

Without the fee papers and supporting evidence, the Court cannot meaningfully determine whether the settlement is fair, whether the asserted discount from $7.3 million is real, or whether the settlement

instead awards an unjustified windfall on an unliquidated fee claim that may be substantially overstated – especially where the Trustee has admitted that he has concluded that the claimed amount is likely to be reduced by a court if reviewed.

B. The Trustee's showing on the A & C factors is conclusory and incomplete.

Probability of success. The Motion offers only the Trustee's general conclusions that an appeal of the Creditor's judgment is likely to fail. It does not include a declaration from appellate counsel, identify the appellate issues with specificity, estimate the likely range of outcomes, or explain how a likely fee reduction would interact with any appellate outcome. Moreover, the appellate analysis apparently relied upon by the Trustee to justify abandoning the appeal was generated exclusively by Kaufman Dolowich LLP—a firm retained and paid entirely by the Debtor's insurer, NIAC.

An insurance company's primary financial priority is to eliminate its own prospective risk and litigation costs. This creates an inherent bias toward favoring an immediate settlement that caps the carrier's exposure (in this case, capping NIAC's contribution at $726,000)[2]. The Trustee did not retain independent, Court-approved, special appellate counsel to provide an unbiased, neutral evaluation of the potential underlying trial errors. By blindly adopting an assessment produced by a firm with divided loyalties, the Trustee failed to satisfy his fiduciary obligation of independent inquiry.

Nor does the Trustee adequately address the affirmative claims which the estate has against NIAC for breach of the implied covenant of good faith and fair dealing under *Comunale v. Traders & General Insurance Co., 50 Cal.2d 654 (1958) and Crisci v. Security Insurance Co., 66 Cal.2d 425 (1967).* Properly investigated, the bad faith claim could be worth several million dollars. A trustee has a fiduciary duty to

[2] Notably, the Trustee has not presented the Court with any signed, binding, agreement from NIAC to fund this amount. Should NIAC back out of this apparent commitment, the Debtor would also be responsible for this additional $726,000 under the terms of the proposed settlement. The Court should require sufficient evidence of this binding commitment prior to approving the settlement.

maximize all estate assets, including litigation claims. *In re Cybergenics Corp., 226 F.3d 237 (3rd. Cir. 2000).* The present settlement structure allows NIAC to contribute only $726,000.00 versus facing a liability claim that could be worth several million dollars.

The Court therefore lacks an adequate evidentiary basis to weigh this factor.

Collection. The Motion admits that the estate is not collecting from the judgment creditor. This factor is neutral, not supportive.

Complexity, expense, inconvenience, and delay. The Motion argues that continued litigation would delay administration, but at the same time acknowledges that appellate and possible new-trial costs would be borne by NIAC rather than the estate. That admission materially weakens the Trustee's cost argument. The Motion also does not compare the cost of litigating the fee claim against the very large premium that the estate is now asked to pay for the un-litigated attorney's fee claim.

Paramount interests of creditors. The Motion states that the estate is solvent, with roughly $14.498 million in investments, and that all other claims total only about $470,000. In a solvent charitable estate, unnecessary overpayment harms the residual charitable mission and the animals dependent on the estate's resources. The Motion does not explain why the paramount interest of creditors requires a rapid, front-loaded payment structure rather than continued litigation over the allowance of fees, especially where ordinary creditors appear capable of being paid in full regardless. This is especially true where, as here, the charity is facing macroeconomic pressures discussed further below.

There is no liquidation emergency. The only parties benefiting from a rushed, unvetted settlement are the Judgment Creditor and the Chapter 11 Trustee, who seeks an expedited "deck clearing" to secure his statutory administrative commission and exit this bankruptcy case.

C. The proposed mutual releases are broader than the evidentiary record supporting them.

The settlement includes broad mutual releases, including Civil Code section 1542 waivers. Yet the Motion does not identify what claims, if any, the estate is releasing against the judgment creditor, whether those claims have value, or why giving up unknown claims is reasonable on this record. If the Trustee seeks approval of broad estate-side releases, the Trustee must supply a record that permits valuation of what the estate is surrendering. Courts have found that an approval of a settlement with a lack of evidence regarding the value of released claims is reversible error. *See In re Mickey Thompson Entertainment Group, Inc., supra,* 292 B.R. at 420.

IV. THE DEBTOR WAS NOT GIVEN A MEANINGFUL OPPORTUNITY TO PARTICIPATE IN THE MEDIATION, DESPITE AGREEMENT TO DO SO

While the Trustee asserts that the settlement was the result of an "arm's-length" negotiation, the Debtor was improperly excluded from the April 13, 2026, mediation without any justification.

The Debtor had proposed that its corporate Secretary participate in the mediation, which was agreed to beforehand. However, on the day of the mediation, because a formal attorney retention had fallen through due to the timeline of the corporate crisis, the mediator, Hon. Robert F. Kwan (Ret.), and the participating parties executed a complete shift in rules. The corporate Secretary was physically barred from the room. The Secretary was also denied a Zoom link, telephone dial-in, or any form of virtual access to observe the session. A massive $5.5 million global settlement was negotiated in absolute secrecy behind closed doors while the Debtor's representative was locked out in the hallway. This severe procedural inequity deprives the agreement of the baseline fairness required under Rule 9019.

V. THE DEBTOR IS FACING MACROECONOMIC PRESSURES THREATENING THE DEBTOR'S CHARITABLE PURPOSE

The Trustee treats the Merrill Lynch account as an insulated corporate cash reserve that can be readily stripped to satisfy a disputed judgment creditor. This characterization completely ignores the compounding financial crises facing the Debtor. D.E.L.T.A. Rescue is a 501(c)(3) non-profit organization

that receives zero government funding, municipal grants, or public institutional support; it relies entirely on individual donor contributions.

Currently, the sanctuary is being squeezed from both sides of its balance sheet. On the revenue side, individual donors are heavily impacted by inflation, resulting in a sharp downward trend in public donations. On the expense side, the sanctuary's operational overhead is skyrocketing. The Debtor has recently received numerous formal notices from core vendors detailing significant increases in unit prices, delivery fees, and monthly service fees specifically associated with essential utilities, animal food, and sanctuary supplies. Because of this volatile revenue stream and rapidly escalating operational costs, these investment accounts serve as the literal operational life-support system keeping hundreds and hundreds of animals alive. Earlier in this proceeding, the Trustee himself acknowledged this exact vulnerability by filing an emergency motion requesting the release of money from this Merrill Lynch account specifically to cover baseline bills, staff pay, animal food, and medication.

The Trustee cannot logically claim this portfolio represents expendable surplus capital when the sanctuary requires emergency infusions from it just to keep pace with soaring vendor costs in a tightening donor economy.

VI. THE SECTION 363(b) REQUEST TO LIQUIDATE ADDITIONAL INVESTMENTS SHOULD ALSO BE DENIED ON THE PRESENT RECORD

Approval to sell or use estate property outside the ordinary course requires an articulated business justification. The Motion does not provide one in a form the Court can evaluate. The Trustee does not identify:

(a) which investments would be sold;

(b) the market value, basis, or expected commissions for the specific assets to be sold;

(c) the tax consequences of liquidation;

(d) the impact on dividend or interest income that supports ongoing operations;

(e) whether less harmful funding alternatives were considered; or

(f) why prior authority to liquidate investments in this case is inadequate.

Instead, the Motion states only that the Trustee has "commenced discussions" with Merrill Lynch personnel and seeks authority broad enough to liquidate additional assets. That is not the kind of developed factual showing this Court should require before authorizing the sale of charitable investment assets.

VII. THE COURT SHOULD REQUIRE HEIGHTENED DISCLOSURE AND, IF NECESSARY, AN EVIDENTIARY HEARING

Objector requests that if the Court is not inclined to deny the Motion at this time, then the Court should at least require transparency before approving a compromise of this size. At a minimum, before any approval, the Court should require a supplemental declaration addressing:

1. the full fee-motion record, billing summaries, rates, and a reasoned estimate of the likely allowed fee amount;
2. a declaration from appellate counsel identifying the appellate issues and likely range of outcomes;
3. the exact judgment amount, accrued post-judgment interest, and the economic basis for the settlement number selected;
4. the specific investments proposed to be liquidated, with expected commissions, tax consequences, and effect on investment income;
5. the effect, if any, that the proposed disbursements may have on trustee compensation under 11 U.S.C. §§ 326 and 330; and
6. any actual or potential relationships among the Trustee, estate professionals, the settling parties, and other participants that should be disclosed in the interest of full transparency.

FRBP 9014(d) permits the Court to require oral testimony where necessary. This is an appropriate case for that procedure if the Trustee continues to seek approval of the present settlement.

VIII. CONCLUSION

For the foregoing reasons, Objector respectfully requests that the Court:

1. Deny the Motion; or,
2. Alternatively, continue the hearing, require the Trustee to file a supplemental evidentiary submission, and set an evidentiary hearing; and
3. Deny the request to liquidate additional investments unless and until the Trustee provides a concrete asset-specific business justification.

Dated: May 19. 2026

Respectfully submitted,

/s/Keith Berglund
Keith Berglund
THE BERGLUND GROUP
Attorneys for Objectors

Erica Grillo
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re: DEDICATION & EVERLASTING LOVE TO ANIMALS dba D.E.L.T.A. Rescue, Debtor. Date: June 2, 2026 Time: 1:00 p.m. Courtroom: 1545 Place: 255 E. Temple Street Los Angeles, CA 90012	Case No. 2:25-bk-13881-NB Chapter 11 **DECLARATION OF ERICA GRILLO IN OPPOSITION TO CHAPTER 11 TRUSTEE'S MOTION TO APPROVE COMPROMISE UNDER RULE 9019**

DECLARATION OF ERICA GRILLO

I, Erica Grillo, declare:

1. I am over the age of 18. I make this declaration from my personal knowledge, and if called as a witness, I could and would testify competently to the facts stated herein.
2. I am the Secretary and an officer of Dedication & Everlasting Love to Animals dba D.E.L.T.A. Rescue ("D.E.L.T.A.").
3. I am the daughter of Leo Grillo, founder of D.E.L.T.A. Rescue.
4. My father, Leo Grillo, is presently in federal custody and is not available to manage D.E.L.T.A.'s day-to-day affairs in the ordinary manner.

5. D.E.L.T.A. has been in operation for over 47 years saving, housing, and caring for animals that would otherwise likely be euthanized. D.E.L.T.A. is responsible for approximately 800 dogs, 500-600 cats, and 100 horses, most of which are elderly, disabled, medically fragile, or otherwise unadoptable.

6. In my role with D.E.L.T.A., I am familiar with the sanctuary's day-to-day operations and the extraordinary, continuing financial burden required to keep the animals alive, safe, fed, housed, and medically cared for. D.E.L.T.A. is not an ordinary business with ordinary operating expenses. It is a care-for-life sanctuary whose animals depend entirely on the organization's continued solvency, staffing, food supply, veterinary care, medication, facility maintenance, and emergency reserves. If D.E.L.T.A. is pushed over a financial cliff through an imprudent dissipation of estate assets, the consequences will not be merely accounting losses or administrative inconvenience. The lives of the animals will be placed at immediate and severe risk. Many of these animals are elderly, disabled, traumatized, medically fragile, or otherwise unadoptable, and they have nowhere else to go. A depletion of the funds necessary to sustain D.E.L.T.A.'s operations could result in the forced transfer, abandonment, or euthanasia of animals who were promised lifetime care. For that reason, any proposed compromise requiring millions of dollars in estate assets must be scrutinized not only as a financial transaction but as a decision that may determine whether D.E.L.T.A. can continue fulfilling its core charitable mission and whether the animals entrusted to its care live or die.

7. I have reviewed the Chapter 11 Trustee's Motion to Approve Compromise Under Rule 9019. From that motion, I understand that the Trustee seeks approval of a settlement requiring total payments of $5,500,000, including an initial payment of $4,000,000 followed by installment payments

totaling $1,500,000, while also seeking authority to liquidate additional investments to fund those payments.

8. I also understand from the motion that the secured judgment claim filed as Claim 6-1 is $3,041,402.76 and that the separate attorney-fee claim filed as Claim 7-1 is $4,259,719.92.

9. I have not been provided with, and I have not seen, the billing records, fee-motion papers, lodestar analysis, or any written valuation showing why the estate should pay $5.5 million to resolve these claims, or why payment of more than $2.45 million above the secured judgment claim is necessary or reasonable.

10. The $14,498,290 held in the Merrill Lynch accounts does not represent surplus corporate profit; it serves as the sanctuary's operational safety net. D.E.L.T.A. has been seeing a sustained decline in monthly donations under the Trustee's management as reflected in monthly operating reports filed with the Court. [*See* Dkt. 95, 119, 131, 146, 162, 192, 206, 214, 218, 231, 238]. Because public donations have trended downward following the corporate crisis, these funds have been actively utilized to pay for direct sanctuary survival costs, such as animal food, care, staff payroll, sanctuary infrastructure, and utility bills.

11. The essential, operational nature of these funds is a fact well known to the Chapter 11 Trustee. Earlier in this bankruptcy proceeding, the Trustee himself filed motions with this Court requesting the release of money from this exact Merrill Lynch account specifically to cover the sanctuary's baseline bills, staff pay, and the animals' food and medication. [*See* Dkt. 40, 130, 174, 221].

12. In addition to falling donation revenues, the sanctuary is currently facing severe inflationary pressures from its primary operational vendors. In my official capacity as corporate Secretary, I have recently received and reviewed multiple formal notices from our regular suppliers and utility providers indicating imminent and significant price increases. These includes hikes in baseline

prices for animal food, increased delivery and freight fees for critical sanctuary supplies, and elevated monthly rates for vital utilities necessary to maintain the sanctuary's infrastructure. Because our fixed operational costs are rising sharply, the $14.498 million Merrill Lynch portfolio is more critical than ever to absorb these compounding expenses. Stripping $4,774,000 out-of-pocket from this fund to finance the Trustee's asymmetric settlement will directly impair our ability to pay these inflated vendor invoices, creating an immediate threat to the basic shelter, sustenance, and survival of the animals in our care. I am prepared to provide copies of these vendor price escalation notices to the Court upon request.

13. Every dollar paid from D.E.L.T.A.'s investment accounts is not merely a balance-sheet reduction. It directly diminishes the resources available to operate the sanctuary, care for the animals, pay staff, purchase food and supplies, fund veterinary treatment, maintain facilities, and preserve the emergency reserves necessary to protect animals who depend on D.E.L.T.A. for lifetime care. It also reduces the principal that generates investment income used to support continuing operations. Once that principal is liquidated and spent, the loss compounds: D.E.L.T.A. loses both the cash itself and the future income stream that cash would have produced. A large, unnecessary depletion of those investments therefore threatens not only current operations, but the long-term financial structure that allows the sanctuary to survive and continue its charitable mission.

14. The Trustee asserts that this settlement represents a savings because the Judgment Creditor's total asserted claims exceed $7.3 million when factoring in post-petition interest and potential additional fees. However, this $7.3 million figure is heavily artificial, as it incorporates the unadjudicated $4.25 million attorney fee claim that has never faced a judicial lodestar review. Based on my direct knowledge of the sanctuary's financial needs, permanently stripping $4,774,000 from our Merrill Lynch portfolio to fund this $5.5 million global payout will severely deplete our ability to cover

regular operating bills. No operational budget or safety evaluation has been provided by the Trustee to demonstrate how the thousands of animals in our care will be fed and sheltered once this massive chunk of capital is permanently removed from the sanctuary's operational life-support system

15. To my knowledge, the $14.498 million held in the Merrill Lynch accounts consists substantially of public donations, testamentary bequests, and specialized gifts provided to the sanctuary with the express restriction that they be used for the ongoing, lifetime care and shelter of rescued animals. The Trustee's Motion contains no evidence that he has conducted a tracing analysis to determine whether these funds are legally restricted under California law or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Liquidating potentially restricted donor funds to satisfy an unadjudicated private attorney fee claim would directly violate donor intent and expose the non-profit to regulatory liability.

16. Based on the motion papers I have reviewed, I do not believe the Court presently has an adequate factual record to determine that the proposed compromise and related liquidation request are fair, reasonable, and in the best interests of the estate. The papers do not provide enough transparent analysis of the disputed attorney-fee claim, the actual risk-adjusted value of the pending appeal, the alternatives to settlement, the effect of liquidating millions of dollars in investment principal, or the impact that such a liquidation will have on D.E.L.T.A.'s continuing operations and animal-care obligations. The proposed compromise requires the estate to part with a massive amount of charitable assets, yet the record does not sufficiently explain why that result is necessary, why it is superior to continued litigation or a narrower settlement, or why the estate should accept the additional financial burden beyond the judgment amount without a more searching review. In my view, approval on the present record would require the Court to rely too heavily on generalized

assertions of business judgment and not enough on concrete evidence, financial analysis, and protection of the sanctuary's charitable mission.

17. I am informed and believe, and on that basis state, that Kaufman Dolowich LLP was retained and compensated solely by our insurance carrier, NIAC, to review the state court trial record. At no time did the Chapter 11 Trustee seek Court approval to retain an independent, neutral bankruptcyestate-sponsored appellate specialist to review the trial errors or evaluate the probability of success on appeal. Because NIAC's financial incentives are structurally aligned with capping its own insurance policy exposure rather than protecting the long-term charitable survival of D.E.L.T.A. Rescue, I believe the appellate analysis the Trustee relied upon is compromised by a conflict of interest and does not reflect a truly neutral evaluation of our legal rights on appeal.

18. In the weeks following the arrest of D.E.L.T.A. Rescue's President, a court-ordered mediation was scheduled for April 13, 2026, before the Honorable Robert F. Kwan, United States Bankruptcy Judge (Ret.). Recognizing the immense high stakes for the sanctuary, D.E.L.T.A. Rescue aggressively sought to participate. The organization initially proposed having an outside legal consultant represent us at the table, but the Chapter 11 Trustee flatly refused.

19. D.E.L.T.A. Rescue then proposed that I, in my official capacity as corporate Secretary, attend and participate to protect the operational interests of the sanctuary and the thousands of animals in our care. Prior to the mediation day, it was communicated and understood by the participating parties that I would be permitted to participate. In tandem, the organization actively attempted to formalize standard legal representation to assist me at the mediation, but due to the short timeframe of the corporate crisis, that retention ultimately did not go through in time for the session.

20. On April 13, 2026, the day of the mediation, despite the prior agreement allowing me to represent D.E.L.T.A. Rescue, Judge Kwan (Ret.) and the present parties executed a complete shift in rules.

I was informed that because our legal representation had not gone through and I lacked physical legal "help" in the room, I was completely barred from entering or participating.

21. Compounding this severe breach of due process, I was not even given a Zoom link, telephone dial-in, or any form of virtual access to observe or listen to the mediation session remotely. I was forced to sit outside the room in total physical and digital isolation for the duration of the mediation, completely blind to the negotiations.

22. While I was forced to sit in the hallway, completely stripped of both my voice and due process, the Trustee, the insurance carrier (NIAC), and the Judgment Creditor's attorneys used our forced absence to structure a deal that strips $4,774,000 directly from D.E.L.T.A. Rescue's portfolio while capping the multi-million-dollar insurance company's exposure at a minor $726,000. No one in that room was acting as a fiduciary for the sanctuary's animals, staff, and donors' trust. Our explicit exclusion directly resulted in a heavily one-sided, oppressive agreement.

23. I respectfully request that the Court deny the motion or, at a minimum, continue the hearing and require the Trustee to submit additional evidence before any approval is considered.

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

Dated: May 17. 2026

Erica Grillo

F 9013-3.1.PROOF.SERVICE
ATTACHMENT A
SERVICE INFORMATION CONTINUED

Document Served

A true and correct copy of the foregoing document entitled:

> **OPPOSITION TO CHAPTER 11 TRUSTEE'S MOTION FOR ENTRY OF AN ORDER: (I) APPROVING COMPROMISE OF CONTROVERSIES AND SETTLEMENT AGREEMENT PURSUANT TO RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE; AND (II) AUTHORIZING TRUSTEE TO LIQUIDATE ADDITIONAL INVESTMENTS TO FUND SETTLEMENT PAYMENTS; MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF ERICA GRILLO IN SUPPORT THEREOF**

was served as stated below.

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING**

On May 19, 2026, I checked the CM/ECF docket for this bankruptcy case and determined that the persons listed below are registered CM/ECF users, parties requesting electronic notice, or parties whose email addresses appear on the Court's electronic notice/service information for this bankruptcy case.

To the extent any such person is a registered CM/ECF user, the foregoing document will be served by the Court through the Notice of Electronic Filing system.

2. **SERVED BY E- MAIL**

On May 19 2026, I served a true and correct copy of the document listed above by email on the following persons and/or entities at the email addresses listed below:

Michael Jay Berger
michael.berger@bankruptcypower.com
yathida.nipha@bankruptcypower.com
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3. JUDGE'S COPY / CHAMBERS SERVICE

To the extent required by LBR 5005-2(d) and Judge Bason's applicable procedures, a judge's copy will be served on the Honorable Neil W. Bason, United States Bankruptcy Judge, in the form and manner required by the Court no later than 24 hours after filing.

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

Executed on **May 19, 2026**, at **Los Angeles, California**.

/s/Russell J. Miller

Russell Miller