Docket #0112 Date Filed: 02/03/2026

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

IN RE:	.	Case No. 26-10910-MBK
	.	(Joint Administration Requested)
	.	
MULTI-COLOR CORPORATION,	.	
ET AL.	.	402 East State Street
	.	Trenton, NJ 08608
Debtors.	.	
	.	February 2, 2026
. . . . .	.	11:33 a.m.

TRANSCRIPT OF FIRST-DAY HEARINGS CONTINUED
BEFORE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY COURT JUDGE

TELEPHONIC APPEARANCES:

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(Proceedings commenced at 11:33 a.m.)

THE COURT: Good morning, everyone.

This is Judge Kaplan. And we'll be continuing the first-day hearings started last Friday on the Multi-Color Corp. matters. We are, again, remote, and so I'll let everybody just adjust their screens.

We had closed the record with respect to the DIP finance and cash collateral motion on Friday and we addressed the other first-day matters. My intent this morning was to read through a ruling that I had cobbled together over the weekend. But I did want to give counsel the opportunity to report back to the Court or bring up issues before I would do so.

So, again, please use the raise-hand function if you wish to be heard. And I'll emphasize, I'm not expecting continued argument, although that's always an understatement in any hearing.

So let me turn to Mr. Serajeddini, and I practiced your name all weekend, so I really hope I got it right.

Well, I'm going to wait. We're having an audio issue. So let me just check on us.

All right. Mr. Serajeddini.

MR. SERAJEDDINI: Thank you, Your Honor.

THE COURT: Now it works.

MR. SERAJEDDINI: Can you hear me okay? Great.

THE COURT: I can. Thank you.

MR. SERAJEDDINI: Okay. Great.

So good morning, Your Honor. For the record, Steven Serajeddini of Kirkland & Ellis on behalf of the debtors.

I want to start, again, by thanking Your Honor and chambers for your time and attention going late into Friday evening, over the weekend, and once again today. It's a massive imposition, but we really do appreciate it.

We noted, as Your Honor mentioned, the various first-day orders that were entered this morning. That's incredibly helpful to the business and will ease our transition into Chapter 11.

Otherwise, I want to give the Court a brief update.

(Audio interference)

THE CLERK: I don't know why it's doing this.

THE COURT: I'm going to ask you to pause again. I'm sorry, we're having problems.

We'll give it another shot. Go ahead.

MR. SERAJEDDINI: Okay. Can you hear me okay?

THE COURT: Yeah.

MR. SERAJEDDINI: Okay. Great.

So taking guidance from the Court at Friday's hearing, we worked diligently with the parties over the weekend around an agreed proposed form of order around the $45 million of financing that the Court approved on Friday. Despite the

party's efforts, we were unable to reach an agreement on a proposed form of order, Your Honor.

The DIP lenders and cash collateral banks require certain findings and rulings and the objecting parties objected to the inclusion of those rulings and ultimately the parties weren't able to agree. At the same time, though, fearing that this may happen, we worked very much closely with our fronting bank over the course of the weekend as well and believe we have a path, assuming the Court is inclined to grant the DIP order, that we can close on a very expeditious timeline today and potentially not have any delays vis-a-vis funding that needs to go out, specifically focused on the payroll overseas and making sure that that goes out on time. So we'll be ready to go, provided Your Honor rules today.

We also took Your Honor's guidance to heart with respect to the extent of the interim relief we needed and trying to limit it to what was absolutely necessary in the first instance. We looked at the budget, went through all of the specific payments that the AlixPartners and management did on a line-item basis and we're prepared, in light of the fact that the Court is willing to see us again for a final hearing on March 3rd. And we're prepared to reduce the interim funding request for the purposes of today's hearing from 150 to 125. So that would be the modification.

We're also willing, and I want to reiterate it

because I said it in my opening remarks and I didn't want it to get lost in the adversary process. I'll put it that way, Your Honor. But we will continue to work diligently with the objecting parties here between now and any future hearings to try to determine whether there's a consensual path here. That remains our goal.

Your Honor suggested the option for mediation on Friday, and we've deliberated with our clients and we would welcome mediation in these cases, provided it's on the timeline laid out that the Court approved on Friday. And we're prepared to start as soon as possible. And a lot of the back and forth you heard, including vis-a-vis unencumbered assets, I think the parties would benefit from basically showing each other all their information and trying to find common ground on what's the facts of the case as much as possible.

And then from there, trying to negotiate an agreed outcome in terms of what's appropriate and what can be accommodated by the various parties to reach a fully consensual plan. So that's our goal. And we're prepared to do that as soon as we break from today's hearing.

But for the purpose of today's hearing, Your Honor, we once again reiterate the request that the DIP order be entered in its revised form at Docket Number 65, which was filed prior to Friday's hearing, with the modification that the interim funding amount in that order be modified from 150 to

125 and any other conforming changes that are necessary to comport with any ruling Your Honor gives today. That would be our request.

And then from there, and I do want to caveat that we may need a second interim hearing to the extent our projections, because we've cut close to the bone here in terms of the interim funding amount. If for some reason we do need further funding, we reserve the right to come back with the Court and chambers and see if we can find a day for a second interim, potentially before. I understand Your Honor is unavailable the originally requested day, but potentially before that, what was imagined there. But that's something we're happy obviously to take up at the end of today's hearing to the extent it makes sense.

So with that, Your Honor, unless you have any questions for me, as I said, we once again reiterate our request that the order be entered as modified.

THE COURT: All right. Thank you.

Mr. Bennett, good morning.

MR. BENNETT: Good morning, Your Honor. Can you hear me?

THE COURT: Yes, I can.

MR. BENNETT: Okay. Thank you, Your Honor. So first of all, Bruce Bennett of Jones Day on behalf of the Cross-Over Ad Hoc Group.

Your Honor, I'm also not going to re-argue the arguments of last week. We stand by all of them. But I do feel compelled to again state that we do not consent to any proceedings going forward today in light of the fact that we are in an improper venue and we object to the continuation of the proceeding and to the entry of any orders, including an order on DIP financing, not only for the reasons that we articulated in the hearing, but also because there's no venue supporting that order.

And, Your Honor, I just want to kind of focus on how serious this is. But never mind. That would be argument. I don't want to do it.

Thank you, Your Honor.

THE COURT: Understood. And I understand the position. Thank you, Mr. Bennett.

Mr. Fleck, good morning.

MR. FLECK: Good morning, Your Honor. Evan Fleck of Milbank on behalf of the Secured Ad Hoc Group.

Your Honor, just for good order, I don't think the pro hac vice motions or orders have been entered yet, but may I be heard?

THE COURT: Yeah, absolutely.

MR. FLECK: Thank you, Your Honor. Appreciate the opportunity to speak at this point.

We heard what Mr. Serajeddini reported to the Court

with respect to the debtors' efforts over the course of the weekend with respect to the quantum of the funding. Our group stands ready to fund the full committed amount that we've agreed to as part of the RSA and related transactions at this point. We remain of the view from our vantage point that the $150 million funding at the interim stage now is what the company needs.

Obviously, we listened attentively to the colloquy on Friday about, both from Your Honor, that we should try to make sure that there's no excess, try to keep the dollar amount to just what is needed. And I think, from our client's perspective, we just want to make sure this company is appropriately funded for this period of time. And, obviously, it's an international business. It has a lot of stakeholders. The $150 million sizing was done with care by AlixPartners and others, and from our perspective, that we had gotten comfortable with that amount. So that's the amount we support.

Secondarily, Your Honor, along with considering the amount the company needs, that amount was part of a comprehensive negotiation as between our group and the other funding party, which is CD&R. To the extent that the amount that the company is seeking or the amount that the Court is prepared to approve as part of the interim funding is reduced, it's our group's position that all of the terms with respect to the financing, that's what we're prepared to support. And in

that regard, specifically, Your Honor, there was an allocation with respect to the funding, and I referred to this last week, that in response to the suggestion that this is a sponsor DIP, but I push back on that because I don't think that's accurate.

Approximately 85 percent or more of the funding under the DIP is coming from our client and not from the sponsor. But to be clear, Your Honor, to the extent that the amount of the funding is going to be reduced to any extent, 150 to 125 or any other number, we would like to have the original economic transaction that we signed up for remain intact. And what that means is that, for us, we are still prepared to fund our share of that, which would be approximately $128 million on the same terms that were contemplated in the original motion.

So that's our position. To the extent that Your Honor would approve an amount that's less than 150, I would suggest that it be subject to discussions among the funding parties as to allocation with respect to this draw.

THE COURT: All right. Thank you, Mr. Fleck.

Mr. Moss, I see your hand.

MR. MOSS: (No audible response)

THE COURT: Oh, you need to put on your mic.

MR. MOSS: Good morning, Your Honor. Joel Moss from Cahill Gordon & Reindel.

Solely speaking as to the amount of funding, we obviously are supportive of the larger funding coming in as

that will minimize the debtors' use of cash collateral and minimize any potential diminution claim of the estates. So agree with Mr. Fleck on that and support solely that aspect. Couldn't agree more with him on that one.

THE COURT: All right. Thank you.

Mr. Dahl, good morning.

MR. DAHL: Good morning, Your Honor. For the record, Ryan Preston Dahl on behalf Latham & Watkins for the CD&R entities.

I would also reiterate the support for the larger DIP funding. At the end of the day, it is my clients' and Mr. Fleck's clients' and Mr. Moss's clients' collateral that is at risk here. And for an international business to try to "just get by" on cash is never a good idea. And I don't mean to say that to undermine the thoroughness or the integrity of the analysis that the company's advisors have taken.

But not unlike water with a house on fire, you never want just enough for that. But I would also note that if Mr. Fleck's implication is his clients no longer stand by the commitments and the undertakings that they've made through the RSA, I'm sure that's not what Mr. Fleck meant to say. Hopefully, we never have to address that. But I would note that the incremental ratable allocation that we're talking about amongst the lenders is in the grand scheme of things, with a minor point, but not something that we need to get into

today. But we appreciate Your Honor's time, but we, again, advocate for the full amount of the DIP balance, given the criticality of the funding of this business.

THE COURT: All right. Thank you.

Good morning, Mr. Stancil.

MR. STANCIL: Good morning, Your Honor. Mark Stancil for the Excluded First Lien Lenders.

Just to briefly reiterate, so I'm not leaving something unreiterated that we're all reiterating this morning, the pro rata objection stands. That is our central problem. We don't see a basis for, if they think they need the roll-up, we don't see a basis for excluding our right to challenge that after the fact. And I've heard basically nothing on that.

And we do reiterate and join Mr. Bennett's venue objection, and in particular, the overlap between those are, I think, is substantial. We pointed, Your Honor, to a decision from the Bankruptcy Court in Delaware that is directly contrary to their position here. And they said, well, this isn't Delaware.

Venue matters, Your Honor. But we'll stand on our objections.

Thank you.

THE COURT: All right. Thank you.

Mr. Moss, would you like to reiterate something now?

MR. MOSS: (No audible response)

THE COURT: Mr. Bennett, how about you?

Do you want to reiterate something?

MR. BENNETT: (No audible response)

THE COURT: Can you all not hear us?

THE CLERK: Okay. Mic here has been stuck for a while. I would put us on mute real quick.

(Court muted 11:48 a.m. to 11:52 a.m.)

THE COURT: Try this.

Works?

MR. SERAJEDDINI: Yes.

THE COURT: Sorry folks. Technology at its finest.

I think I left off, we heard from Mr. Stancil. We heard from Mr. Fleck. I see Mr. Bennett wishes to probably reiterate something now that everybody's reiterating.

I'll give you a chance, Mr. Bennett. Good morning, again.

MR. BENNETT: Good morning, again, Your Honor.

I'm not going to reiterate. I want to point out that something very remarkable is happening here.

Lenders that claim this is really risky and that there are (audio interference) --

THE COURT: Oh --

THE CLERK: (Indiscernible)

THE COURT: Do the test again.

I'm here. Not to worry.

MR. BENNETT: I am supporting the debtors and noting that we are at an interim hearing. At an interim hearing, the maximum amount that can be approved is what the debtors need. And the idea that just because the secured creditors want to put more money in and get a bigger roll-up and have agreements among themselves that need to be adjusted, that's quite irrelevant.

The maximum the Court can authorize is the debtors' need.

THE COURT: Thank you, Mr. Bennett.

I assume you all can still hear me.

Anyone else wish to address this topic?

(No audible response)

THE COURT: Otherwise, what I'm going to do, I somewhat passively on Friday sat through about six hours of testimony and argument. And I'm going to ask for your indulgence this morning. It won't nearly be as long. But I'd like to read through a ruling. I don't think it's impacted necessarily by what's been put on the record this morning.

Grab a cup of coffee, get comfortable, and we'll address other matters subsequent to my reading the ruling. I'm anticipating about 20 minutes or so.

Thank you.

Among the remaining matters before the Court is the debtors' motion for approval of the debtor-in-possession

financing, authority to use cash collateral and related relief in connection with the restructuring support agreement, as well as the objections raised by certain excluded secured lenders, the Cross-Holder Ad Hoc Group, and a limited objection by the office of the U.S. Trustee.

Today is a continued hearing from the initial hearing held last Friday, the 30th, in which the Court authorized a limited emergent DIP funding and use of cash collateral in the amount of up to $45 million. The Court has jurisdiction over this matter pursuant to 28 U.S.C. Sections 157 and 1334. And while venue has been challenged by certain parties for purposes of this motion, based on the record to date, the Court finds venue as proper in this district, subject to a reservation of rights to further challenge venue.

The matter constitutes a Court proceeding under 28 U.S.C. Section 157(b). The Court enters this ruling for the purposes of affording the debtors interim relief, subject to a final ruling at a final hearing scheduled as of now for March 3, 2026. The Court has considered the full record of these Chapter 11 cases, including the declaration of Garrett Gabel, the declaration and related testimony of Eric Koza, the declaration and related testimony of Brent Banks, all exhibits annexed to the declarations, as well as the exhibits offered by the Cross-Holder Group annexed to the declarations of Brendan Hayes and Benjamin Rosenblum, along with argument of counsel

and the applicable law.

In addition to the evidentiary record, the Court has considered the arguments and information presented at the first-day hearing, and since we're having technical issues, I'm going to ask those, when you can stop hearing me for some reason, start waving and let us know, so I save my breath.

The Court has considered the arguments and information presented at the first-day hearing through the debtors' first day presentation and the presentation submitted by the Cross-Holder Ad Hoc Group. These presentations reinforced and clarified the record with respect to the debtors' capital structure, liquidity constraints, and the competing narratives regarding the proposed DIP financing.

The debtors' presentation emphasized the scale and complexity of the debtors' global operations, the deterioration in operating performance following the COVID-era surge, and the resulting liquidity crisis that precipitated the Chapter 11 filings. The Court finds that the evidence regarding the debtors' workforce, global footprint, customer relationships, and capital structure support the conclusion that uninterrupted access to liquidity is essential to preserve going concern value and avoid immediate disruption.

By contrast, the Cross-Holder Ad Hoc Group's presentation focused primarily on the asserted existence of unencumbered assets, the alleged impropriety of the roll-up

feature, the availability of non-priming alternative DIP financing, and venue and process-related objections. The Court has carefully considered these arguments, but finds, as will be discussed, that they do not outweigh the demonstrated necessity, feasibility, and overall benefits of the RSA-backed DIP facility.

The Court issues the following findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and 9014.

Generally, based on the evidence presented, I find that the debtors exercised sound business judgment in entering into a restructuring support agreement and the related DIP financing. The RSA is supported by a substantial majority of the debtors' first lien secured lenders and by the equity sponsor. It provides immediate and necessary liquidity, materially de-leverages the debtors' balance sheet, and is paired with a viable prepackaged Chapter 11 with defined milestones.

The record demonstrates that this transaction preserves the debtors as a going concern and maximizes value for the estates. Specifically, the Court finds and determines that the debtors came into this Chapter 11 with approximately $4.8 billion in secured funded debt and $1.15 billion in unsecured funded debt. Both the unsecured debt and the secured debt are supported by guarantees from the same entities.

Evercore, debtors' proposed financial advisor

estimates that the total enterprise value of the reorganized debtors are between 2.9 billion and 3.4 billion on emergence, assuming an effective date of May 31. Assuming debt of 2.6 billion on emergence, Evercore estimates the reorganized debtors' equity value lies somewhere between 300 million and $800 million.

The proposed RSA transaction is supported by holders of approximately 72.3 percent of the debtors' first lien secured debt and by the debtors' equity sponsor, CD&R, reflecting broad consensus in favor of restructuring. The debtors seek approval of up to $657.5 million senior secured DIP financing facility from first lien lenders, which includes $250 million of immediate new money separated into two fundings of 150 million and 100 million. Today, that's been reduced initially to $125 million as opposed to the 150 million.

A $250 million roll-up of pre-petition first lien debt on a one-to-one basis, a $7.5 million DIP backstop premium, and up to $150 million in additional new money loans. The new money DIP loans would be paid in full on emergence with the roll-up DIP loans exchanged for new debt. The DIP loans would be backstopped by a plan sponsor and certain members of the Secured Ad Hoc Group, and 30 percent of the DIP commitments would be allocated to the DIP backstop parties on a pro rata basis. All first lien lenders can participate in the debt facility and are entitled to fund 70 percent of the DIP

commitments.

To secure the DIP financing, the debtors propose to grant a priming first priority lien on all first lien collateral and unencumbered assets, a junior lien on all ABL collateral and any assets subject to permitted prior liens, and subject to the entry of a final order, a lien on all avoidance and recovery action proceeds.

The Court finds, consistent with the unrebutted testimony, that this financing is necessary to fund ongoing operations, preserve relationships with customers and vendors, and administer these Chapter 11 cases. Without the liquidity infusion provided by the DIP facility, there will be insufficient cash on hand to continue operating and risk material attrition and business disruption.

The DIP and RSA are coupled with a fully negotiated prepackaged Chapter 11 plan and defined case milestones which the debtors contend will result in an approximate $3.9 billion reduction on the debtors' net funded debt, reduce annual cash debt service by $350 million, preserve the debtors ability to operate as a going concern, ensures continuing relationships with trade creditors and customers, and as argued by the debtors, reflect a strong signal to the marketplace regarding the debtors liquidity and operational stability.

Additionally, the RSA-backed restructuring provides the reorganized debtors with more than $550 million of exit

liquidity and a maturity runway of approximately seven years. The Court credits the testimony and declaration of Eric Koza of AlixPartners regarding the debtors' liquidity needs, cash flow forecasting, and the necessity of immediate access to the DIP facility and cash collateral.

Mr. Koza credibly establishes that substantially all available cash constitutes cash collateral, that absent the DIP facility, liquidity would be exhausted within the first week of these cases, and that failure to approve the financing would result in immediate and irreparable harm to operations, vendor relations, and going concern value.

The Court also credits the testimony and declaration of Brett Banks of Evercore regarding the debtors' financing process and market process. Mr. Banks established that the debtors and their advisors conducted an extensive, arms-length and good-faith marketing and financing process involving existing lenders, the Cross-Holder Ad Hoc Group, and multiple third parties.

The Court further finds that the marketing and negotiation process, when viewed in its totality and under the exigent circumstances facing the debtors, was reasonable and that the process yielded no viable alternative financing proposal, which provided comparable overall deleveraging and a credible path to emergence. With regard to the concerns and objections raised by the Cross-Holder Group, that its competing

finance proposal was given little or no consideration given that the debtors had executed already the RSA at the time it was engaging with the Cross-Holder advisors, Guggenheim, these concerns ignore the fact that no RSA or DIP proposal is operable without bankruptcy Court approval, and up until such time such approval is given, the debtors, together with its advisor Evercore, has a continuing fiduciary obligation to solicit and explore all other financing alternatives.

Indeed, as counsel for the Cross-Holder Group recognized during argument, this Court has significant discretion in approving such financing. The Court further rules that the debtors have satisfied their burden under Section 364 of the Bankruptcy Code to demonstrate that the debtors-in-possession financing contemplated by the RSA is necessary to preserve the value of the estates and to avoid immediate and irreparable harm.

The terms of the DIP financing were negotiated in good faith and at arm's length, fall within the sound exercise of the debtors' business judgment through the vetting and review of the competing finance proposals by professional advisors as well as the disinterested board members and a special committee. In this regard, objectors challenge the exercise of such business judgment by the Special Committee and the disinterested directors contending that the application of the business judgment standard should be displaced by the

Delaware corporate governance standard of entire fairness given the alleged conflicted position of those charged with making the ultimate decisions and the lack of information and consideration with respect to the potential recoveries for certain lenders arising from the roll-up.

Firstly, apart from the argument and conjecture, there is nothing in the record to evidence any conflicted positions or actions on the part of the disinterested directors or Special Committee. Furthermore, while the testimony confirms that Mr. Banks did not review with the Special Committee and disinterested directors the specific range of potential dollar recoveries due to the roll-up, there is nothing in the record that suggests that the board was unaware that a roll-up of $250 million was part of the finance package.

Indeed, quite the opposite and certainly nothing in the record to evidence that additional information regarding the specific dollar breakdown for individual secured creditors would have deterred the Special Committee in assessing the proposal in its totality, as the Court previously described, from making its overall recommendation. To suggest otherwise, again, would be mere speculation.

The record further establishes that the RSA-backed transaction represents a strong overall financing and restructuring alternative available to the debtors, approval of which falls well within the reasonable exercise of the debtors'

business judgment and satisfies the Third Circuit standards applicable to the approval of DIP financing. The Court further finds that the debtors properly exercised their business judgment in rejecting the alternative proposal advanced by the Cross-Holder Ad Hoc Group as the alternatives did not meet all of the collective stakeholders' significant restructuring aims.

With respect to the Cross-Holder's competing proposal, debtors' CRO Mr. Gabel, in his first-day declaration, acknowledges that a proposal submitted in late January of 2026 would have reduced debt by approximately $450 million and given the debtors a two-year liquidity and maturity runway. The debtors also rejected a proposal from the Cross-Holder Group for a 350 million to $500 million new money DIP facility secured by a junior lien on ABL collateral and by a first lien on the debtors unencumbered property.

Notwithstanding that this proposal offered a non-priming facility with less fee exposure in the short term and no roll-up component on a larger size junior DIP. The record establishes that it lacked broad secured lender support, was not coupled with a feasible exit proposal, and risked delay for these proceedings while leaving the debtors with no guaranteed pathway to address the now greater leveraged debt.

While it is true that Section 364 does not require a debtor to condition entry into a DIP facility on such facility's connection to a proposed plan of reorganization,

that section poses no bar to a debtor incorporating the benefit of a guaranteed exit facility into its calculus in assessing the financing proposals.

In reaching this ruling, the Court has carefully considered the objections filed by the Cross-Holder Ad Hoc Group and the Excluded First Lien Lenders. Each objection was reviewed in detail against the evidentiary record, the declarations submitted, the arguments of counsel, and the applicable provisions of the Code.

The Cross-Holder Ad Hoc Group primarily challenges the DIP facility and the restructuring support agreement on a statutory, structural, and fairness grounds. Among other things, the Cross-Holder Ad Hoc Group contends that the DIP facility fails to satisfy Section 364 of the Bankruptcy Code because a non-priming alternative is available, that the involvement of the equity sponsor requires application of an entire fairness standard, that the roll-up of the prepetition debt improperly reallocates value from unsecured creditors, that certain fees and backstop premiums are unjustified, and that the financing constitutes an impermissible sub rosa plan.

The Court rejects these arguments. With respect to the requirements of Section 364(d)(1), the Court respectfully disagrees with counsel's construction on its implementation. A constrained reading of this section, along with Section 364(c), which would require a debtor actually to forego financing based

on a consensually subordinated or primed lien on existing encumbered assets in favor of a financing secured by unencumbered assets available to other stakeholders, is to this Court value destructive and would produce policy adverse results.

This Court reads the mandates of Section 364(d)(1) as designed and intended to protect the interest of existing unwilling lien holders and can certainly be subject to their waiver and consent. Here, the exhaustion of Section 364(c) opportunities is of less import given that the policy concern of protecting unwilling secured creditors is absent.

Continuing, based on the record, the Court finds that the debtors conducted a good faith and reasonable financing process under exigent circumstances and that there is no basis in the Code or the evidence presented which requires the application of the entire fairness standard or any other higher level of scrutiny apart from the debtors' proper exercise of business judgment.

The alternative proposal advanced by the Cross-Holder Ad Hoc Group, while considered, did not provide comparable certainty of execution, did not carry sufficient lender support, and was not, as I said, coupled with a viable executable Chapter 11 plan. The Court further finds that the DIP facility does not impermissibly dictate plan terms but instead provides a necessary framework to stabilize the

debtors' operations and preserve enterprise value during these cases.

The milestones and covenants are customary and reasonable in light of the debtors' liquidity constraints and the restructuring posture. Moreover, while disputes regarding the precise scope and extent of the prepetition liens may exist, those issues are not required to be conclusively resolved at the interim DIP stage. Likewise, many of the challenges raised reflect confirmation issues which can and will be addressed at confirmation and all parties' rights are expressly reserved in that regard.

With respect to the roll-up and associated fees, the Court finds that these provisions were integral components of the overall financing package and were negotiated in good faith. The record supports the conclusion that a roll-up, based on a one-to-one ratio which is well within market, was necessary to secure critical lender participation and to avoid a liquidity crisis that would have jeopardized the debtors' operations. The Court is cognizant of the math and that a roll-up may produce a significant pro rata uplift for certain lenders, dependent upon collateral valuation.

However, this recovery cannot be viewed in a vacuum and the debtors properly exercises its business judgment when analyzing the cost and benefits of the roll-up in totality with the benefits of the entire DIP and guaranteed exit financing.

Notwithstanding, the Court does have some concerns given that based on the information set forth in the disclosure statement and discussed on Friday in testimony, which information reflects that total first lien claims face a recovery in the range of approximately 42 to 50 percent, dependent on collateral valuation, and that the extent and value of the collateral securing these claims remain unresolved.

I believe it was the Third Circuit in Tribune which reaffirmed that bankruptcy law is a rough justice that requires balancing the interests of the parties in a case. While in balancing the debtors' business judgment in favor of financing package offering the noted long-term benefits against the added recoveries for certain lenders produced by the $250 million roll-up in a possibly under-secured environment, the Court is unwilling to approve the roll-up in its entirety. Rather, the Court authorizes today a roll-up total of $125 million, which includes the advances already authorized.

In addition, the Court will defer approval of one-half of the 3 percent backstop fee pending the appointment of a committee, if a committee is such appointed, and further argument by interested parties at the final hearing on March 3rd. The Excluded First Lien Lenders object primarily on contractual grounds, arguing that the roll-up and DIP participation structure violate the pro rata sharing provisions

of the pre-petition intercreditor and credit agreements and improperly lock in disparate plan recoveries.

The Court acknowledges these concerns but finds they do not warrant denial of the DIP facility. The Court's approval of the DIP financing does not constitute a final adjudication of any contractual disputes among lenders, nor does it foreclose the ability of parties to raise appropriate arguments in a proper forum to the extent those issues remain justiciable.

Any further interim or final order entered in this matter will expressly reserve the respective rights of the excluded and other lenders to pursue available contract rights and remedies. For purposes of interim and final approval of the DIP facility, however, the Court finds that the financing satisfies the requirements of Section 364 and reflects a sound exercise of the debtors' business judgment.

To the extent any of the objections contend that the DIP financing or RSA improperly dictate plan terms, forecloses creditor participation, or constitutes an impermissible sub rosa plan, I reject those arguments. The financing provides the necessary framework to stabilize operation and preserve value and does not improperly lock in plan outcomes.

Accordingly, having weighed all the objections and arguments, the Court concludes that the DIP facility and related relief are appropriate, necessary, and in the best

interest of the debtors' estates. The debtors' motion for approval of the DIP financing, the authority to use cash collateral and related relief is granted as modified by the Court. The debtors are authorized to proceed in accordance with the terms of the Restructuring Support Agreement and the DIP financing documents. Counsel may submit an order consistent with this bench ruling.

All right. Well, that was a mouthful, so let me clarify.

It was the Court's intent to approve what was requested by the debtors today on an interim basis, the use of $125 million, leaving for a further and final, either another interim hearing, or a final hearing approval of the balance of the negotiated financing proposal. The Court is approving at this juncture only a roll-up of $125 million. And the Court will authorize payment of the backstop premium of one-half of the 3 percent against one-half of the 7.5 million, subject to further allowance at the final hearing.

Is there anything I can address among the parties? And I'm fearful of asking this --

MR. SERAJEDDINI: Not from us, Your Honor, we appreciate it.

THE COURT: -- with respect to the DIP ruling?

Mr. Bennett.

MR. BENNETT: Your Honor, thank you for your ruling.

We will be filing a notice of appeal immediately after the order is docketed. In that connection, would the Court be willing to certify that your order may be directly appealed to the Third Circuit pursuant to 28 U.S.C. Section 158(d) and Bankruptcy Code Section 8006?

THE COURT: Not without hearing further argument on that issue, on the appropriateness of direct appeal. I would listen to parties argue about the appropriateness of a direct appeal.

I do want to discuss where we go from here.

We have venue issues to discuss. Bear with me one second.

Actually, if we may take -- just bear with us. Let me take a five-minute break. I'll come back in five minutes.

(Recess at 12:18 p.m./Reconvened at 12:25 p.m.)

THE COURT: All right. I am back. We are back. Certain faces are back.

Thank you. I'll just give you an opportunity.

All right. So apart from issues relative to final hearing, there are issues that have been raised with respect to venue. And while we have a final hearing scheduled for March 3rd, I think it's important that we resolve the venue issue in advance of that.

I'm not cognizant of what you all need as far as discovery, if you need discovery. I know parties should be

able to brief it in more depth and we would address the issues in more depth.

So, I am scheduling a hearing on the venue motion for February 25th. It's Wednesday. I can do this at 11:30. I'm trying to accommodate some people maybe on the West Coast and not make it so early. We would do it at 11:30.

I'm not sure what testimony or witnesses would be, but I think you all need to look into it more. So what I would ask is any submissions, in other words, I would ask for the debtors to file a written response to the motion by Thursday the 19th and a reply could be filed by close of business on Monday the 23rd. And, of course, interested parties would all make submissions as appropriate, as well, in that time frame.

I would hope you all will meet and confer and discuss what your discovery or needs. The Court is available on an informal basis to have a call if there are issues.

In that same vein, I had mentioned this at the Friday hearing. I often have found, and you all have far more experience, success in certain situations with mediation. I think mediation is beneficial, but I think it's beneficial in this case early before dollars are spent on adversary proceedings, on litigation, and I'm going to direct the parties to go into mediation. It could last a half a day or a day, but to get you all down there and talking about your respective concerns and issues.

So in that regard, I'm going to ask that, and when I look at the mediation parties, in my mind, and I'll hear from anybody who wants to touch on this, it involves obviously the debtors, the sponsor, the Secured Ad Hoc Group, the Excluded Lenders, and the Cross-Holder Group. Now, I don't know if ABL or agents have to be involved, but those would be the mediation parties subject to agreement by the parties or a mediator.

I'm going to ask by close of business on Wednesday, this Wednesday, which is the 4th -- well, I'm going to ask that the parties meet and confer about if you can agree on a mediator that you would want the Court to reach out for. You can't always get an agreement on a mediator, I recognize that. So I would ask that by the close of business on Wednesday, and at this point, I would ask basically it's the Cross-Holder and Excluded Lenders versus the proponents of the financing, to each give three names to the Court, to email it to the Court directly, and the Court would choose from those names.

I'm hoping you can reach an accord on an individual. I always make the plea don't further burden a sitting judge, but that's always a possibility although it's always hard to get scheduled. Timing is important. And I think before we get too far down the road, we need to know if there's a chance at a consensus. If there isn't, there isn't. And we'll move forward with everybody's respective rights to make whatever arguments are appropriate. But I think it's better to address

this at the outset.

So is there anyone who wishes to raise any concerns or issues or anything else for today?

Mr. Serajeddini.

MR. SERAJEDDINI: Nothing further from us, Your Honor. We appreciate the Court's respective rulings and no issues from the debtors' perspective.

We will urgently submit to Your Honor the proposed DIP order consistent with Your Honor's findings and the modifications made today. And our number one focus for today will be to ensure that the funding occurs and then from there, Your Honor, we will, as I said, turn our attention to these variety of matters that Your Honor has raised and that are going to be our concern going forward, which is to do what we can to build consensus in these cases.

THE COURT: With respect to the language of the order, if there are concerns by the objecting parties as to the language, I assume they have what you're proposing. You've had it back and forth over the weekend. Please get those concerns down to my chambers as quickly as possible so I have time to address this this afternoon.

MR. SERAJEDDINI: Will do so, Your Honor.

THE COURT: All right.

MR. BENNETT: (Indiscernible), something, Your Honor.

THE COURT: All right. Thank you.

Thank you, counsel. Thank you, again, for your patience, and stay well. Take care.

MR. BENNETT: Thank you, Judge.

MR. SERAJEDDINI: Thank you, Your Honor.

(Proceedings concluded at 12:32 p.m.)

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C E R T I F I C A T I O N

I, Karen K. Watson, court-approved transcriber, hereby certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, and to the best of my ability.

/s/ Karen Watson DATE: February 3, 2026
KAREN WATSON, AAERT CET-1039

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