

GARY E. KLAUSNER (STATE BAR NO. 69077)  
MARGARETA M. MORGULAS (STATE BAR NO. 224950), and  
KIZZY L JARASHOW (*Pro Hac Vice Application Pending*), Members of  
**STUTMAN, TREISTER & GLATT**  
**PROFESSIONAL CORPORATION**  
1901 Avenue of the Stars, 12th Floor  
Los Angeles, CA 90067  
Telephone: (310) 228-5600  
Telecopy: (310) 228-5788  
Email: [gklausner@stutman.com](mailto:gklausner@stutman.com)  
[mmrgulas@stutman.com](mailto:mmrgulas@stutman.com)  
[kjarashow@stutman.com](mailto:kjarashow@stutman.com)

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

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

In re

COLOREP, INC.,  
a California corporation,  
  
Debtor.

Tax I.D. No. 94-3055023

Case No. 13-bk-27689-WB

Chapter 11

(Jointly Administered)

**DECLARATION OF DANIEL J. FULLER ON  
BEHALF OF PURCHASER AND  
PURCHASER ASSIGNEE IN SUPPORT OF  
ENTRY OF SALE ORDER**

Hearing date  
Date: October 3, 2013  
Time: 10:00 a.m. PDT  
Location: Courtroom 1475  
255 East Temple Street  
Los Angeles, CA 90012

I, Daniel J. Fuller, of Fuller Smith Capital Management LLC ("FSCM"), hereby declare as  
follows:

**Introduction**

1  
2 1. I am over 18 years of age and, if called as a witness, I could and would testify to the  
3 matters set forth herein based upon my personal knowledge.

4 2. I have worked in the mergers and acquisition, investment banking, corporate  
5 finance, and financial analytic field for the past 10 years. I began my investment banking career at  
6 Morgan Stanley, and after that have worked investment banking, investment and development work  
7 with firms devoted to the start-up, acquisition, growth, and turnaround of companies in the energy,  
8 industrial, and agriculture sectors. The acquisition, financing and operation of assets from Colorep,  
9 Inc. and Transprint USA, Inc. are within the areas of my expertise and experience. The  
10 technological differentiator of processes developed by these companies is that the fabric dying  
11 process used by the companies to produce dyed textiles by the end-user reduces water consumption  
12 by up to 95% as against traditional methods. Because textile dying globally accounts for a  
13 statistically significant amount of water consumption in industry, the growth of a reduced-water  
14 process is consistent with my focus on investment in and development of businesses engaged in  
15 sustainable, low-cost energy, agriculture and materials production. Prior to my formation of  
16 FSCM, I was employed by Fuller Smith Advisors LLC in the capacity as a Managing Partner. My  
17 educational training and experience is as follows: I graduated Cum Laude with a Bachelor of Arts  
18 Degree in Geosciences, from Princeton University in 2003. For the past 10 years I have worked  
19 exclusively in the investment banking and direct investment industries. A true and correct copy of  
20 my current CV is attached hereto as Exhibit A.

21 3. I am a Manager of FSCM. FSCM is an investment management firm which, in  
22 that capacity and on behalf of clients who invest in FSCM-managed funds, is authorized to  
23 invest FSCM-managed funds in companies and transactions introduced by FSCM, and subject to  
24 terms negotiated between FSCM and its clients. As a Manager of FSCM, I am authorized to  
25 conduct business on behalf of FSCM in invested funds.

26 4. I am familiar with debtor in possession priming first priority secured loans that  
27 FSCM on behalf of its managed fund Saviva FS 1, LP ("Saviva") and investors of Saviva have  
28 made to Colorep, Inc. and Transprint USA, Inc. in their pending Chapter 11 cases (collectively



1 “Debtors”).

2 5. On August 29, 2013, FSCM assumed Meserole’s rights, claims and DIP Liens as  
3 DIP Agent. On August 29, 2013, Saviva FS 1, LP (“Saviva”) assumed Meserole’s rights and  
4 claims as DIP Lender. I am authorized to act for FSCM in its capacity as DIP Agent, as defined  
5 in the Final DIP Order entered in the Debtors’ cases.

6 6. I also have authority and am familiar with loans and investments that FSCM and  
7 its clients will make to acquire the assets, assume certain liabilities of and in the business now  
8 owned by the Debtors in the event that FSCM and Meserole, LLC (“Meserole”), and their  
9 designee, jointly are authorized and approved to purchase the assets of the Debtors’ estates  
10 through a credit bid made pursuant to the Court’s August 9, 2013 Order: (A) Approving Sale and  
11 Bid Procedures For Sale Of Substantially All The Assets Of Debtors; (B) Scheduling An Auction  
12 And Hearing To Consider The Sale And Approve The Form And Manner Of Notice Related  
13 Thereto; (C) Establishing Procedures Relating To The Assumption And Assignment Of Certain  
14 Contracts; And (D) Granting Other Related Relief [Dkt. No. 109] (“Bidding Procedures Order”).

15 7. I am authorized to execute this Declaration on behalf of FSCM, in its capacity as  
16 DIP Agent and co-bidder, and on behalf of Meserole, in its capacity as Pre-Petition Secured  
17 Lender and co-bidder (collectively, the “Purchaser”), with respect to the credit bid for the  
18 purchase of the Assets, as defined in the Bidding Procedures Order and in the Asset Purchase  
19 Agreement dated on or about October 3, 2013 among Colorep, Inc., Transprint USA, Inc. and  
20 Beta Color, LLC, collectively, as sellers, and Purchaser, as purchaser (“Final APA”). A true and  
21 correct copy of the Final APA is attached hereto as Exhibit B.

22 8. I am also authorized to execute this Declaration on behalf of FSCM, in its capacity  
23 as manager of AirDye Holdings, LLC, the sole member and manager of AirDye Solutions, LLC  
24 (“Purchaser Assignee”) and on behalf of Purchaser Assignee.

25 9. None of FSCM, Meserole, Saviva, the Purchaser or the Purchaser Assignee  
26 colluded with any party in connection with the sale process conducted by the Debtors and by their  
27 retained professionals Executive Sounding Board Associates and Hilco IP Services, LLC dba  
28 Hilco Streambank, or the timely submission by Purchaser of the credit bid notice and asset

1 purchase agreement pursuant to the Bidding Procedures Order.

2 10. Since submitting its timely credit bid pursuant to the Bidding Procedures Order,  
3 the Purchaser has extensively and at arm's length negotiated the Final APA with the Debtors and  
4 their professionals. The negotiated terms of the Final APA are substantially more favorable to the  
5 Debtors, their estates and creditors of their estates, than were the terms of the credit bid notice and  
6 purchase agreement submitted by Purchaser pursuant to the Bidding Procedures Order, and will  
7 result in substantial additional cash outlays by Purchaser at closing and a substantially larger  
8 amount of the Debtors' liabilities being assumed by the Purchaser.

9  
10 **Credit Bid**

11 11. As indicated in the Final APA, FSCM, as DIP Agent, and Meserole, as Pre-  
12 Petition Lender, submitted a joint credit bid that constituted a "Credit Bid", as defined in the  
13 Bidding Procedures Order. In accordance with the Bidding Procedures Order, and as provided in  
14 the Final APA, Purchaser has agreed to credit bid \$250,000 of the DIP Obligations outstanding  
15 under the DIP Loan (as of September 30, 2013, the DIP Loan advances totaled \$2,500,000),  
16 together with a portion of the Pre-Petition Senior Secured Obligations in the amount of  
17 \$19,750,000, for a total Credit Bid of \$20,000,000. In addition to the Credit Bid, , the Final APA  
18 provides for cash payment in an amount equal to the sum of the aggregate Cure Amount, plus the  
19 Cash Payment Amount, in the aggregate approximate amount of \$176,000 plus payment of the  
20 Assumed Liabilities as provided in the Final APA plus expenses incurred in the ordinary course  
21 of the operations of the Debtors' business that remain unpaid as of the Closing.

22 12. Further, Meserole with respect to the Pre-Petition Loan and FSCM with respect to  
23 the DIP Loan have agreed that in respect of any distributions in these chapter 11 cases or any  
24 chapter 7 case to which either of these cases may be converted to receive distributions on account  
25 of their remaining claims as general unsecured creditors.

26 13. Upon the entry of the Sale Order by the Bankruptcy Court approving the Final  
27 APA and the transactions contemplated thereby, Purchaser intends to assign its rights thereunder  
28



1 to AirDye Solutions, LLC, a Delaware limited liability company (the "Purchaser Assignee"). The  
2 Purchaser Assignee is wholly-owned and managed by AirDye Holdings, LLC, a Delaware limited  
3 liability company. AirDye Holdings, LLC is managed by FSCM and wholly-owned by Saviva,  
4 the DIP Lender and a fund affiliated with FSCM. Meserole is an investor in Saviva. Each of  
5 AirDye Holdings, LLC and AirDye Solutions, LLC were formed exclusively for the purpose of  
6 acquisition of the Assets pursuant to the Final APA, and I and others, on behalf of Purchaser,  
7 have devoted substantial time and have incurred significant legal fees in connection with the  
8 formation of these entities and the preparation and negotiation of other documents among the  
9 parties that document investments, loans and transactions related to such formation and to  
10 Purchaser's purchase of the Assets. A true and correct copy of the Certificate of Formation for  
11 AirDye Solutions, LLC is attached hereto as C, and a true and correct copy of the Certificate of  
12 Good Standing for AirDye Solutions, LLC is attached hereto as Exhibit D. A true and correct  
13 copy of the Certificate of Formation for AirDye Holdings, LLC is attached hereto as Exhibit E,  
14 and a true and correct copy of the Certificate of Good Standing for AirDye Holdings, LLC is  
15 attached hereto as Exhibit F.

16  
17 **B. Purchaser and Purchaser Assignee's Good Faith and Ability to Close**

18 14. None of FSCM, Saviva or Meserole is in any way related to the Debtors. None is  
19 an insider or affiliate of the Debtors. All negotiations between Purchaser and the Debtors have  
20 been conducted in good faith, without collusion or duress and at arm's length with no undisclosed  
21 agreements between Purchaser or Purchaser Assignee and any of the Debtors' directors, officers,  
22 employees, or Debtors' counsel or other professionals, Executive Sounding Board Associates or  
23 Hilco IP Services LLC.

24 15. Purchaser performed diligence, submitted a credit bid pursuant to the Bidding  
25 Procedures Order, and negotiated with the Debtors regarding the terms of the Final APA in good  
26 faith and without collusion.

27 16. The terms of the agreement between Purchaser and the Debtors are fully set forth  
28

1 in the Final APA attached hereto and filed with the Bankruptcy Court. Neither Purchaser nor  
2 Purchaser Assignee has entered into any undisclosed agreements with the Debtors or Beta Color,  
3 LLC, or any of their directors, officers, or agents. Purchaser Assignee intends to offer  
4 employment to not less than 77 Transferred Employees, in accordance with the Final APA.  
5 Further, Purchaser will offer Transferred Employees employment in accordance with the Final  
6 APA, which will include the assumption of certain priority wage claims and paid time off  
7 obligations. Pursuant to the Final APA, and as negotiated with the Debtors, each Transferred  
8 Employee will be required to release the Debtors and their estates from any claim related to the  
9 priority wage and benefits and other claims constituting Assumed Liabilities. Purchaser will  
10 further assume certain priority wage claims of Business Employees not constituting Transferred  
11 Employees and provide for the payment of certain administrative claims that are in excess of the  
12 Carve-Out provided for under the Final DIP Order.

13 17. The representations and warranties made by Purchaser in the Final APA are true  
14 and correct.

15 18. The Purchaser Assignee at Closing and thereafter will have access to funding from  
16 Saviva for a revolving line of credit in the amount of \$2,000,000. A true and correct copy of the  
17 signed commitment of Saviva to provide a \$2,000,000 line of credit to Purchaser is attached  
18 hereto as Exhibit G. The revolving line of credit shall be available to the Purchaser Assignee on  
19 and after Closing to fund cash at Closing and for other and further operating expenses incurred in  
20 the ordinary course of the business of Purchaser Assignee and the Assumed Liabilities of  
21 Purchaser Assignee under the Final APA. Based on Saviva's lending commitment to Purchaser  
22 Assignee of \$2,000,000, Purchaser Assignee will have adequate capital to close the transactions  
23 contemplated by the Final APA and working capital to conduct business in the ordinary course.  
24 In addition, Saviva will further support Purchaser Assignee from time to time to permit Purchaser  
25 Assignee to conduct business in the ordinary course for the foreseeable future. Cash payments  
26 due at Closing total approximately \$176,000.

27 19. In preparation for Closing the Sale and operating the business of the Debtors post-  
28 closing, I have recognized that there will be assumed liabilities and other transition expenses that



1 will effect the free cash flow from Purchaser Assignee's operations. As a result of those  
2 expenses, and to provide Purchaser Assignee with the maximum flexibility to pay expenses  
3 related to the Sale transaction, operating expenses, as well as expenses related to growth of  
4 Purchaser Assignee's business, I have negotiated with Saviva and any other party providing  
5 equity or subordinated debt to the Purchaser Assignee, that no scheduled principal or interest  
6 payments will be due until December 31, 2014, and that no equity distributions may be made  
7 until, at a minimum, after that date.

8 20. I have personally been responsible for substantial due diligence in connection with  
9 the credit bid notice, the Final APA, and the funding of the DIP Loan prior to and during the  
10 period of FSCM's DIP Agency. I have also conducted all financial modeling and analysis of the  
11 post-Closing operations of Purchaser Assignee. Based on the diligence and analysis I performed  
12 and conducted by other representatives of FSCM and Meserole, and based on my education and  
13 experience in operations and financing, the Purchaser Assignee is adequately capitalized and has  
14 the ability to close the purchase of the Assets and assume the Assumed Liabilities under the Final  
15 APA, including the ability to pay the cash consideration due and payable under the Final APA  
16 and pay in cash the Cure Amount. Post-closing, the Purchaser Assignee will be financially  
17 capable of maintaining sufficient working capital to operate the business as a going concern.

18 **C. No Successor Liability**

19  
20 21. Pursuant to section 363(f) of the Bankruptcy Code, the Debtors' assets may be  
21 sold and transferred free and clear of all liens, claims, interests and encumbrances except as  
22 otherwise provided in the Final APA, with any and all such liens to attach to proceeds of such  
23 sale with the same validity, priority, force and effect such liens have on the assets immediately  
24 prior to the sale and subject to the rights, claims, defenses, and objections, if any, of all interested  
25 parties with respect to any such asserted liens.

26 22. None of FSCM, Saviva, Meserole, Purchaser or the Purchaser Assignee, and none  
27 of their respective affiliates, managers, successors or assigns shall, as a result of the  
28 consummation of the transactions set forth in the Final APA: (i) be a successor to the Debtors or

1 the Debtors' estates; (ii) have, de facto or otherwise, merged or consolidated with or into the  
2 Debtors or the Debtors' estates; (iii) be a continuation or substantial continuation of the Debtors  
3 or any enterprise of the Debtors; or (iv) be a joint employer or co-employer with, or successor  
4 employer of the Debtors.

5 23. None of FSCM, Saviva, Meserole, Purchaser or the Purchaser Assignee, and none  
6 of their respective affiliates, managers, successors or assigns would have entered into the Final  
7 APA or would consummate the transactions contemplated thereby (by paying the Purchase Price  
8 and assuming the Assumed Liabilities) if the sale of the Acquired Assets by the Debtors to the  
9 Purchaser, and the assumption, assignment and sale of the Assigned Contracts to the Purchaser,  
10 were not, except as otherwise provided in the Final APA with respect to the Assumed Liabilities  
11 and Permitted Liens, free and clear of all Liens and Claims (as defined below) of any kind or  
12 nature whatsoever, or if the Purchaser would, or in the future could (except and only to the extent  
13 expressly provided in the Final APA and with respect to the Assumed Liabilities and Permitted  
14 Liens), be liable for any of such Liens or Claims, including, but not limited to, Liens or Claims in  
15 respect of the following: (1) all mortgages, deeds of trust and security interests; (2) any pension,  
16 welfare, compensation or other employee benefit plans, agreements, practices and programs,  
17 including, without limitation, any pension plan of any Debtor; (3) any other employee, worker's  
18 compensation, occupational disease or unemployment or temporary disability related claim,  
19 including, without limitation, claims that might otherwise arise under or pursuant to (a) the  
20 Employee Retirement Income Security Act of 1974, as amended, (b) the Fair Labor Standards  
21 Act, (c) Title VII of the Civil Rights Act of 1964, (d) the Federal Rehabilitation Act of 1973, (e)  
22 the National Labor Relations Act, (f) the Worker Adjustment and Retraining Act of 1988, (g) the  
23 Age Discrimination and Employee Act of 1967 and Age Discrimination in Employment Act, as  
24 amended, (h) the Americans with Disabilities Act of 1990, (i) the Consolidated Omnibus Budget  
25 Reconciliation Act of 1985, (j) the California Labor Code; (k) state discrimination laws, (l) state  
26 unemployment compensation laws or any other similar state laws, or (m) any other state or  
27 federal benefits or claims relating to any employment with any of the Debtors or any of their  
28 respective predecessors; (4) any bulk sales or similar law; (5) any tax statutes or ordinances,

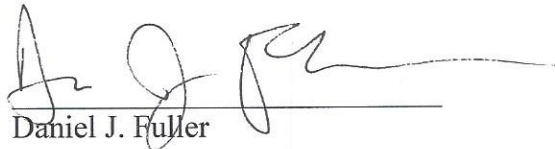


1 including, without limitation, the Internal Revenue Code of 1986, as amended; (6) any  
2 Environmental Law(s) (as defined in the Final APA); and (7) any theories of successor liability.

3 24. Other than the Assumed Liabilities contemplated by the Final APA, the Purchaser  
4 Assignee and its affiliates (including FSCM, Saviva and Meserole) are not assuming and will not  
5 in any way be responsible for any claim, lien, liability or obligation of the Debtors and/or their  
6 estates.

7 25. The Purchaser Assignee intends to utilize the Assets and operate the acquired  
8 business as a stand alone going concern post-Closing.

9  
10 I declare under penalty of perjury under the laws of the United States of America that the  
11 foregoing is true and correct.  
12

13  
14   
Daniel J. Fuller