UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

IN RE:	.	Case No. 25-23630-MBK
	.	
	.	Clarkson S. Fisher U.S. Cthse.
UNITED SITE SERVICES,	.	402 East State Street
INC., et al.,	.	Trenton, NJ 08608
	.	
Debtor.	.	February 25, 2026
. . . . .	.	11:30 a.m.

TRANSCRIPT OF DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING THE BACKSTOP COMMITMENT AGREEMENT, (II) ALLOWING CERTAIN OBLIGATIONS THEREUNDER AS ADMINISTRATIVE EXPENSES AND (III) GRANTING RELATED RELIEF [DOCKET NO. 199], COMBINED HEARING REGARDING APPROVAL OF DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN

BEFORE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY COURT JUDGE

TELEPHONIC APPEARANCES:

For the Debtor:	Milbank LLP By: DENNIS F. DUNNE, ESQ. DANIEL PORAT, ESQ. DANIEL McCARTHY, ESQ. 55 Hudson Yards New York, NY 10001
For OMJ LLC:	Greenbaum, Rowe, Smith, et al. By: DAVID L. BRUCK, ESQ. P.O. Box 5600 Woodbridge, NJ 07095
For the U.S. Trustee:	Office of the US Trustee By: SAMANTHA LIEB, ESQ. JEFFREY M. SPONDER, ESQ. One Newark Center, Suite 2100 Newark, NJ 07102
ECRO:	Linda Brakel

Proceedings recorded by electronic sound recording, transcript produced by transcription service.

I N D E X

EXHIBITS		ID.	PAGE EVD.
D-1	Lee Declaration Docket 290	12	13
D-2	Kelly Declaration Docket 322	12	13
D-3	Robbins Declaration Docket 323	12	13
D-4	Robbins Declaration Docket 199-1	44	45

THE COURT: Okay. Good morning, everyone. It's Judge Kaplan and I'll be hearing the United Site Services, Inc. matters. Let me just make sure, if somebody can give me a thumbs up, so you can hear me. Perfect. We'll take what we can get early on.

All right, as this is a remote hearing, solely remote, I'll ask those who wish to be heard, remind them to please use the raise hand function and we'll make sure we bring you on. Otherwise, we are set to go and I will look to debtors' counsel.

MR. DUNNE: Thank you, Your Honor. For the record, it's Dennis Dunne of Milbank LLP on behalf of United Site Services and its affiliates in these cases. I'm joined in the virtual courtroom today by two of my colleagues, both named Daniel, Dan Porat and Dan McCarthy. They will handle a portion of the hearing after my opening remarks.

First on that score, Your Honor, I wanted to convey on behalf of the company, the advisors and presumably all the stakeholders in the case, our gratitude to the Court and chambers for accommodating a few last minute scheduling changes related to this hearing, as well as all the work the Court and its staff has expended over the course of these cases that has allowed us to be in the position we are today, which is on a virtually fully consensual plan.

We have just one kind of plain vanilla objection from

the US Trustee's Office to deal with and one housekeeping matter, and again for the record, we're here today to approve a few things. For the Court to consider our request to approve the disclosure statement, confirm the reorganization plan and approve the backstop motion.

The disclosure statement and backstop motion are uncontested. With respect to the plan, as I indicated at the first day hearing, Your Honor, we were hopeful that we could settle with CastleKnight and bring them onboard before the confirmation hearing and we did exactly that. Mediation with Judge Drain succeeded. Huge thanks to Judge Drain for his efforts and for the Court's good judgment in selecting him to serve as the mediator.

As a result of mediation, CastleKnight is no longer objecting and supports entry of the confirmation order. I will explain in a few minutes, Your Honor, the changes that were incorporated into the plan to effectuate the terms of that settlement with CastleKnight.

But with CastleKnight having settled, we were left with two filed objections, only one of which is still live today. The remaining live one was filed by the US Trustee. It's an objection we've seen many times and I suspect Your Honor has dealt with it as well. The US Trustee is objecting to the release and exculpation provisions of the plan.

We also received an objection from a former landlord,

OMJ, who alleges it has a claim of approximately a million dollars. I believe we have resolved the objection as well on the following terms. The company will engage in settlement discussions with the former landlord. If we cannot reach a settlement he can choose that this Court adjudicate the claim and the plan provides that the allowed amount of such claim would be paid in full.

With respect to a run of show this morning, Your Honor, I propose to provide with the Court's indulgence, a brief update to the Court and the parties on the phone on developments that are occurring since the first day hearing, as well as certain of the salient revisions to the plan and then I'd cede the podium to Mr. Porat to walk the Court through the changes to the various documents, the plan and the confirmation order, introduce the evidence and hopefully demonstrate compliance with the Section 1129 requirements and then deal with the remaining US Trustee's objection.

If that's okay with the Court, I can go over the terms of the settlement and the accomplishments of the case.

THE COURT: That would be fine, but let me just turn -- I do see Mr. Bruck, counsel for OMJ, appearing. In case he wants to address the settlement and maybe doesn't want to stay for the rest of the show. Let me hear from Mr. Bruck.

MR. BRUCK: Thank you. Thank you, Your Honor. Mr. Dunne has accurately stated the discussions that have been had

between myself and counsel to the debtor and OMJ was concerned, first of all that in fact its rights and, contractual right, equitable rights, legal rights were all preserved under the plan and would survive confirmation and I'm appreciative of the fact that the debtor has amended the confirmation order to make that perfectly clear.

There were also discussions between myself and Mr. Porter of Milbank yesterday in which debtors' counsel agreed in order to expedite the processing of the OMJ claim against the debtor that they would put me in touch with a representative of the reorganized debtor shortly after the effective date for us to either negotiate the resolution of the claim or that we would be free to bring that matter before Your Honor or before any other court with competent jurisdiction.

So, I'm appreciative of debtors' counsel's responses to the objection and with that the objection of OMJ's is withdrawn. Thank you.

THE COURT: Thank you, Mr. Bruck. I appreciate your efforts and cooperative spirit. Mr. Dunne, why don't you give us an update.

MR. DUNNE: Sure and I'll brief here, Your Honor. The Court will recall that during the first day hearings we set out the reason for the filing of these cases and our hoped for objectives for the Chapter 11 cases and I believe we've kind of met all of those objectives. The plan, if confirmed, would

drastically reduce the company's overall debt burden, eliminating approximately $2.4 billion in funded debt.

The plan also contemplates and requires and has received commitments of more than a billion dollars in new money. That billion dollars of new money can be divided principally into three buckets. Bucket Number 1 is equity financing, $480 million. The other two buckets are debt financing term loans of an additional $300 million and a refinancing of the ABL and the revolving loans for another $300 million and now with CastleKnight onboard, the plan has massive support.

We have no one objecting to the core transactions at the heart of the plan and with the Court's assistance and greatly helped by the orders entered earlier in these cases, the company was able to enter into Chapter 11 and conduct its business with little to no operational disruption or degradation to the enterprise. Everything went as seamlessly as we frankly could've hoped and thanks again for the Court's efforts there and guidance.

Let's turn to the CastleKnight settlement. At the first day hearing, Your Honor, recommended the parties try mediation. Hugely beneficial suggestion. Mediation was a resounding success. It resulted in a full settlement and placed us on a glide path for this virtually uncontested confirmation hearing and credit again to the Court for

proposing mediation and a special thank you to Judge Drain who was able to push the parties to consensus relatively quickly.

One technical housekeeping point, and the Court may recall this, because mediation also settled CastleKnight's DIP objection, many of the settlement terms have been approved by the Court as part of that final DIP order, but here's how the plan has been revised to reflect the settlement terms with CastleKnight. Holders of amended term loans will receive approximately $10.5 million of cash. That amount, Your Honor, is unchanged from the amount provided for in the original plan that we filed at the commencement of the cases.

In addition, they will receive $14 million of take-back debt, which will be accomplished through a cashless upsizing of the exit facility. Also, payment of the post-petition interest at the non-default contract rate, running from the petition date to the earlier of the plan effective date and we hope the plan effective date will be this Friday, but it runs through the earlier of the planned effective date and March 31st.

If somehow, and I think this is a really negligible possibility, but if somehow the case lags past March 31, the amended term loan would instead receive post-petition interest commensurate with its relative proportion to other first lien debt. That's the 1.8 percent that the Court heard a lot about at the first day hearing and as we initially proposed in the

first DIP order.

CastleKnight will participate on account of its second out holdings as a backstop commitment party for the equity rights offering and as commitment party for the exit term loan facility. CastleKnight will also be entitled to certain minority protections under the government's documents and will have its legal fees covered up to $750,000. In exchange for that consideration CastleKnight has agreed to withdraw its DIP objection, which Your Honor knows, and all the potential objections to the plan and to vote to accept the plan, so all good news.

As a result of all of this, Your Honor, the company is on track to emerge from bankruptcy on the time line that we had proposed at the outset of these cases. That in and of itself is a huge success and frankly isn't any of these large Chapter 11 cases when you're able to maintain the original time line. It's frankly a testament to all the stakeholders focus and tireless effort to resolve remaining disputes and to finalize all of the documents.

As the Court will recall, we commenced these cases with a prepackaged plan in hand and as part of the first day relief the Court entered a scheduling order, which while that scheduling order did not shorten any notice period, it provided the company, the Ad Hoc Group and other stakeholders with confidence regarding the likely overall time line.

We did move the confirmation hearing back from its originally scheduled date and thanks again to the Court for accommodating that. That additional time allowed the Ad Hoc Group, who will be the new equity owners of the reorganized business to conduct and complete certain diligence, including with respect to a tax item and now complete we're ready to move forward and push forward towards the exit.

Importantly, Your Honor, while confirmation is occurring slightly later than originally planned, the company never ceased progressing the various emergence related work streams. Finalization of the exit, financing documents, corporate government's documentation and the like. As a result, the company and the Ad Hoc Group are still targeting the same emergence date as originally proposed, namely, Friday, February 27th, two days from now.

We hope and expect to emerge this week, provided the Court obviously enters the confirmation order and overrules the US Trustee's objection, which we hope the Court does today. Speaking of the US Trustee's objection, it is the only one remaining and it's very familiar. The objection to the release is an exculpation and has become something of standard fare in these larger Chapter 11 cases. It's certainly one that we've seen and dealt with in many cases.

I'll let my colleague, Mr. Porat, argue the objection and the law. I just wanted to assure Your Honor that we're not

trying and have not crafted anything novel or aggressive here. The form of the release and exculpation provisions have been used in countless other cases, both by our firm when we've served as company counsel and by other law firms. It has been approved by this Court and other courts on multiple occasions and we hope the Court does so again.

And, Your Honor, that brings me to the close of my remarks and in sum I'll just say, this is really a red letter day for the company. It has achieved the goals of the leveraging within its initial time frame and is poised to emerge this week from Chapter 11 with a streamlined balance sheet. And so unless the Court has question for me, I'm happy to cede the podium to Mr. Porat to go through the evidence, the 1129 requirements and the objection.

THE COURT: Thank you, Mr. Dunne. I appreciate the update for the benefit of the Court and I wanted to express my appreciation to, first and foremost to, Judge Drain. He did a spectacular job. I don't know how he makes money if does it so quickly.

(Laughter)

THE COURT: But that's for him to --

MR. DUNNE: Good point, Your Honor.

THE COURT: -- to resolve. But I also wanted to express my appreciation to the professionals for all the stakeholders who participated in good faith in pursuing their

respective rights, but in reaching an accord. It's always pleasing to a court, you take a lot of burden off the Court when the parties can reach a sensible resolution and we'll address all the issues. Thank you. Mr. Porat, good morning.

MR. PORAT: Good morning, Your Honor. It's still morning I see.

THE COURT: Yes.

MR. PORAT: So, that's good. So for the record, Daniel Porat of Milbank LLP for the debtors. I'll cover the disclosure statement and plan including responses, the response to the objection. I'll start with the evidence housekeeping though.

So we submitted three declarations in support of confirmation. We have the declaration of James Lee, which sends out the voting results and tabulation procedures, which is at Docket Number 290. We have the declaration of Chris Kelly, which supports the confirmation factors at Docket Number 322 and we have the declaration of Avi Robbins on the valuation analysis at Docket 323. Each declarant is on the line right now and available for cross examination if needed. So at this time we would as that the Court admit each declaration into evidence please.

THE COURT: All right, let me ask, are there any objections to these three declarations coming in as evidence?

(No audible response)

THE COURT: Hearing a seeing no one the Court accepts the declaration in as evidence. We'll mark Mr. Lee's declaration as D-1, Mr. Kelly's declaration as D-2 and Mr. Robbins' declaration as D-3.

MR. PORAT: Thank you, Your Honor.

THE COURT: Thank you.

MR. PORAT: So, as the Court knows, the debtors are seeking final approval of the disclosure statement and confirmation of the second amended plan. As Mr. Dunne explained, the plan is a product of extensive good faith engagement among all stakeholders and we believe represents the value maximizing outcome.

That's evidence by the fact that nearly every voting class virtually unanimously supported the plan and virtually all creditors eligible to vote in each one of those classes did in fact vote in support of the plan and at this time there's not a single economics stakeholder that is opposing the plan.

So, I will address the one remaining objection from the US Trustee, but you know, given the overwhelming support for the plan here, I wasn't planning to retread how all of the statutory requirements for approval of the disclosure statement and confirmation of the plan are met, which of course is all fully set out in our briefing, but I'm certainly happy to do so if Your Honor would find helpful.

THE COURT: No, the Court has reviewed the debtors'

memorandum in support of confirmation. The Court will rely on those representations and its findings as well as obviously the specific bindings that will be incorporated in any order confirming the plan. So, that suffices, thank you.

MR. PORAT: Okay. Thank you, Your Honor. So, I'll also just note that there have been two amended -- the plan has been amended twice since the original version that was filed at the -- on the petition date. The first time was -- which was filed in advance of an objection deadline, was primarily to reflect the CastleKnight settlement that Mr. Dunne just described.

We also made some changes there to address a potential objection by the SCC, which fortunately resolved that objection and then the plan was more recently amended just to incorporate, you know, informal comments that we received from stakeholders, but really no showstoppers. We've obviously filed red lines in each case and I'm happy to address the changes, but otherwise I'm ready just to proceed to responding to the US Trustee's objection.

THE COURT: I think we can just move forward to the US Trustee's objection. Thank you.

MR. PORAT: Okay. Thank you, Your Honor. So, regarding the US Trustee's objection. The US Trustee did meet with us regarding his objection and we were able to resolve some of the issues and as always, we believe appreciate how

constructive the US Trustee is in working with us on that. There do remain some open issues. They primarily relate to the releases and relate and provisions of the latest, so not just the injunction. I will cover those in turn, but I will try to be efficient since this is all laid out in our briefing and frankly the concerns here are well trotted and I'm sure the Court is familiar with a lot of these issues.

So, I'll start with the releases. The US Trustee objects to both the debtor release and to the third-party release. Regarding the debtor release, courts consistently approved debtor releases that have been agreed to as part of settlement.

Here the releases are absolutely essential to the restructuring deal that was struck as part of the RSA and then also as the deal that was struck as part of the CastleKnight settlement through mediation. And, again, as I've mentioned and as we keep trumpeting, but just it bears mentioning again. This is a case with virtually unanimous voting support and with general unsecured creditors riding through and getting paid in full.

So, in the debtors' business judgment, which is the standard that applies here, agreeing to provide these releases, agreeing to enter into the settlement in exchange for this tremendous support was an easy decision and release here, including the release parties, is structured consistent with

how this Court and courts in the circuit have typically -- with the release structures that are typically been approved. We're not doing anything exotic here with the release structure.

Regarding the third-party release, as often been pointed out, the Supreme Court decision in Purdue, which the United States Trustee relies on, goes out of its way to state that it is not making a decision on whether or not opt out releases are consensual and then every court since that decision and really before the Purdue decision, including in the Fifth Circuit where there non-potential releases were always prohibited, has found that opt out releases are consensual and therefore consistent with the decision under Perdue and this has been held time and time again including two days ago in this district in the Pretium case.

So, again, courts have consistently found that opt out releases are totally consensual so long as parties have received sufficient notice of the plans release provisions and have the reasonable opportunity or have a reasonable opportunity to opt out.

Here, in our case the opt out mechanism was reasonable and appropriate and really just wholly consistent with the mechanism that is used in so many other cases. The consequences of not opting out were clearly described on the ballot and the notice of the nonvoting statuses that were sent to each creditor subject to release or potentially subject to

it.

Furthermore, the third-party release language is copied conspicuously and clearly in bold lettering in both the plan and the disclosure statement. And then just to sort of to put a point on it as further evidence of the fact that we think it was quite clear what the consequences of opting out or not opting out were.

We had, as was reflected in Mr. Lee's voting report, hundreds of opt outs actually in this case, so I think that's sufficient evidence that people were able to read the ballot or read the notice and go and check the box that they in fact wanted to not give the release and not receive the release and by the way, Your Honor, I'm just go into issue after issue. If you have any questions just feel free to let me know.

THE COURT: I will. Thank you, Counsel.

MR. PORAT: The next issue that the US Trustee raises is the injunction provisions that relate to the releases that are effectively designed to preserve the releases. This includes an objection to injunction and that is before the releases, but also the gatekeeper provision that requires parties seeking to assert a claim as potentially released under the plan to first go to the bankruptcy court for a determination as to whether that claim is in fact released.

So, it seems clear to us that if the Court finds that the releases are appropriate and orders those releases then the

Court certainly has the authority to issue an injunction that's enforcing its own order on the gatekeeper specifically in that regard. The bankruptcy court really has the best understanding of the facts and the circumstances of the case and the conditions surrounding its own order and just to the best understanding of the restructuring process generally.

So from our perspective it's really quite natural and just judicially efficient for the bankruptcy court to be the first court to interpret it's own order and I think it's also just worth noting in our case, the second amended plan and that gatekeeper provision I referenced, does not have or does not require the bankruptcy court to make any determination of colorability, which is sometimes an issue with respect to gatekeepers. We don't have that here. All we have is that -- all we're really looking for is the bankruptcy court to be the first forum to apply and interpret its own order.

Next, the US Trustee objects to the exculpation provision. We understand though that from the US Trustee's papers that that objection is just limited to an assertion that exculpation applies outside the period between the effective date and the petition date, which the US Trustee asserts is the only period for which exculpation can apply.

We don't get to get into that question and so I won't belabor it because our plan just simply does not say that exculpation would apply outside of that period. The

exculpation language that is in the plan, it's at Article 8(f) for the record on Page 67. The plan, and it's actually quoted in, you know, verbatim in the US Trustee's objection.

It says, and I'm quoting here in relevant part, "Based on any act for omission occurring on or after the petition date through the effective date." That language cabins the rest of the exculpation provision. So, you know, I don't know how we could be much clearer than that, that is time limited in that way, so I will just leave that issue at that point.

THE COURT: Let me ask this question. Is there -- does there continue to be an issue regarding application of the exculpation to non-estate professionals or is there an agreement on limiting the applicability to the estate fiduciaries and their professionals?

MR. PORAT: So, and I'll let the US Trustee respond, but from our perspective our understanding is this is the only objection to the exculpation provision and that there is no issue.

THE COURT: All right. Well, I'll here from Ms. Lieb. Thank you.

MR. PORAT: Okay, so that actually brings me to the last issue, which is the debtors' request for a waiver of Rule 320(e), which would otherwise stay the confirmation order for 14 days. As Your Honor knows, at the first day hearing, and

also as Mr. Dunne just reiterated, this case has really been predicated on emerging at the end of February, at the end of this month, which is Friday, and we've dedicated a lot of resources to meeting that goal.

Now, I can't sit here and make an absolute assurance that we will definitely be out by Friday, but that is achievable and as we've noted people have been working in the background to make sure that we are ready for emergence. And if it doesn't work out that we emerge on Friday, we expect that we'd be emerging very shortly thereafter.

Were as a further delay of two weeks, which is what the US Trustee is asking for here, it very likely creates additional problems for the business. That's because the longer we stay in bankruptcy, the more case cost we're going to generate, including for example, if you just look at the docket there are list of stay motions that we wouldn't have to deal with if we were able to get out of bankruptcy.

That's just one of probably several other costs that would just be incurred by staying in longer and then in addition the debtors have been messaging to their stakeholders, to their -- to trade kind of parties, vendors, customers, but also financing counter-parties that we expect to be out by the end of the month.

And so what we're really tying to avoid creating any kind of additional operational fiction, especially at such a

critical time where, you know, the debtors are going to emerge with this, you know, deleveraged and looking to implement their post-emergence business plan.

So in sum, we think this is really an appropriate case for granting of the 320(e) waiver. Yes and so really with that, I told Your Honor that I would be efficient. So, unless Your Honor has any questions, I think we'll rest on our papers here and submit that the US Trustee's objection should be overruled.

THE COURT: You held to your word. Thank you, Counsel. Ms. Lieb, good morning.

MS. LIEB: Good morning, Your Honor. Let see.

THE COURT: There you are.

MS. LIEB: Okay, you can see me. Yes.

THE COURT: All right.

MS. LIEB: Sorry, I'm having some technological difficulties.

THE COURT: No problem.

MS. LIEB: So I am here today with my colleague, Jeffrey Sponder, who is appearing on Zoom as well.

THE COURT: Oh, okay.

MS. LIEB: Yes. The US Trustee filed an objection to the debtors' amended plan at Docket Number 257. We discussed some of our potential objections with debtors' counsel ahead of filing the objection, but we were unable to resolve all issues.

We've reviewed the second amended plan filed at Docket Number 291 and the related filings. The second amended plan addresses some of the US Trustee's objections, but however there are multiple open issues that we would request that Your Honor rule on.

The first is the third-party releases in Article 8(e). The US Trustee understands and appreciates Your Honor's prior rulings in New Rite Aid and other recent cases. However, the US Trustee respectfully submits that the third-party releases are non-consensual. The US Trustee will largely rest on our written objection for our argument on this point, but we'd like to draw the Court's attention to a recent decision by the U.S. District Court for the Southern District of New York in the Gol Linhas case.

The district court there found that under federal law and state contract law consent cannot be inferred by silence absent rare exceptions not applicable to third party releases and a plan. Here nonvoting classes and voting classes that do not opt out are deemed to consent to the third-party releases. Accordingly, we respectfully submit that the third-party release provision should not apply to creditors who failed to vote since there's not an affirmative duty to vote on the plan or to opt out of the releases.

Additionally, while the debtors removed the reference to Rule 9019 and Article 8(e), the language in the second

paragraph still provides that the third-party releases are a good faith settlement and compromise, which is basically Rule 9019. That clause of the second paragraph should be removed.

Second, as to the debtor releases in Article 8(d), the US Trustee maintains his objection that the debtor releases of abroad, specifically the definition of released parties includes individuals and entities that are unknown, so it is not possible to determine that there was adequate consideration in exchange for the releases. Additionally, the second amended plan allows estate fiduciaries to receive a release from debtors and exculpation, which is not supported by the Delaware Bankruptcy Court's Zenith Electronic's decision.

Further, similar to the third-party releases, while the debtors removed the reference to Rule 9019 and Article 8(d), the language in the second paragraph still provides that the debtor releases are a good faith settlement and compromise, which again is basically a paraphrase of Rule 9019. That clause of the second paragraph should be removed.

Third, the US Trustee similarly objects to the exculpation provision in Article 8(f) as overbroad. While the exculpation provision is temporally limited to activities that happened between the petition date and the effective date, it references significant pre-petition activities, including the negotiation of the RSA, the restructuring, the 2024 transactions and the 2024 transaction documents. Exculpation

can only be provided to estate fiduciaries and Article 8(f) could be read to include pre-petition acts or omissions by parties that are not estate fiduciaries.

Further, the reorganized debtors should not be exculpated as they do not come into existence until the effective date, which has not yet occurred. Accordingly, we respectfully request that the Court narrow the language in Article 8(f) to remove references to the RSA, the restructuring, the 2024 transactions and the 2024 transactions documents and also remove the reorganized debtors from being exculpated.

Fourth, we acknowledge Your Honor's prior decisions concerning gatekeeping injunctions. Here the gatekeeping injunction is in the final paragraph of Article 8(g) and it should not be allowed as it would forbid parties from suing each other on acts and omissions that are released or exculpated under the plan without first getting leave of this Court.

The debtors removed the language that the Court would need to determine that the claim is colorable, but the Court would still retain exclusive jurisdiction to make a determination of whether to allow or forbid the litigation to proceed. We respectfully submit that this injunction should be removed. It is a pre-filing injunction that expands the Barton doctrine, in addition releases an affirmative defense. It can

be raised and adjudicated by the appropriate forum at the appropriate time.

We don't think that it makes sense for the bankruptcy court to retain exclusive jurisdiction over those types of post-confirmation matters or to the defenses before a complaint has been filed. We would respectfully submit that the final paragraph of Article 8(g) should be removed.

Fifth, the US Trustee maintains its objection that the debtors request the waiver of the 14 day stay in Rule 3020(e). Article 12(a) provides that upon consummation the terms of the plan will be immediately effective and enforceable and binding on the parties. Although references to waivers under Rules 3020(e), 6004(h) and 7062 were removed in the second amended plan, Mr. Dunne indicated that the effective date will likely be this Friday, February 27th.

If consummation occurs on the same date as the effective date then the debtors are actually receiving a waiver of those rules. We request clarification whether the debtors accept consummation to occur on Friday. If so, then the removal of the rules does not change the effect that the debtors seek a waiver of the rules.

As such, it appears that if consummation is to occur prior to the 14 days from the entry of the confirmation order, we would request that language be provided that such order is not effective and enforceable until the 14 days after it's

enter. And again, we're not asking for the two weeks, the two weeks is the requirement that's in the Bankruptcy Rules.

Sixth, the US Trustee objects to the inclusion of the settlement satisfaction release and discharge language that appears for each class of claims throughout Article 3 and the settlement related language in Article 4(a). Specifically we objected to the term settlement in this phrasing because the plan does not represent a settlement with all claimants if they're nonvoting parties and parties that did not agree to the RSA.

Additionally, not all creditors have agreed to release their claims. The US Trustee proposes that these provisions in Article 3 should more simply state that holders of claims are exchanging their claims in full and final satisfaction of such claims.

Additionally, we would request the Article 4(a) be amended to state that certain out of the provisions of the plan are compromises and settlements of certain claims, interest or causes of action and that all distributions shall reflect certain of the settlements and compromises.

Seventh, the US Trustee objects to Article 3(e), which provides that a class is deemed to accept the plan if no votes are cast and the class is eligible to vote. While we object to this language generally, we note that our objection is moot as there is an impaired accepting class.

Eighth, the revision to Article 12(l) appears to presuppose that all of the debtors' cases but one can be closed. The language in the second amended plan was revised to provide that the reorganized debtors may at any time seek to close the remaining Chapter 11 case in accordance with the Bankruptcy Code and Bankruptcy Rules. We just want to make sure that a motion is filed to close cases pursuant to Section 350 of the Bankruptcy Code and that all rights are reserved to object to such a motion.

Ninth, although not raised in the filed objection, we request that Article 12(c) regarding statutory fees be revised to provide that the reorganized debtors and/or the disbursing agent are jointly and separately liable for paying any and all statutory fees and filing post-confirmation quarterly reports.

Finally, Your Honor, we have not had sufficient time to review the proposed confirmation order filed at Docket Number 324. The US Trustee reserves all rights to comment on the confirmation order and will provide comments to debtors' counsel following today's confirmation hearing. Thank you, Your Honor.

THE COURT: Thank you, Ms. Lieb. Mr. Porat, do you wish to respond to any of the itemized concerns?

MR. PORAT: Well I'll say, Your Honor, I mean there's a few things I could respond to. I think a lot of the responses would be duplicative of the presentation that I made

earlier, but if -- so I can hit a few points if Your Honor had questions or things that you would like us to focus on. I'm happy to start there.

THE COURT: Well, it's my intention to rule on the -- well, I'll call it the bigger picture items. If there are language issues that ultimately with respect to the confirmation order that the parties can agree upon that resolve certain of the language issues after I enter and offer my bench ruling.

I would appreciate the parties to still meet and confer on language. I don't think it's productive to try to go over what's acceptable language now at this stage. I think the parties can continue to have a dialog in reviewing language concerns, but I'll address the larger issues and I'm happy to hear if you have any more specific concerns on the larger issues or responses.

MR. PORAT: I guess just to respond to just a couple of things just because I didn't address them in my initial presentation and they were raised. First, in the context of the -- or the references to characterizing portions of the plan as a settlement. The debtors -- I don't know how you could say otherwise. At the core of the plan is a settlement that was struck with all the debtors' stakeholders.

A settlement was the outcome of the mediation that Your Honor suggested and so the releases -- I didn't raise this

earlier because we view the question of whether some of the transactions or some of the treatment reflected here, reflects the settlement is just implicit in what we are seeking to have approved in connection with the releases, but in our view, these are absolutely settlements that should be characterized as such.

And then second, the US Trustee argues that the reference to related to parties in the debtor release is overbroad, because some of those parties are unknown. That's simply just doesn't track with practical reality of what we're asking for here. We're talking about releases for institutions for organizations, which was made up of people who only actually take action out in the world via their agents.

So, when we use the definition related parties, we are just trying to pick up the agents of the institutions that are the release parties and it would just sort of entirely gut the release if the institution got the release, but not their agents. Including for indemnity, but just for other reasons as well.

And I'll also address on the exculpation provision. Again, I just want to reiterate that the language we think is quite clear that it's time limited to the period between the petition date and the effective date and Ms. Lieb references the 2024 transactions or the RSA and, yes, there were pre-petition negotiations of the RSA. The 2024 transactions

obviously happened pre-petition. It doesn't mean there's not some theoretical post-petition connection to those activities that should be entitled to exculpation. So we would submit that the language that we already be included there is totally sufficient.

And then sort of some of the other issues that were raised were moot. I won't get into it, but we -- the closing of the cases, but I think with that, I think we'll rest unless Your Honor has any further questions for us.

THE COURT: All right. Thank you, Counsel. Does anyone else wish to be heard before the Court enters a ruling?

(No audible response)

THE COURT: All right, I guess it's my turn. I'll ask for everybody's indulgence. It seems that it's quite common to reference bench rulings in future -- in memorandum supporting and opposing confirmations. There's always a recitation of what courts have done in the past.

So, knowing that even though this is a bench ruling, it may -- the Court's holding may be referenced in future pleadings. I'm going to be a little bit more specific than normally done in a bench ruling, so I'll ask everybody's indulgence and patience.

So, the debtors, United Sites Services, Inc. and its affiliates seek entry of an order approving the adequacy of a disclosure statement and confirming their second amended joint

prepackage plan of reorganization under Chapter 11. The matter is presented as a combined hearing. Also there is a request to approve the existing backstop motion.

The disclosure statement includes financial projections, liquidation analysis, valuation analysis, risk factors, tax consequences and confirmation standards. The Court finds that there has been compliance with Section 1125 and 1126, including pre-petition solicitation requirements. Supplemental financial information, as requested by the SEC was also filed as required by law. The disclosure statement is thus approved.

The plan implements a comprehensive balance sheet restructuring, reducing funded debt by approximately $2.4 billion and raising up to $1.75 billion in new capital. The transaction includes a fully financed backstop for $480 million, equity rights offering, a $300 million exit term loan facility and approximately $295 million in exit asset based revolving credit facilities.

Prior to the filing the debtor entered into a restructuring support agreement with major creditors and although one creditor, CastleKnight Management LP, initially objected, Court directed mediation resulted in a settlement providing revised classification and negotiated treatment of certain term loans. The Court again thanks retired Judge Robert Drain for his extraordinary efforts.

Following the settlement all voting classes, meaning second out claims, amended term loan claims and unsecured funded debt claims accepted the plan unanimously in both number and amount. The Court has considered the three declarations admitted into evidence, that of James Lee, Chris Kelly and Avi Robbins.

With respect to the accepted and unrebutted testimony of Chris Kelly, the managing director at Alvarez and Marsal who serves as the financial advisor and which provides supporting evidence regarding feasibility, best interest and good faith. The Court views that such testimony is confirming that the plan reduces the funded debt by approximately $2.4 billion and raises up to $1.75 billion in new capital, including the equity rights offering and the exit terms.

The testimony further supports the findings the Court makes under 1129(a)(3), (a)(7) and (a)(11). Specifically Mr. Kelly testifies that the negotiations were arms lengths and reflect months of restructuring discussions. The plan resolves disputes through the CastleKnight settlement and maximizes stakeholders value.

Mr. Kelly further references the liquidation analysis and demonstrates the creditors will be recovering more under the plan than in a Chapter 7 liquidation scenario. Mr. Kelly further confirms that consistent with 1129(a)(11) that the projections reflect sustainable leverage and adequate

liquidity. That exit financing provides operating flexibility and working capital. He further opines that reorganization is not likely to be followed by liquidation or further restructuring.

The declaration confirms that the claims are properly classified and treated equally within the classes and the testimony confirms that the CastleKnight settlement, while modifying treatment of certain term loans, it does preserve recoveries for other classes. Mr. Kelly characterizes the settlement as reasonable and value enhancing.

The Court concludes that the plan is both fair, equitable and also feasible and in the best interest of the estates. The Court further considered and accepted the testimony through the declaration of Avi Robbins, a partner at PJT, who provides valuation evidence supporting feasibility and fair treatment of creditor classes.

Specifically the Robbins declaration confirms that there's an enterprise value estimated at between $900 million and $1.32 billion using comparable company analysis, discount of cash flow and precedent transactions with a midpoint enterprise value of $1.125 billion. Equity value is estimated a $500 million to $950 million after accounting for the projected debt.

Mr. Robbins declaration further confirms that the valuation supports sustainable leverage levels post-emergence

and demonstrates reorganized entity enterprise valuation materially exceeds the projected funded debt of approximately $430 million with projected cash of $30 million.

The exit ABL and revolving credit facilities provide additional liquidity to support operations and working capital post-emergence. The projected deleverage capital structure and liquidity runway further support a finding that reorganization is not likely to be followed by a liquidation or further restructuring.

The Court adopts the recitation as to the satisfaction of all other 1129(a) and 1129(b) requirements that have been set forth in the debtors' memorandum in support of confirmation and so finds that all the requirements under 1129(a) and (b) have indeed been met.

Turning to the remaining objections, which are limited to those objections filed by the US Trustee. The US Trustee raises multiple objections including the propriety and consensual nature of the third-party releases, the breadth of the plan injunction to the extent it enforces the releases, a gatekeeping component of the injunction that requires this Court to determine before litigation proceeds whether a claim is released, the scope of the plans exculpation, the request for the 14 day -- to waive a 14 day stay of the confirmation order under Bankruptcy Rule 3020(e) and language describing certain aspects of the plan as a settlement, including earlier

references to Bankruptcy Rule 9019.

With respect to the debtor releases the Court concludes that the debtors have indeed established that the releases are appropriate under applicable Third Circuit standards including the factors often applied to debtor releases under the Zenith case and are supported by the record as being fair, reasonable and in the best interest of the estates, particularly given the stakeholder support in the absence credible claims warranting exclusion.

The debtors' supporting memorandum outlines in depth the broad scope of the proposed releasees contributions to the reorganization and the effect and the Court will refrain from another recitation at length, but rather incorporates and adopts in total the debtors' arguments in this regard.

With respect to the third-party releases. Ms. Lieb is correct. The Court has addressed this in multiple cases, but for clarity I'm going to again relay the Court's position in detail. The UST takes the position that the opt out mechanism provided under the proponent's plan is insufficient under Purdue and applicable state law to support consensual third-party releases under a plan.

The US Trustee is well aware of this Court's views and that as expressed in prior cases, such as BlockFi, Bed Bath and Beyond, Invitae, the two Rite Aid cases and more recently the Powin Electric. To be clear, this Court's position has not

changed and joins the other courts in this district, the circuit and the 93 other districts, which do approve the use of informed opt out procedures to reflect consent to propose consensual releases under Chapter 11 plans.

Indeed, in the District of New Jersey our courts have been rather uniform in recognizing opt out provision as fundamentally fair and consistent with due process and applicable bankruptcy law. This Court respectfully disagrees with the parties and my thoughtful colleagues on the bench in other district that offer I had a questionable policy reasons or challenges to the use of opt outs as being contrary to state law.

I will incorporate my reasoning and comments from past decisions, but add the following. Just as Ms. Lieb noted, the recent decision our of the district court in New York, I wish to refer all parties to the recent decision on February 12th, 2026 by Judge Lee Rosenthal issued in the in re Container Store Group matter, which emphasized that the appropriateness of opt out third-party releases is governed by federal bankruptcy law, not state contract doctrines.

Confirmation authority arises under 11 USC Section 1129 and the enforceability of plan provisions is evaluated under federal statutory standards, constitutional due process principals and controlling circuit precedent. Indeed in my prior rulings I also addressed the argument and made clear this

Court's view that a Chapter 11 plan is a federal judgment, not a contract. That confirmation under Section 1141(a) binds all creditors including nonvoting, dissenting, or silent ones and that courts have repeatedly emphasized that a Chapter 11 plan is a federal court order not merely a private contract with state law consent requirements.

Applying state law would destroy uniformity. If state contract doctrines controlled creditors in 50 states would be subject to different assent requirements. For instance, some states require affirmative signatures. Some treat silence as acceptance only in limited circumstances. Some impose heightened waiver standards for releases. The result would be a nonuniform unmanageable Chapter 11 landscape violating the uniformity requirement inherent in the Bankruptcy Code.

Releases are validate proof of federal judicial review, not state contract formation principles. We you look to due process standards. We look to reasonable notice. The opportunity to opt out or object and fairness in the process. Due process does not require affirmative dissent -- assent, meaning a signature, nor does incorporate state standards of consent.

A bottom line for this Court is that there's a strong policy argument also that supports the use of an opt out mechanism. How to best protect those very disinterested

creditors who don't read their mail. Often Chapter 11 plans will offer some measure of monetary incentive to creditors who grant third-party releases.

Creditors who ignore the plan process may indeed miss out if they are required to opt into the very -- to opt in. So, the very constituency that the UST wishes to protect, may fare worse in an opt out process, all in the name of providing them with and opportunity to bring a law suit, which in reality they are highly unlikely to pursue.

The Container Store decision underscores that consent in the bankruptcy contact is not determined by traditional bilateral contract formation principals, but rather by whether creditors received constitutionally adequate notice and a meaningful opportunity to do, decline participation in a release. That's the operative inquiry as procedural fairness under federal law.

Judge Rosenthal articulated that silence may constitute consent where the disclosure was clear, conspicuous and specific. The opt out mechanism is straight forward and not burdensome and the evidentiary record demonstrates that creditors were informed of the consequences of non-response.

This framework derives from federal due process requirements, meaning notice reasonably calculated to apprise interest parties of the action and afford them the opportunity to object. In a bankruptcy context this standard is applied to

plan releases as part of the confirmation process.

Applying the federal law analysis in this matter, the Court finds that the debtors' opt out structure satisfies constitutional and statutory requirements. The release provision were prominently disclosed, the ballots included a clear marked opt out election and distributions were not conditioned on granting releases. The solicitation record demonstrates individualized service, tabulation of opt out elections and the preservation of creditor autonomy.

Under federal bankruptcy law these procedure establish meaningful consent. The Court therefore concludes that the opt out third-party releases are appropriate under federal bankruptcy law and are supported by due process, statutory authority and controlling circuit precedent.

With respect to exculpation, the Court notes and adopts the debtors' limitation of the exculpation period to ask for omissions occurring on or after the petition date through the effective date, reflecting the time when the relevant parties are subject to this Court's jurisdiction. With that temporal limitation and other negotiated narrowing reflected in the plan and the order confirming the plan, the proposed order, the Court finds the exculpation provisions appropriately limited.

The Court notes further that there was no statutory requirement or controlling precedent mandating that exculpation

be limited strictly to estate fiduciaries. As discussed the Court does not read the PWS Holding as expressly limiting exculpation to estate fiduciaries.

Rather, it clarifies the standard of care for committees and professionals and confirms liability for gross negligence and willful misconduct. Nothing in the language expressly limits exculpation for non-estate fiduciaries, who in the debtors' business judgment have exercised good faith and contributed to the reorganization.

The exculpations in general and in this case are narrowly tailored to plan negotiations and implementation. Exculpation is not a liability to release for pre-petition misconduct. It covers only acts taken during the Chapter 11 case in connection with plan negotiation, disclosure, solicitation, implementation and case administration. This makes the fiduciary status irrelevant, since many such acts are undertaken by non-fiduciaries, meaning DIP lenders, mediators, settlement parties and professionals and advisors.

Federal courts have routinely approved exculpation for non-fiduciaries, including DIP lenders, exit lenders, plan sponsors, settling parties, ad hoc groups, pre-petition lenders participating in mediation and professionals of non-estate parties.

Their bankruptcy related conduct supports the case that falls within the good faith safe harbor. Exculpations

reduce litigation risks for parties acting in good faith during plan negotiations, which itself promotes speed, cooperation, finality and judicial economy. That's exactly what we've seen in this case to date.

Courts, as I've said, courts generally do approve exculpation for action taken during the case in connection with the plan, except for willful misconduct or gross negligence. The identity is not the operative factor, instead the conduct defines the boundary and good faith defines the protection.

With respect to plan injunction and gatekeeping features. The plan injunction serves to enforce the discharge, releases and exculpations provided under the plan. To the extent those underlying provisions are approved an enforcing injunction is appropriate as a practical and legal mechanism, give effect to the plan and the confirmation order.

The US Trustee challenges the gatekeeping feature, arguing it improperly confers exclusive jurisdiction and creates an administrative hurdle. The Court overrules that objection. The Court finds that the gatekeeping mechanism to be an appropriate case administration feature designed to ensure that post-effective date litigation proceeds consistent with the plan and confirmation order and does not undermine the releases and discharge through collateral attack.

The Court specifically referenced the same rulings on these issues it made in the BlockFi matter and will not repeat

the ruling. But that said, the Court clarified that the limited scope of the gatekeeping inquiry. Any reference to colorability has been removed. The gate keeping inquiry is confined to whether the proposed litigation is barred by the plan's discharge releases or exculpation and whether it comports procedurally with the plan and the confirmation order. It is not a substitute for merits adjudication in the form where the litigation otherwise properly belongs.

With respect to the Rule 3020(e) stay waiver, the US Trustee objects to waiving the 14 day stay of the confirmation order pointing to the purpose of the rule and the risk of equitable mootness arguments. Well, our circuit as with other circuits have significantly narrowed the application of equitable mootness and I'm not sure it's a bar any further in any respect.

But this Court finds that especially in light of the hundred percent support by stakeholders, that there is good cause to waive the Rule 3020(e) stay on this record. The debtors have shown that the immediate effectiveness is necessary to consummate the integrated financing and restructuring transactions to avoid delay, related costs and litigation pressure and to implement the post-emergence business plan on the time line contemplated by the restructuring.

The Court also finds that the plan has been

negotiated and proposed in good faith and that the balance of the equity favors immediately effectiveness in these circumstances.

With regard to the settlement language in Rule 9019, the US Trustee contends that portions of the plan improperly characterize itself as a settlement, including through language that the releases are approved under Rule 9019. The Court notes that the amended plan does indeed remove most express references to Rule 9019 in response to the objection.

To the extent any settlement phrasing remains, the Court finds it does not render the plan unconfirmable and relevant context the plan's use of the phrase settlement is descriptive of compromises and resolutions embodied in the plan, particularly as to claims and controversies resolved pursuant to the plan and does not purport to expand the Court's authority beyond what the bankruptcy code permits.

For the forgoing reasons, the US Trustee objections are overruled. The Court confirms the plan and approves the confirmation order. The Court also approves the pending backstop motion. This includes the limitation of exculpation to the petition date through the effective date.

The consensual opt out framework for the third-party releases, the gatekeeping provision as a limited compliance check, not as a merits determination. The waiver of Rule 3020(e) for good cause and the plan's characterization of

certain provisions as compromises and resolutions without requiring separate Rule 9019 approval beyond what is appropriate for the debtor own claims.

Well, that was a mouthful. So, assuming -- let me go back to debtors' counsel or any counsel. Are there any clarifications? I know I sped through it. Anything the parties wish to further inquire about?

MR. PORAT: Again, Your Honor, Daniel Porat for the debtors. Thank you. No questions on your ruling. I think that was -- that it was clear. I will just -- I would just like to flag just one housekeeping issue and I don't want to delay anybody going to lunch, but we do have evidence to submit for the backstop motion, not withstanding that it's been approved, but we just thought for the record we'll just take a minute afterwards to -- my colleague Dan McCarthy could just submit the declaration to evidence, if that's okay?

THE COURT: Absolutely. Mr. McCarthy, well, now it's afternoon. Good afternoon.

MR. McCARTHY: Daniel McCarthy for the record, of Milbank LLP for the debtors. As Mr. Porat noted, as the Court has approved the backstop motion. I have no further remarks except as a housekeeping matter, and just to complete the record, the motion is supported by the declaration of Avi Robbins. That is filed at Docket Number 199-1. I am seeing Mr. Robbins on the line now subject to any objections and

unless any party wishes to cross or the Court has any questions for Mr. Robbins the debtors would just respectfully respect that his declaration be admitted as his direct testimony.

THE COURT: All right. Again, let me ask if there are any parties or counsel who would object to the admission of Mr. Robbins declaration?

(No audible response)

THE COURT: Hearing and seeing and no one, the declaration comes in. I believe it's D-4 and Mr. Robbins I thank you for your time. Mr. McCarthy, anything else?

MR. McCARTHY: Nothing further, Your Honor.

THE COURT: All right, thank you.

MR. McCARTHY: Thank you.

THE COURT: All right, Mr. Dunne?

MR. DUNNE: I think that completes the hearing, Your Honor, and we really appreciate your time and the ruling. That was very helpful.

THE COURT: All right, I do again, I want to express my appreciation, especially to the US Trustee, you worked hard to facilitate the timing and to work with debtors' counsel. I want to emphasize that I did not address what I'll call nitty gritty language issues.

I assume the parties can still work out -- work through those and the Court is available if there is any problem area. I just tried to address the larger issues and,

again, I want to thank all of the professionals representing all the stakeholders for their efforts and professionalism. Thank you.

MR. DUNNE: Thank you, Your Honor. We'll certainly work through the language. I suspect we'll resolve it and if not we'll come back to the Court, but I suspect you won't be seeing us again on it. We'll probably be able to manage.

THE COURT: Mr. Sponder, I saw you come in. Is there anything you needed to add or wish to add?

MR. SPONDER: No, Your Honor, just came on to say thank you.

THE COURT: Oh, well, thank you and Ms. Lieb. All right, folks, so we're going to mark everything ordered to be submitted. Get it down to us in the next -- today or tomorrow and good luck going forward.

MR. DUNNE: Thank you very much, Your Honor, thank you.

MR. PORAT: Thank you, Your Honor.

THE COURT: All right, thank you. We are adjourned.

COURT CLERK: I entered it.

(Proceedings concluded, 12:36 p.m.)

* * *

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

I, SUE DiPIERRO, court approved transcriber, 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/ Sue DiPierro
SUE DiPIERRO

J&J COURT TRANSCRIBERS, INC. DATE: February 27, 2026