

GARY E. KLAUSNER (STATE BAR NO. 69077)
DANIELLE A. PHAM (STATE BAR NO. 269915), and
MICHAEL S. NEUMEISTER (STATE BAR NO. 274220), Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION
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Reorganization Counsel
for Debtors and Debtors in Possession

Debtors' Mailing Address:
Colorep, Inc. and Transprint USA, Inc.
100 Pleasant Valley Road
Harrisonburg, VA 22801-9790
Attn: Robert Katz, [Proposed] CRO

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re	)	Case No. 13-bk-27689-WB
)	
COLOREP, INC.,	)	Chapter 11
a California corporation, <i>et al.</i>,	)	(Jointly Administered)
)	
Debtors.	)	APPLICATION FOR ORDER
	)	AUTHORIZING THE EMPLOYMENT
	)	AND RETENTION OF HILCO IP
Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and	)	SERVICES LLC AS EXCLUSIVE
54-1200596 (Transprint USA, Inc.)	)	AGENT FOR MARKETING SALE OF
	)	DEBTORS' ASSETS; DECLARATION
	)	OF IAN S. FREDERICKS IN SUPPORT
	)	THEREOF
)	
	)	<u>Hearing</u>
)	
	)	<i>[No Hearing Required Unless Requested</i>
	)	<i>Under Local Bankruptcy Rule 9013-1(o)]</i>

Colorep, Inc. ("Colorep") and Transprint USA, Inc. ("Transprint", and together with Colorep, the "Debtors"), the debtors and debtors in possession in the above-captioned bankruptcy proceedings, hereby apply, under Bankruptcy Code sections 327(a) and 328(a), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 2014-1(b) of the Local Bankruptcy Rules for the United States Bankruptcy Court Central District of California (the "Local Rules"), for entry of an order authorizing the Debtors to employ Hilco IP Services LLC d/b/a Hilco Streambank ("Hilco") as the Debtors' exclusive agent for the purposes of marketing for sale the Debtors' assets, *nunc pro tunc* to August 14, 2013 (the "Application"). This Application is supported by the accompanying "Declaration of Ian S. Fredericks" (the "Fredericks Declaration") attached hereto, and includes Hilco's disclosures under Bankruptcy Code section 329(a) and Bankruptcy Rule 2014. In support of this Application, the Debtors respectfully represent as follows:

I.

BACKGROUND

A. The Bankruptcy Filing and Jurisdiction.

On July 10, 2013 (the "Petition Date"), the Debtors commenced the above-captioned chapter 11 cases by filing voluntary petitions under chapter 11 of the Bankruptcy Code.

Pursuant to Bankruptcy Code sections 1107(a) and 1108, the Debtors are continuing to operate their business and manage their financial affairs as debtors in possession.

This Court has jurisdiction over these chapter 11 cases and this application pursuant to 28 U.S.C. §§ 1334 and 157(b), and venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

B. General Background.

Originally founded as a technology development company in 1989, the company that later became known as Colorep shifted its focus in 2003 to industrial printing applications. By 2005 Colorep had advanced its textile technology and had invented a patented process for dyeing and decorating fabric known as AirDye®, which is widely regarded as revolutionary because it does not result in water pollution and significantly reduces energy use, costs and time from design to market.

In 2007, Colorep began licensing AirDye® technology to manufacturers and resellers

1 in the home interior, hospitality and apparel industries, which licensing continues to be very
2 profitable for Colorep.

3 Due to the success of the AirDye® technology, in September 2009, Colorep began
4 doing business as "AirDye Solutions."

5 At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned
6 company, with headquarters and manufacturing facilities in Harrisonburg, Virginia. Transprint, a
7 leading supplier of transfer-printing paper was a strategic and potentially lucrative acquisition for
8 Colorep as it gave Colorep access to manufacturing capabilities, a global customer base, and a
9 design library exceeding 15,000 unique designs.

10 **C. Hilco's Employment**

11 On August 12, 2013, the Court approved the Debtor's request for approval of an
12 auction procedure [Docket No. 109] to sell substantially all the Debtors' assets (the "Assets"). To
13 facilitate the sale process, the Debtors proposes to retain Hilco as its exclusive agent for marketing
14 the sale of the Assets.

15 On August 16, 2013, the Court entered the order approving on a final basis the
16 Debtors' postpetition financing facility [Docket No. 134] (the "Final DIP Order"). The Final DIP
17 Order provides for a "carve-out" from the secured lender's collateral for various professionals' fees,
18 including a carve-out for Hilco in the amount of \$60,000 for fees and \$5,000 for out-of-pocket
19 expenses. *See* Final DIP Order at 29:25-30:7. The Final DIP Order also provides that the following
20 amounts be advanced and disbursed to Hilco: (a) \$30,000 upon entry of the Final DIP Order, (b)
21 \$30,000 payable at the closing on the sale of the Assets, and (c) \$5,000 in reimbursement of
22 expenses as incurred. Final DIP Order at 30:3-7.

23 **II.**

24 **RELIEF REQUESTED**

25 As explained above, the Debtors have determined that a sale of its Assets will yield
26 the greatest benefit to their estates, and the DIP Financing Order contemplates employing Hilco to
27 facilitate this process. Thus, by this Application, the Debtor seeks to retain Hilco as its exclusive
28 agent to market the sale of the Assets pursuant to the terms set forth in the engagement agreement

1 between the Debtors and Hilco, dated August 14, 2013 (the "Engagement Letter"). A true and
2 correct copy of Engagement Letter is attached to the Fredericks Declaration as Exhibit "1". A
3 summary of the experience and qualifications of those members of Hilco expected to render
4 substantial services to the Debtors is attached as Exhibit "2" to the Fredericks Declaration.

5 The Debtors require Hilco's expertise to render the following types of professional
6 services:

7 a. Working with the Debtors' management and advisors to collect and secure all
8 of the available information and data concerning the Assets;

9 b. Preparing marketing materials designed to advertise the availability of the
10 Assets for sale, assignment, license or other disposition and shall develop and execute a sales and
11 marketing program designed to elicit proposals to acquire the Assets from qualified buyers in
12 accordance with the timetable set forth by Court order;

13 c. Assisting the Debtors in connection with the transfer of the Assets to the
14 buyer; and

15 d. Executing all marketing and sales activities related to the Assets.

16 The services to be provided will be unique to Hilco, and no duplication of work will
17 be done by any other professionals that may be employed by the Debtors in these chapter 11 cases.

18 **A. Hilco's Compensation.**

19 Subject to the Court's approval of this Application and in accordance with
20 Bankruptcy Code section 328(a), Hilco will be paid postpetition under the terms of the Engagement
21 Letter. In summary, these compensation terms, which are more fully set forth in paragraph 3 of the
22 Engagement Letter, are as follows:

23 (1) Engagement Fee: The Debtors will pay Hilco a fee of \$60,000 (the
24 "Engagement Fee"). The Engagement Fee shall be fully earned upon entry into the Engagement
25 Letter. The Engagement Fee shall be paid in two installments: (i) \$30,000 payable upon entry of an
26 order by the Court approving Hilco's retention; and (ii) \$30,000 payable upon closing on the sale of
27 the Assets.

1 (2) Success Fee: In addition to the Engagement Fee, the Debtors will pay Hilco
2 the following commission on the sale of the Assets from the Gross Proceeds (as defined in the
3 Engagement Letter) of the sale: (i) 3% of the first \$20 million of the aggregate gross proceeds of the
4 sale; and (ii) 10% for any aggregate gross proceeds in excess of \$20 million.

5 The "Gross Proceeds" means the aggregate cash paid by a buyer in consideration of
6 the sale of the Assets. The Gross Proceeds do not include any secured claims bid as a credit toward
7 the purchase price of the Assets. In the event of a cash or credit bid in excess of the opening bid by
8 Meserole, LLC, or its nominee or designee or any entity in which it holds an interest, the success fee
9 shall be limited to 10% of the value of such bid over the opening credit bid. Hilco shall have no
10 claim against the Debtor's estate for any fees, commissions or other expenses, provided that Hilco
11 shall be entitled to receive payment of all amounts from the Gross Proceeds or from the carve-out
12 provided the Final DIP Order.

13 (3) Expenses: Hilco is entitled to reimbursement from the Gross Proceeds of the
14 sale for all reasonable and customary expenses in connection with the performance of its services.

15 (4) Indemnification: An additional material part of the consideration for Hilco's
16 engagement is the indemnification by the Debtors' estate of Hilco against any claims related to
17 Hilco's services under the Engagement Letter, excluding Hilco's gross negligence or willful
18 misconduct. In any event, the Debtors shall not pay any indemnification claim without further
19 notice and a hearing before this Court for approval of such payment.

20 The Debtors seek approval of the Engagement Letter, including the compensation
21 structure and indemnification provisions, pursuant to section 328(a) of the Bankruptcy Code, which
22 provides, in relevant part, that the Debtor "with the court's approval, may employ or authorize the
23 employment of a professional person under section 327 . . . on any reasonable terms and conditions
24 of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on
25 a contingent fee basis. . . ." 11 U.S.C. § 328(a).

26 Section 328 of the Bankruptcy Code permits the compensation of professionals,
27 including brokers, on more flexible terms that reflect the nature of their services and market
28 conditions, which is a significant departure from prior bankruptcy practice relating to the

1 compensation of professionals. As the United States Court of Appeals for the Fifth Circuit
2 recognized in *In re National Gypsum Co.*, 123 F.3d 861, 862 (5th Cir. 1997) (citations omitted):

3 Prior to 1978, the most able professionals were often unwilling to
4 work for bankruptcy estates where their compensation would be
5 subject to the uncertainties of what a judge thought the work was
6 worth after it had been done. The uncertainty continues under the
7 present § 330 of the Bankruptcy Code, which provides that the court
8 award to professional consultants 'reasonable compensation' based on
9 relevant factors of time and comparable costs, etc. Under present §
10 328 the professionals may avoid that uncertainty by obtaining court
11 approval of compensation agreed to with the trustee (or debtor or
12 committee).

13 *Id.* at 862 (internal references omitted). Owing to this inherent uncertainty, courts
14 have approved similar fixed and contingency fee arrangements that contain reasonable terms and
15 conditions under section 328 of the Bankruptcy Code. *See, e.g., In re Old HB, Inc. (f/k/a Hostess*
16 *Brands, Inc.), et al.*, Case No. 12-22052 (RDD) [Docket No. 2801] (Bankr. S.D.N.Y. Aug. 22, 2013)
17 (approving retention of Hilco as marketing agent under Bankruptcy Code section 328(a)); *In re WP*
18 *Steel Venture LLC, et al.*, Case No. 12-11661 (KJC) [Docket No. 1182] (Bankr. D. Del. Sept. 18,
19 2012) (approving retention of Hilco as broker under Bankruptcy Code section 328(a)).

20 The overall compensation structure and indemnity described above is the result of
21 negotiations between the Debtors and Hilco. The Debtors believe that Hilco's experience marketing
22 similar sales, was an important factor in Hilco's determination of the amount of its fees. The Debtors
23 thus believe that the ultimate benefit to the Debtors and their estates from Hilco's services cannot be
24 measured only by reference to the number of hours to be expended by Hilco's professionals in the
25 performance of services. Furthermore, the Debtor's secured lender has agreed to the compensation
26 structure described above.

27 In the final analysis, the Debtors have determined, in an exercise of their reasonable
28 business judgment, that the services and terms offered by Hilco under the Engagement Letter are the
best available. As such, the Debtors submit that the terms of Hilco's employment, as set forth in the
Engagement Letter, are customary, fair, and reasonable, and that the retention of Hilco by the
Debtors is a reasonable business decision and in the best interests of the bankruptcy estates and all
the estates' stakeholders. For these reasons, Hilco's compensation should be subject to the standard

1 of review set forth in section 328(a) of the Bankruptcy Code and not any other standard, including
2 that provided in section 330 of the Bankruptcy Code.

3 **B. Hilco's Disclosures.**

4 To the best of the Debtors' knowledge, based upon the accompanying Fredericks
5 Declaration and except as otherwise set forth therein, neither Hilco nor the employees comprising it
6 hold or represent an interest adverse to the estates with respect to the matters on which they are to be
7 employed, and do not have any connection with the Debtors, their estates, their creditors, the UST,
8 or any other party in interest in these cases or with their respective attorneys or accountants other
9 than as disclosed in the Fredericks Declaration. The Court is respectfully directed to paragraphs 11
10 through 14 of the Fredericks Declaration for disclosures relating to Hilco's connections with the
11 Debtors, their shareholders, their creditors, and other entities in which the Debtors' shareholders own
12 an interest.

13 The following supplemental disclosures are made with respect to Hilco's connections
14 with the Debtors and in compliance with Form 2014-1 for the United States Bankruptcy Court for
15 the Central District of California. References to Hilco include all members who are expected to
16 render services in these cases.

- 17 a. Hilco is not a creditor, equity security holder, or an insider of the Debtors.
18 b. Hilco is not and was not an investment banker for any outstanding security of
19 the Debtors.
20 c. Hilco is not and was not, within three years before the Petition Date, either an
21 investment banker for a security of the Debtors or an attorney for any such investment banker in
22 connection with the offer, sale, or issuance of any security of the Debtors.
23 d. Hilco is not and was not, within two years before the Petition Date, a director,
24 officer, or employee either of the Debtors or of any investment banker for any security of the
25 Debtors.
26 e. No member of Hilco is a relative or an employee of the UST or a Bankruptcy
27 Judge in the Central District of California.
28

1 f. Hilco neither holds nor represents any interest materially adverse to the
2 interests of the Debtors' estates or of any class of creditors or equity security holders, either by
3 reason of any direct or indirect relationship to, connection with, or interest in the Debtors or an
4 investment banker for any security of the Debtors, or for any other reason.

5 In order to check for potential conflicts, Hilco conducted its standard conflicts check
6 procedure. Specifically, Hilco cross-checked the names of its past and present clients against the
7 names of the Debtors' twenty (20) largest unsecured creditors, all secured creditors and parties that
8 have asserted liens against the Debtors' assets, and all equity holders owning more than a 5% interest
9 in the Debtors. After reviewing the conflicts check report, Hilco has determined that, except as
10 otherwise noted herein and in the Fredericks Declaration, it does not hold or represent an interest
11 adverse to the estate and does not have any connection with the Debtors, its estates, its creditors, the
12 UST, or any other party in interest in these cases or with their respective attorneys or accountants.

13 Hilco will conduct an ongoing review of its files to ensure that no conflicts or other
14 disqualifying circumstances exist or arise. If any new facts or circumstances are discovered, Hilco
15 will supplement its disclosure to the Court.

16 Other than with respect to its employees and membership interest holders, Hilco has
17 agreed not to share with any person or firm the compensation to be paid for professional services it
18 renders in connection with these cases.

19 The employment of Hilco as the exclusive agent for the sale of the Assets is in the
20 best interest of the Debtors' estates and their creditors.

21 This Application has been served on the UST, and other parties required to be served
22 in these bankruptcy cases. The Debtors respectfully submit that such service and notice is sufficient
23 under the circumstances and that no other or further notice need be provided.

24 ///

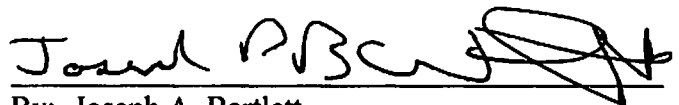
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1 **WHEREFORE**, the Debtors request authority to employ Hilco as exclusive agent in
2 connection with the sale of the Assets with compensation at the expense of the Debtors' estates on
3 the terms described herein and in the Engagement Letter.

4
5 DATED: August 29, 2013

COLOREP, INC.,
a California corporation,
and

7 TRANSPRINT USA, INC.,
8 a Virginia Corporation

9 

10 By: Joseph A. Bartlett
11 Its: Member of Board of Directors

12 SUBMITTED BY:

13
14 /s/ Danielle A. Pham

15 GARY E. KLAUSNER
16 DANIELLE A. PHAM, and
17 MICHAEL S. NEUMEISTER, Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION

DECLARATION OF IAN S. FREDERICKS

I, Ian S. Fredericks, declare as follows:

1. I am over eighteen years of age, and I have personal knowledge of each of the facts stated in this declaration. If called as a witness, I could and would testify as to the matters set forth below based upon my personal knowledge.

2. I am a the Vice President and Assistant General Counsel of Hilco Trading LLC, the ultimate parent of Hilco IP Services, LLC d/b/a Hilco Streambank ("Hilco"), proposed exclusive agent in connection with the marketing of the sale of substantially all the assets of Colorep, Inc. and Transprint USA, Inc. (collectively, the "Debtors") in the above-captioned cases.

3. I submit this declaration pursuant to Federal Rule of Bankruptcy Procedure 2014(a) in support of the Debtors' *Application For Order Authorizing The Employment And Retention Of Hilco IP Services LLC As Exclusive Agent For Marketing Sale Of Debtors' Assets* (the "Application")¹.

4. I believe that Hilco is well qualified to perform the tasks for which it has been retained. I believe that the Debtors wish to employ Hilco as the Debtors' exclusive agent for marketing of the sale of the assets (the "Assets") due to Hilco's extensive experience in completing tasks similar to those for which it is being employed. A true and correct copy of engagement letter between the Debtors and Hilco (the "Engagement Letter"), dated August 14, 2013 is attached hereto as Exhibit "1". A summary of the experience and qualifications of those members of Hilco expected to render substantial services to the Debtors is attached hereto as Exhibit "2".

5. The Debtors require Hilco's expertise to render the following types of professional services:

a. Working with the Debtors' management and advisors to collect and secure all of the available information and data concerning the Assets;

b. Preparing marketing materials designed to advertise the availability of the Assets for sale, assignment, license or other disposition and shall develop and execute a sales and

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Application.

1 marketing program designed to elicit proposals to acquire the Assets from qualified buyers in
2 accordance with the timetable set forth by Court order;

3 c. Assisting the Debtors in connection with the transfer of the Assets to the
4 buyer; and

5 d. Executing all marketing and sales activities related to the Assets.

6 6. The services to be provided will be unique to Hilco, and no duplication of
7 work will be done by any other professionals that may be employed by the Debtors in these chapter
8 11 cases.

9 7. Subject to the Court's approval of the Application, Hilco will be paid
10 postpetition under the terms of the Engagement Letter. In summary, these compensation terms,
11 which are more fully set forth in paragraph 3 of the Engagement Letter, are as follows:

12 a. Engagement Fee: The Debtors will pay Hilco a fee of \$60,000 (the
13 "Engagement Fee"). The Engagement Fee shall be fully earned upon entry into the Engagement
14 Letter. The Engagement Fee shall be paid in two installments: (i) \$30,000 payable upon entry of an
15 order by the Court approving Hilco's retention; and (ii) \$30,000 payable upon closing on the sale of
16 the Assets.

17 b. Success Fee: In addition to the Engagement Fee, the Debtors will pay Hilco
18 the following commission on the sale of the Assets from the Gross Proceeds (as defined in the
19 Engagement Letter) of the sale: (i) 3% of the first \$20 million of the aggregate gross proceeds of the
20 sale; and (ii) 10% for any aggregate gross proceeds in excess of \$20 million.

21 The "Gross Proceeds" means the aggregate cash paid by a buyer in consideration of
22 the sale of the Assets. The Gross Proceeds do not include any secured claims bid as a credit toward
23 the purchase price of the Assets. In the event of a cash or credit bid in excess of the opening bid by
24 Meserole, LLC, or its nominee or designee or any entity in which it holds an interest, the success fee
25 shall be limited to 10% of the value of such bid over the opening credit bid. Hilco shall have no
26 claim against the Debtor's estate for any fees, commissions or other expenses, provided that Hilco
27 shall be entitled to receive payment of all amounts from the Gross Proceeds or from the carve-out
28 provided the Final DIP Order.

1 c. Expenses: Hilco is entitled to reimbursement from the Gross Proceeds of the
2 sale for all reasonable and customary expenses in connection with the performances of its services.

3 d. Indemnification: An additional material part of the consideration for Hilco's
4 engagement is the indemnification by the Debtors' estate of Hilco against any claims related to
5 Hilco's services under the Engagement Letter, excluding Hilco's gross negligence or willful
6 misconduct. In any event, the Debtors shall not pay any indemnification claim without further
7 notice and a hearing before this Court for approval of such payment.

8 8. The overall compensation structure and indemnity described above is the
9 result of negotiations between the Debtors and Hilco. Hilco's experience marketing similar sales,
10 was an important factor in Hilco's determination of the amount of its fees. I believe that the terms of
11 Hilco's employment, as set forth in the Engagement Letter, are customary, fair, and reasonable.

12 9. In order to check for potential conflicts, Hilco conducted its standard conflicts
13 check procedure. Specifically, Hilco cross-checked the names of its past and present clients against
14 the names of the Debtors' twenty (20) largest unsecured creditors, all secured creditors and parties
15 that have asserted liens against the Debtors' assets, and all equity holders owning more than a 5%
16 interest in the Debtors.

17 10. Except as described in, and subject to, paragraph 11 below, to the best of my
18 knowledge, based on the conflict searches conducted by Hilco, I believe that neither Hilco nor the
19 employees comprising it hold or represent an interest adverse to the estates with respect to the
20 matters on which they are to be employed, and do not have any connection with the Debtors, their
21 estates, their creditors, the UST, or any other party in interest in these cases or with their respective
22 attorneys or accountants

23 11. In matters unrelated to the Debtors, Hilco Valuation Services, LLC, formerly
24 known as Hilco Appraisal Services, LLC, a direct subsidiary of Hilco Trading, LLC and the
25 majority owner and managing member of Hilco, has previously performed appraisal services for (or
26 related to) the following entities: (i) Atlantic Paper & Foil Corporation, (ii) Univar USA, Inc., and
27 (iii) Nexeo Solutions LLC. In addition, DLA Piper represents certain parties in the Debtors' cases.
28 On matters unrelated to the Debtors affiliates of Hilco have in the past engaged and currently

1 engage DLA Piper or its affiliates in connection with matters wholly unrelated to the Debtors and
2 these chapter 11 cases.

3 12. Because of the magnitude of the entire parties-in-interest list in these cases, it
4 is possible that Hilco may provide or may have provided business services to other creditors of the
5 Debtors but does not represent any such creditors in connection with these cases. Hilco presently or
6 in the past has served as a professional person in other matters, wholly unrelated to the Debtors or
7 these cases, in which other attorneys, accountants and other professionals of the Debtors, creditors,
8 or other parties in interest may have also served or serve as professional persons.

9 13. The following supplemental disclosure is made in compliance with Form
10 2014-1 for the United States Bankruptcy Court for the Central District of California:

11 a. Hilco is not a creditor, equity security holder, or an insider of the Debtors.
12 Hilco is not a creditor, equity security holder, or an insider of the Debtors.

13 b. Hilco is not and was not an investment banker for any outstanding security of
14 the Debtors.

15 c. Hilco is not and was not, within three years before the Petition Date, either an
16 investment banker for a security of the Debtors or an attorney for any such investment banker in
17 connection with the offer, sale, or issuance of any security of the Debtors.

18 d. Hilco is not and was not, within two years before the Petition Date, a director,
19 officer, or employee either of the Debtors or of any investment banker for any security of the
20 Debtors.

21 e. No member of Hilco is a relative or an employee of the UST or a Bankruptcy
22 Judge in the Central District of California.

23 f. Hilco neither holds nor represents any interest materially adverse to the
24 interests of the Debtors' estates or of any class of creditors or equity security holders, either by
25 reason of any direct or indirect relationship to, connection with, or interest in the Debtors or an
26 investment banker for any security of the Debtors, or for any other reason.

27 14. Gabe Fried is the CEO of Hilco and will bear primary responsibility for this
28 engagement, and I believe that Hilco is competent to complete the tasks for which it has been

1 retained in connection with these chapter 11 cases.

2 I declare under penalty of perjury that the foregoing is true and correct to the best of
3 my knowledge and belief.

4 Executed on this 29th day of August, 2013, at Northbrook, Illinois.

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6 _____
7 Ian S. Fredericks

EXHIBIT "1"

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Hilco Streambank

August 14, 2013

Colorep, Inc. and Transprint USA, Inc.
1000 Pleasant Valley Road
Harrisonburg, VA 22801
Attention: Robert D. Katz
Chief Restructuring Officer

Re: Agreement to Market and Sell the Assets of Colorep, Inc. and Transprint USA, Inc.

Ladies and Gentlemen:

This letter serves as the agreement ("Agreement") between Hilco IP Services LLC d/b/a Hilco Streambank ("Hilco Streambank") and Colorep, Inc. d/b/a Airdye Solutions and Transprint USA, Inc. (collectively, the "Company" and together with Hilco Streambank, the "Parties") pursuant to which Hilco Streambank shall act as the Company's exclusive agent for purposes of marketing for sale the Company's assets ("Assets"). The Parties acknowledge that the Company has filed a voluntary Chapter 11 bankruptcy petition and is currently operating as debtors in possession under the supervision of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court").

The Company's assets may include: real estate, machinery and equipment, accounts receivable, inventory, patents and associated rights, trademarks, trade names, copyrights, domain names, software and source code, URLs, telephone numbers, customer data including customer names, addresses, email addresses, transaction history and other demographic data captured and maintained by the Company, vendor data, franchise agreements, Internet Protocol addresses, and license agreements, logos and assorted artwork used in marketing materials and other contractual rights relating to the foregoing (collectively, the "Assets"). Subject to Bankruptcy Court approval, Hilco Streambank is prepared to immediately commence working on behalf of the Company to market and sell the Assets subject to the following terms and conditions:

1. Engagement and Exclusivity. Hilco Streambank is hereby engaged as the Company's exclusive agent to market and sell, assign, license, or otherwise dispose of the Assets effective as of August 14, 2013. The Company shall not sell, assign, or otherwise dispose of the Assets, except in accordance with the terms of this Agreement.
2. Scope of Services. Hilco Streambank shall work with the Company's management and advisors to collect and secure all of the available information and data concerning the Assets. Hilco Streambank shall prepare marketing materials designed to advertise the availability of the Assets for sale, assignment, license, or other disposition and shall develop and execute a sales and marketing program designed to elicit proposals to acquire the Assets from qualified acquirers with a view toward completing one or more sales, assignments, licenses, or other dispositions of the Assets in accordance with the timetable set forth in the Bidding Procedures Order entered on docket in bankruptcy case. Hilco Streambank shall assist the Company in connection with the transfer of the

Colorep
August 14, 2013
Page 2

Assets to the acquirer(s) who offer the highest or otherwise best consideration for the Assets, as approved by the Bankruptcy Court. Hilco Streambank shall be responsible for all execution of all marketing and sales activities related to the Assets.

3. Compensation to Hilco Streambank. For its services hereunder, Hilco Streambank shall be compensated based on the following structure:
 - a. Engagement Fee. Hilco Streambank shall be paid an Engagement Fee of \$60,000 (the "Engagement Fee"). The Engagement Fee shall be fully earned upon the Parties' entry into this Agreement. The Engagement Fee shall be paid in two installments (i) \$30,000 payable upon entry into this Agreement and entry of an order of the Bankruptcy Court approving Hilco Streambank's retention by the Company (the "Retention Order"), and (ii) \$30,000 payable at closing on the sale of the Assets.
 - b. Success Fee. In addition to the Engagement Fee, Hilco Streambank shall be paid a commission based on a percentage of the aggregate Gross Proceeds generated from the sale, assignment, license, or other disposition of the Assets as follows:
 - (i) 3% of the first \$20 million of aggregate Gross Proceeds.
 - (ii) 10% for any aggregate Gross Proceeds in excess of \$20 million.
 - c. Any commissions due Hilco Streambank hereunder shall be paid in full immediately upon consummation of any transaction or transactions involving the sale, assignment, license, or other disposition of the Assets from the Gross Proceeds of such transaction(s) notwithstanding any liens, claims, or other encumbrances on the Assets or the Gross Proceeds thereof.
 - d. "Gross Proceeds" means the aggregate cash paid by a buyer in consideration of the sale or assignment of the Assets. Gross Proceeds shall not include any secured claims bid as a credit toward the purchase price for the Assets. In the event of a cash or credit bid in excess of the opening credit bid by Meserole, LLC, or its nominee or designee or any entity in which it holds an interest, the commission shall be limited to 10% of the value of such bid over the opening credit bid. Hilco Streambank shall have no claim against the Company or the Company's bankruptcy estate for any fees, commissions or other expenses, provided that Hilco shall be entitled to receive payment of all such amounts from the Gross Proceeds or from funds provided by Meserole, or from the "carve out" provided for in DIP financing order(s).
4. Expenses. Hilco Streambank shall be entitled to reimbursement from the Gross Proceeds for all reasonable and customary Reimbursable Expenses (defined below) in connection with the performance of the services proposed hereunder at the time of closing on the sale, assignment, license, or other disposition of the Assets, provided, however, that any individual expense in excess of \$1,000 (e.g. out-of-town travel) must be pre-approved by the Company in writing in order to qualify for reimbursement. "Reimbursable Expenses" means all out-of-pocket costs and expenses

Colorep
August 14, 2013
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incurred in connection with performance of the contemplated services, including, without limitation: reasonable expenses of marketing, advertising, economy travel and transportation; long distance telephone charges; postage and courier/overnight express fees, provided that the Reimbursable Expenses shall not exceed \$5,000 in the aggregate, unless otherwise agreed to by the Company.

5. Termination. The initial term of this Agreement shall be 180 days from the date hereof (the "Term"). Following the expiration of the Term, the Agreement may be terminated by either the Company or Hilco Streambank upon giving thirty days' written notice thereof to the other party. No such termination will affect (i) Hilco Streambank's rights to receive fees or reimbursement of the Reimbursable Expenses as set forth above or (ii) the rights of Hilco Streambank or any Other Indemnified Person to receive indemnification in accordance with this Agreement.
6. Survival. If, within ten (10) days after the termination of this Agreement, Hilco Streambank delivers to the Company a written list of prospects with whom Hilco Streambank has had written (including email) contact for the Assets (the "Contacted Prospect List"), and within 180 days after the termination of this Agreement, the Company consummates a sale, assignment, license, or other disposition of any or all of the Assets to a prospect set forth on the Contacted Prospect List, Hilco Streambank shall be entitled to a fee in accordance with Section 3 hereof as if the sale, assignment, license, or other disposition had been agreed to or consummated before this agreement was terminated.
7. No Guaranty. Hilco Streambank has not guaranteed, and is not hereby guarantying, any specific result on the sale, assignment, license, or other disposition of the Assets.
8. Nature of Services. The Company recognizes and acknowledges that the services to be provided by Hilco Streambank pursuant to this Agreement are, in general, transactional in nature, and Hilco Streambank will not be billing the Company by the hour or maintaining time records.
9. Entire Agreement/Amendment. This Agreement constitutes the entire agreement between the Company and Hilco Streambank and supersedes all prior discussions, negotiations and agreements, whether oral or written. This Agreement shall not be modified or amended in any respect except by a written instrument executed by or on behalf of the parties to this Agreement. Retention Order will govern any inconsistencies between this Agreement and the Retention Order.
10. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Illinois, without reference to any conflict of laws provisions thereof, except where governed by the Bankruptcy Code. Each of the parties hereto irrevocably and unconditionally submits, for itself and its properties, to the exclusive jurisdiction of the Bankruptcy Court in the Central District of California, in any action or proceeding arising out of or relating to this Agreement.
11. WAIVER OF JURY TRIAL. EACH OF HILCO STREAMBANK AND THE COMPANY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREwith OR ARISING

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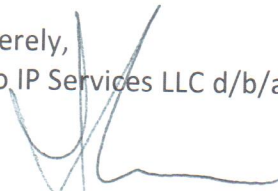
FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

12. Limitation of Liability. Hilco Streambank's maximum liability to the Company, in the aggregate, arising for any reason out of or relating to this Agreement, whether a claim in tort, contract, or otherwise, shall be limited to the amount of fees paid by the Company to Hilco Streambank under this Agreement for these services, except to the extent such liability is finally determined to have been caused by gross negligence or willful misconduct of Hilco Streambank or its personnel.
13. Indemnification. Indemnification. The Company shall indemnify Hilco Streambank and hold it harmless against any and all losses, claims, damages, liabilities and expenses incurred by Hilco Streambank, including without limitation, reasonable legal expenses, arising from, related to, or in any way connected with the negotiation, execution and/or rendering of services by Hilco Streambank hereunder, unless such losses, claims, damages, liabilities and expenses resulted from the fraud, gross negligence, or willful misconduct of Hilco Streambank.
14. Retention. This Agreement remains subject to approval by the Bankruptcy Court. The Company shall promptly apply to the Bankruptcy Court for entry of the Retention Order, in a form reasonably acceptable to Hilco Streambank, authorizing the Company to retain Hilco Streambank in accordance with this Agreement. The Company will use commercially reasonable efforts to ensure that such order shall specifically provide that: (i) Hilco Streambank is being retained pursuant to sections 327 and 328 of the Bankruptcy Code by the Company effective as of August 14, 2013; (ii) the Company shall be responsible for payment of any all fees, Reimbursable Expenses and other compensation that may become due to Hilco Streambank under this Agreement, subject to the provisions of paragraph 3.d. hereof; (iii) the payment of all fees and reimbursement of Reimbursable Expenses hereunder to Hilco Streambank shall be free and clear of all liens, claims and encumbrances; (iv) all such payments of fees and reimbursement of Reimbursable Expenses shall be made without further order of the Bankruptcy Court; and (v) Hilco Streambank shall not required to maintain time records or file interim or final fee applications. The Company shall provide Hilco Streambank with a copy of the pleadings requesting retention of Hilco Streambank prior to submission to the Bankruptcy Court and advise Hilco Streambank of any objection or hearings pertaining to the Hilco Streambank's retention.
15. Further Assurances: Hilco Streambank and the Company shall take all such further actions as are necessary or appropriate to carry out the terms and conditions of the Agreement, including (without limitation) with respect to Hilco Streambank's retention and any and all sales, assignments, licenses, or other dispositions of the Assets.

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Please confirm your agreement to engage Hilco Streambank on the foregoing terms and conditions by executing this letter on the space provided below. If you have any questions concerning this letter, or the proposed scope of this project, please give the undersigned a call at (781)-444-4940. Thank you very much. We look forward to working with you.

Sincerely,
Hilco IP Services LLC d/b/a Hilco Streambank

By: 
Ian S. Fredericks
Vice President & Assistant General Counsel,
Managing Member

ACCEPTED AND AGREED to effective
as of the 14th day of August, 2013:

COLOREP, INC., debtor and debtor in possession
TRANSPRINT USA, INC.

By: _____

Name: _____

Title: _____

EXHIBIT "2"

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Gabriel Fried has been working in the intersection of intellectual property and intangible assets and restructuring since 2000. Over that time span he has had the pleasure of working side by side with some of the brightest and hardest working restructuring professionals, lenders, lawyers, and special situation investors. Since 2007 he has built a team to handle the increased demand for IP valuation and transactional services as the global economy has both (a) become increasingly focused on intangible assets, and (b) undertaken a very serious restructuring process that involves massive deleveraging coupled with continuous innovation.

Education:

PhD Candidate, Economics

University of Illinois

1995-1999

Emphasis in theoretical and applied microeconomics. Qualified to continue to dissertation stage. ABD.

BS Economics

University of Massachusetts

1995

Commonwealth Honors. Omicron Delta Epsilon (Economics Honors Society)

Expert Testimony:

In Re: Satcon (DE Bankruptcy)

2012

Hired by secured lender (Silicon Valley Bank) in valuation fight over debtor's proposed priming lien. Provided expert report on liquidation value of portfolio of patents, trade secrets and source code relating to Satcon's primary power inverter products. Testified in DE Bankruptcy court.

In Re: Escom Inc. (d/b/a Sex.com) (CA Bankruptcy)

2010

Hired by counsel to a junior secured lender to provide an expert report as to whether certain web traffic referral rates were "market" or not. Report used to negotiate a settlement for client.

Compuware v. Innovatech

2004

Hired by defendant's secured lender, and lead investor in reorganized entity to provide an examination of the liquidation process of start-up Innovatech to determine if the process was properly executed. Provided deposition testimony. Plaintiff withdrew claims.

Professional Experience:

Chief Executive Officer

Hilco Streambank

September 2011 - Present

Manage team of 8 professionals in 2 offices who are responsible for sourcing and executing new business opportunities including providing valuation opinions to stakeholders, investment banking services for intangible asset portfolios, equity investing including providing guaranteed recoveries to clients, and debt investing. Extensive collaboration with other Hilco business units.

Founder, Managing Member

Streambank LLC

November 2007 – August 2011

Created Streambank out of a sense that the restructuring and asset disposition service providers lacked a focus on intangible assets and there were opportunities to realize value from these assets either as collateral or as a source of recovery. Built the business to a team of 6 professionals whose clients included institutional lenders, hedge funds, restructuring firms, and a significant number of the largest bankruptcies filed during Streambank's tenure.

Freelance IP Valuation and Liquidation Advisor

2001 – 2007

Worked as a consultant to various IP valuation firms, restructuring firms, liquidators and law firms.

Liquidation Experience/Clients:

Adam	DiVX	KB Toys	Tavern on the Green
Anchor Blue	Energy Conversion Devices	Koret	Tower Records
Berkline/Benchcraft	Filene's Basement	Mervyn's	Whitehall Jewelers
Borders	Game Crazy	Movie Gallery	Xytrans
Circuit City	Goody's Family Clothing	Noble	
Collins & Aikman	Hollywood Video	SK Menswear	
Dan River	Husky Injection Molding	Syms	

Matthew Helming

BA Economics from Boston University

MBA from Babson College

Matt Helming is a Director at Hilco Streambank, in charge of executing the business units' sell side engagements. Since joining Hilco Streambank in 2011 Matt has worked on sell and buy side engagements and supported the valuation practice. He brings deep experience in many deal types, sizes, and different industries to the Hilco Streambank team.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
1901 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067.

A true and correct copy of the foregoing document entitled (*specify*):

APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF HILCO IP SERVICES LLC AS EXCLUSIVE AGENT FOR MARKETING SALE OF DEBTORS' ASSETS; DECLARATION OF IAN S. FREDERICKS IN SUPPORT THEREOF

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) August 29, 2013, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) _____, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) August 29 2013, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Federal Express

Honorable Julia W. Brand
United States Bankruptcy Court
255 E. Temple Street, Courtroom 1375
Los Angeles, California 90012

Served by Federal Express

Honorable Sheri Bluebond
United States Bankruptcy Court
255 E. Temple Street, Courtroom 1475
Los Angeles, California 90012

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

August 29, 2013

Date

Lisa Masse

Printed Name

/s/ Lisa Masse

Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)

Brian L Davidoff on behalf of Creditor Quercus Trust

bdavidoff@greenbergglusker.com,

jreinglass@greenbergglusker.com;kwoodson@greenbergglusker.com;calendar@greenbergglusker.com;sgaeta@greenbergglusker.com

Patrick B Howell on behalf of Creditor Sensient Imaging Technologies S.A., Sensient Technologies Corporation

phowell@whdlaw.com, dprim@whdlaw.com;tmichalak@whdlaw.com

Ron Maroko on behalf of U.S. Trustee United States Trustee (LA)

ron.maroko@usdoj.gov

David W. Meadows on behalf of Creditor Columbia Gas of Virginia, Inc.

david@davidwmeadowslaw.com

David W. Meadows on behalf of Creditor Virginia Electric And Power Co

david@davidwmeadowslaw.com

Stephan W Milo on behalf of Interested Party Courtesy NEF

smilo@wawlaw.com, psilling@wawlaw.com

Margreta M Morgulas on behalf of Debtor Colorep, Inc.

mmorgulas@stutman.com

Margreta M Morgulas on behalf of Debtor Transprint USA, Inc.

mmorgulas@stutman.com

Michael S Neumeister on behalf of Debtor Colorep, Inc.

mneumeister@stutman.com

Michael S Neumeister on behalf of Debtor Transprint USA, Inc.

mneumeister@stutman.com

Michael S Neumeister on behalf of Debtor In Possession Transprint USA, Inc.

mneumeister@stutman.com

Frank T Pepler on behalf of Creditor Meserole, LLC

frank.pepler@dlapiper.com

Danielle A Pham on behalf of Debtor Colorep, Inc.

dpham@stutman.com, daniellepham@gmail.com

Jeffrey M. Reisner on behalf of Interested Party Courtesy NEF

jreisner@irell.com

Christopher O Rivas on behalf of Creditor Columbia Gas of Virginia, Inc.
crivas@reedsmith.com

Nicola G Suglia, Esq on behalf of Creditor Canon Financial Services, Inc. c/o Fleischer, Fleischer & Suglia
nsuglia@fleischerlaw.com

United States Trustee (LA)
ustpreion16.la.ecf@usdoj.gov