

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

CHARACTER TECHNOLOGIES, INC.,¹

Debtor.

Chapter 11

Case No. 26-11603 ([____])

**DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) AUTHORIZING REJECTION
OF UNEXPIRED LEASE AND ABANDONMENT OF CERTAIN RELATED
PERSONAL PROPERTY, EACH EFFECTIVE AS OF THE PETITION DATE
AND (II) GRANTING RELATED RELIEF**

The debtor and debtor in possession in the above-captioned case (the “Debtor”) hereby submits this motion (this “Motion”) for entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Proposed Order”) (i) authorizing the rejection of a certain unexpired lease of a nonresidential real property located at 33 Irving Place, New York, NY 10003 as of the Petition Date (as defined below), and (ii) abandonment of certain Personal Property (as defined below) in connection therewith; and (iii) granting related relief. In support hereof, the Debtor relies on the *Declaration of Colin M. Adams in Support of the Debtor’s Chapter 11 Petition and First Day Motions* (the “First Day Declaration”)² filed concurrently herewith, and further represents as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District

¹ The Debtor and the last four digits of its taxpayer identification number are: Character Technologies, Inc. (8842). The Debtor’s mailing address for purposes of the chapter 11 case is 700 El Camino Real, Suite 120, P.O. Box 1152, Menlo Park, CA 94025.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the First Day Declaration.

of Delaware dated February 29, 2012. Pursuant to rule 9013-1(f) of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtor confirms its consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this chapter 11 case and this Motion is proper in this district under 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief sought herein are sections 105(a), 365(a) and 554(a) of title 11 of the United States Code, as amended (the “Bankruptcy Code”) and rules 6006 and 6007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

RELIEF REQUESTED

4. The Debtor hereby requests entry of the Proposed Order: (i) authorizing the rejection of a certain unexpired lease of a nonresidential real property located at 33 Irving Place, New York, NY 10003 as of the Petition Date (as defined below); and (ii) abandonment of certain Personal Property (as defined below) in connection therewith; and (iii) granting related relief.

BACKGROUND

5. On October 12, 2026 (the “Petition Date”), the Debtor filed a voluntary petition for relief pursuant to chapter 11 of the Bankruptcy Code. The Debtor is operating its business and managing its properties as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in this chapter 11 case, and no official committee of unsecured creditors has been appointed.

6. The Debtor is a first in kind artificial intelligence (“AI”) entertainment platform that allows users to have immersive, multimodal experiences with fictional or imagined characters.

What started as a platform to have one-on-one chats tailored to user preferences, has evolved to become a category leader in entertainment AI. Today, the Character.AI platform generates stunning visuals that become part of a story, creates dynamic video content with AI characters, and actively augments videos and stories with rich audio experiences to enhance immersion. In its 4-year lifespan as an active platform, Character has amassed a large and engaged user base. The burgeoning and evolving field of AI entertainment, however, has proven to be costly to develop and grow. These high costs, coupled with potential litigation related liabilities and regulatory engagement have contributed to the Debtor's inability to generate sufficient cash flows to support its business in the present form. The Debtor has commenced this case to engage in value-maximizing transactions for the benefit of its stakeholders.

7. Additional factual background regarding the Debtor, including its business operations, its corporate and capital structure, and the events leading to the filing of this chapter 11 case, is set forth in detail in the First Day Declaration, filed concurrently herewith and incorporated herein by reference.

THE LEASE

8. The Debtor, together with its advisors, continues to review and analyze the economic benefit of its leases of nonresidential real property. As part of that analysis, the Debtor considers, among other things, how a particular rented space fits within the optimal footprint for a go-forward business. The Debtor has determined that the costs associated with the Lease outweigh any marginal benefit that could possibly be achieved from assignment thereof.

9. The Debtor has notified the counterparty to the Lease (the "Landlord") that the Debtor does not intend to further occupy the premises demised pursuant to the Lease (the "Premises"). The Debtor has already vacated and surrendered the Premises.

ABANDONMENT OF PERSONAL PROPERTY REMAINING AT THE PREMISES

10. Some personal property, including fixtures, office furniture, and office supplies, but excluding any form of intangible personal property, may remain at the Premises (the “Remaining Property”) as of the Petition Date. The Debtor has evaluated such Remaining Property and has determined that (a) it is of inconsequential value or (b) the cost of removing and storing the Remaining Property for future use, marketing, or sale exceeds the value of the Remaining Property to the Debtor’s estate.

11. Accordingly, to reduce postpetition administrative costs and, in the exercise of the Debtor’s sound business judgment, the Debtor believes that the abandonment of any Remaining Property that may be located at the Premises, as of the Petition Date, is appropriate and in the best interests of the Debtor, its estate, and its creditors.

12. To provide clarity to the Landlord, after entry of an order granting this Motion, the Landlord may dispose of all Remaining Property at will.

BASIS FOR RELIEF

A. REJECTION OF THE LEASE IS IN THE BEST INTERESTS OF THE DEBTOR AND THE ESTATE AND SHOULD BE APPROVED

13. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, “subject to the court’s approval, may . . . reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a); *see also NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 521 (1984). “The purpose behind allowing assumption or rejection . . . is to permit the trustee or debtor-in-possession to use valuable property of the estate and to ‘renounce title to and abandon burdensome property.’” *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1098 (2d Cir. 1993) (citation omitted).

14. Courts defer to a debtor's business judgment in rejecting an unexpired lease, and upon finding that a debtor has exercised its sound business judgment, approve the rejection under section 365(a) of the Bankruptcy Code. *See Bildisco*, 465 U.S. at 523 ("business judgment" standard is applied by court when approving rejection of executory contracts); *see also Glenstone Lodge, Inc. v. Buckhead Am. Corp. (In re Buckhead Am. Corp.)*, 180 B.R. 83, 88 (D. Del. 1995). Application of the business judgment standard requires a court to approve a debtor's business decision unless the decision is the product of bad faith, whim, or caprice. *See Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp. (In re Sharon Steel Corp.)*, 872 F.2d 36, 39-40 (3d Cir. 1989) (rejection of an executory contract or unexpired lease is appropriate where such rejection would benefit the estate); *In re Fed. Mogul Glob., Inc.*, 293 B.R. 124, 126 (D. Del. 2003); *In re Trans World Airlines, Inc.*, 261 B.R. 103, 121 (Bankr. D. Del. 2001) ("A debtor's decision to reject . . . must be summarily affirmed unless it is the product of 'bad faith, or whim or caprice.'") (citation omitted); *see also Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043, 1047 (4th Cir. 1985); *Stewart Title Guar. Co. v. Old Republic Nat'l Title Ins. Co.*, 83 F.3d 735, 741 (5th Cir. 1996); *In re Summit Land Co.*, 13 B.R. 310, 315 (Bankr. D. Utah 1981) (holding that absent extraordinary circumstances, court approval of a debtor's decision to assume or reject an executory contract "should be granted as a matter of course").

15. The Debtor has determined that the Lease is no longer necessary for, or beneficial to, its business, and creates unnecessary and burdensome expenses for its estate. Accordingly, the Lease is not an advantageous asset for the Debtor and should be rejected to eliminate further financial burden and postpetition administrative costs to the estate.

B. RETROACTIVE REJECTION OF THE LEASE IS APPROPRIATE

16. Pursuant to section 365 of the Bankruptcy Code, the Debtor requests authorization to reject the Lease as of the date of the Petition Date. Such retroactive rejection is appropriate when

the principles of equity so dictate. *See Thinking Machs. Corp. v. Mellon Fin. Servs. Corp.* (*In re Thinking Machs. Corp.*), 67 F.3d 1021, 1028 (1st Cir. 1995); *In re Rupari Holding Corp.*, No. 17-10793 (KJC), 2017 WL 5903498, at *6 (Bankr. D. Del. Nov. 28, 2017) (courts may approve retroactive rejection of executory contracts “‘after balancing the equities’ of a case and concluding that such equities weigh in favor of the debtor”) (quoting *In re Chi-Chi’s, Inc.*, 305 B.R. 396, 399 (Bankr. D. Del. 2004)).

17. Retroactive rejection is appropriate where (i) the debtor has vacated the subject location and/or notified the affected landlord that the debtor does not intend to further occupy the location; (ii) the debtor has served notice of the motion on the landlord on the next business day following the filing date; (iii) the official committee of unsecured creditors consents to the relief requested in the motion; and (iv) the debtor will not withdraw the rejected lease from the rejection motion absent the consent of the respective landlord. *See In re Namco Cybertainment, Inc.*, Case No. 98-00173 (Bankr. D. Del. April 15, 1998) (Walsh, J.); *see also Adelphia Bus. Solutions, Inc. v. Abnos*, 482 F.3d 602, 608-09 (2d Cir. 2007) (affirming retroactive rejection of leases where the debtor/tenant vacated the premises); *In re At Home Corp.*, 392 F.3d 1064, 1065-66 (9th Cir. 2004) (holding “that a bankruptcy court may approve retroactively the rejection of an unexpired nonresidential lease”); *BP Energy Co. v. Bethlehem Steel Corp.*, 2002 WL 31548723, at *3 (S.D.N.Y. Nov. 15, 2002) (“[W]e cannot conclude . . . that a bankruptcy court’s assignment of a retroactive rejection date falls outside of its authority when the balance of the equities favors this solution.”); *see also In re CCI Wireless, LLC*, 297 B.R. 133, 140 (D. Colo. 2003) (holding that a “court has authority under section 365(d)(3) to set the effective date of rejection at least as early as the filing date of the motion to reject”).

18. Contemporaneously with the filing of this Motion, the Debtor will cause notice of this Motion to be served on the Landlord, thereby allowing sufficient opportunity to respond accordingly. The Landlord will not be unduly prejudiced if the rejection is deemed effective as of the Petition Date. In addition, an order approving rejection of the Lease as of the Petition Date will expedite the Debtor's relief from onerous financial obligations under the Lease and is fair and equitable to all parties given that the Debtor has already surrendered the Premises to the Landlord.

19. Permitting the retroactive rejection of a lease to the Petition Date is also consistent with prior rulings in this district. *See In re MRRC Hold Co.*, Case No. 24-11164 (CTG) (Bankr. D. Del. July 8, 2024) [Docket No. 155]; *In re PGX Holdings, Inc.*, Case No. 23-10718 (CTG) (Bankr. D. Del. July 19, 2023) [Docket No. 216] (authorizing rejection of unexpired leases effective as of the petition date); *In re BL Restaurants Holding, LLC*, Case No. 20-10156 (MFW) (Bankr. D. Del. Feb. 28, 2020) [Docket No. 225] (authorizing rejection of leases as of the petition date); *In re HRI Holding Corp.*, Case No. 19-12415 (MFW) (Bankr. D. Del. Dec. 5, 2019) [Docket No. 160] (same); *In re Forever 21, Inc.*, Case No. 19-12122 (KG) (Bankr. D. Del. Oct. 28, 2019) [Docket No. 329] (same); *In re RUI Holding Corp.*, Case No. 19-11509 (KG) (Bankr. D. Del. Aug. 6, 2019) [Docket No. 111] (same).

C. ABANDONMENT OF THE REMAINING PROPERTY AS OF THE PETITION DATE IS APPROPRIATE

20. The Debtor requests that the Remaining Property be deemed abandoned as of the Petition Date. The Remaining Property is of inconsequential value or benefit to the Debtor's estate, and the Debtor has determined that any benefits of removing such Remaining Property would be outweighed by the attendant removal, storage, and carrying costs.

21. The abandonment of the Remaining Property is appropriate and authorized by the Bankruptcy Code. *See* 11 U.S.C. § 554(a). Section 554(a) provides that "[a]fter notice and a

hearing, the trustee may abandon any property of the estate that is burdensome to the estate or that is of inconsequential value and benefit to the estate.” *Id.* The right to abandon property is, except for certain exceptions inapplicable in the present case, unfettered. *See Midlantic Nat’l Bank v. N.J. Dep’t of Env’tl. Prot.*, 474 U.S. 494, 506-07 (1986) (noting one such exception and holding that section 554(a) does not preempt state laws aimed at protecting the public’s health and safety). Courts generally give a debtor in possession great deference to its decision to abandon property. *See, e.g., In re HRI Holding Corp.*, Case No. 19-12415 (MFW) (Bankr. D. Del. Dec. 5, 2019) [Docket No. 160] (allowing debtor to abandon property); *In re Forever 21, Inc.*, Case No. 19-12122 (KG) (Bankr. D. Del. Oct. 28, 2019) [Docket No. 329] (same); *In re RUI Holding Corp.*, Case No. 19-11509 (JTD) (Bankr. D. Del. Aug. 6, 2019) [Docket No. 111] (same); *In re Vel Rey Props., Inc.*, 174 B.R. 859, 867 (Bankr. D.D.C. 1994) (“Clearly, the court should give deference to the trustee’s judgment in such matters.”). Unless certain property is harmful to the public, once a debtor has shown that it is burdensome or of inconsequential value to the estate, a court should approve the abandonment. *Id.*

22. The Debtor will serve this Motion on the Landlord. After entry of the Proposed Order, the Landlord shall be enabled to dispose of such Remaining Property at the Landlord’s sole discretion, for any reason or no reason. As such, the Debtor’s abandonment of any Remaining Property at the Premises as of the Petition Date should be approved.

23. Courts in this jurisdiction have approved relief similar to the relief requested herein. *See, e.g., In re MRRC Hold Co.*, Case No. 24-11164 (CTG) (Bankr. D. Del. July 8, 2024) [Docket No. 155]; *In re PGX Holdings, Inc.*, Case No. 23-10718 (CTG) (Bankr. D. Del. July 19, 2023) [Docket No. 216] (authorizing, but not directing, the debtors to abandon personal property that may be located at the debtors’ leased premises that are subject to a rejected lease);

In re Highpoint Resources Corp., Case No. 21-10565 (CSS) (Bankr. D. Del. March 31, 2021) [Docket No. 152] (same); *In re Bluestem Brands, Inc.*, Case No. 20-10566 (MFW) (Bankr. D. Del. Apr. 15, 2020) [Docket No. 282] (same); *In re BL Restaurants Holding, LLC*, Case No. 20-10156 (MFW) (Bankr. D. Del. Feb. 28, 2020) [Docket No. 225] (authorizing abandonment of certain equipment, fixtures, furniture, or other personal property that may be located at the premises of the debtors' leased locations subject to rejection); *In re Forever 21, Inc.*, Case No. 19-12122 (KG) (Bankr. D. Del. Oct. 28, 2019) [Docket No. 329] (same); *In re RUI Holding Corp.*, Case No. 19-11509 (JTD) (Bankr. D. Del. Aug. 6, 2019) [Docket No. 111] (same).

24. Accordingly, the Court should grant the Debtor authority to reject the Lease and abandon the Remaining Property as provided herein.

IMMEDIATE AND UNSTAYED RELIEF IS NECESSARY

25. The Court may grant the relief requested in this Motion immediately if the “relief is necessary to avoid immediate and irreparable harm.” Bankruptcy Rule 6003; *In re First NLC Fin. Servs., LLC*, 382 B.R. 547, 549 (Bankr. S.D. Fla. 2008). The Third Circuit has instructed that irreparable harm is that which “cannot be redressed by a legal or an equitable remedy following a trial.” *Instant Air Freight Co. v. C.F. Air Freight, Inc.*, 882 F.2d 797, 801 (3d Cir. 1989). The Debtor submits that, for the reasons set forth herein, the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtor and its estate.

26. The Debtor also requests that the Court waive the stay imposed by Bankruptcy Rule 6004(h), which provides that “[u]nless the Court orders otherwise, an order authorizing the use, sale, or lease of property (other than cash collateral) is stayed for 14 days after the order is entered” Fed. R. Bankr. P. 6004(h). As described above, the relief that the Debtor requests in this Motion is necessary for the Debtor to operate without interruption and to preserve value for its estate. Accordingly, the Debtor respectfully requests that the Court waive the fourteen (14) day stay

imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

RESERVATION OF RIGHTS

27. Nothing in this Motion: (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtor or its estate; (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtor or its estate to contest the validity, priority, or amount of any claim against the Debtor or its estate; (c) shall impair, prejudice, waive, or otherwise affect the rights of the Debtor or its estate with respect to any and all claims or causes of action against any third party; or (d) shall be construed as a promise to pay a claim or continue any applicable program post-petition, which decision shall be in the discretion of the Debtor.

NOTICE

28. The Debtor will provide notice of this Motion to: (a) the Office of the United States Trustee for the District of Delaware; (b) the United States Attorney's Office for the District of Delaware; (c) the Internal Revenue Service; (d) the holders of the twenty (20) largest unsecured claims against the Debtor; (e) the Banks; (f) the Authorities; (g) counsel to Disney; (h) the Landlord; and (i) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtor will serve copies of this Motion and any order entered in respect hereto as required by Local Rule 9013-1(m). The Debtor respectfully submits that, in light of the nature of the relief requested, no further notice is necessary.

CONCLUSION

WHEREFORE, the Debtor respectfully requests that this Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A** granting the relief requested herein and such other and further relief as may be just and proper.

Dated: October 13, 2026
Wilmington, Delaware

WILSON SONSINI GOODRICH & ROSATI, P.C.

/s/ Erin R. Fay

Erin R. Fay (No. 5268)

Shane M. Reil (No. 6195)

Heather P. Lambert (No. 6923)

222 Delaware Avenue, Suite 800

Wilmington, Delaware 19801

Telephone: (302) 304-7600

E-mails: efay@wsgr.com

sreil@wsgr.com

hlambert@wsgr.com

Proposed Counsel to the Debtor and Debtor in Possession

EXHIBIT A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

CHARACTER TECHNOLOGIES, INC.,¹

Debtor.

Chapter 11

Case No. 26-11603 ([____])

Ref. Docket No. ____

**ORDER (I) AUTHORIZING REJECTION OF UNEXPIRED LEASE AND
ABANDONMENT OF CERTAIN RELATED PERSONAL PROPERTY, EACH
EFFECTIVE AS OF PETITION DATE AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the Debtor for entry of this order (the “Order”) authorizing (i) rejection of a certain unexpired lease of a nonresidential real property (the “Lease”) located at 33 Irving Place, New York, NY 10003 as of the Petition Date, as set forth on **Exhibit 1** attached hereto, and (ii) abandonment of certain Personal Property in connection therewith, effective as of the Petition Date; and granting certain related relief, all as more fully set forth in the Motion; and upon consideration of the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated February 29, 2012; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that venue of this case and this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that notice of the Motion and opportunity for a hearing thereon were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in

¹ The Debtor and the last four digits of its taxpayer identification number are: Character Technologies, Inc. (8842). The Debtor’s mailing address for purposes of the chapter 11 case is 700 El Camino Real, Suite 120, P.O. Box 1152, Menlo Park, CA 94025.

² Capitalized terms not defined herein have the meanings given to them in the Motion.

support of the relief requested therein at a hearing before this Court (the “Hearing”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. Pursuant to section 365 of the Bankruptcy Code, the Lease set forth on **Exhibit 1** attached hereto is rejected and terminated effective as of the Petition Date, and the automatic stay is modified to allow for such termination.
3. Pursuant to section 554(a) of the Bankruptcy Code, any Remaining Property at the Premises as of the Petition Date³ is deemed abandoned by the Debtor as of the Petition Date.
4. To the extent not previously provided, after entry of the Proposed Order, the Landlord shall be enabled to dispose of such Remaining Property at the Landlord’s sole discretion, for any reason or no reason.
5. Notwithstanding anything to the contrary herein, to the extent that any Personal Property contains “personally identifiable information,” as that term is defined in section 101(41A) of the Bankruptcy Code, or other significant personal and confidential information that identifies any employee or customer of the Debtor, the Debtor shall remove all such information from the Premises.
6. Nothing contained in the Motion or this Order is intended to be or shall be construed as (a) an admission as to the validity of any claim against the Debtor, (b) a waiver of the Debtor’s

³ For the avoidance of doubt, the definition of Remaining Property excludes licenses, intellectual property and all forms of intangible personal property.

or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any claim against the Debtor, a waiver of any claims or causes of action that may exist against any creditor or interest holder, or (c) an approval, assumption, or adoption of any agreement, contract, lease, program, or policy between the Debtor and any third party under section 365 of the Bankruptcy Code.

7. The requirements of Bankruptcy Rule 6003 are satisfied.

8. Notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof.

9. The Debtor is authorized and empowered to take all actions necessary to implement the relief granted in this Order.

10. Notice of the Motion as provided therein shall be deemed good and sufficient and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

11. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

Exhibit 1**Lease**

#	Counterparty Name	Counterparty Address	Contract Description	Address of Premises
1.	WeWork Building Entity: 33 Irving Tenant LLC	WeWork Companies LLC, 12 East 49 th Street, 3 rd Floor, New York, NY 10017	WeWork Membership Agreement, dated December 10, 2025 (together with all amendments, supplements, addenda, exhibits, and revisions thereto)	33 Irving Place, New York, NY 10003