IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
VILLAGE ROADSHOW ENTERTAINMENT GROUP USA INC., *et al.*,[1]	)	Case No. 25-10475 (TMH)
	)	(Jointly Administered)
Debtors.	)	**Re: Docket Nos. 1018 & 1020**

NOTEHOLDER PARTIES' OBJECTION TO
<u>WARNER BROS.' STANDING MOTION</u>

[1] The last four digits of Village Roadshow Entertainment Group USA Inc.'s federal tax identification number are 0343. The mailing address for Village Roadshow Entertainment Group USA Inc. is 750 N. San Vicente Blvd., Suite 800 West, West Hollywood, CA 90069. Due to the large number of Debtors in these cases, which are being jointly administered for procedural purposes only, a complete list of the Debtors and the last four digits of their federal tax identification is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at https://www.veritaglobal.net/vreg.

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Falcon Strategic Partners IV, LP, 1397225 Ontario Limited, and the Vine Holders[1] (collectively, the "Secured Noteholders" or "Noteholders") and Wilmington Savings Fund Society FSB, solely in its capacity as collateral agent (the "Collateral Agent" and, together with the Noteholders, the "Noteholder Parties"), by and through their undersigned counsel, file this objection (the "Objection") to *Warner Bros.' Motion for an Order Granting Standing and Authorizing the Prosecution of Challenge Claims Against the Prepetition Senior Secured Notes Parties, and Certain Notes Debtors: the Derivative Rights Transferees* [Docket Nos. 1018, 1020] (the "Standing Motion")[2] filed by Warner Bros. Entertainment and its affiliates ("Warner Bros.") on behalf of the estates of the above-captioned debtors and debtors in possession (the "Debtors").

PRELIMINARY STATEMENT

1. The Standing Motion is the latest front in Warner Bros.' multipronged attack on the Debtors' restructuring process. Warner Bros. seeks to punish the Debtors' Secured Noteholders for providing tens of millions of dollars in needed bridge financing, without which Warner Bros. and other unsecured creditors may have been left with pennies on the dollar on their claims. Instead, because the Noteholders stepped up, Warner Bros. stands to recover in full on its prepetition claims under any realistic scenario.

2. Never happy to take "yes" for an answer, however, Warner Bros. demands more. It concocts hypothetical scenarios under which it may assert unspecified "damages" claims as a justification to obtain standing to bring claims that would marginally reshuffle the Debtors'

[1] The "Vine Holders" means Vine Media Opportunities – Fund III, LP, Vine Media Opportunities – Fund III-A, LP, Vine Media Opportunities – Fund III-B, LP, and Vine WestCon SPV, LP.

[2] The Standing Motion was filed under seal at Docket No. 1018, with a redacted copy filed at Docket No. 1020.

respective asset bases and, in the interim, hold these cases hostage—presumably until the Debtors acquiesce to Warner Bros.' real ransom demand: the Debtors' Derivative Rights.[3]

3. Warner Bros.' request for standing should be denied. First and foremost, Warner Bros. seeks standing to bring claims for which the relevant Debtors' estates have suffered no injury; as the Court is aware, the Debtors have established reserves that, under any realistic scenario, will allow Warner Bros.—as well as every other unsecured creditor of the Library Debtors—to receive payment in full on account of their respective claims. A party that suffers no damages lacks standing to sue.

4. Aware that the lack of harm suffered by the Debtors' estates is fatal to its quest for derivative standing, Warner Bros. dreams up a litany of hypothetical claims that it asserts are not covered by the approximately $100 million of sale proceeds currently being held in reserve for its benefit. But whatever Warner Bros.' claims might be in the world of fantasy they've dreamed up (be that *Wonka*'s chocolate factory, the *Matrix*, or elsewhere), here in reality there are none.

5. The purported challenges identified by Warner Bros. also lack merit. As explained herein, Warner Bros. cannot prevail on its alleged avoidance actions because, among other things:

- The complained-of transfers were permitted under the relevant contracts and acquiesced to by Warner Bros. years ago;

- The Noteholder Parties provided value in good faith in connection with the associated bridge financings;

- Warner Bros. has failed to plausibly allege that the Debtors were insolvent or rendered insolvent by the transactions; and

- There were no damages to the estates, as the Library Debtors have established reserves sufficient to pay their unsecured creditors in full.

[3] Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Standing Motion. As used herein, all references to sections refer to sections of the Bankruptcy Code, unless otherwise specified.

As to its attempt to avoid the liens securing the Senior Secured Notes, Warner Bros. has failed to allege even basic facts in support of its claim, as required by notice pleading standards.

6. Finally, Warner Bros. has not identified any misconduct on the part of the Noteholder Parties, as is necessary to support equitable subordination of the Noteholder Parties' claims. And even if it had, because creditors of the Library Debtors stand to recover in full, there is no "harm" for equitable subordination to remedy.

7. For these reasons, the Standing Motion should be denied.

BACKGROUND

A. The Debtors' Prepetition Operations and Capital Structure

8. As the Court is aware, a substantial portion of the Debtors' prepetition business consisted of the co-financing and co-production of feature films alongside Warner Bros. *See, e.g.*, *Declaration of Keith Maib in Support of First Day Relief* [Docket No. 2] (the "First Day Declaration"), ¶¶ 7, 26; Standing Motion ¶ 11. The Debtors' relationship with Warner Bros. was governed by numerous agreements setting forth the parties' respective rights and obligations with respect to films co-financed and co-produced by the Debtors and Warner Bros. *See* Standing Motion ¶ 11.

9. Among other things, the Debtors and Warner Bros. entered into a "co-ownership" agreement in connection with each film, each of which agreements were substantially similar in form and substance (collectively, the "Co-Ownership Agreements"). From time to time, the Debtors and Warner Bros. amended the terms of the Co-Ownership Agreements, most recently pursuant to that certain Omnibus Amendment No. 2, dated as of November 10, 2020 (the "Second Omnibus Amendment" and, along with the Co-Ownership Agreements and prior amendments thereto, the "Derivative Rights Agreements").

10. The Debtors historically financed their operations through the issuance of debt into the capital markets. Prior to the Petition Date, the Debtors' capital structure was generally divided into two separate "silos" of debt: certain asset-backed securities (the "ABS Notes") and multiple series of senior secured notes issued to and held by the Noteholders (the "Senior Secured Notes").

11. The ABS Notes were secured principally by a lien in favor of U.S. Bank National Association (the "ABS Trustee") on, among other things, the Debtors' rights to intellectual property and revenue streams associated with the Debtors' library (the "Film Library") of feature films co-financed and co-produced by the Debtors alongside their studio partners (the "Library Assets"). The Senior Secured Notes were secured by first liens on substantially all assets other than the Library Assets, including the Debtors' studio business.

12. Prior to November 2023, the Library Assets and the Debtors' rights to produce, distribute, or otherwise exploit sequels, remakes, or adaptations of the films in the Film Library (such rights, the "Derivative Rights") were owned by Village Roadshow Films (BVI) Limited ("VRF"), Village Roadshow Films North America ("VRFNA"), and certain other Debtors referred to collectively as the "Library Debtors."[4] The Derivative Rights were excluded from the ABS Notes collateral, and the agreements governing the ABS Notes generally prohibited the Library Debtors from incurring other liens encumbering their assets.

B. Warner Bros. Consents to the Transfer of Derivative Rights to VREG in Connection with $421.5 Million ABS Financing

13. In connection with the issuance of $421.5 million of ABS Notes in November 2020, certain of the Debtors and the ABS Trustee entered into that certain Excluded Assets Put and Call Rights Agreement dated as of November 10, 2020 (the "Put/Call Agreement"). Pursuant to the

[4] *See* Standing Motion, n. 6.

Put/Call Agreement, Debtor VREG was granted an option to purchase (directly or through one or more subsidiaries) the Derivative Rights associated with any films owned by VRF or VRFNA for $1, plus certain fees and costs to the extent applicable (the "Call Option").

14. Simultaneously with the closing of the ABS Notes issuance, Warner Bros. acknowledged and agreed that, consistent with the Call Option granted to VREG under the Put/Call Agreement, VRF and VRFNA could sell and assign the Derivative Rights to VREG or its subsidiaries. Specifically, Debtor Village Roadshow Pictures North America, Inc. ("VRPNA") and Warner Bros. entered into that certain Amended and Restated Motion Pictures Rights Purchase Agreement dated as of November 10, 2020 (the "Master Purchase Agreement"), governing the parties' respective rights with respect to the co-financing and production of films on a go-forward basis, including the exploitation of associated Derivative Rights.

15. Attached to the Master Purchase Agreement was a form of revised Co-Ownership Agreement which contemplated that, with respect to future films, VRF and VRFNA could assign their Derivative Rights to Debtor VREG or a wholly-owned subsidiary thereof. On the same date, the parties entered into the Second Omnibus Amendment, which amended all existing Co-Ownership Agreements between the Debtors and Warner Bros. to grant the Library Debtors the same rights of assignment with respect to all films previously co-financed and co-produced by the parties thereto.

C. As the WB Arbitration Strains the Debtors' Resources, the Noteholders Provide Additional Liquidity to Fund a Sales and Marketing Process

16. Beginning in early 2022, the Debtors and Warner Bros. became embroiled in litigation, and subsequently arbitration (the "WB Arbitration"), regarding Warner Bros.' release of *The Matrix Resurrections* and the parties' respective obligations under associated Derivative Rights Agreements. As described in further detail in the First Day Declaration and elsewhere, the

WB Arbitration weighed on the Debtors' operations and liquidity, with the Debtors incurring more than $18 million in legal fees alone prior to the Petition Date. *See* First Day Declaration, ¶ 27.

17. By Fall 2023, it had become apparent that, in light of the WB Arbitration, the Debtors' struggling studio business, and industry headwinds, a comprehensive solution to the Debtors' financial and operational challenges would be necessary. Accordingly, in November 2023, the Noteholders agreed to provide the Debtors with more than $17 million in financing (such financing and the various other transactions undertaken in furtherance thereof, collectively, the "2023 Bridge Financing") to fund the Debtors' operations while they explored strategic alternatives, subject to the Debtors providing acceptable collateral against which to lend. At the time, however, substantially all the Debtors' assets other than the Derivative Rights were subject to existing liens securing the ABS Notes or the Senior Secured Notes.

18. In order to facilitate the 2023 Bridge Financing, VREG exercised (through certain wholly-owned indirect subsidiaries) its Call Option under the Put/Call Agreement—granted three years earlier as part of the November 2020 ABS financing—to purchase the Derivative Rights from the Library Debtors in exchange for the previously agreed-upon consideration. The Derivative Rights were then pledged as collateral to secure the Senior Secured Notes issued by VREG and guaranteed by certain of the Debtors (the "Guarantor Debtors") to the Noteholder Parties pursuant to that certain Fourth Amended and Restated Note Purchase Agreement dated November 28, 2023.

19. With the proceeds of the 2023 Bridge Financing in hand, over the ensuing year, the Debtors, through their investment bankers Goldman Sachs and, later, Solic Capital Advisors, conducted an extensive marketing process for their assets.

20. By early 2025, the Debtors had determined to pursue a "free and clear" sale of their Library Assets to an affiliate of Content Partners LLC ("Content Partners") as stalking horse bidder pursuant to section 363 of the Bankruptcy Code. To fund the negotiation and finalization of a stalking horse APA and provide for a smooth landing in chapter 11, between January 21, 2025 and the Petition Date (as defined herein), the Debtors issued approximately $5.8 million of additional Senior Secured Notes to certain of the Noteholders (the "2025 Bridge Financing").

D. The Final DIP Order Sets Reserves to Pay Library Debtor Claims in Full

21. Upon the commencement of these chapter 11 cases on March 17, 2025 (the "Petition Date"), certain of the Noteholders provided the Debtors with postpetition debtor-in-possession financing (the "DIP Facility"), on the terms set forth in the *Final Order (I) Authorizing the Debtors to Obtain Post-Petition Secured Financing, (II) Authorizing the Use of Cash Collateral, (III) Granting Liens and Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, and (VI) Granting Related Relief* (the "Final DIP Order") [Docket No. 280].

22. As is customary in large chapter 11 proceedings like these, the Final DIP Order contains certain stipulations by the Debtors as to, among other things, the validity, enforceability, and priority of the Noteholder Parties' claims and liens against the Debtors and their property, as well as a waiver of any claims or causes of action against the Noteholder Parties that could be asserted on behalf of the Debtors' estates (collectively, the "DIP Stipulations" or "Stipulations"). *See* Final DIP Order ¶ E. The Final DIP Order also established a "Challenge Deadline" by which parties must assert a challenge to the DIP Stipulations, after which the DIP Stipulations would become binding on all creditors and other parties in interest. *Id.* ¶ 12(a).

23. The Final DIP Order also established two reserves (together, the "Creditor Reserves"). The first, designated as the "Warner Bros. Reserve," was set in the amount of $110

million pending the resolution of the WB Arbitration, in connection with which Warner Bros. asserts a claim of approximately $100 million against the Debtors. Accordingly, the amount in the Warner Bros. Reserve will ensure full coverage of any claims in favor of Warner Bros. arising from the WB Arbitration, if and when liquidated. The second reserve, referred to as the "Library Reserve," was set in an amount not less than $11.4 million to provide for other unsecured claims asserted against the Library Debtors. As described below, consistent with the Final DIP Order, the proceeds of the Library Assets sale to Alcon (defined below) were applied to, among other things, fully fund the Creditor Reserves.

E. Postpetition Sale Transactions and Disputes with Warner Bros.

24. After commencing these cases, the Debtors continued the sales and marketing process for their assets that had begun prepetition, in a process that was ultimately trifurcated in alignment with the Debtors' business segments: (a) the Library Assets, (b) the Studio Business, and (c) the Derivative Rights.

25. Shortly after designating Content Partners as the stalking horse bidder for the Library Assets, the Debtors received a competing bid from Alcon Media Group LLC ("Alcon") offering a higher purchase price for the Library Assets. Following several rounds of increased bids from Content Partners and Alcon, the Debtors designated Alcon as the new stalking horse bidder with a purchase price approximately $52.5 million greater than Content Partners' original stalking horse bid. The sale of the Library Assets to Alcon closed on July 23, 2025 [Docket No. 689], the proceeds from which were used to, among other things, fully fund the Creditor Reserves and repay the ABS Notes and the DIP Facility in full.

26. The Debtors then proceeded to hold an auction for the Studio Business and the Derivative Rights, with Alcon again serving as stalking horse bidder for both sets of assets. At the conclusion of the auction, Alcon was selected as the winning bidder for the Studio Business and

the Derivative Rights [Docket No. 446]. The Court approved the sale to Alcon of the Studio Business on August 26, 2025 [Docket No. 782] and the Derivative Rights (the "Derivative Rights Sale") in a *Memorandum Opinion* dated November 5, 2025 [Docket No. 1027]. On November 12, 2025, the Court entered the *Order (I) Approving the Sale of the Derivative Rights Free and Clear of Liens, Claims, Interests, and Encumbrances, (II) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith, and (III) Granting Related Relief* [Docket No. 1043] (the "Derivative Rights Sale Order"). On November 18, 2025, Warner Bros. filed a *Notice of Appeal* with respect to the Derivative Rights Sale Order [Docket No. 1047] and an *Emergency Motion to Stay Pending Appeal* [Docket No. 1048], which remains pending before the Court.

27. Throughout this time, the Noteholder Parties worked collaboratively with the Debtors and other parties in interest to support these transactions. Warner Bros., however, consistently adopted positions that hindered the Debtors' ability to move the sale process forward in an efficient manner. For example, Warner Bros. filed (a) a motion for stay relief to liquidate its arbitration claims [Docket No. 329], (b) an objection to the Library Assets sale [Docket No. 521], and (c) an objection to the Derivative Rights sale [Docket No. 912]. The Debtors, the official committee of unsecured creditors appointed in these cases (the "Committee"), and Warner Bros. engaged in a Court-authorized mediation in an effort to reach a consensual resolution of the underlying disputes [Docket No. 545], but such efforts were unsuccessful.

F. Extension of the Challenge Period and the Standing Motion

28. Over the course of these chapter 11 cases, the Noteholder Parties agreed to multiple extensions of the Challenge Deadline with respect to both the Committee and Warner Bros. [*See* Docket Nos. 460, 613, 700, 784, 895]. Each extension was granted in good faith in an attempt to facilitate additional dialogue between the parties. As a result of negotiations among the Debtors,

the Noteholder Parties, and the Committee, the parties reached an agreement in principle to settle claims identified by the Committee that could potentially be asserted by the Debtors' estates against the Noteholder Parties pursuant to a plan of liquidation. *See* October 20, 2025 Hr'g Tr. 6:15-8:6.

29. During these extensions, the Noteholders repeatedly requested additional information from Warner Bros. concerning its alleged claims and causes of action with the hope that further discussions could lead to an amicable resolution, like the one reached with the Committee. Despite these efforts, Warner Bros. declined to provide sufficient information to allow discussions to progress.

30. Having clearly reached an impasse, the Noteholder Parties declined to further extend the Challenge Deadline beyond October 31, 2025 with respect to Warner Bros. With two sales already approved, and the Derivative Rights Sale under consideration by the Court, the Noteholder Parties believed it was time to move forward towards finalizing a proposed plan of liquidation and allow the Debtors to emerge from bankruptcy. On October 31, 2025, Warner Bros. filed its Standing Motion and Proposed Complaint.

ARGUMENT

I. The Legal Standard

31. Granting a third party derivative standing to sue on behalf of a bankruptcy estate is an exception to the general rule that the debtor in possession retains exclusive authority and control over property of the estate. It is therefore appropriate only in extremely limited circumstances. *See In re Weyandt,* 544 Fed. App'x 107, 110 (3d Cir. 2013) (citing *Balt. Emergency Servs. II,* 432 F. 3d 557, 562 (4th Cir. 2005)); *Official Comm. of Unsecured Creditors of Cybergenics Corp. v. Chinery (In re Cybergenics Corp.),* 330 F.3d 548, 553 (3d Cir. 2003) (derivative standing should only be granted where the Bankruptcy Code's "envisioned scheme breaks down"); *In re Ashford*

Hotels, Ltd., 226 B.R. 797, 803 (Bankr. S.D.N.Y. 1998) ("A creditor may sue on behalf of the trustee or the debtor in possession where there are extraordinary circumstances or the trustee abuses his discretion.").

32. It is the movant's "burden in the first instance to demonstrate that it has satisfied the test for derivative standing." *See G-I Holdings, Inc. v. Those Parties Listed on Exhibit A (In re G-I Holdings, Inc.)*, 313 B.R. 612, 629 (Bankr. D.N.J. 2004). Standing should only be granted to pursue claims that will benefit the estate. *See Cybergenics*, 330 F.3d at 568-69 (a court may grant a party standing "to pursue an avoidance action *for the estate's direct benefit* rather than its own" (emphasis in original)).[5] Absent such a showing, derivative standing "is necessarily improper." *In re Redden*, No. 12-51012 (PJW), 2013 WL 5436368, at *3 (Bankr. D. Del. Sept. 30, 2013). As a result, where a debtor has "sufficient assets to pay all of its creditors in full . . . no party has standing to sue for fraudulent transfer," because such a claim cannot benefit the debtor's estate. *In re HH Liquidation, LLC*, 590 B.R. 211, 263 (Bankr. D. Del. 2018) (citing *Adelphia Recovery Tr. v. Bank of Am., N.A.*, 390 B.R. 80, 92-97 (S.D.N.Y. 2008), *aff'd*, 379 F. App'x 10 (2d Cir. 2010)).[6]

II. Warner Bros.' Purported Claims Will Not Benefit the Estate

33. The Standing Motion should be denied for the simple reason that the purported claims identified by Warner Bros. (the "<u>Challenge Claims</u>") will not, and cannot, benefit the

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[5] *See also Official Comm. of Unsecured Creditors Comm. of Debtor STN Enters., Inc. v. Noyes (In re STN Enters.)*, 779 F.2d 901, 905 (2d Cir. 1985) ("If the [movant] presents a colorable claim . . . [the] court's threshold inquiry will still not be at an end. In order to decide whether the debtor unjustifiably failed to bring suit so as to give the [movant] standing to bring an action, the court must also examine . . . whether an action asserting such claim(s) is likely to benefit the reorganization estate.").

[6] *See also In re DSI Renal Holdings, LLC*, No. 11-11722 (KBO), 2020 WL 550987, at *6 n.33 (Bankr. D. Del. Feb. 4, 2020) ("It is black-letter law that a debtor cannot invoke avoidance powers if it is the only party who stands to benefit."); *In re New Life Adult Med. Day Care Ctr., Inc.*, No. 11-43510 (NLW), 2014 WL 6851258, at *6 (Bankr. D.N.J. Dec. 3, 2014) ("[E]ven applying the broadest application of the 'benefit to the estate' requirement, there is no conceivable benefit to the estate, either directly or indirectly" where plan of reorganization provided for payment in full of all creditor claims).

Debtors' estates. That is because ***all creditors*** of the Library Debtor entities on whose behalf and for whose ostensible benefit Warner Bros. brings the Standing Motion ***stand to be paid in full*** on account of their unsecured claims. *See* ¶¶ 23, 25 *supra* (describing Creditor Reserves established to pay Library Debtor claims in full). Regardless, Warner Bros. should not be permitted to substitute its business judgment for that of the Debtors and the Committee, which have determined to settle all estate claims and causes of action through a plan of liquidation.

A. All Creditors of the Library Debtors Are Projected to Be Paid in Full

34. As courts in this jurisdiction and elsewhere in the Third Circuit have found, a debtor (or trustee or other entity suing on its behalf) lacks standing to bring avoidance actions under the Bankruptcy Code where creditors are paid in full under a plan. *See HH Liquidation*, 590 B.R. at 262-64 and cases cited in note 6, *supra*. Accordingly, Warner Bros. cannot assert the claims set forth in Counts I through IV (which seek to avoid transfers, obligations, and liens pursuant to chapter 5 of the Bankruptcy Code) or Counts V and VII (seeking associated declaratory and other ancillary relief) of the Proposed Complaint on the estates' behalf.[7]

35. No doubt aware of this, Warner Bros. in the Standing Motion concocts a variety of hypothetical and speculative claims for damages that it alleges might not be satisfied from existing reserves. None of these purported "damages" constitute valid claims against the Debtors' estates for which the Proposed Complaint could provide redress.

1. The Debtors Are Not Rejecting the Derivative Rights Agreements in Connection with the Derivative Rights Sale

36. Homing in on a single sentence in a reply filed by the Debtors five months ago in support of the Derivative Rights Sale, Warner Bros. speculates that the Debtors "may" seek to

[7] For a similar reason, Count VI of the Proposed Complaint, seeking to equitably subordinate the Noteholder Parties' claims, cannot benefit the estate because claims may only be subordinated to the extent of any harm to creditors—and where creditors are being paid in full, they cannot have been harmed.

reject certain of the Derivative Rights Agreements. Standing Motion ¶ 6. Warner Bros. alleges that, if the Debtors were to do so (something Warner Bros. vehemently denies that the Debtors may permissibly do), that “could result” in “hundreds of millions of dollars” of rejection damages claims which “are not adequately reserved” for by the Debtors. *Id.* ¶¶ 38-39.

37. Warner Bros. concedes, however, that the Debtors agreed not to seek rejection of the Derivative Rights Agreements in a stipulated order approved by the Court. Standing Motion ¶ 6. And the Derivative Rights Sale as ***actually approved*** by the Court does not in fact provide for the rejection of the Derivative Rights Agreements, but rather for their assumption and assignment to Alcon as purchaser. *See Purchase Agreement (Derivative Rights)* [Docket No 1043-1], Annex II; *see also* Derivative Rights Sale Order ¶¶ 18-25. Accordingly, Warner Bros. will have no rejection damages claims.

2. Warner Bros. Has Not Articulated a Theory of Damages Relating to **Practical Magic 2**

38. Warner Bros. also alludes to certain unspecified damages relating to what Warner Bros. alleges to be the Debtors’ improper acceptance of a project notice with respect to the upcoming film *Practical Magic 2*. Standing Motion ¶ 7. It is unclear, though (and Warner Bros. does not explain), how, even if the Debtors lacked the right to cofinance that film, the Debtors’ purported acceptance of the associated project notice would give rise to damages in favor of Warner Bros. (particularly given that the Debtors’ associated rights and obligations are being assumed and assigned to Alcon).

3. Warner Bros. Has Not Identified Valid Cure Claims

39. Finally, Warner Bros. asserts that certain agreements that the Debtors intend to assume and assign to Alcon carry significant cure costs. Warner Bros. points to two films in particular—*Furiosa: A Mad Max Saga* and *Joker: Folie à Deux*—that it believes the Debtors lack

the right to co-finance, at least without paying what Warner Bros. characterizes to be sizable cure obligations. *See* Standing Motion ¶¶ 8, 38.

40. But Warner Bros. does not point to any agreements relating to *Furiosa* or *Joker* that are being assumed and assigned to Alcon (and, to be clear, the Noteholder Parties are aware of none), without which there can be no cure costs to be paid. Accordingly, these entirely hypothetical cure costs are not relevant to determining whether the relevant Debtors' creditors will be paid in full.

* * *

41. Warner Bros. has failed to substantiate any unsecured claims that have not already been reserved for in full. In the absence of any harm to it or other creditors of the Library Debtors, Warner Bros. should not be granted standing to challenge the 2023 Bridge Financing. The Standing Motion may be denied on that basis alone.

B. Warner Bros. Seeks to Advance Its Own Interests, and Not Those of the Debtors' Estates

42. It is apparent from the Standing Motion that Warner Bros. does not seek to file the Proposed Complaint to advance the interests of the Debtors' estates as a whole. Instead, it merely wishes to further its own litigation strategy of disrupting the Derivative Rights Sale, and the Debtors' chapter 11 cases more broadly, at any costs. Indeed, throughout the Standing Motion, Warner Bros. claims to have "unique interests" in the Challenge Claims. Standing Motion ¶¶ 39, 45, 50. Insinuating that the Committee's determination not to bring the Challenge Claims cannot be trusted because its "constituents and members hold claims only against non-Library Debtors," Warner Bros. insists that it is "uniquely positioned to bring" the Proposed Complaint. *Id.* ¶ 3.[8]

[8] Ironically, because creditors of the Library Debtors stand to be paid in full, the only creditors that would benefit from the Challenge Claims would be unsecured creditors of *non-Library Debtors* (because, for example, they could, in theory, share in the value of the Derivative Rights if the Noteholder Parties' liens were avoided).

43. That Warner Bros. concededly seeks to "elevate its own interests above those of other creditors rather than enlarging the size of the estate" is plainly relevant to the question of whether to grant Warner Bros. derivative standing to assert the Challenge Claims—and strongly counsels against it. *In re George Washington Bridge Bus Station Dev. Venture LLC*, No. 20-CV-1324 (AJN), 2021 WL 568241, at *3 (S.D.N.Y. Feb. 16, 2021); *see also id.* (observing that "the bankruptcy court may consider not only whether pursuit of a claim by *some* creditor would benefit the estate, but also whether pursuit of a claim by *this* creditor would benefit the estate" (emphasis in original)); *cf. In re One2One Comms., LLC*, No. 12-27311 (NLW), 2014 WL 3882467, at *4 (Bankr. D.N.J. Aug. 7, 2014) (denying individual creditor's demand to purchase and assert avoidance actions where creditors committee and debtor had determined in their "business judgment" that "the best approach for obtaining a recovery for unsecured creditors was not a sale [of the claims], but a negotiated plan of reorganization").

44. Warner Bros. should not be permitted to advance its own interests cloaked in the guise of estate claims. The Standing Motion should be denied.

III. Warner Bros.' Proposed Complaint Fails to Allege Colorable Claims

45. The Court should also deny the Standing Motion because Warner Bros. has not identified any colorable claims in the Proposed Complaint.

46. To assess whether a claim is colorable, the court must determine if the movant "has asserted 'claims for relief that on appropriate proof would support a recovery.'" *In re G-I Holdings, Inc.*, 313 B.R. at 631 (quoting *In re STN Enters.*, 779 F.2d at 905). In many ways, "[t]his inquiry is like that of a motion to dismiss for failure to state a claim." *In re Diocese of Camden, New Jersey*, No. 20-21257 (JNP), 2022 WL 884242, at *4 (Bankr. D.N.J. Mar. 24, 2022). Accordingly, each of the movant's proposed claims must be "plausible on its face." *See In re*

Roman Catholic Diocese of Rockville Ctr., New York, 654 B.R. 212, 220 (Bankr. S.D.N.Y. 2023) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).

47. "[T]he Court is not bound to accept as true legal conclusions couched in [f]actual allegations, and threadbare recitals of elements of a cause of action, supported by mere conclusory statements, will not suffice." *Diocese of Camden*, 2022 WL 884242, at *4 (quotations omitted, citing, *inter alia*, *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) and *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007)). The Court should also "examine the facts for any dispositive affirmative defenses and may deny a motion for standing when an affirmative defense appears on its face." *Id.* (citing *In re G-I Holdings, Inc.*, 313 B.R. at 631).

A. Warner Bros. Does Not State Claims for Fraudulent Transfer

48. Warner Bros. seeks to unwind the transfers and pledge of the Derivative Rights in favor of the Noteholder Parties made in connection with the 2023 Bridge Financing as intentional or constructive fraudulent transfers, along with certain associated relief. *See* Proposed Complaint, Counts I-III, VII (seeking, respectively, avoidance of the Derivative Rights transfers as constructively or intentionally fraudulent, recovery thereof, and disallowance of defendants' claims). None of these claims are colorable, as none state a claim for which relief may be granted.

1. The 2023 Bridge Financing Cannot Be Avoided as Constructively Fraudulent

49. To avoid the 2023 Bridge Financing or its component transfers as constructively fraudulent, Warner Bros. must demonstrate that the Derivative Rights were "transfer[red] for less than reasonably equivalent value at a time when the Debtors were insolvent." *In re PennySaver USA Pub., LLC*, 602 B.R. 256, 266-67 (Bankr. D. Del. 2019); *see also* Proposed Complaint ¶¶ 55-56 (citing Delaware and California law). Warner Bros. cannot meet its burden with respect to either the transfer of the Derivative Rights by the Library Debtors to the Guarantor Debtors (the

"Derivative Rights Transfer") or the pledge of those rights by the Guarantor Debtors to secure the 2023 Bridge Financing obligations (the "Derivative Rights Pledge").

50. For starters, contrary to Warner Bros.' allegations, the Derivative Rights Transfer and subsequent pledge were not gratuitous transfers of assets for no consideration. Although Warner Bros. suggests that "the Derivative Rights Transferees [did not] receive[] reasonably equivalent value" from the Noteholder Parties in exchange for the Derivative Rights Pledge (Proposed Complaint ¶ 65), that bare allegation is contradicted by the extension of tens of millions of dollars of new money secured financing by the Noteholders through Senior Secured Notes issued to the Debtors. In fact, the Standing Motion is conspicuously silent with respect to the funds advanced by the Noteholders as part of the 2023 Bridge Financing altogether. Warner Bros. cannot credibly allege that the value provided by the Noteholders in connection with the 2023 Bridge Financing was anything less than "reasonably equivalent" to the value of the Derivative Rights pledged in exchange.

51. As explained above at ¶ 12 *supra*, the Derivative Rights were excluded from the collateral securing the Debtors' existing ABS Notes and Senior Secured Notes in anticipation of being used to secure future financings. For that reason, VREG obtained an irrevocable Call Option to cause its subsidiaries to purchase the Derivative Rights from the Library Debtors for a price in connection with the 2020 ABS Financing—an arrangement that Warner Bros. was not only aware of, but in fact consented to through the Second Omnibus Amendment. *See* ¶¶ 13, 15 *supra*.

52. Accordingly, the Derivative Rights Transfer merely constituted VREG's exercise of the Call Option granted to it in 2020, more than four years prior to the Petition Date. In order to avoid the Derivative Rights Transfer, Warner Bros. would have to show that the granting of the Call Option in connection with the 2020 ABS Financing was ***itself*** not supported by adequate

consideration.[9] *See, e.g.*, *In re Gulf Fleet Holdings, Inc.*, 491 B.R. 747, 766 (Bankr. W.D. La. 2013) (finding that payments made to satisfy existing contractual obligations were supported by reasonably equivalent value "[b]y definition" under section 548(d)(2)(A) and collecting cases). Yet the Standing Motion and Proposed Complaint do not mention the 2020 ABS Financing at all, let alone allege that such financing did not provide the relevant Debtors with reasonably equivalent value or is otherwise subject to avoidance.

53. As to solvency, the Proposed Complaint merely recites the elements of the tests for insolvency as articulated under federal and state fraudulent transfer law in support of an allegation that the Debtors were insolvent. Warner Bros. alleges no facts, however, in support of its "threadbare recitals of elements of a cause of action," which without more "will not suffice." *Diocese of Camden*, 2022 WL 884242, at *4. Warner Bros. therefore has not identified colorable claims for avoidance of the 2023 Bridge Financing as constructively fraudulent.

2. Warner Bros. Has Not Adequately Pled Claims for Actual Fraud

54. Warner Bros.' bid to avoid the 2023 Bridge Financing as actually fraudulent fares no better. The Proposed Complaint fails to allege with any particularity that the 2023 Bridge Financing was undertaken with the intention to "hinder, delay, or defraud" Warner Bros. or any other creditors of the Library Debtors.

55. "A plaintiff seeking to recover a transfer as 'actually' fraudulent, as opposed to 'constructively' fraudulent, must demonstrate that the transfer was made with actual intent to hinder, delay, or defraud the debtors' creditors." *Opioid Master Disbursement Tr. II v. Covidien Unlimited Co. (In re Mallinckrodt PLC)*, No. 20-12522 (JTD), 2024 WL 206682, at *23 (Bankr.

[9] This assumes that a claim seeking to avoid the Put/Call Agreement would not be time barred, which given applicable statutes of limitation under the Bankruptcy Code and state uniform fraudulent transfer laws, seems unlikely.

D. Del. Jan. 18, 2024). These claims must be pled with particularity in accordance with Federal Rule of Civil Procedure 9(b). *See In re CTE 1 LLC*, No. 19-30256 (VFP), 2023 WL 5257940, at *12 (Bankr. D.N.J. Aug. 11, 2023). While the Rule 9(b) standard may be "somewhat relaxed" for a bankruptcy trustee or someone standing in the trustee's shoes, "the [movant] must still comply with the 'who, what, when, where and how test' of particularity." *In re Mack Indus., Ltd.*, No. 17-B-09308, 2020 WL 6708874, at *7 (Bankr. N.D. Ill. Nov. 16, 2020).

56. "[T]he court may also consider the implications of the ***absence*** of certain badges of fraud or badges of intent to hinder or delay in the circumstances surrounding the transfer and/or evidence of a legitimate purpose for the transfer." *In re Bernier*, 282 B.R.773, 781-82 (Bankr D. Del. 2002) (emphasis added); *In re Trib. Co. Fraudulent Conv. Litig.*, No. 12-cv-2652 (RJS), 2017 WL 82391, at *13 (S.D.N.Y. Jan. 6, 2017) ("[T]he flip side of these badges of fraud is that their absence . . . would constitute evidence that there was no intent to defraud.") (quotations and citations omitted). "Indeed, the absence of several very significant badges of wrongful intent may disprove actual intent to hinder, delay or defraud." *Bernier*, 282 B.R. at 782.

57. As explained above, in connection with the 2023 Bridge Financing (and subsequent 2025 Bridge Financing) the Noteholders provided the Debtors with more than $20 million in new money financing. The proceeds of those financings were used to pay down existing indebtedness, fund the Debtors' operations, and ultimately bridge the Debtors to a chapter 11 filing with a stalking horse purchaser in hand, thereby avoiding a precipitous liquidation of the Debtors' assets at what would likely have been severely depressed prices. Far from "hindering, delaying, or defrauding" creditors, the 2023 Bridge Financing enabled Warner Bros. (and all other unsecured creditors of the Library Debtors) to recover in full on their prepetition claims.

58. Although Warner Bros. gestures at certain common law "badges of fraud" in support of its actual fraud claim, most wither upon closer inspection. Citing to Delaware and California fraudulent transfer laws, the Proposed Complaint alleges, for instance, that the Debtors "retained possession or control of the property transferred"—*i.e.*, the Derivative Rights—"after the transfer." Proposed Complaint ¶ 71(ii). Warner Bros. similarly contends that the Derivative Rights Transfer "removed or concealed" the Derivative Rights from the Library Debtors and their creditors. Proposed Complaint ¶ 71(iv). While technically true insofar that both the transferor Library Debtors and the transferee Guarantor Debtors are "debtors" in these chapter 11 cases—and that, as with any *bona fide* transfer, the transferor Library Debtors lacked access to the Derivative Rights after they were transferred—the Proposed Complaint ignores that shortly after their transfer, the Derivative Rights became encumbered by the liens securing the 2023 Bridge Financing, the proceeds of which inured to the benefit of ***all*** the Debtors (and their respective creditors, including Warner Bros.).

59. Echoing its allegations with respect to its constructive fraud claims, Warner Bros. claims that the Library Debtors did not receive reasonably equivalent value in exchange for the Derivative Rights Transfer. *See* Proposed Complaint ¶ 71(v). As explained in ¶¶ 18, 51 *supra*, VREG had obtained the right to purchase the Derivative Rights from the Library Debtors years ago as part of the 2020 ABS Financing that netted hundreds of millions of dollars of proceeds for the Debtors' estates. Moreover, Warner Bros. was on notice of the Call Option granted in favor of VREG, and in fact ***consented*** to the transfer of the Derivative Rights to VREG or its subsidiaries in connection with the Second Omnibus Amendment.

60. Warner Bros. also claims without elaboration that the Debtors were insolvent at the time of the 2023 Bridge Financing because they "did not have sufficient capital to pay their debts

as they came due in the period preceding the Petition Date." Proposed Complaint ¶ 71(vi). For the reasons discussed above (*see* ¶ 53 *supra*), Warner Bros.' conclusory statements are insufficient to plausibly allege that the Debtors were insolvent as of any particular date.

61. Just as relevant are the "badges of fraud" that Warner Bros. ***does not*** cite, the absence of which "may disprove actual intent to hinder, delay or defraud." *Bernier*, 282 B.R. at 782. Warner Bros. does not, for example, allege that the Library Debtors "absconded" after the 2023 Bridge Financing; that the financing resulted in the transfer of "substantially all the [Debtors'] assets"; or that the Library Debtors transferred their assets to a "lienor who transferred the assets [back] to an insider" of the Library Debtors. *See* 6 Del. Code §§1304(b)(5), (6), (11).

62. Nor did the Debtors attempt to "conceal" the Derivative Rights Transfer from Warner Bros. *Id.* § 1304(b)(3). If anything, the alleged "smoking gun" telephone call referenced by Warner Bros. during which the Debtors' counsel Kirkland & Ellis purportedly informed Warner Bros. of the Derivative Rights Transfer makes it clear that the Debtors did anything ***but*** conceal the challenged transfers from Warner Bros. *See* Standing Motion ¶ 42.

63. For these reasons, the Proposed Complaint fails to allege colorable claims for avoidance of the 2023 Bridge Financing and associated transfers as actually fraudulent.

3. Warner Bros.' Claims for Associated Relief Are Moot

64. Counts III and VII of the Proposed Complaint seek relief ancillary to the fraudulent transfer counts: specifically, recovery of any successfully avoided transfers pursuant to Bankruptcy Code section 550(a) (Count III) and disallowance of any claims asserted by the proposed defendants until they return property subject to avoidance to the Debtors' estates (Count VII). Each claim presupposes that Warner Bros. can successfully avoid the 2023 Bridge Financing as a fraudulent transfer (which, for the reasons explained herein, it cannot).

65. Because Warner Bros.' substantive avoidance claims are not colorable, its claims for recovery of transferred property and disallowance of claims are moot. *See* 11 U.S.C. § 550(a) (authorizing recovery of transferred property solely "to the extent that a transfer is avoided under" chapter 5 or 7 of the Bankruptcy Code); *In re Broadstripe, LLC*, 444 B.R. 51, 109 (Bankr. D. Del. 2010) ("To disallow a claim under section 502(d) requires a judicial determination that a claimant is liable."); *In re Ultimate Acquisition Partners, LP*, No. 11-10245 (MFW), 2012 WL 1556098, at *3 (Bankr. D. Del. May 1, 2012) (same).

B. The Proposed Complaint Does Not Articulate a *Prima Facie* Lien Avoidance Claim

66. Warner Bros. includes in the Proposed Complaint a five-sentence Count IV seeking to avoid the Noteholder Parties' liens on the Derivative Rights. According to Warner Bros. such rights are purportedly not "collateral" under the Senior Secured Notes credit documents "and/or" the Noteholder Parties "have failed to perfect their asserted liens, claims, and interests" therein. Proposed Complaint ¶ 80. But Warner Bros. offers no facts or analysis in support of its contentions. Without more, the Proposed Complaint's "conclusory statements" do not state a colorable claim for lien avoidance for which relief may be granted. *Diocese of Camden*, 2022 WL 884242, at *4.

C. Warner Bros.' Equitable Subordination Claims Are Not Colorable

67. The Proposed Complaint contains a similarly thin count seeking equitable subordination of the Noteholder Parties' claims pursuant to Bankruptcy Code section 510(c) on account of unspecified "inequitable conduct" by the Noteholder Parties. Proposed Complaint ¶ 89. Like other counts in the Proposed Complaint, Warner Bros.' "threadbare" allegations in support of equitable subordination fail to satisfy basic notice pleading standards. *Diocese of Camden*, 2022 WL 884242, at *4.

68. In any event, the Third Circuit has held that "before exercise of the power of equitable subordination is appropriate," the movant must demonstrate that the relevant claimant "engaged in some type of inequitable conduct" that "resulted in injury to [] creditors. . . ." *In re Winstar Commc'ns, Inc.*, 554 F.3d 382, 411 (3d Cir. 2009) (quoting *Benjamin v. Diamond* (*In re Mobile Steel Co.*), 563 F.2d 692, 699–700 (5th Cir. 1977)). As has been explained at length herein, the Noteholder Parties provided the Debtors with tens of millions of dollars of liquidity to continue funding their operations, conduct a marketing process for their assets, and ultimately achieve three sales of their assets under the Bankruptcy Code that will allow unsecured creditors of the Library Debtors to be paid in full on account of their claims. *See* ¶¶ 19-21, 24-26, *supra*.

69. Rather than ***harm*** the Debtors' estates, the Noteholder Parties have conferred an immense ***benefit*** on creditors, making equitable subordination wholly inappropriate. *See Citicorp Venture Cap., Ltd. v. Comm. of Creditors Holding Unsecured Claims*, 323 F.3d 228, 234 (3d Cir. 2003) ("Because equitable subordination is remedial rather than penal, a claim should be equitably subordinated only to the extent necessary to offset the harm suffered by the debtor and its creditors as a result of the inequitable conduct." (internal quotations and citation omitted)). And while it may be true that certain of the Noteholders qualify as statutory "insiders" of the Debtors (*see* Standing Motion ¶ 3), "it is axiomatic that insider status alone is insufficient to warrant subordination." *In re HH Liquidation, LLC*, 590 B.R. 211, 298 (Bankr. D. Del. 2018) (internal quotations and citation omitted).

70. Because Warner Bros. has not alleged with any particularity that the Noteholder Parties engaged in any inequitable conduct (or that such conduct harmed the Debtors' estates), Warner Bros. has not identified a colorable basis for seeking equitable subordination of the Noteholder Parties' claims.

IV. Warner Bros.' Reservation of Rights Is Insufficient to Preserve Other Claims Against the Prepetition Senior Secured Notes Parties

71. In addition to the causes of action set forth in its Proposed Complaint, Warner Bros. also purports to "reserve all rights" to bring a whole host of additional challenges to the Noteholder Parties' liens and claims. Standing Motion ¶ 33. These so-called "Reserved Matters" include (a) objections to the principal, interest, fees, and costs asserted by the Noteholder Parties; (b) claims against the Noteholder Parties' directors, officers, employees, advisors, and other affiliates; (c) causes of action sounding in contract, tort, or breach of fiduciary duty arising from or relating to the 2023 Bridge Financing and related transfers; and (d) the Noteholder Parties' liens and claims "to the extent inconsistent with the causes of action in the Proposed Complaint, as may otherwise be amended." Standing Motion ¶¶ 33-36. Warner Bros.' purported "reservation of rights" is ineffective to preserve its right to assert any claims—whether specifically identified by Warner Bros. as Reserved Matters or otherwise—that were not set forth in the Standing Motion and Proposed Complaint.

72. As noted, the Final DIP Order contained broad Stipulations in favor of the Noteholder Parties as to the validity, enforceability, and priority of the Noteholder Parties' liens and claims. *See* ¶ 22, *supra*. Among other things, the Debtors stipulated that the Noteholder Parties held valid claims for principal, interest, fees, and other obligations on account of the Senior Secured Notes in the asserted amounts as of the Petition Date (*see* Final DIP Order ¶ E(i)); the Noteholder Parties' liens "were valid, binding, enforceable, non-avoidable, and properly perfected" (*id.* ¶ E(iv)(a)); and that the Debtors' estates did not have any "claims, objections, [or] causes of action . . . including avoidance claims under Chapter 5 of the Bankruptcy Code" against the Noteholder Parties or their respective "affiliates, agents, attorneys, advisors, professionals, officers, directors, and employees" arising from the Senior Secured Notes (*id.* ¶ E(iv)(e)). Those

DIP Stipulations and the associated waiver of claims became binding upon all parties, including Warner Bros., except to the extent challenged by a party in interest in accordance with the provisions of the Final DIP Order on or prior to the expiration of the Challenge Deadline. Final DIP Order ¶ 12(a).

73. Notwithstanding its purported reservation of rights to do so at some uncertain point in the future, Warner Bros. lost its ability to assert any of the Reserved Matters when it failed to raise them prior to the expiration of the Challenge Deadline on October 31, 2025.

CONCLUSION

74. The Standing Motion does not satisfy the standards for derivative standing by any measure. The bankruptcy scheme has not broken down here. To the contrary, it has fostered and facilitated three sales of the Debtors' assets that have maximized distributable value and recoveries for virtually all creditors. Permitting Warner Bros. to pursue meritless claims would fundamentally impair the Debtors' ability to administer these chapter 11 cases in a coordinated fashion and emerge from these cases through an anticipated plan of liquidation. It would undercut the Debtors' careful efforts to maximize value for all of the estates' constituencies, which is what the Debtors have been focused on (and the Noteholders have funded) since the outset of these cases. Accordingly, and for the reasons described in detail herein, the Noteholder Parties respectfully request that the Standing Motion be denied.

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Dated: November 19, 2025
Wilmington, Delaware

Respectfully submitted,

/s/ Shannon A. Forshay

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CERTIFICATE OF SERVICE

I, Shannon A. Forshay, do hereby certify that on November 19, 2025, a copy of the foregoing **Noteholder Parties' Objection to Warner Bros. Standing Motion** was served on the parties listed on the attached service list via email.

/s/ Shannon A. Forshay
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