

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: _____) Chapter 7
Next Level Pizza, Inc., _____)
Debtor.¹ _____)

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**GLOBAL NOTES AND STATEMENTS OF LIMITATION, METHODOLOGY,
AND DISCLAIMERS REGARDING THE DEBTOR'S SCHEDULES OF
ASSETS AND LIABILITIES AND STATEMENT OF FINANCIAL AFFAIRS**

Next Level Pizza, Inc., the debtor (“**Next Level**” or the “**Debtor**”) in the above-captioned chapter 7 case (the “**Case**”), submits its Schedules of Assets and Liabilities (collectively, the “**Schedules**”) and the Statement of Financial Affairs (the “**Statements**,” and, together with the Schedules, the “**Schedules and Statements**”) in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”). The Debtor, with the assistance of its legal and financial advisors, prepared the Schedules and Statements, pursuant to section 521 of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and are unaudited.

While the Debtor’s management has made every reasonable effort to ensure that the Schedules and Statements are as accurate and complete as possible, based on information that was currently available and accessible at the time of preparation, subsequent information or discovery may result in material changes to these Schedules and Statements, and inadvertent errors or omissions may have occurred. The Schedules and Statements contain unaudited information that is subject to further review verification, and potential adjustment, which may be material, and reflect the Debtor’s reasonable best efforts to report the assets and liabilities of the Debtor. As such, there can be no assurance that these Schedules and Statements are as complete as practicable. Accordingly, the Debtor reserves all of its rights to amend, supplement, or otherwise modify the Schedules and Statements as is necessary and appropriate.

These *Global Notes and Statement of Limitations, Methodology, and Disclaimers Regarding the Debtor's Schedules and Statement of Financial Affairs* (the “**Global Notes**”) are incorporated by reference in, and comprise an integral part of, the Debtor’s Schedules and Statements, and should be referred to and considered in connection with

¹ The Debtor in this chapter 7 case, along with the last four digits of its taxpayer identification number, is Next Level Pizza, Inc. (7561). The Debtor’s mailing address is P.O. Box 665, Oxford, Maryland 21654.

matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. The Debtor reserve all of its rights with respect to any claims, causes of action, preference or avoidance actions they may have, and neither these Notes nor the Schedules and Statements shall be deemed a waiver of any such claims, causes of actions, preference or avoidance actions or in any way prejudice or impair the assertion of such claims, or in any way act as an admission of any fact or liability or the character thereof. Additionally, prior to the Petition Date, the Debtor, as a plaintiff, may have commenced various lawsuits in the ordinary course of its business against third parties seeking monetary damages.

¶ **Causes of Action against New Oath Pizza and Andrew Kellogg.** The Debtor had various claims against New Oath Pizza, LLC (“**New Oath**”), a Delaware limited liability company, and its chief executive officer, Andrew Kellogg that were settled in August 2024. Mr. Kellogg is the former chief executive officer of the Debtor until he was removed on October 5, 2023 by the Board of the Debtor. By way of background, in November 2022, Mr. Kellogg informed the Board of the Debtor that the Debtor was insolvent. Following this determination, the shareholders and Board of the Debtor approved and adopted a plan of dissolution to sell the company’s assets, repay creditors, and liquidate the Debtor. Under that plan, the directors and officers of Debtor (other than Mr. Kellogg) all resigned. Mr. Kellogg remained as the interim sole director and president, secretary, and treasurer of Debtor and authorized to oversee the efforts to sell the company’s assets and liquidate Debtor. The Debtor retained an independent financial advisor to assist in the sale and liquidation process.

On January 16, 2023, pursuant to the sale process. Debtor received offers from multiple bidders to purchase its assets, including an offer from a large competitor. Rather than facilitating the Debtor’s asset sale through an arm’s length process in which at least one prospective bidder indicated an interest in paying \$1 million or more, Mr. Kellogg deterred potential bidders while covertly planning to sell the Debtor’s assets to himself (through New Oath), leaving all the company’s debts in Debtor as a shell company. On January 17, 2023, Mr. Kellogg shut down the auction process, set forth his own agreement to sell Debtor’s assets to New Oath, a company under his own control, and declared himself the winning bidder under the false pretense that New Oath offered more than the other bidders. In response to the independent financial advisor informing Mr. Kellogg that his actions were not in the best interests of the Debtor and were a breach of his fiduciary duties, Mr. Kellogg terminated the services of the advisor.

* Pursuant to this asset purchase agreement, Mr. Kellogg caused the sale of all assets to New Oath Pizza, LLC, a company owned and controlled by Mr. Kellogg—effectively to himself—for a check for \$10,000 (payable from an account with insufficient funds) plus a nonrecourse, unsecured note payable over time. Pursuant to the asset purchase agreement orchestrated by Mr. Kellogg, the Debtor was left with virtually all liabilities, while Mr. Kellogg, through New Oath, received all assets. This self-interested transaction transferred all of Debtor's assets, including cash and receivables, to New Oath and Mr. Kellogg, but excluded Debtor's liabilities, which remained with Debtor. It further provided for no funds from New Oath to Debtor to satisfy debts and set forth only nominal unsecured payments commencing over a year later for up to ten years after that. This left Debtor with absolutely no way to satisfy any of its debts or pay any of its creditors while all of Debtor's assets went to Mr. Kellogg and New Oath. Moreover, Mr. Kellogg intentionally never cashed the initial \$10,000 check as it was written on his personal account with insufficient funds. Also, under his self-interested purchase agreement, all future payments were illusory as they were, among other things, nonrecourse, unsecured, and essentially payable at Mr. Kellogg's discretion.

James Alpi, the current President of Debtor, and William Wrightson filed a lawsuit on behalf of Debtor against New Oath and Mr. Kellogg alleging, among other things, fraud and breach of fiduciary duty. Since Mr. Kellogg was still the sole officer and director of both the Debtor and New Oath, Mr. Alpi and Mr. Wrightson initially brought the lawsuit as a derivative lawsuit on behalf of Debtor. Once the shareholders were able to appoint Mr. Alpi and Mr. Wrightson to the Board and remove and replace Mr. Kellogg as director and officer and appoint Mr. Alpi as interim President, the Debtor became a direct plaintiff in the lawsuit. Since Debtor had no funds because Mr. Kellogg and New Oath took all the assets, Mr. Alpi and Mr. Wrightson agreed to advance the funds for the costs of the lawsuit on behalf of Debtor and to be reimbursed from any proceeds from the lawsuit. Mr. Alpi and Mr. Wrightson did not receive any benefit from the lawsuit other than reimbursement of the third party legal fees and also did not receive any compensation or benefit acting as officers or directors of Debtor to pursue the legal claims against New Oath and Mr. Kellogg.

At the time New Oath and Mr. Kellogg acquired all the assets of the Debtor, the Debtor owned multiple subsidiaries that owned and operated retail pizza stores in multiple states. All of these stores had long term leases and the Debtor had guaranteed most of these leases. As noted above, New Oath and Mr. Kellogg took the Debtor's assets including the subsidiaries and leased stores. After acquiring the business, in an effort to pay himself substantial compensation and benefits, Mr. Kellogg terminated all the employees who handled the sales, marketing, financing and reporting for the Debtor. Also, since most of the stores were unprofitable and Mr. Kellogg wanted to keep

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paying himself, Mr. Kellogg did not pay many of the vendors and creditors of the stores and claimed those expenses and liabilities were the responsibility of the Debtor. As part of this scheme, Mr. Kellogg kept many accounts, including payroll, in the name of Debtor even though he claimed they were bought by New Oath. In this way, the revenues could go to benefit New Oath and Mr. Kellogg and the expenses would be in name of Debtor. Since many of the vendors and employees were not being paid, all of the subsidiary owned stores were shut down by December 2023. Several of the landlords filed claims against the subsidiaries and Debtor for default under the leases. Many vendors also filed claims against Debtor since Mr. Kellogg left those accounts in the name of Debtor. During the period the business was owned and operated by New Oath and Mr. Kellogg from January 2023 to August 2024, Mr. Kellogg had no employees and did not maintain any books and records. As a result, Debtor has no books and records detailing the revenues, expenses and assets of the business since January 2023.

In addition to the subsidiary stores, another subsidiary, Oath Franchising LLC, (“Oath Franchisor”) had entered into development (franchise) agreements with approximately 6 franchisees to operate their own pizza stores under brand name Oath pizza. Most of these franchisees stopped paying royalties due to uncertainty of ownership and in some cases alleging breach by Oath Franchisor. Oath Franchisor had kept approximately \$100,000 in deposit at bank for obligations to franchisees but New Oath and Mr. Kellogg withdrew those funds for their own benefit shortly after acquiring ownership of the business. It is uncertain whether the franchisee stores are profitable or what, if any, royalties would be owed under the franchise agreements.

The lawsuit was settled in August 2024. Pursuant to the settlement agreement, New Oath and Mr. Kellogg returned all the intellectual property of Debtor and ownership of Oath Franchisor back to Debtor, including the franchise agreements. New Oath and Mr. Kellogg also paid \$400,000 of which \$288,207 was reimbursement for legal expenses paid for by Mr. Alpi on behalf of Debtor. New Oath and Mr. Kellogg were also precluded from competing with the Debtor’s business for 3 years.

(m) **Intellectual Property Rights.** Exclusion of certain intellectual property from the Schedules and Statements should not be construed as an admission that such intellectual property rights have been abandoned, have been terminated or otherwise expired by their terms, or have been assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction. Conversely, inclusion of certain intellectual property rights in the Schedules and Statements should not be construed as an admission that such intellectual property rights have not been abandoned, have not been terminated or otherwise expired by their terms, or have not been assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction. The value of

the Debtors' intellectual property and license agreements are contingent and unliquidated. The Debtors' intellectual property has not been appraised by a professional and is listed with an unknown value as a result.

(n) **Insiders.** In the circumstance where the Schedules and Statements require information regarding "insiders," the Debtor has included information with respect to the individuals who the Debtor believes may be included in the definition of "insider" set forth in section 101(31) of the Bankruptcy Code during the relevant time periods including the following: (a) members of the board of directors of the Debtor; (b) employees of the Debtor that may be, or may have been during the relevant period, "officers," as such term is defined by applicable law; (c) other persons who exercised "control" over the Debtor's operations; and (d) Oath Franchising, LLC as a subsidiary of the Debtor and any affiliates of the Debtor. Persons listed as "insiders" have been included for informational purposes only.

The listing of a party as an insider for purposes of the Schedules and Statements is not intended to be, nor should it be, construed as an admission of any fact, right, claim, or defense and all such rights, claims, and defenses are hereby expressly reserved. Information regarding the individuals listed as insiders in the Schedules and Statements has been included for informational purposes only and such information may not be used for: (1) the purposes of determining (a) control of the Debtor; (b) the extent to which any individual exercised management responsibilities or functions; (c) corporate decision-making authority over the Debtor; or (d) whether such individual could successfully argue that he or she is not an insider under applicable law, including the Bankruptcy Code and federal securities laws, or with respect to any theories of liability; or (2) any other purpose.

3. **Methodology.**

(a) **Basis of Presentation.** Prior to the Petition Date, the Debtor relied on its former CEO Drew Kellogg, to maintain the Debtor's books and records. Information contained in the Schedules and Statements has been derived from the Debtor's books and records and historical financial statements, but neither Mr. Alpi nor his professionals and staff can vouch for the accuracy of those books and records. The fair value and net realizable value of real and personal property may vary materially from the net book value presented herein.

As noted above, Mr. Kellogg had taken control of all the business and assets of Debtor through his own company New Oath. He then terminated all the sales, marketing and finance executives and did not maintain any books and records while he owned and controlled the business from January 2023 until August 2024 at which time there were no longer any operating assets. In addition, during New Oath's ownership, Mr. Kellogg caused New Oath to default on many obligations which resulted in all the retail stores to close



by December 2023. As a result of the foregoing, the Debtor had no books and records and neither New Oath or Mr. Kellogg maintained any books and records prior to the Petition Date. Additionally, Mr. Kellogg, the individual previously responsible for the Debtor's books and records was a defendant in the lawsuit and is unwilling to engage with the Debtor's current management. Therefore, the Debtor developed the information presented in the Schedules and Statements as of the Petition Date based on currently available and accessible information.

These Schedules and Statements do not purport to represent financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), nor are they intended to fully reconcile to the financial statements prepared by the Debtor. These Schedules and Statements reflect the best available estimate of assets and liabilities of the Debtor.

Given, among other things, the uncertainty surrounding the condition, collection and ownership of certain assets and the valuation and nature of certain liabilities, to the extent that the Debtor shows more assets than liabilities, this is not an admission that the Debtor was solvent as of the Petition Date or at any time prior to the Petition Date. Likewise, to the extent the Debtor shows more liabilities than assets, this is not an admission that the Debtor was insolvent as of the Petition Date or any time prior to the Petition Date.

All asset and liability information, except where otherwise noted, is reflected through October 21, 2024.

- (b) **Confidential, Sensitive or Personally Identifiable Information.** There may be instances in which certain information such as names, addresses, or amounts in the Schedules and Statements intentionally has been redacted due to, among other things, the nature of an agreement between a Debtor and a third party, local restrictions on disclosure, concerns about the confidential or commercially sensitive nature of certain information, or concerns for the privacy of an individual.
- (c) **Master Agreements.** Contracts and leases listed in the Schedules and Statements may be master agreements that cover relationships with the Debtor. The Debtor reserves all right to amend the Schedules and Statements to reflect changes regarding the liability of the Debtor with respect to such agreements, if appropriate.
- (d) **Duplication.** Certain of the Debtor's assets, liabilities, and prepetition payments may properly be disclosed in multiple parts of the Statements and Schedules. To the extent these disclosures would be duplicative, the Debtor has endeavored to only list such assets, liabilities, and prepetition payments once.