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6 Reorganization Counsel  
7 for Debtors and Debtors in Possession

8 Debtors' Mailing Address:  
Colorep, Inc. and Transprint USA, Inc.  
9 100 Pleasant Valley Road  
Harrisonburg, VA 22801-9790  
10 Attn: Robert Katz, CRO

11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **LOS ANGELES DIVISION**

13 In re )  
14 )  
15 COLOREP, INC., )  
a California corporation, *et al.*, )  
16 Debtors. )  
17 Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and )  
18 54-1200596 (Transprint USA, Inc.) )

) Case No. 13-bk-27689-WB

) Chapter 11  
) (Jointly Administered)

) **DECLARATION OF GABRIEL FRIED**  
) **IN SUPPORT OF DEBTORS' MOTION**  
) **FOR ORDER PURSUANT TO**  
) **BANKRUPTCY CODE SECTIONS 105,**  
) **363, AND 365 APPROVING SALE OF**  
) **THE DEBTORS' ASSETS FREE AND**  
) **CLEAR OF INTERESTS**

) **Hearing Date**

) DATE: October 3, 2013  
) TIME: 10:00 A.M.  
) PLACE: Courtroom 1475  
) 255 East Temple Street  
) Los Angeles, CA 90012

1 I, Gabriel Fried, declare under penalty of perjury as follows:

2 1. I am over the age of eighteen and mentally competent. I have personal  
3 knowledge of the facts in this matter, and if called to testify, could and would testify.

4 2. I am the Chief Executive Officer ("CEO") of Hilco IP Services LLC d/b/a  
5 Hilco Streambank ("Hilco"). Hilco is an advisory firm specializing in the marketing, sale and  
6 valuation of tangible and intangible assets for businesses at all stages. Hilco is part of Hilco  
7 Trading, LLC d/b/a Hilco Global ("Hilco Global"), an independent financial services company  
8 overseeing more than 20 business units in 11 countries.

9 3. Hilco provides corporate valuation and consulting services in connection with  
10 the marketing and sale of intangible and tangible assets for businesses operating as a going concern,  
11 or distressed companies seeking to sell assets, both inside and outside of bankruptcy. In performing  
12 services for its clients, Hilco employs experts from a variety of fields, based on the unique  
13 characteristics of each client and its respective portfolio of assets. In addition, Hilco has the benefit  
14 of being able to utilize the expertise of other offices and business units, with differing specialties, all  
15 related to the Hilco Global network.

16 4. I have been the CEO of Hilco since September 2011. As CEO, I manage a  
17 team of eight (8) professionals in two (2) offices, who are responsible for sourcing and executing  
18 new business opportunities including providing valuation opinions to stakeholders, investment  
19 banking services for intangible asset portfolios, equity investing, and debt investing. Before  
20 becoming CEO of Hilco, I was the founding and managing member of Streambank, LLC,  
21 commencing in November 2007. Streambank, LLC, like Hilco, was a firm specializing in the  
22 marketing, sale, and restructuring of assets for operating and distressed companies. Prior to  
23 founding Streambank, LLC, I worked as a consultant to various intellectual property firms,  
24 restructuring firms, liquidators, and law firms.

1           5.       Some of my representative clients include Adam; Anchor Blue;  
2 Berkline/Benchcraft; Borders; Circuit City; Collins & Aikman; Dan River; DiVX; Energy  
3 Conversion Devices; Filene's Basement; Game Crazy; Goody's Family Clothing; Hollywood Video;  
4 Husky Injection Molding; KB Toys; Koret; Mervyn's; Movie Gallery; Nano-Tex; Noble; SK  
5 Menswear; Syms; Tavern on the Green; Tower Records; Whitehall Jewelers; Xytrans. Several of  
6 these engagements, including Dan River, Nano-Tex and our apparel cases helped develop both an  
7 understanding of the textile and fashion supply chain and a large network of contacts in that  
8 industry.

9           6.       I received a B.S. in economics from the University of Massachusetts, where I  
10 graduated with honors. I also spent four (4) years at the University of Illinois, as a PhD Candidate in  
11 the field of economics.

#### 12   RETENTION AND MARKETING PROCESS

13           7.       Colorep, Inc. and Transprint USA, Inc. (each a "Debtor", and collectively the  
14 "Debtors") retained Hilco in August 2013 to act as the Debtors' exclusive agent for purposes of  
15 marketing for sale the Debtors' assets (the "Assets"). Following its retention by the Debtors, Hilco,  
16 on or about August 19, 2013, launched an extensive marketing campaign, including an international  
17 press release, a wide emailing campaign, and a targeted campaign of approximately 115 potentially  
18 interested parties, including strategic buyers, financial buyers, and capital providers. In addition,  
19 Hilco, on August 29, 2013, populated a data room with available relevant diligence information, and  
20 also actively facilitated discussions with company management and facilitated responses to diligence  
21 requests from interested parties.

22           8.       The marketing process led by Hilco spanned over one month, which, based on  
23 the Debtors' current financial circumstances and limited budget under its debtor in possession  
24 financing arrangement (the "DIP Financing"), I believe was reasonable. Hilco contacted virtually  
25 the entire known community of financially capable players that might be interested in the Debtors'  
26 business or Assets.

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1           9.       Of the parties contacted, twelve (12) signed confidentiality agreements and  
2 received access to the Debtors' data room, which included comprehensive information as to the  
3 identity, descriptions, and, in some cases, potential value of the Debtors' Assets. Hilco was very  
4 active in attempting to solicit "Qualified Bids", as defined in the *Order: (A) Approving Sale and Bid*  
5 *Procedures for the Sale of Substantially All Assets of the Debtor; (B) Scheduling an Auction and*  
6 *Hearing to Consider the Sale and Approve the Form and Manner of Notice Related Thereto; (C)*  
7 *Establishing Procedures Relating to the Assumption and Assignment of Certain Contracts; and (D)*  
8 *Granting Other Related Relief* [Docket No. 109] (the "Sale Procedures Order"), for the purchase of  
9 the Debtors' Assets. Pursuant to the sale procedures approved by the Court (the "Sale Procedures"),  
10 the deadline for potential purchasers to submit any Qualified Bid was September 18, 2013 (the "Bid  
11 Deadline"). Hilco received, prior to the Bid Deadline, bids from certain of the Debtors' competitors  
12 for portions of the Assets relating to the Debtors' designs and know-how. However, the amounts  
13 offered in these bids were too low to be considered Qualified Bids under the Sale Procedures. These  
14 bidders were informed of the need to increase their bids in order to qualify, but did not follow that  
15 guidance. Accordingly, Hilco received no Qualified Bids by the Bid Deadline.

16           10.       Based on discussions with parties that signed confidentiality agreements, I  
17 believe the lack of interest in the Debtors' Assets was the result of a conclusion among potential  
18 strategic purchasers that the Debtors' proprietary technology and copyrighted material was not  
19 needed on an exclusive basis so as to justify the purchase of the Debtors' Assets at a value which  
20 would approach or exceed the anticipated credit bid of the Debtors' prepetition secured lender,  
21 Meserole, LLC ("Meserole"), of approximately \$20 million. Similarly, the market for the Debtors'  
22 Assets appears to have been negatively affected by a belief that the Debtors' proprietary fabric and  
23 textile printing technology was not the exclusive means of creating a similar product, such that there  
24 was no need to purchase the Debtors' Assets in order to protect or increase market share for potential  
25 strategic purchasers. Or, for potential investment purchasers, there appeared to be the concern that  
26 the Debtors' portfolio of Assets was not large enough to obtain a meaningful amount of leverage, and  
27 the income potential of the investment was not significant enough to warrant risking capital in the  
28 amount of \$20 million.


1           11. On September 15, 2013, the Debtors and Hilco received an offer and proposed  
2 Asset Purchase Agreement for the purchase of the Debtors' Assets through a credit bid, with nominal  
3 cash consideration, by Meserole and Fuller Smith Capital Management, LLC ("Fuller Smith") (the  
4 "Buyer's Bid"). The Buyer's Bid identified AirDye Solutions, LLC (the "Buyer") as the party to  
5 receive title to the Debtors' assets under the proposed sale. Subsequently, on September 18, 2013,  
6 the Debtors received another proposed agreement for the same party. After receiving the Buyer's  
7 Bid, the Debtors and the Buyer engaged in extensive negotiations covering a wide variety of terms  
8 and conditions regarding the purchase agreement proposed by the Buyer. As a result of the Debtors'  
9 negotiations, Fuller Smith and Meserole agreed to increase the amount of liabilities of the Debtors it  
10 would assume and pay as a result of the Sale transaction and release certain claims. This will result  
11 in the satisfaction of certain significant claims against the estates that would not have happened if  
12 Meserole and Fuller Smith were to only credit bid their claims as consideration for the proposed  
13 sale.

14           12. Based on a review of the Sale Procedures, it is my understanding that to  
15 constitute a Qualified Bid for the purchase of the Debtors' Assets, the proposed purchase price  
16 needed to exceed \$20,000,000, which is the maximum amount the Debtors' prepetition senior  
17 secured creditor, Meserole, intended to and did credit bid for the purchase of the Assets. Hilco  
18 received no formal or informal communication or bid suggesting that any purchaser would be  
19 willing to purchase the Debtors' Assets for an amount in excess of the Buyer's Bid.  
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1 13. Based on the marketing process employed by the Debtors, and implemented  
2 through Hilco, I do not believe the Debtors could have received consideration for the Debtors' Assets  
3 in excess of what they are anticipated to receive from the proposed sale to the Buyer. Accordingly, I  
4 believe the Sale Procedures achieved the greatest potential recovery for the Debtors' Assets, given  
5 the present circumstances faced by the Debtors and monetary and time limits imposed by the terms  
6 of the DIP Financing.

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

10 Executed on this 2<sup>nd</sup> day of October 2013, at Needham, Massachusetts.

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13 GABRIEL FRIED

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