

ORIGINAL

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5 Chief Restructuring Officer  
6 for Debtors and Debtors in Possession

7 Debtors' Mailing Address:  
Colorep, Inc. and Transprint USA, Inc.  
8 100 Pleasant Valley Road  
Harrisonburg, VA 22801-9790  
9

10 UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
11 LOS ANGELES DIVISION

12 In re

13 COLOREP, INC.,  
a California corporation, *et al.*,

14 Debtors.  
15

16 Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and  
54-1200596 (Transprint USA, Inc.)  
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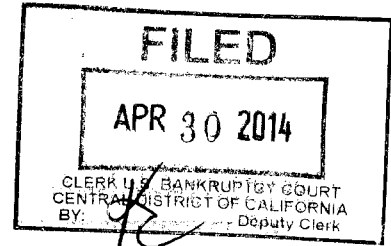
) Case No. 13-bk-27689-WB

) Chapter 11  
(Jointly Administered)

) **SECOND AND FINAL APPLICATION**  
) **OF EXECUTIVE SOUNDING BOARD**  
) **ASSOCIATES, LLC AS CHIEF**  
) **RESTRUCTURING OFFICER TO THE**  
) **DEBTORS FOR COMPENSATION AND**  
) **ALLOWANCE OF PROFESSIONAL**  
) **FEES AND EXPENSES DURING THE**  
) **PERIOD FROM JULY 10, 2013**  
) **THROUGH MAY 31, 2014;**  
) **DECLARATION OF ROBERT D. KATZ**  
) **IN SUPPORT THEREOF**

Hearing Date

Date: May 29, 2014  
Time: 10:00 a.m.  
Location: Courtroom 1375  
255 East Temple Street  
Los Angeles, CA 90012



1 **TO THE HONORABLE JULIA W. BRAND, UNITED STATES BANKRUPTCY JUDGE,**  
2 **THE OFFICE OF THE UNITED STATES TRUSTEE, AND ALL OTHER PARTIES**  
3 **ENTITLED TO NOTICE:**

4 Executive Sounding Board Associates, LLC<sup>1</sup> ("ESBA"), Chief Restructuring Officer  
5 ("CRO") for Colorep, Inc. ("Colorep") and Transprint USA, Inc. ("Transprint", and together with  
6 Colorep, the "Debtors"), hereby submits this *Second and Final Application of Executive Sounding*  
7 *Board Associates, LLC for Compensation and Allowance of Professional Fees and Expenses During*  
8 *the Period From July 10, 2013 Through May 31, 2014* (this "Application"), pursuant to the terms of  
9 ESBA's employment in the above-captioned bankruptcy cases, as provided in the *Debtors' Notice of*  
10 *Motion and Motion Pursuant to Bankruptcy Code Sections 105(a) and 363 for Entry of an Order*  
11 *Authorizing the Employment of Executive Sounding Board Associates Inc. to Provide Crisis*  
12 *Management Services and to Provide Robert D. Katz to Serve as Chief Restructuring Officer from*  
13 *the Petition Date* [Docket No. 80] (the "ESBA Employment Motion")<sup>2</sup> and the *Order Authorizing*  
14 *the Employment of Executive Sounding Board Associates Inc. to Serve as Chief Restructuring*  
15 *Officer Pursuant to Bankruptcy Code Section 327* [Docket No. 245] (the "ESBA Employment  
16 Order"), entered by the Court on November 18, 2013.<sup>3</sup> The Application is supported by the  
17 Declarations of Robert D. Katz and Joseph Bartlett, and filed pursuant to section 330 of the  
18 Bankruptcy Code, Federal Rule of Bankruptcy Procedure 2016(a), and Local Bankruptcy Rule  
19 2016-1.  
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22 <sup>1</sup> The Court has approved the Debtors' employment of Executive Sounding Board Associates, Inc.  
23 as the Debtors' CRO. As reflected in the notice of even date herewith, Executive Sounding  
24 Board Associates, Inc. is now Executive Sounding Board Associates, LLC. This change does  
25 not alter the persons primarily responsible for acting on behalf of the Debtors in these  
bankruptcy cases. For the purpose of avoiding confusion, Executive Sounding Board Associates,  
Inc. and Executive Sounding Board Associates, LLC will both be referred to in this Application,  
interchangeably, as "ESBA."

26 <sup>2</sup> A copy of the ESBA Employment Motion is attached to the Declaration of Robert D. Katz (the  
"Katz Declaration") as **Exhibit A**.

27 <sup>3</sup> A copy of the ESBA Employment Order is attached to the Katz Declaration as **Exhibit B**.  
28 Pursuant to the ESBA Employment Order, ESBA was retained by the Debtors effective as of the  
Petition Date.

1 By this Application, ESBA respectfully requests entry of an order of this Court:

2 (a) Allowing on a final basis \$476,017.75 in fees for services rendered and  
3 \$20,821.41 in expenses incurred by ESBA during the period from July 10, 2013 through and  
4 including May 31, 2014 (the "Final Application Period");

5 (b) Allowing on a final basis \$15,000 in estimated fees and expenses anticipated  
6 to be incurred ESBA in April and May 2014 in connection with the dismissal of these cases and  
7 approval of this Application;

8 (c) Approving on a final basis all payments that ESBA has received in these  
9 cases, totaling \$377,271.00 as of the date of this Application, as partial compensation for its fees and  
10 expenses incurred during the Final Application Period;

11 (d) Approving on a final basis payment to ESBA of any amount remaining in the  
12 Chapter 11 Retainer (as defined below), as partial compensation for its fees and expenses incurred  
13 during the Final Application Period;

14 (e) Authorizing the Debtors, to the extent they receive additional cash in their  
15 estates, to pay ESBA for any allowed fees and expenses incurred during the Final Application Period  
16 that remain unpaid; and

17 (f) Granting any other relief that this Court deems necessary and appropriate.  
18 ESBA's request for final compensation and allowance of its fees for the entire cases represents  
19 1,160.7 hours spent at a blended hourly rate of approximately \$410<sup>4</sup>.

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27 <sup>4</sup> The \$476,017.75 billed for ESBA's services during the Final Application Period do not include  
28 billing of travel time of 130.4 hours as an accommodation to the Debtors and their estates.

I.

BACKGROUND INFORMATION

A. Background Regarding ESBA's Employment.

On July 30, 2013, the Debtors filed the ESBA Employment Motion, pursuant to which the Debtors sought to employ ESBA as their CRO under Bankruptcy Code sections 105(a) and 363. The ESBA Employment Motion was served on, among others, the UST, the Debtors' twenty (20) largest unsecured creditors, and on parties asserting security interests against the Debtors' assets. No objections were filed to the ESBA Employment Motion, and the Debtors informally addressed any concerns raised by the UST. To address its own concerns with respect to the terms of ESBA's employment, the Court held a hearing to consider the ESBA Employment Motion on October 24, 2013 (the "ESBA Employment Hearing"). At the ESBA Employment Hearing, the Court denied the Debtors' request to employ ESBA under Bankruptcy Code sections 105(a) and 363, but approved ESBA's employment as the Debtors' CRO pursuant to Bankruptcy Code section 327(a), *nunc pro tunc* to the Petition Date. Accordingly, ESBA's employment in these cases has been approved pursuant to the terms set forth in the ESBA Employment Motion, as modified under the ESBA Employment Order.

B. ESBA Has Confronted Myriad Challenges As The Debtors' Chief Restructuring Officer.

As Chief Restructuring Officer ("CRO") for the Debtors, ESBA has assisted the Debtors with bankruptcy issues that typically arise during Chapter 11 cases, such as due diligence, preparation of schedules of assets and liabilities, cash flow forecasting and preparation of reports and forms necessary to comply with the requirements imposed by the UST. However, even these tasks were far from routine in these cases due to the state of the Debtors' books, records, and operations on the Petition Date. When the Debtors filed for bankruptcy, audited financial reports had not been prepared for years. Compounding problems, the then-interim chief executive officer for the Debtors left only weeks after the Petition Date, creating a void of information necessary to satisfy the Debtors' reporting obligations in these cases, and to adequately complete the Debtors' schedules of assets and liabilities. However, with the assistance of Stutman, Treister & Glatt ("ST&G") the



1 Debtor's reorganization counsel and ESBA, the Debtors were able to overcome these grave  
2 complications, and satisfy all reporting and other administrative tasks required by the Bankruptcy  
3 Code and the Office of the United States Trustee (the "UST").

4           Although ESBA spent significant time addressing the Debtors' complex financial and  
5 operational issues, the vast majority of ESBA's time in these cases was spent in connection with the  
6 marketing and eventual sale of substantially all of the Debtors' assets, and ensuring that the Debtors  
7 had sufficient financing during the marketing process to keep the Debtors operating as going  
8 concerns. Specifically, with the assistance of ST&G, ESBA spent substantial time engaged in  
9 communications and negotiations regarding the terms of the Sale and approval of terms of the DIP  
10 Financing. ESBA examined outstanding intellectual property (IP) issues, extensively negotiated the  
11 terms of the APA and supporting schedules; worked on priority wage claim analysis; analyzed  
12 expenditures schedule through the closing of the Sale; reviewed the Purchaser's credit bid notice,  
13 credit bid purchase, and assisted in negotiating the proposed Sale order. Prior to filing for  
14 bankruptcy, the Debtors determined that the best way to preserve the jobs of their employees and to  
15 provide some recovery for unsecured debtors was to engage in a structured marketing and sale  
16 process for the Debtors' assets, and to avoid an out of court liquidation.

17           ESBA faced a number of other complex matters in these cases, which are described in  
18 detail below. In sum, however, ESBA's services have been instrumental in dealing with myriad  
19 problems faced by the Debtors during these Chapter 11 cases, which may not ordinarily materialize  
20 in Chapter 11 cases of similar size. Based on the above considerations, this Application must be  
21 viewed in terms of the complexity of legal issues and disputes presented in these cases, and the dire  
22 circumstances faced by the Debtors when these cases were initially filed.

23 **C. Applications Covered Herein and Compensation Previously Paid**

24           This is ESBA's final application for compensation of fees and reimbursement of  
25 expenses in these cases. ESBA filed and served four (4) Professional Fee Statements before the  
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Chapter 11 Retainer was exhausted<sup>5</sup> ESBA has also filed one interim application for the period from July 10, 2013 through October 31, 2013 (the "First Interim Period").

Monthly Fee Statements. The Employment Order authorized ESBA to draw down the Chapter 11 Retainer pursuant to the terms set forth in the UST's *Guide to Applications for Retainers, and Professional and Insider Compensation* (the "Compensation Guidelines"). Pursuant to the Compensation Guidelines, ESBA served monthly professional fee statements (the "Fee Statements") on the UST and the Debtors' twenty largest unsecured creditors, requesting permission to draw down the Chapter 11 Retainer up to 80% of ESBA's fees and 100% of its expenses incurred through the date of any such Fee Statement. Because ESBA received the Chapter 11 Retainer in installments, and has generally been owed a large balance throughout these cases, ESBA monthly draws on the Chapter 11 Retainer were, for the most part, in satisfaction of amounts owing for months preceding the month for which a Fee Statement was served.

As explained further in ESBA's First Interim Fee Application which was filed and approved by this court, ESBA has received a retainer in the amount of \$353,660 (the "Chapter 11 Retainer") to secure the payments of ESBA's fees and expenses incurred during these cases. Pursuant to the terms of the ESBA Employment Order and the Office of the United States Trustee ("UST") "Guide to Applications for Retainers, and Professional and Insider Compensation," ESBA has exhausted the Chapter 11 Retainer, applying a total of \$353,660 against ESBA's fees and costs during the First Interim Period. After the exhaustion of the Chapter 11 Retainer, ESBA was owed an unpaid balance of \$99,188.54 for its fees and costs during the First Interim Period. As of date of this Application, the amount owed to ESBA is \$119,568.16.

From the inception of this case, in light of the fact that the pre-petition secured lender had a lien on substantially all the Debtors' assets, including its deposit accounts and accounts receivable, it was apparent that funding of the Debtors' professional fees would have to come from

<sup>5</sup> Prior to the entry of the ESBA Employment Order, rather than serving Professional Fee Statements, ESBA filed with the Court and served certain notices of its fees and expenses for the periods from July 10, 2013 through July 31, 2013 [Docket No. 200] and from August 1, 2013 through August 31, 2013 [Docket No. 226]. Pursuant to the ESBA Employment Order, these notices were sufficient to satisfy ESBA's obligation to serve Professional Fee Statements for the months of July and August 2013.

1 the lender, both prior to the filing and afterwards as part of its DIP financing. In addition to the  
2 Chapter 11 Retainer, as part of the sale transaction, and pursuant to the Court's *Order*:  
3 *(A) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims,*  
4 *Encumbrances, and Other Interests, Except as Provided in the Asset Purchase Agreement;*  
5 *(B) Authorizing and Approving Asset Purchase Agreement; (C) Approving the Assumption and*  
6 *Assignment of Certain of the Debtors' Executory Contracts and Unexpired Leases Related Thereto;*  
7 *and (D) Granting Related Relief* [Docket No. 219] (the "Sale Order"), the Buyer, agreed to pay  
8 ESBA the sum of \$85,000.00 (the "Supplemental Retainer") in 6 monthly installments of  
9 approximately \$14,167 per month, beginning November 2013. As of date of this Application only  
10 \$23,611.00 has been paid, the remaining balance of \$61,389.00 is still owed.

11 Through the First Interim Application approved by this court, ESBA requested this  
12 Court's approval that upon full or partial receipt of Supplemental Retainer, ESBA be permitted,  
13 without further notice to the Court or interested parties, to draw down on such retainer for any fees  
14 or expenses allowed but for which ESBA has not yet been compensated.

15 Pursuant to the ESBA Employment Order, having received no objections to the  
16 Professional Fee Statements within the prescribed period of time, ESBA has drawn down the full  
17 amount of the Chapter 11 Retainer. Specifically ESBA drew down from the Chapter 11 Retainer  
18 and the Supplemental Retainer the following amounts:

- 19 (i) \$135,140.27 for the period July 10, 2013 through July 31, 2013;  
20 (ii) \$120,479.83 for the period August 1, 2013 through August 31, 2013;  
21 (iii) \$75,147.35 for the period September 1, 2013 through September 30, 2013;  
22 and  
23 (iv) \$46,503.55 for the period October 1, 2013 through October 31, 2013.<sup>6</sup>

24 The below table shows ESBA's monthly balances for fees and expenses during these  
25 cases, and the schedule of payments ESBA received as of this Application:  
26

27 <sup>6</sup> The \$46,503.55 draw down was only a partial payment of the 80% of fees and expenses incurred  
28 by ESBA during the month of October 2013.

Month	Monthly Fees	Monthly Expenses	Payments	Outstanding Aggregate Balance
July 2013	\$128,165.50	\$8,996.87	\$135,140.27	\$2,022.10
August 2013	\$141,183.50	\$7,533.03	\$120,479.83	\$28,236.70
September 2013	\$91,245.00	\$2,151.35	\$75,147.35	\$18,249.00
October 2013	\$71,461.25	\$2,112.04	\$46,503.55	\$27,069.74
November 2013	\$15,020.00	\$0.00	\$0.00	\$15,020.00
December 2013	\$14,460.00	\$0.00	\$0.00	\$14,460.00
January 2014	\$10,017.50	\$0.00	\$0.00	\$10,017.50
February 2014	\$3,705.00	\$28.12	\$0.00	\$3,733.12
March 2014	\$760.00	\$0.00	\$0.00	\$760.00
<b>Total</b>	<b>\$476,017.75</b>	<b>\$20,821.41</b>	<b>\$377,271.00</b>	<b>\$119,568.16</b>

First Interim Fee Application. On January 9, 2014 ESBA filed and served the *First Interim Fee Application of Executive Sounding Board Associates LLC, as CRO, to the Debtors, for Compensation for Services Rendered and Reimbursement of Expenses for the Period of July 10, 2013 through October 31, 2013* [Docket No. 259] (the “First Interim Fee Application”) requesting allowance of \$432,055.25 in fees and reimbursement of \$20,793.29 in expenses. The First Interim Fee Application covered the following monthly fee applications: (i) July 2013; (ii) August 2013; (iii) September 2013; and (iv) October 2013. On February 7, 2014 the Court entered the *Order Approving First Interim Application of Executive Sounding Board Associates, LLC as Chief Restructuring Officer to the Debtors for Compensation and Allowance of Professional Fees and Expenses During the Period from July 10, 2013 Through October 31, 2013* [Docket No. 281] (the “First Order of Allowance”), awarding 100 % of any and all fees and 100% of any and all expenses requested by ESBA for the First Interim Period. The First Order of Allowance is attached hereto as Exhibit C.

**D. Summary of Services Rendered by ESBA during the Final Application Period.**

As is demonstrated in more detail below, the compensation requested herein by ESBA is reasonable based on the nature and extent of the services rendered, the size and complexity of these cases, the time, labor, and special expertise brought to bear on the questions presented, and

1 other related factors. As a result, ESBA submits that the compensation sought herein is reasonable  
2 within the meaning of section 330 of the Bankruptcy Code.

3           The professional services performed by ESBA during the Final Application Period  
4 were necessary and appropriate to fulfill the obligations of the Debtors given the nature and  
5 complexity of the issues at hand. The professional services performed by ESBA during the Final  
6 Application Period were in the best interests of the Debtors and other parties in interest, and were  
7 performed in an expeditious and efficient manner.

8           During the Final Application Period, consultants associated with ESBA expended  
9 1,160.7 hours in advising the Debtors in these cases. ESBA performed a wide variety of services in  
10 connection with serving as the Debtors' CRO and advising the Debtors in these Chapter 11 cases.  
11 As CRO to the Debtors, ESBA has responded to the numerous and various requests of the Debtors,  
12 their counsel, ST&G, the Debtors' Board of Directors, and the Debtors' lenders and other  
13 stakeholders. Detailed daily time records setting forth the services performed by ESBA during these  
14 Chapter 11 cases are attached to the Katz Declaration as **Exhibit D**, but ESBA's services, include,  
15 but are not limited to the following:

- 16           • Assisting the Debtors' management with the Chapter 11 bankruptcy process to  
17           minimize costs associated with the process.
- 18           • Reviewing and analyzing the Debtors' business, operations and financial results  
19           and projections, and recommending opportunities to improve performance.
- 20           • Meeting with the Debtors' Board of Directors via conference call at their  
21           discretion to advise them of the status of the case and answer any questions or  
22           concerns they may have had.
- 23           • Providing guidance and assisting in the assessment and development of the  
24           Debtors' business plans and projections, creditors' relationship management, and  
25           facilitating the Debtors' communication with parties-in-interest.
- 26           • With the assistance of ST&G, providing guidance, direction, input and reviewing  
27           all requirements of Court filings and schedules including but not limited to: a) the  
28           initial statements and schedules; b) the Debtors' 7 day packages; and c) and the  
29           Debtors' monthly operating reports. The Debtors had so few resources that ESBA  
30           had to fly in a consultant from outside the local region to fulfill the Debtors'  
31           Chapter 11 compliance and operational obligations.
- 32           • With the assistance of ST&G, assisting the Debtors in running an expedited sale  
33           process in less than ninety (90) days.

- 1 • With the assistance of ST&G, managing the Debtors' bankruptcy process to  
2 ensure compliance with all reporting requirements.
- 3 • Assisting the Debtors in rebuilding credibility with creditor constituencies and  
4 their trade vendors and suppliers. In particular, ESBA's efforts have been focused  
5 on:
  - 6 o Analyzing and reporting on the Debtors' current liquidity and short-term cash  
7 flow forecasts.
  - 8 o Positioning the Debtors to take advantage of opportunities to enhance cash  
9 flow and operating performance.
  - 10 o Reviewing, enhancing and streamlining purchasing, procurement and supply  
11 chain systems.
- 12 • Working with the Debtors in improving their cash management procedures, and  
13 providing a budget to actual reporting throughout the Chapter 11 period.
- 14 • With the assistance of ST&G, negotiating the "DIP Budget" in connection with  
15 the "DIP Financing," as those terms are defined in the Court's *Final Order*  
16 *(A) Authorizing Debtor to Obtain Postpetition Financing; (B) Granting*  
17 *Superpriority Expense Claims and Priming Liens; and (C) Granting Other Relief*  
18 *Under 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507(b), F.R.B.P. 2002 and 4001;*  
19 *and LBRs 2002-1 and 4001-2 [Docket No. 134] (the "Final DIP Order"), and*  
20 *working to obtain additional funding for the Debtors in response to proposed DIP*  
21 *Financing that would have been insufficient.*
- 22 • Working with the Debtors' counsel and the Purchaser to review and reinstate  
23 critical patents and trademarks.
- 24 • Guiding and advising the Debtors through the post-Sale transitional period.
- 25 • Interacting with other professionals, attorneys, accountants, lenders and  
26 constituencies; responding to inquiries and requests; and providing updates and  
27 various analyses.
- 28 • Making Court appearances where required on various issues.

21 In short, ESBA has been instrumental in these cases in helping manage the Debtors'  
22 operations and their bankruptcy cases leading up to the Sale of the Debtors' assets. ESBA's services  
23 helped the Debtors preserve the value of their assets leading up to the Sale, and have been  
24 instrumental in transitioning the Debtors' operations to the Purchaser. The tasks performed by  
25 ESBA in these cases were complicated by the fact that, shortly after the Debtors filed for  
26 bankruptcy, the Debtors' then-interim CEO who had managed the Debtors for the approximately  
27 nine (9) months preceding the Petition Date and was the person most familiar with the Debtors  
28 financials and operations, passed away unexpectedly. Accordingly, ESBA was required to

1 undertake a significant amount of investigative work to obtain a complete picture of the Debtors'  
2 financial situation and operational specifics. ESBA's services have been necessary to address the  
3 numerous operational, management and financial issues faced by the Debtors during their pending  
4 bankruptcy proceedings. As a result, this Application must be viewed in terms of the complexity of  
5 issues and disputes presented by this case, and the ongoing success of the Debtors to date, with the  
6 assistance of ESBA.

7  
8 **II.**

9 **NARRATIVE HISTORY OF THE DEBTORS' CASES**

10 **A. Petition Date and Jurisdiction.**

11 On July 10, 2013 (the Petition Date), the Debtors commenced the above-captioned  
12 cases by filing separate voluntary petitions under Chapter 11 of the Bankruptcy Code. On July 18,  
13 2013, the Court entered orders authorizing the joint administration of the Debtors' respective Chapter  
14 11 cases. Pursuant to Bankruptcy Code sections 1107(a) and 1108, the Debtors are continuing to  
15 operate their remaining business and manage their financial affairs as debtors in possession.

16 **B. The Debtors' Business.**

17 Prior to the sale of substantially all of their assets (the Sale), the Debtors engaged in  
18 the business of industrial printing in the textile industry. The Debtors held, and had applied for, the  
19 patents for a process for dying and decorating fabric, which is novel because the process does not  
20 result in water pollution and significantly reduces energy use, costs and time from design to market.

21 Beginning in 2007, Colorep licensed this technology to manufacturers and resellers.  
22 At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned company, with  
23 headquarters and manufacturing facilities in Harrisonburg, Virginia. In addition to their production  
24 and manufacturing facility in Harrisonburg, Virginia, the Debtors maintained sales operations in  
25 Charlotte, North Carolina and New York, New York. Prior to the Sale, the Debtors also owned  
26 proprietary designs and trademarks.

27 The factual background relating to the commencement of the Debtors' Chapter 11  
28 cases is set forth in detail in the *Declaration of Mark A. Fox in Support of Emergency First Day  
Motions* [Docket No. 13], filed on July 11, 2013.

1 **C. Postpetition Events.**

2 **1. Postpetition Financing.**

3 Before the Debtors filed for bankruptcy, it became clear that the Debtors could not  
4 continue to operate their business absent significant, additional capital infusions. However, the  
5 Debtors were unable to find a source of sufficient new capital on reasonable terms and conditions.  
6 Accordingly, the Debtors determined, in the sound exercise of their business judgment that the best  
7 course of action to maximize the value of their assets and the potential return to creditors was to file  
8 for Chapter 11 and seek to sell the Debtors' assets through an efficient sale process. In order to  
9 complete such a process, the Debtors needed to secure funding to cover the Debtors' ongoing  
10 operational costs as well as the costs and expenses necessary to operate as a Chapter 11 debtors in  
11 possession. On July 11, 2013, the Debtors filed their *Emergency Motion Of Debtors And Debtors In*  
12 *Possession For Interim And Final Orders (1) Authorizing Post-Petition Financing; (2) Authorizing*  
13 *Use Of Cash Collateral; (3) Granting Priming Liens And Superpriority Claims; (4) Providing*  
14 *Adequate Protection; And (5) Granting Related Relief* [Docket No. 12], seeking interim approval of  
15 the Debtors' proposed use of DIP Financing and cash collateral on an interim basis. On July 18,  
16 2013, the Court entered an order [Docket No. 56] ("Interim DIP Order") approving the Debtors' use  
17 of DIP Financing and cash collateral on an interim basis.

18 Between entry of the Interim DIP Order and the hearing on final approval of the  
19 proposed DIP Financing, the Debtors, with the assistance of ESBA and ST&G, engaged in intense  
20 negotiations with the "DIP Lenders" and the "DIP Agent", as those terms are defined in the Interim  
21 DIP Order, regarding the budget that needed to be funded under the DIP Financing to allow the  
22 Debtors to engage in a meaningful auction process for their assets. The Court also required further  
23 briefing and evidence in connection with the proposed granting of a priming lien to the DIP Lenders  
24 and DIP Agent under Bankruptcy Code section 364(d). As a result of the Debtors' efforts, the DIP  
25 Lenders and the DIP Agent agreed to modify the proposed budget to provide sufficient DIP  
26 Financing for the Debtors to conduct a meaningful auction of their assets and to cover operating  
27 costs through closing of the Sale. On August 16, 2013, the Court entered its Final DIP Order.

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1           **2.     The Sale of Substantially All of the Debtors' Assets.**

2           As referenced above, when the Debtors filed for bankruptcy, their plan was to  
3 maximize value to their stakeholders through the marketing and sale of substantially all of their  
4 assets. Accordingly, shortly after the Petition Date, on July 24, 2013 the Debtors filed their *Motion*  
5 *for Order: (A) Approving Sale and Bid Procedures for the Sale of Substantially All the Assets of*  
6 *Debtors; (B) Scheduling an Auction and Hearing to Consider the Sale and Approve the Form and*  
7 *Manner of Notice Related Thereto; (C) Establishing Procedures Relating to the Assumption and*  
8 *Assignment of Certain Contracts; and (D) Granting Other Related Relief* [Docket No. 69] (the "Sale  
9 Motion"). The Court scheduled a hearing for August 6, 2013 to consider the bid and auction  
10 procedures set forth in the Sale Motion (the "Sale Procedures"). The Court initially denied the  
11 proposed Sale Procedures, but after modifications to the procedures to remedy the Court's concerns,  
12 the Court, at a hearing on August 8, 2013, approved the Debtors' Sale Procedures. The Court's  
13 approval of the Sale Procedures was memorialized in an order entered August 12, 2013 [Docket No.  
14 109] (the "Sale Procedures Order").

15           Under the Sale Procedures Order, the Court established a procedure whereby the  
16 Debtors were to market their assets to interested buyers, and if qualified buyers made "Qualified  
17 Bids" by September 18, 2013, the Debtors were to hold an auction for the sale of their assets the  
18 following day. The Debtors hired Hilco IP Services LLC d/b/a Hilco Streambank ("Hilco") as an  
19 investment banker to run a sale process. The Debtors, with the assistance of ESBA and ST&G,  
20 compiled relevant information regarding the identity and description of the Debtors' assets into a  
21 data room maintained by Hilco. Hilco conducted an extensive marketing process, but, ultimately,  
22 neither Hilco nor the Debtors received any Qualified Bids for the Debtors' assets.

23           The Debtors did, however, receive an offer from Meserole, LLC ("Meserole"), the  
24 holder of an approximately \$20 million claim secured by substantially all of the Debtors' assets, and  
25 Fuller Smith Capital Management, LLC ("Fuller Smith," and together with Meserole, the "Buyer"),  
26 as DIP Agent, to purchase through an entity known as AirDye Solutions, LLC substantially all of the  
27 Debtors' assets by credit bidding, pursuant to Bankruptcy Code section 363(k), their secured claims  
28 against the Debtors. The Debtors, with the assistance of ST&G and ESBA, engaged in weeks of

1 negotiations with the Purchaser with respect to the terms and conditions of the proposed sale.  
2 Ultimately, the Debtors reached a deal with the Purchaser that conferred meaningful benefit on the  
3 Debtors' estates, including, but not limited to: (i) the Purchaser's assumption of certain paid-time-off  
4 obligations for employees terminated by the Debtors and re-hired by the Purchaser; (ii) satisfaction  
5 by the Purchaser of all employee wage claims entitled to priority under Bankruptcy Code section  
6 507(a)(4); (iii) payment by the Purchaser of all ordinary course postpetition operating expenses, to  
7 the extent consistent with the budget approved by the Court as part of the Debtors' DIP Financing;  
8 (iv) assumption of the Debtors' liability relating to unpaid prepetition payroll taxes; and  
9 (v) assumption and/or payment by the Purchaser of certain administrative claims of the Debtors'  
10 professionals. In addition, the Debtors negotiated a requirement under the Sale that the Purchaser  
11 extend employment offers to at least seventy-seven (77) of the Debtors' approximately 100  
12 employees.

13           The Debtors received no objections to the proposed Sale, and on October 4, 2013, the  
14 Court entered its *Order: (A) Authorizing the Sale of Substantially all of the Debtors' Assets Free and*  
15 *Clear of Liens, Claims, Encumbrances, and Other Interests, Except as Provided in the Asset*  
16 *Purchase Agreement; (B) Authorizing and Approving Asset Purchase Agreement; (C) Approving the*  
17 *Assumption and Assignment of Certain of the Debtors' Executory Contracts and Unexpired Leases*  
18 *Related Thereto; and (D) Granting Related Relief* [Docket No. 219]. The Sale closed on October 7,  
19 2013.

20           **3. Utility Objections Regarding Adequate Assurance of the Debtors' Future**  
21 **Performance.**

22           On July 11, 2013, the Debtors filed *their Emergency Motion for Order: (I) Deeming*  
23 *Utilities Adequately Assured of Future Performance; and (II) Establishing Procedures for*  
24 *Determining Requests for Additional Assurance Pursuant to Bankruptcy Code Section 366* [Docket  
25 No. 8] (the "Utilities Motion"). The Court held a hearing on the Utilities Motion on July 15, 2013,  
26 and, having received no objections, entered an order on July 18, 2013 granting the relief requested  
27 therein [Docket No. 54] (the "Utilities Order").  
28

On July 26, 2013 and August 1, 2013, respectively, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion") and Columbia Gas of Virginia, Inc. ("Columbia") filed objections to the amount and form of "adequate assurance of payment" afforded to them under the Utilities Order, and to a provision in the Utilities Order requiring the Debtors' utility providers to obtain relief from stay prior to terminating services. The Debtors, with the assistance of ESBA and ST&G, entered into negotiations with Dominion and Columbia regarding their objections. These efforts were partially successful, as the Debtors and Columbia stipulated as to a modified form of adequate assurance. All remaining disputes were resolved at a hearing on August 28, 2013. On September 9, 2013, the Court entered an order modifying the adequate assurance of payment to be provided to Columbia, and overruling Dominion's and Columbia's objection to the provision in the Utilities Order requiring utilities to obtain relief from stay prior to terminating services.

**4. Postpetition Cash Position.**

As reflected in the Debtors' Monthly Operating Reports for the month of March 2014 [Docket Nos. 293, 294], the Debtors sold substantially all of their assets, including all existing cash, to the Purchaser as part of the Sale. In addition, the Purchaser assumed certain postpetition operating expenses that have accrued prior to and subsequent to the closing of the Sale. The lack of cash in the Debtors' estates should not affect the relief requested in this Application. ESBA is not seeking additional payment from the Debtors, but is rather seeking allowance of fees and expenses for which ESBA has already been compensated. Even the Supplemental Retainer, which ESBA is entitled to under the APA for the Sale, will be funded by the Purchaser, and not the Debtors. Accordingly, the relief requested in this Application will not affect the Debtors' cash position or ability to satisfy other administrative expenses in these cases.

**III.**

**SUMMARY OF SERVICES RENDERED & FEES INCURRED**

In accordance with the UST Guidelines and Local Bankruptcy Rules, ESBA has classified its time entries in these Cases into the following categories, the details of which are set

forth in **Exhibit D** to the Katz Declaration:

**Billing break-down of fees incurred by ESBA during the Final Application Period by Task Code**

Task Code	Task Description	Hours	Fees Incurred
45	Benefits	15.3	\$7,287.50
46	Board of Directors	12.8	6,490.00
47	Business Analysis & Planning	77.1	35,729.50
50	Case Administration	20.2	9,685.00
51	Cash Management	79.7	37,957.50
61	Correspondence	13.9	6,410.00
62	Court Hearing & Preparation	42.9	20,634.50
74	Preparation of Application	43.4	14,455.00
77	Financial Statements & Projections	101.0	49,255.00
78	Financing	11.7	6,075.50
79	Vendor	36.1	17,267.50
81	Tax Issues/Consulting	17.1	7,692.50
85	Systems Review	2.6	1,235.00
86	Insurance	24.2	11,447.00
90	Personnel Issues	50.6	23,867.00
98	Meeting – External	60.6	28,305.00
99	Meetings	118.8	55,167.75
103	Operational Budgets	5.6	2,660.00
104	Operations & Financial Analysis	28.6	13,675.00
110	Real Estate Data/Valuation	6.1	2,897.50
113	Report Preparation	13.6	6,930.00
115	Sale of Business & Related Issues	51.7	24,742.50
116	Schedules – Bankruptcy	156.1	68,517.50
122	Manufacturing	35.6	15,454.00
141	Personnel	5.0	2,180.00
148	Travel (billed at \$0.00 rate)	130.4	0.00
<b>TOTAL</b>		<b>1,160.7</b>	<b>\$476,017.75</b>

ESBA, in its independent billing discretion, has voluntarily written off all travel time billed by its professionals during the Final Application Period.

ESBA has prepared the following exhibits in accordance with UST Guidelines:

Exhibit "A" to Katz Declaration	A copy of the ESBA Employment Motion.
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Exhibit "B" to Katz Declaration	A copy of the ESBA Employment Order.
Exhibit "C" to Katz Declaration	First Order of Allowance – awarding compensation of all fees and expenses requested by ESBA for the First Interim Period.
Exhibit "D" to Katz Declaration	Detailed daily time records and summary of fees incurred for each of the activity categories on a monthly basis.
Exhibit "E" to Katz Declaration	Summary of expenses, by category and month.
Exhibit "F" to Katz Declaration	Summary of the experience and qualifications of those members of ESBA who rendered services to the Debtor.

ESBA performed numerous discrete services and tasks as CRO to the Debtors. Descriptions and details of each of these services and tasks are contained in ESBA's detailed time records, which are attached to the Katz Declaration as **Exhibit D**.<sup>7</sup> As can be seen from a review of these records, it would be a time-consuming task to describe in detail all of the numerous services provided to the Debtors by ESBA during the Final Application Period. What follows, therefore, is a summary of the more significant services rendered by ESBA during the Final Application Period, listed by the category.

**A. Billing Summary & Description**

Compensation for fees and reimbursement of expenses is sought for all reasonable and necessary activities performed in the cases during the Final Application Period. Below is a categorical listing of ESBA's representative tasks during the Final Application Period. However, given the number and diversity of issues faced by ESBA during these bankruptcy cases, not all tasks are provided in this categorical listing. Descriptions of each task completed by ESBA's professionals are provided in **Exhibit D**, annexed hereto.

<sup>7</sup> Some of the services rendered could reasonably be categorized in more than one of the billing categories. Consequently, different consultants sometimes billed their services on the same matter in different categories. In no event were any time entries for a single task by one consultant duplicated.

1           **1.       Benefits: Task Code # 45**

2           The "Benefits" category primarily relates to services rendered in connection with  
3 ESBA's guidance and advice pertaining to the Debtors' review of their benefit programs; assessing  
4 and replacing the benefit programs; engaging in multiple conversations with benefit providers;  
5 attending multiple meetings with management team members regarding proposed personnel changes  
6 and responsibilities; answering numerous questions from employees regarding insurance, back pay,  
7 and transition procedures benefits, employee, and pension plans, and reviewing and discussing the  
8 possibility of losing all employee benefits should the Debtors shut down and liquidate.

9           ESBA spent a total of 15.3 hours rendering services in this category, for which it  
10 seeks allowance in the amount of \$7,287.50.

11           **2.       Board of Directors Meetings: Task Code # 46**

12           The "Board of Directors" category primarily relates to services rendered in  
13 connection with ESBA working with the Debtors' Board of Directors including preparing for Board  
14 of Directors calls; preparing write-ups; attending multiple meetings/calls with Board Members and  
15 the Debtors' counsel to discuss operational results, potential employee reduction, the auction process,  
16 closing costs and other sale items, and potential next steps in the cases.

17           ESBA spent a total of 12.8 hours rendering services in this category, for which it  
18 seeks allowance in the amount of \$6,490.00.

19           **3.       Business Analysis & Planning: Task Code # 47**

20           The "Business Analysis & Planning" category includes services rendered in  
21 connection with attending plant operations meetings; performing extensive analysis of the plant  
22 operations; conversations with the Debtors' banks regarding opening up new postpetition accounts;  
23 evaluating go forward plans and opportunities; working on rolling cash flow forecasts; providing  
24 additional updates and modifications to the Debtors' business model; preparing variance reports and  
25 explanations; working on a production priority listing; preparing and updating Actual to Budget  
26 report; reconciling disbursement listing and update budgets; reviewing and assessing New York City  
27 operations; participating in multiple conference calls with the DIP Agent; participating in calls with  
28 the Debtors' accountant to review outstanding tax returns; reviewing work plan status of the Debtors'

1 patents, including any that had lapsed; reviewing and discussing outstanding offers, counter  
2 proposals and further steps and reconciliation of current account receivable schedule.

3 ESBA spent a total of 77.1 hours rendering services in this category, for which it  
4 seeks allowance in the amount of \$35,729.50.

5 **4. Case Administration: Task Code # 50**

6 The "Case Administration" category includes services rendered by ESBA in  
7 connection with organization, coordination, and compliance activities. These activities include,  
8 among other things, planning and coordinating with the Debtors; reviewing disbursement approval  
9 process; preparing outline for reports; printing guidelines and reviewing instructions for statements  
10 and schedules; assessing operations, history of funding, personnel issues and upcoming plan;  
11 discussions with representatives of Meserole and the DIP Agent regarding management reports and  
12 proposed employee reduction; engaging in internal status review and strategy meetings; providing  
13 closing schedules and support information; preparing projections of the Debtors' professional fees  
14 for the remainder of the cases.

15 ESBA spent a total of 20.2 hours rendering services in this category, for which it  
16 seeks allowance in the amount of \$9,685.00.

17 **5. Cash Management & Cash Usage: Task Code # 51 & 52**

18 The "Cash Management" category includes some of ESBA's most critical and  
19 intensive functions, including providing appropriate detail with banking regulations; assessing  
20 account balances and descriptions; managing cash usage to avoid production delays; determining  
21 funding needs, receipts and disbursements; reviewing and approving funding requests; preparing  
22 weekly funding requests under the DIP Financing with supporting details; reviewing and monitoring  
23 cash flow; managing the process of opening and closing bank accounts pre- and postpetition;  
24 reconciling DIP Financing balances; analyzing receipts and disbursements schedules; preparing and  
25 distributing weekly operating expense and funding requests, compared to the DIP Financing budget;  
26 reviewing weekly funding requests with the Director of plant operations; preparing budget to actual  
27 report and compared to cash balances; monitoring cash flow, cash position and funding; and  
28 reconciling account activity to statements and balances.

1 ESBA spent a total of 79.7 hours rendering services in this category, for which it  
2 seeks allowance in the amount of \$37,957.50.

3 **6. Correspondence: Task Code # 61**

4 The "Correspondence" category includes services rendered by ESBA in interacting  
5 with the Debtors' employees and other stakeholders that were influential to the bankruptcy process.  
6 More specifically, these activities include, among other things, written correspondence regarding  
7 outstanding IRS issues; preparing status reports for the DIP Agent and the Debtors' Board of  
8 Directors; correspondences re: banking, personnel, customer cash and funding issues; preparing and  
9 distributing communications to management team and counsel regarding immediate cash needs and  
10 ability to fund necessary expenditures out of current cash positions; engaging in an in-depth review  
11 of reservation of rights letter and response; preparing letter to all vendors and customers regarding  
12 the status of the Debtors' operations.

13 ESBA spent a total of 13.9 hours rendering services in this category, for which it  
14 seeks compensation in the amount of \$6,410.00.

15 **7. Court Hearings and Preparation: Task Code # 62**

16 The "Court Hearing and Schedule Preparation" category includes matters pertaining  
17 to preparing for and attending Court hearings. These activities include, among other things:  
18 preparing for and attend the first day hearings; preparing for interim and final DIP Financing  
19 hearings, and the hearings related to the Sale; telephonically attending interim DIP Financing  
20 hearings; attending call regarding auction and Sale process and timeline; preparing for the Debtors'  
21 section 341 meeting; and composing comments for the UST and answers to form questions.

22 ESBA spent a total of 42.9 hours rendering services in this category, for which it  
23 seeks allowance in the amount of \$20,634.50.

24 **8. Preparation of Applications: Task Code # 74**

25 The "Fee/Employment Applications" category includes services rendered in  
26 connection with preparing and/or reviewing applications to employ ESBA, the preparation and  
27 editing of time diaries and Professional Fee Statements and Interim Fee Applications.  
28



1 ESBA spent a total of 43.4 hours rendering services in this category, for which it  
2 seeks allowance in the amount of \$14,455.00.

3 **9. Financial Statements & Projections: Task Code # 77**

4 ESBA's work in the "Financial Statement & Projection" category was critical in  
5 providing budgeting, forecasting, and reporting for the Debtors. The work ESBA did in this  
6 category provided the foundation and road map throughout the pendency of the cases. ESBA  
7 analyzed cash flow forecasts, projections and assumptions; prepared rolling cash flow forecasts for  
8 court hearings; prepared budget to actual variances; with Debtors' management reviewed and agreed  
9 to proposed budget, since DIP Agent indicated that there will not likely be additional funding;  
10 reviewed with the Debtors' management results and variances; discussed opportunities to implement  
11 improvements; worked on projections including assumptions, industry background statements of  
12 cash flow and detail support schedules; worked on DIP Financing budget with the DIP Agent; ran  
13 sensitivity analyses; prepared actual operating results; reconciled all debtor in possession bank  
14 accounts; prepared rolling cash flow forecasts for Court hearings; prepared additional receipts and  
15 disbursement reports; reviewed operating expense, funding requests and compared to budget;  
16 prepared Sale and closing cost schedule for Sale motion and hearing; prepared iterations and  
17 multiple scenarios to accompany negotiations regarding the terms of the Sale; and prepared expense  
18 summary projections (multiple scenarios) for closing schedules.

19 ESBA spent a total of 101.0 hours rendering services in this category, for which it  
20 seeks allowance in the amount of \$49,255.00.

21 **10. Financing: Task Code # 78**

22 The "Financing" category includes services rendered in connection with assisting the  
23 Debtors in negotiating and obtaining financing without which the Debtors would not have been able  
24 to work through its Chapter 11 and Sale process. ESBA's services included assisting ST&G in  
25 negotiating the terms of the DIP Financing; working with the Debtors' management through funding  
26 delay issues; preparing a schedule of potential additional funding sources and interested investors;  
27 negotiating opportunities with suppliers to preclude delays in product and supply deliveries;  
28 improved and enhanced working relationships with current and new suppliers with little interruption

1 to vendors providing goods and/or services through credit; and working with Hilco through the Sale  
2 process.

3 ESBA spent a total of 11.7 hours rendering services in this category, for which it  
4 seeks allowance in the amount of \$6,075.50.

5 **11. Vendors: Task Code # 79**

6 The category "Vendors" is comprised of services rendered in connection with certain  
7 vendor related activities arising during the Debtors' bankruptcy cases, including: multiple telephone  
8 conversations with various vendors regarding vendor status, outstanding bills, differences between  
9 pre- and postpetition debt, time of payment and the case status; analyzed outstanding vendor  
10 invoices, vendor status, payments schedules and timing for funding analysis; reviewed and approved  
11 payments for weekly funding; multiple meetings with vendors to address their concerns and  
12 outstanding balances and the Debtors' commitment to produce and operational estimates and dates;  
13 worked with trade vendors to keep product and services flowing; and negotiated agreements with the  
14 landlord for the Debtors' New York office.

15 ESBA spent a total of 36.1 hours rendering services in this category, for which it  
16 seeks allowance in the amount of \$17,267.50.

17 **12. Tax Issues/Consulting: Task Code # 81**

18 The category "Tax/Issue Consulting" is comprised of services ESBA provided  
19 relating to preparing tax returns and tax reports including: discussions with payroll and tax service  
20 provider; reinstituted tax paying service; prepared and analyzed payroll tax reports; verified that the  
21 payroll taxes postpetition were being funded; and reviewed, discussed and planned preparation of  
22 2012 tax returns.

23 ESBA spent a total of 17.1 hours rendering services in this category, for which it  
24 seeks allowance in the amount of \$7,692.50.

25 **13. Systems Review: Task Code # 85**

26 "Systems Review" category consists of services ESBA provided in evaluating and  
27 assessing the Debtors' systems including meeting with K. Wilkerson and E. Smith regarding existing  
28 systems and estimated costs for necessary upgrades; communicating with representatives of the

Purchaser and the information technologies group regarding new email addresses; and evaluating system update.

ESBA spent a total of 2.6 hours rendering services in this category, for which it seeks allowance in the amount of \$1,235.00.

**14. Insurance: Task Code # 86**

The category "Insurance" comprised of services rendered in connection with Debtors to obtain and maintain insurance. ESBA negotiated continuing coverage for both employees and the Debtors, without both, value could have been lost. ESBA's services included: researching payment application issue with the dental insurance; having conversations with the representatives of Rutherford Insurance regarding continuation of coverage; negotiating with Rutherford to ensure insurance policies were in place and the Debtors and their assets were covered during these chapter 11 cases; negotiating coverage for a worker's compensation policy and disability policies; researching and reviewing quotes for potential alternatives to the existing health care plans; and compiling requirements and needed information for the Purchaser to obtain new insurance policies.

ESBA spent a total of 24.2 hours rendering services in this category, for which it seeks allowance in the amount of \$11,447.00.

**15. Personnel Issues/Personnel: Task Code # 90 & 141**

ESBA spent a significant amount of time throughout the case as the CRO managing and communicating with the Debtors' personnel, participating in multi-office meetings, and keeping personnel apprised of case developments. The "Personnel Issues/Personnel category" includes ESBA's services in performing these tasks. ESBA's services included: reviewing staffing levels; analyzing opportunities for cost and personnel reductions; reviewing opportunities to improve employee performance; reviewing with employees their concerns with the Debtors' bankruptcy filings; preparing and distributing a status memo and action; participating in multiple meetings regarding various issues including back pay and insurance coverage and commissions owed, etc.; preparing a schedule for proposed personnel changes and cash requirements for layoffs by the Purchaser, priority payroll claims, and estimated expenses and cash requirements related to the personnel layoffs; analyzing proposed employee reduction; updating and completing termination and

1 reduction to part-time employee plan for certain employees; delivering plan to the Board of  
2 Directors for their review and approval; participating in a conference call with Meserole and the DIP  
3 Agent to review payroll, roles, and responsibility of each employee.; and reviewing employees'  
4 expertise, skills and their strengths and weaknesses, and addressed concerns regarding transition and  
5 personnel changes.

6 ESBA spent a total of 55.6 hours rendering services in this category, for which it  
7 seeks allowance in the amount of \$26,047.00.

8 **16. Meetings Internal & External: Task Code # 98 & 99**

9 The "Meetings" category relates to communications with the Debtors' individual  
10 creditors and stakeholders. Included within this category is ESBA's attendance at the Debtors'  
11 meeting with creditors under Bankruptcy Code section 341(a) and calls with the US Trustees office  
12 to review case status. Also, ESBA's time in this category involved discussions with certain of the  
13 Debtors' creditors, lenders, personnel, Board Members, attorneys, investment bankers, employees,  
14 and other members of the team to discuss ongoing strategies, operational and financial issues  
15 including but not limited to schedules, operating performance, plant maintenance, production  
16 planning; sales issues, personnel issues and assessments, projections, staffing levels, budget, budget  
17 to actual comparison, weekly cash flow projections, collections, disbursements, business plan, DIP  
18 Financing funding, Sale issues, transition planning (with Purchaser) and due diligence items. This  
19 category also includes time related to ESBA's discussions with potential buyers and bidders for the  
20 Debtors' assets and preparing for Court hearings.

21 ESBA spent a total of 179.4 hours rendering services in this category, for which it  
22 seeks allowance in the amount of \$83,472.75.

23 **17. Operational Budgets: Task Code # 103**

24 The "Operating Budget" category primarily relates to services rendered in connection  
25 with ESBA's guidance in reviewing and analyzing wire transfers, updating certain budgets, planning  
26 next steps in these cases; and accumulating data and information for reporting.

27 ESBA spent a total of 5.6 hours rendering services in this category, for which it seeks  
28 allowance in the amount of \$2,660.00.

1  
2 **18. Operations & Financial Analysis: Task Code # 104**

3 This "Operations & Financial Analysis" category relates to services rendered in  
4 connection with ESBA's continuing analysis throughout the pendency of these cases in assessing  
5 operational and financial variances compared to budget with explanations; conducting the Debtors'  
6 daily operations as a Chapter 11 debtor; reconciling payroll statements and expenses; completing  
7 cash flow models; creating operational schedules including efficiency analysis and profit variance;  
8 and reviewing plant production sales and operations, including usage of raw materials, shipping  
9 costs, sales and future steps.

10 ESBA spent a total of 28.6 hours rendering services in this category, for which it  
11 seeks allowance in the amount of \$13,675.00

12 **19. Real Estate Data/Valuation: Task Code # 110**

13 The category "Real Estate/Data Valuation" includes services rendered in assisting in  
14 advising the Debtors with respect to accepting or rejecting leases of the Debtors' multiple locations.  
15 ESBA prepared a report and analysis regarding the transfer of operations at the New York office to  
16 the Purchaser, and negotiated an agreement with the New York landlord to avoid default and  
17 discussed possibility of a longer term deal.

18 ESBA spent a total of 6.1 hours rendering services in this category, for which it seeks  
19 allowance in the amount of \$2,897.50.

20 **20. Report Preparation: Task Code # 113**

21 The "Report Preparation" category included ESBA's work in preparing write up and  
22 status reports on the progress of the cases, and reviewed the same with stakeholders; and preparing  
23 management reports including periodic status reports, outlining cash flow performance, funding, and  
24 sales, future outlook and next steps.

25 ESBA spent a total of 13.6 hours rendering services in this category, for which it  
26 seeks allowance in the amount of \$6,930.00.

27

28

1           **21. Sale of Business and Related Issues: Task Code # 115**

2           The category "Sale of Business and Related Issues" includes services rendered in  
3       advising the Debtor with respect to seeking approval of and implementing the Sale of substantially  
4       all of the Debtors' assets. ESBA assisted the Debtor in identifying and hiring Hilco as their  
5       investment banker. With the assistance of ST&G, ESBA engaged in communications and  
6       negotiations regarding the terms of the Sale. Without ESBA's efforts, the sale process likely would  
7       have been significantly more expensive. As part of this category ESBA examined outstanding  
8       intellectual property (IP) issues and funding to retain IP counsel to preserve asset value; with the  
9       assistance of ST&G, extensively negotiated the terms of the APA and supporting schedules; worked  
10      on priority wage claim analysis; analyzed expenditures schedule through the closing of the Sale;  
11      reviewed the Purchaser's credit bid notice, credit bid purchase, and assisted in negotiating the  
12      proposed Sale order; participated in multiple communications regarding outstanding transition  
13      issues; finalized my declaration in support of the Sale of the Debtors' assets; and participated in  
14      bankruptcy court hearings and status calls to approve the Sale.

15               ESBA spent a total of 51.7 hours rendering services in this category, for which it  
16      seeks allowance in the amount of \$24,742.50.

17           **22. Bankruptcy Schedules: Task Code # 116**

18           The category "Bankruptcy Schedules " is comprised of services ESBA rendered in  
19      ensuring that the Debtors complied with the requirements of the Bankruptcy Code, the Court and the  
20      UST, including preparing initial statements and schedules, monthly operating reports and 7 day court  
21      reporting packages and related detail schedules for the Debtors. At times, ESBA was forced to  
22      double certain amounts of work and resources needed to meet appropriate deadlines. In completing  
23      the tasks in this category, ESBA engaged in multiple meeting with the Debtors' Controller and senior  
24      accountant to gather, review, develop and assimilate required data for completion of the Statements  
25      and schedules accounting department was thinly staffed so it required additional ESBA personnel  
26      with that experience and capabilities.

27               ESBA spent a total of 156.1 hours rendering services in this category, for which it  
28      seeks allowance in the amount of \$68,517.50.

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Airfare	6,027.40
Postage/Courier	36.62
<b>Expense Totals</b>	<b>\$20,821.41</b>

**A. Expense Summary**

During the Final Application Period ESBA incurred expenses in connection with its representation of the Debtors. Travel charges are calculated using actual cost, or in the case of automobile travel, the applicable standard mileage rates promulgated by the Internal Revenue Service plus actual amounts expended for tolls. Telephone charges are calculated using actual cost (*i.e.*, the actual amount billed by a third-party provider). Each expenditure was a necessary and reasonable cost incident to the performance of ESBA's services for the Debtors.

**V.**

**REQUEST FOR FINAL ALLOWANCE OF FEES AND EXPENSES**

**A. Legal Standard.**

Section 330 provides that a court may award a professional employed under Bankruptcy Code section 327 "reasonable compensation for actual necessary services rendered . . . and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1).

Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and the value of such services, taking into account all relevant factors, including --

(A) The time spent on such services;

(B) The rates charged for such services;

(C) Whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

(D) Whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) Whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.



Professional services rendered by ESBA during the Final Application Period have been itemized by professional, noting each professional's rate, number of hours, and total compensation requested. *See* Katz Declaration, **Exhibit D**. Each duty and task performed by ESBA has been performed by the professional most qualified to render such services at his or her ordinary hourly rate in the most efficient manner as required by the circumstances of these cases. ESBA reasonably expended this time in order to adequately represent and protect the interests of the Debtors. There was no duplication of effort.

**B. Reasonableness of Compensation Requested.**

ESBA requests final allowance for the fees of its consultants at their respective customary hourly rates. The hourly rate of each professional who rendered services in connection with the Debtors' during this Final Application Period is set forth in **Exhibit D** to the Katz Declaration. Courts have held that the prevailing market rate in the community is indicative of a reasonable hourly rate. *See, e.g., In re Auto Parts Club, Inc.*, 224 B.R. 445, 449 (Bankr. S.D. Cal. 1998). ESBA regularly conducts a survey of hourly rates charged by firms that perform similar work in this district and in other districts. Based on the results of its most recent survey, ESBA believes that the hourly rates charged for consultants and professionals are reasonable and competitive with the hourly rates charged by other firms of comparable size and quality with similar expertise and levels of experience as ESBA.

In addition, the principal consultants who rendered services on the Debtors' behalf are each highly educated, skilled, and accomplished bankruptcy professionals, as demonstrated by the qualification summaries attached as **Exhibit F** to the Katz Declaration.

ESBA submits that, based upon the factors considered pursuant to Bankruptcy Code section 330, the quality of the services provided and the results that have been achieved to date more than justify allowance of the amounts requested. ESBA, with the assistance of ST&G and the Debtors' other professionals, has led the Debtors through an expedited section 363 sale process that preserved the Debtors' going concern value prior to closing of the Sale, resulted in the Purchaser's assumption of certain priority claims that might otherwise have been left unsatisfied in the absence of the Debtors' efforts in these cases, and preserved the jobs of over seventy (70) employees.

1 **C. Compliance with Guidelines.**

2 ESBA believes that this Application substantially complies with this district's Local  
3 Bankruptcy Rules and UST Guidelines. To the extent there has not been material compliance with  
4 any particular rule or guideline, ESBA respectfully requests a waiver or an opportunity to cure.

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VI.

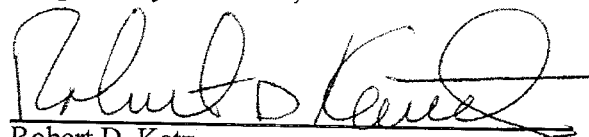
CONCLUSION

ESBA believes that the services rendered for which final allowance is sought in this Application have been very beneficial to the Debtors' estates and all stakeholders and interested parties, that the costs incurred have been necessary and proper, and that the sums requested for the services rendered and the costs incurred are fair and reasonable.

WHEREFORE, based upon all of the foregoing, ESBA respectfully requests that this Court enter an order: (ii) Allowing, on a final basis, reasonable compensation in the amount of \$476,017.75 for actual, necessary services rendered by ESBA during the Final Application Period; (iii) allowing, on a final basis, out-of-pocket expenses in the amount of \$20,821.41 incurred by ESBA during the Application Period; (iv) allowing, on a final basis, reasonable compensation and expenses in the amount of \$15,000 for estimated services and out-of-pocket expenses to be incurred by ESBA in obtaining approval of this Application and the dismissal of these Chapter 11 cases; (v) approving ESBA's receipt of \$377,271.00 as partial compensation for reasonable fees and expenses incurred by ESBA during the Final Application Period; (vi) approving, on a final basis, payment to ESBA of any amount remaining in the Chapter 11 Retainer and Supplemental Retainer as partial compensation for its fees and expenses incurred during the Final Application Period; (vii) authorizing the Debtors to pay to ESBA any other amounts necessary to satisfy any allowed fees or expenses for which ESBA has not been compensated; and (viii) granting such other and further relief as the Court deems to be just and proper.

Date: April 28, 2014

Respectfully submitted,

  
Robert D. Katz  
EXECUTIVE SOUNDING BOARD  
ASSOCIATES INC.

CRO  
for Debtors and Debtors in Possession

**DECLARATION OF ROBERT D. KATZ**

I, Robert D. Katz, declare as follows:

1. I am over 18 years of age and have personal knowledge of the matters set forth herein. If called upon, I would testify competently with respect to these matters.

2. I am a member of Executive Sounding Board Associates, LLC ("ESBA"), Chief Restructuring Officer to the Colorep, Inc. and Transprint USA, Inc. (together, the "Debtors").<sup>9</sup> I am a Managing Director at ESBA with primary responsibility for advising the Debtors in the above-captioned Chapter 11 bankruptcy case, and I rendered or supervised all of ESBA's consulting services rendered to the Debtors during the Application Period.

3. Attached hereto are true and correct copies of the following documents:

a. Exhibit "A" – A copy of the ESBA Employment Motion entered by the Court on July 30, 2014 [Docket No. 80];

b. Exhibit "B" – A copy of the "Order Authorizing the Employment of Executive Sounding Board Associates Inc. to Serve as Chief Restructuring Officer Pursuant to Bankruptcy Code Section 327" entered by the Court on November 18, 2013 [Docket No. 245];

c. Exhibit "C" – A copy of the "Order Approving First Interim Application of Executive Sounding Board Associates, LLC as Chief Restructuring Officer to the Debtors for Compensation and Allowance of Professional Fees and Expenses During the Period from July 10, 2013 Through October 31, 2013" entered by the Court on February 7, 2014 [Docket No. 281];

d. Exhibit "D" – Detailed daily time records and summary of fees incurred for each of the activity categories on a monthly basis.

e. Exhibit "E" – Summary of expenses, by category and month.

f. Exhibit "F" – Summary of the experience and qualifications of those members of ESBA who rendered services to the Debtor.

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<sup>9</sup> Capitalized terms not otherwise defined herein have the same meaning as in this Application.

1           4.     I have reviewed the requirements of Local Bankruptcy Rule 2016-1. It is my  
2 belief that the Application complies with this rule.

3           5.     This Application has been prepared in compliance with the UST Guidelines.  
4 Other than as disclosed in this Application, no payments have heretofore been made or promised to  
5 ESBA for services rendered or to be rendered in any capacity in connection with this case during the  
6 Final Application Period.

7           6.     ESBA has not entered into any arrangement or agreement with any person or  
8 entity with respect to the sharing of fees and expenses for which ESBA is seeking compensation and  
9 reimbursement as set forth in this Application, except as permitted by 11 U.S.C. § 504(b)(1).  
10 Furthermore, ESBA has not entered into any agreement, express or implied with any other party in  
11 interest, or any attorney or other party in interest for the purpose of fixing fees or compensation and  
12 reimbursement of expenses incurred.

13           7.     ESBA has circulated a declaration in support of this application to the  
14 Debtor's Board of Directors. As of this date, ESBA has not received the signed declaration. ESBA  
15 will supplement this declaration as necessary.

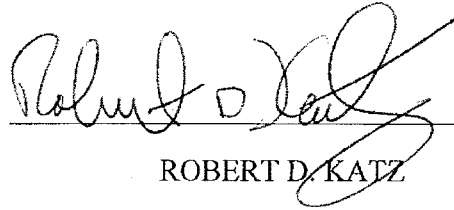
16           8.     ESBA, in its independent billing discretion, has voluntarily written off  
17 approximately 130 hours of travel time billed by its professionals during the Final Application  
18 Period.

19           9.     I believe that the services rendered for which final compensation and  
20 allowance is sought in this Application have been very beneficial to the Debtors, that the costs  
21 incurred have been necessary and proper, and that the sums requested for the services rendered and  
22 the costs incurred are fair and reasonable.

23           10.    Near the end of each calendar year, ESBA surveys the hourly rates charged by  
24 financial advisory and consulting firms that routinely perform work before bankruptcy courts. Based  
25 on the results of this analysis, ESBA believes that the hourly rates charged by ESBA for its  
26 professionals are reasonable and competitive with the hourly rates charged by firms of comparable  
27 quality that have similar expertise and experience level as ESBA.  
28

1 I declare under penalty of perjury that the foregoing is true and correct.

2 Executed this 28 day of April 2014, at Philadelphia, Pennsylvania.

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5 ROBERT D. KATZ  
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**EXHIBIT "A"**

GARY E. KLAUSNER (STATE BAR NO. 69077)  
MARGRETA M. MORGULAS (STATE BAR NO. 224950), and  
KIZZY L. JARASHOW (*Admitted Pro Hac Vice*), 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  
E-Mail: gklausner@stutman.com  
mmorgulas@stutman.com  
kjarashow@stutman.com

[Proposed] Reorganization Counsel  
for Debtors and Debtors in Possession

Debtors' Mailing Address:  
Colorep, Inc. and Transprint USA, Inc.  
1000 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, *et al.*, )  
) (Jointly Administered)

Debtors.

Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and  
54-1200596 (Transprint USA, Inc.)

**DEBTORS' NOTICE OF MOTION AND  
MOTION PURSUANT TO BANKRUPTCY  
CODE SECTIONS 105(a) AND 363 FOR  
ENTRY OF AN ORDER AUTHORIZING  
THE EMPLOYMENT OF EXECUTIVE  
SOUNDING BOARD ASSOCIATES INC.  
TO PROVIDE CRISIS MANAGEMENT  
SERVICES AND TO PROVIDE ROBERT D.  
KATZ TO SERVE AS CHIEF  
RESTRUCTURING OFFICER FROM THE  
PETITION DATE; MEMORANDUM OF  
POINTS AND AUTHORITIES IN SUPPORT  
THEREOF; DECLARATION OF ROBERT  
D. KATZ. CTP IN SUPPORT THEREOF**

Hearing

[No Hearing Required unless Requested  
under Local Bankruptcy Rule 9013-1(o)]



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1 **TO THE HONORABLE JULIA W. BRAND, THE OFFICE OF THE UNITED STATES**  
2 **TRUSTEE, THE DEBTORS' SECURED LENDERS AND OTHER PARTIES ASSERTING**  
3 **SECURED CLAIMS, THE TWENTY LARGEST UNSECURED CREDITORS OF THE**  
4 **DEBTORS, AND OTHER PARTIES IN INTEREST:**

5 **PLEASE TAKE NOTICE** that the above captioned debtors and debtors in  
6 possession (the "Debtors") hereby move (by this "Motion") the Court, pursuant to sections 105(a)  
7 and 363 of title 11 of the United States Code (the "Bankruptcy Code"), for entry of an order,  
8 effective from the Petition Dates (as defined below), authorizing and approving the agreement  
9 ("ESBA Agreement") with Executive Sounding Board Associates, Inc. ("ESBA") to provide crisis  
10 management services and also to provide Robert D. Katz to serve as the Debtors' Chief  
11 Restructuring Officer ("CRO"), as well as any required additional temporary staff (the "Temporary  
12 Staff"), including, but not limited to, Mr. Paul Newton; and (b) the appointment of Mr. Katz as CRO.  
13 In support of the Motion, the Debtors respectfully represent as follows:

14 **SUMMARY OF RELIEF REQUESTED**

15 By this Motion, the Debtors seek authorization and approval of the ESBA Agreement,  
16 as of the Petition Date, pursuant to which ESBA will provide crisis management services to the  
17 Debtors, provide the CRO and any required additional Temporary Staff, including Mr. Newton,  
18 under sections 105(a) and 363 of the Bankruptcy Code and on the terms set forth herein and in the  
19 ESBA Agreement, a copy of which is attached to the "Declaration of Robert D. Katz In Support of  
20 Retention Application" (the "Katz Declaration") as Exhibit "1".

21 This Motion is based on the Memorandum of Points and Authorities below, the  
22 evidence contained in the Katz Declaration, the concurrently filed "Appendix of Orders Cited in  
23 Debtors' Motion Pursuant to Section 363 for Entry of an Order Authorizing the Employment of  
24 Executive Sounding Board Associates As Chief Restructuring Officer to Provide Management  
25 Services to the Debtors", the record in these cases, and the arguments, evidence and representations  
26 that may be presented at or prior to the hearing on this Motion.

27 **PLEASE TAKE NOTICE** that Local Bankruptcy Rule 9013-1(o)(1) requires  
28 **that any response and request for hearing with respect to this Motion must be filed with the**

1 **Court and served on the Debtor, EBSA and the United States Trustee within 14 days after**  
2 **the date of service of this Notice of Motion.**

3 **WHEREFORE**, based on the Memorandum of Points and Authorities set forth  
4 below and the supporting Katz Declaration, the Debtors respectfully request entry of an order  
5 authorizing and approving the ESBA Agreement to provide crisis management services and CRO, as  
6 well as any Temporary Staff, including Mr. Newton, necessary to perform the requested services to  
7 the Debtors.

8  
9 Dated: July 30, 2013

/s/ Margreta M. Morgulas  
GARY E. KLAUSNER  
MARGRETA M. MORGULAS AND  
KIZZY L. JARASHOW, Members of  
STUTMAN, TREISTER & GLATT  
PROFESSIONAL CORPORATION  
[Proposed] Reorganization Counsel  
for Debtors and Debtors in Possession

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I.**

**BACKGROUND**

**A. Petition Date and Jurisdiction.**

On July 10, 2013 (the "Petition Dates"), the Debtors commenced the above-captioned chapter 11 cases ("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.

No trustee, examiner, or committees have been appointed in these Cases.

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.

This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

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

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

At the end of 2007, Colorep acquired Transprint, a privately held, employee-owned company, with headquarters and manufacturing facilities in Harrisonburg, Virginia. Transprint, a leading supplier of transfer-printing paper was a strategic and potentially lucrative acquisition for

Colorep as it gave Colorep access to manufacturing capabilities, a global customer base, and a design library exceeding 15,000 unique designs.

Transprint is the wholly-owned subsidiary of Colorep. Colorep is owned by numerous shareholders, with interests in 1 or more of the 5 series of preferred stock (Series A-E) and/or in Colorep's common stock.

The Debtors share common management, jointly own most assets and are co-obligors or obligor/guarantor on most of the Debtors' collective obligations.

**C. Events Leading to Chapter 11.**

In 2011, the Debtors began experiencing significant cash flow constraints, which rendered the Debtors unable to pay their ordinary course operating expenses, pay overhead, acquire necessary raw materials to meet customer demands and purchase parts and supplies required for the maintenance of their equipment and manufacturing and production facility in Virginia. As a result, the quality and availability of the Debtors' product began to decline and their key vendor and customer relationships suffered.

In or around June 2011, the Debtors entered into that certain Loan and Security Agreement (as amended, supplemented and modified, the "Prepetition Loan Agreement") with Meserole, LLC ("Prepetition Lender" or "Meserole"). Pursuant to the Prepetition Loan Agreement, the Debtors had the ability to access up to \$25 million on the terms and conditions set forth in the Prepetition Loan Agreement ("Prepetition Loan"). In exchange, the Debtors granted Meserole a first priority secured lien on virtually all of their tangible and intangible assets.

Unfortunately, the Prepetition Loan did not result in the stabilization of the Debtors' operations as had been hoped. Accordingly, throughout 2012, the Debtors continued to experience cash shortages and, therefore, were unable to purchase necessary raw materials and timely produce ordered product. Further, the Debtors were unable to sustain the quality of the product they did produce as they lacked the capital necessary to improve or even perform necessary service and repairs to the equipment utilized in their production process. The Debtors' inability to timely meet demand and resolve the increasing quality control issues resulted in material cancellations and harm to valuable customer relationships.

1 The Debtors' working capital constraints also resulted in their inability to meet their  
2 obligations to their employees in a timely and consistent manner. This resulted in significant morale  
3 issues and ultimately in the loss of many key employees in 2012, which further diminished their  
4 capacity to fulfill customer orders and meet obligations to vendors.

5 By the end of 2012, the situation had worsened and the Debtors went through a  
6 number of "dark" periods during which time production halted completely and employees went  
7 unpaid.

8 In March 2013, the Debtors, with the consent of their Prepetition Lender, hired Mark  
9 A. Fox of The Fox Group as the Chief Restructuring Officer. Mr. Fox will now assume a new role  
10 in the operation of the Debtors' businesses, and ESBA will take the lead with respect to the Debtors'  
11 day-to-day operations as well as the sale and restructuring efforts.

12 From March through June 2013, the Debtors worked to adjust staffing to appropriate  
13 levels, minimize and eliminate expenditures that did not directly support the Debtors' production and  
14 research and development operations. Further, the Debtors focused on rebuilding the most valuable  
15 customer and vendor relationships and on minimizing the Debtors' exposure with respect to those  
16 relationships that had historically not been profitable. The Debtors have also focused on improving  
17 inventory analysis and control with an aim to improving the Debtors' ability to timely meet customer  
18 orders. Although significant cash shortages did not permit extensive business development efforts,  
19 to the extent feasible, the Debtors also worked to expand the Debtors' licensing activities to new,  
20 active markets around the globe.

21 **D. Prepetition Loan Agreement with Meserole.**

22 The Debtors' primary assets are its intellectual property rights and interests, including  
23 patents, pending patent applications, trademarks, and copyrights, its manufacturing and operational  
24 facility in Harrisonburg, Virginia, its furniture, fixtures and equipment, accounts receivable,  
25 inventory, and its design studio and customer files in Charlotte, North Carolina and New York, New  
26 York.

27 As previously indicated, the Debtors' primary secured lender is Meserole, which, as  
28 of the Petition Date, was owed approximately \$17 million, exclusive of interest, fees, costs and



1 expenses. Meserole asserts a first priority secured lien on all or substantially all of the Debtors'  
2 assets. Several other parties may assert liens on the Debtors' assets, including, significantly, taxing  
3 authorities, judgment lien creditors, and subordinated debt holders.

4 **E. Postpetition Financing And Use Of Cash Collateral.**

5 Despite the significant operational improvements made since March 2013, by June  
6 2013, it became clear that the Debtors could not continue to operate absent significant, additional  
7 capital infusions. However, the Debtors were unable to find a source of sufficient new capital on  
8 reasonable terms and conditions. Accordingly, the Debtors determined, in the sound exercise of  
9 their business judgment that the best course of action to maximize the value of their assets and the  
10 potential return to creditors was to file for chapter 11 and seek to sell the Debtors' assets through an  
11 efficient sale process.

12 On July 11, 2013, the Debtors filed their "Emergency Motion Of Debtors And  
13 Debtors In Possession For Interim And Final Orders (1) Authorizing Post-Petition Financing;  
14 (2) Authorizing Use Of Cash Collateral; (3) Granting Security Interests And Superpriority Claims;  
15 (4) Providing Adequate Protection; And (5) Granting Related Relief" [Docket No. 12] (the "DIP  
16 Financing Motion").

17 On July 17, 2013, the Court entered an interim order ("Interim DIP Order") approving  
18 the use of the DIP Financing and Cash Collateral on the terms and conditions outlined therein and  
19 pending a final hearing on the relief requested in the DIP Financing Motion, including, relevant to  
20 the instant Motion, the payment of the postpetition retainer to ESBA discussed more fully below.

21 **II.**

22 **RELIEF REQUESTED**

23 By this Motion, the Debtors seek entry of an order authorizing and approving the  
24 ESBA Agreement, pursuant to which the Debtors will retain ESBA to provide crisis management  
25 services and also appoint Mr. Katz to serve as CRO, along with any Temporary Staff, including but  
26 not limited to Mr. Newton, in order to perform the services required under the ESBA Agreement and  
27 the Motion, all pursuant to sections 105(a) and 363 of the Bankruptcy Code.

28

1 The Debtors have agreed to provide a postpetition retainer to ESBA in the amount of  
2 \$ 85,000 (the "Proposed Postpetition Retainer") to be funded from the proceeds of the DIP Financing  
3 Facility and/or Cash Collateral, as provided for in the Interim DIP Order and the budget incorporated  
4 therein ("Budget").

5 The Proposed Postpetition Retainer shall be used to pay the fees and expenses  
6 incurred by ESBA during these Cases. This Motion and ESBA's retention by the Debtors is  
7 conditioned upon the approval of the DIP Financing, use of Cash Collateral and the related Budget  
8 as well as the payment of the \$85,000 Proposed Postpetition Retainer provided for thereunder and in  
9 the Interim Order. Accordingly, ESBA shall have no obligations to represent the Debtors unless the  
10 Proposed Postpetition Retainer is promptly funded in the manner provided herein.

11 **A. Qualifications of ESBA.**

12 As set forth in the ESBA Agreement and the Katz Declaration, ESBA is a firm of  
13 seasoned professionals leading a coordinated effort for business recovery and improvement. Over  
14 35 years and more than a thousand cases, their professionals have honed the skills needed to quickly  
15 diagnose problems, stabilize situations, determine the best courses of action, and develop a long term  
16 plan. With an average of 30 years business experience, their consultants have a diverse array of  
17 first-hand experience and hold a wide range of credentials

18 Mr. Katz has led companies through crises and turnarounds with the vision and  
19 insight earned from more than 25 years on the front lines. In many instances, Mr. Katz has acted as  
20 Interim President, Chief Financial Officer, Chief Operating Officer, Chief Restructuring Officer or  
21 Treasurer, helping companies improve operating performance and generate additional cash flow.

22 As a turnaround consultant, he has functioned in senior leadership positions in a  
23 number of industries including manufacturing, printing, communications, transportation,  
24 distribution, and healthcare. The work in these instances was strategic in evaluating viable options  
25 for a debtor's future including steps to strengthen existing operations as well as pursuing sale of the  
26 company or parts thereof, as well as the potential for additional acquisitions to create a stronger  
27 competitor in the marketplace as part of a plan of reorganization.

28

1 **B. Proposed Scope of Services.**<sup>1</sup>

2 If the Proposed Postpetition Retainer to ESBA is promptly paid, ESBA has agreed to  
3 make Mr. Katz available to serve as the Debtors' CRO and to make available as necessary the  
4 Temporary Staff, including but not limited to Mr. Newton, to perform other services required of  
5 ESBA, as set forth in the ESBA Agreement and this Motion.

6 Mr. Katz and ESBA personnel will focus primarily on the Chapter 11 process and  
7 providing leadership for the Debtors, as well as providing advice and guidance to the Debtors'  
8 Boards of Directors ("Boards") in the development of the Debtors' restructuring options and  
9 determination of the Debtors' cash requirements related thereto. It is expressly contemplated that  
10 ESBA will manage the day-to-day operations and assume the role of CRO and any other senior  
11 position as may be deemed appropriate (e.g., COO, CEO, CFO). However, ESBA will not be  
12 granted authority to exercise any powers or authority as a result of the approval of the ESBA  
13 Agreement that are reserved to the Boards under applicable state law and the governing agreements  
14 of each Debtor. See Katz Declaration, Exhibit 1 at 3 (providing "ESBA's responsibilities and  
15 authority as CRO do not include any responsibilities, powers and authority of the Debtors Board of  
16 Directors, all of which shall remain with the Board.")

17 As detailed in the ESBA Agreement, ESBA's scope of services shall include the  
18 following:<sup>2</sup>

- 19 • Act as the Chief Restructuring Officer (CRO) and as such ESBA will be appointed CRO and  
20 assume certain duties and responsibilities of the day to day management and operation of the  
21 Debtors' businesses, during their Chapter 11 cases, including responsibility for the Debtors'  
22 compliance with UST requirements and regulations, with the understanding and assuming  
23 that there is wherewithal to provide the information timely and materially accurately, and  
24 assisting the Debtors in managing a sale process under Bankruptcy Code section 363 and/or

25 <sup>1</sup> To the extent there are any inconsistencies between the ESBA Agreement and the Order entered by the Court  
26 approving the relief requested by this Motion, the Order shall control. Unless otherwise defined herein, all  
27 capitalized terms shall have the meanings ascribed to them in the ESBA Agreement. Additionally, the Debtors will  
28 apply to the Court for appropriate modification of any Order entered hereon in the event that the Debtors request  
ESBA to furnish additional officers or the scope of the engagement is materially modified.

<sup>2</sup> See Katz Declaration, Exhibit 1 at pg. 2.

- 1 evaluating and developing alternative reorganization strategies; The CRO may appoint  
2 subordinate officers of the Company; provided, however, ESBA shall use commercially  
3 reasonable efforts to manage the Debtors in the exercise of "apparent authority" by any  
4 officer, employee or consultant (interim or otherwise) which is inconsistent with their actual  
5 authority;
- 6 • Working to improve the manufacturing process; enhancing throughput; material utilization;  
7 reducing the cost per unit and advising on the most effective way to position the operations  
8 while considering other stake holder concerns and maintaining focus on the overall picture  
9 and the accompanying details;
  - 10 • Minimize the day to day interruptions and involvement of related stakeholders. Freeing up  
11 Company management from internal time consuming matters, to focus on business growth;
  - 12 • Prepare and develop a rolling cash flow forecast to manage the Company's cash position and  
13 to maximize the value from each disbursement. It will enable the Company to better report  
14 to remote stakeholders;
  - 15 • Prepare and develop if requested a business plan, including balance sheet, income statement,  
16 cash flow statements and support schedules and assumptions;
  - 17 • Work with Company personnel to provide monthly financial statements; close the  
18 books/accounting records and report variances to budget;
  - 19 • Prepare a market overview if requested; assess the Company's competitive position,  
20 customer base and sales performance and trends. Recommend opportunities to improve and  
21 increase sales;
  - 22 • Guide the Company through the proposed Chapter 11/Section 363 sale process. Prepare  
23 statements and schedules as needed and as requested;
  - 24 • Guide the company through the transition process;
  - 25 • Testify in Bankruptcy Court and participate in hearings as requested;
  - 26 • Manage the work flow, work product, court deadlines and interaction with others court  
27 related professionals and personnel including but not limited to the US trustee; and  
28 • Other projects as requested by the Debtors' Boards of Directors.

1 With respect to the efforts outlined above, Mr. Katz will seek to interface and report  
2 in a timely manner to the Boards regarding any decisions to be considered by the Boards, furnish to  
3 the extent possibly financial or other information requested by or on behalf of the Boards, and attend  
4 Board meetings and report progress on restructuring initiatives and actions instructed by the Boards.  
5 Additionally, ESBA will interact with the other professionals retained by the Debtors to ensure that  
6 work is performed efficiently and without duplication of effort.

7 **C. Compensation of ESBA.**

8 As set forth in the ESBA Agreement, ESBA will be compensated on an hourly basis  
9 for fees incurred in rendering services to the Debtors, and reimbursed for actual and necessary  
10 expenses. Specifically, ESBA will be compensated for its services on a time and charges basis at its  
11 standard billing rates in effect at the time services are rendered.

- 12 • The hourly billing rate for Mr. Katz is \$525 and the hourly billing rate for Mr. Newton will  
13 be \$395, which amounts represent reductions of their normal hourly rates and in  
14 consideration of this engagement. In the unlikely event that Mr. Newton works more than 40  
15 hours per week, ESBA has agreed to cap Mr. Newton's fees at \$15,000 per week. As an  
16 alternative and at ESBA's sole discretion, ESBA would cap Mr. Newton's fees at \$12,500  
17 per week with a \$200,000 "success fee" to be paid by Meserole upon completion of a  
18 reorganization under Chapter 11 of the Bankruptcy Code or a Section 363 sale. If the  
19 election is made, the ESBA Agreement provides that the terms and conditions of the success  
20 fee will be formalized in a written Addendum to the ESBA Agreement.
- 21 • To the extent they are not performing other billable work while traveling, travel time for  
22 ESBA consultants will be billed at ½ their normal hourly rate.
- 23 • Should other consultant's from ESBA be needed, their rates will be billed between \$295 and  
24 \$480 per hour and will be approved by the Debtors' Boards of Director in advance. ESBA  
25 has agreed to endeavor to minimize the cost of this engagement by working efficiently and  
26 cost effectively.
- 27 • If the engagement lasts more than six (6) months, ESBA has reserved the right reserve the  
28 right to increase the hourly fee rates charged, upon prior written notice.

- 1 • Billings for fees and out of pocket expenses will be rendered weekly. ESBA's invoices are
- 2 due and payable upon presentation. If an invoice is not paid on a timely basis, ESBA
- 3 reserves the right to cease work until the matter is settled.
- 4 • ESBA will be reimbursed for any out-of-pocket expenses reasonably incurred in connection
- 5 with the services provided. Such expenses include, but are not limited to, travel, meals,
- 6 lodging, parking, telephone and fax, general office services, photocopying and delivery
- 7 services. ESBA has agreed to take reasonable efforts to advise the Debtors of any material
- 8 expenses that are expected to be incurred before they are incurred. Travel expenses to
- 9 California for meetings with parties including but not limited to The United States Trustees
- 10 Office; United States Bankruptcy Court; Board Members and Counsel will be paid initially
- 11 by the Debtors.

12 See Katz Declaration, Exhibit 1 at pp. 3-4.

13 ESBA was given a \$30,000 retainer to secure payment of its fees and expenses in the  
14 prepetition period ("Prepetition Retainer"). To the extent not fully utilized by ESBA for the payment  
15 of its prepetition fees and expenses, the Prepetition Retainer will be rolled over to the postpetition  
16 period. Additionally, the Debtors have agreed that ESBA shall be given the Proposed Postpetition  
17 Retainer in the amount of \$85,000, which shall be funded from the first funds available under the  
18 DIP Financing Facility. ESBA shall segregate the Proposed Postpetition Retainer as well as the  
19 amounts, if any, remaining from the Prepetition Retainer to secure the payment of ESBA's fees and  
20 expenses. The Debtors have further agreed to grant ESBA a first-priority security interest in the  
21 Postpetition Retainer. Katz Declaration, Exhibit 1 at p. 4.

22 Because ESBA, Mr. Katz, Mr. Newton, and any additional Temporary Staff are not  
23 being employed as professionals under section 327 of the Bankruptcy Code, ESBA will not be  
24 submitting fee applications pursuant to sections 330 and 331 of the Bankruptcy Code. ESBA will,  
25 however, provide to the Office of the United States Trustee and counsel for any official statutory  
26 committees that may be appointed in these cases, reports of staffing, compensation earned and  
27 expenses incurred on a monthly basis, with respect to the prior month. Such reports shall include the  
28 names of individuals assigned and the functions filled by such individuals, summarize the services

1 provided, identify the compensation for the CRO and any Temporary Staff, and itemize the expenses  
2 incurred. Katz Declaration, ¶ 24.

3 ESBA shall also file with the Court: (i) monthly staffing reports for the prior month,  
4 including the names of individuals assigned and the functions filled by such individuals; and  
5 (ii) expense reports no less frequently than monthly, summarizing the services provided, identifying  
6 the compensation for the CRO and any Temporary Staff, and itemizing the expenses incurred. ESBA  
7 will provide notice of such filing to the United States Trustee and counsel for any official statutory  
8 committees, providing a ten (10) day time period from the date of issuance for objections to be filed.  
9 Such staffing and compensation for fees and expenses shall be subject to review by the Court only in  
10 the event that an objection is filed within such ten (10) day time period. Katz Declaration, ¶ 25.

11 To the best of the Debtors' knowledge, the compensation arrangement provided in the  
12 ESBA Agreement and described herein is consistent with and typical of arrangements entered into  
13 by ESBA and other restructuring consulting firms with respect to rendering similar services for  
14 clients such as the Debtors. ESBA submits its bills weekly and the bills are due upon presentation  
15 subject to the requirements outlined below. Katz Declaration, ¶ 22.

16 To the best of the Debtors' knowledge, there is no agreement or understanding  
17 between ESBA and any other person or entity for sharing compensation received or to be received  
18 for services rendered by ESBA personnel in connection with these Cases. Katz Declaration, ¶ 13.

19 Further, neither Mr. Katz nor any other employee of ESBA, has been a director of the  
20 Debtors in the past two years, nor have any of the above invested in the Debtors in the prior three  
21 years. Katz Declaration, ¶ 13.

22 **D. Limited Hold Harmless Provisions.**

23 The ESBA Agreement provides that Mr. Katz will be added to the Debtors' existing  
24 Officers and Directors Insurance Policy (the "D&O Policy"). Further, upon any cancellation or non-  
25 renewal of the D&O Policy, the Debtors have agreed to exercise their rights to extend the claim  
26 period for a one-year "discovery period" and will exercise such rights and pay such premiums  
27 required there under. Mr. Katz will also be covered by the indemnity provisions of the bylaws of  
28 Debtor Colorep, Inc. and any applicable state law. See Katz Declaration, Exhibit 1 at p. 4.

1                   Additionally, as set forth in the ESBA Agreement, the Debtors have agreed to hold  
2 harmless and indemnify ESBA and its affiliates and their respective shareholders, directors, officers,  
3 members, managers, partners, control persons, employees, representatives, attorneys and agents,  
4 (each an "Indemnified Party"), from and against any and all losses, claims, damages, obligations,  
5 penalties, judgments, awards, settlements, liabilities, costs, expenses and disbursements (including  
6 reasonable attorneys' fees) asserted against or incurred by any Indemnified Party, related to, by  
7 reason of, or arising out of or in connection with, the ESBA Agreement or performance under the  
8 ESBA Agreement, whether such loss, claim, damage, obligation, penalty, judgment, award,  
9 settlement, liability, cost, expense or disbursement is asserted by the Debtors or any other person or  
10 entity. However, if any claim is made ESBA will only be liable up to the amount of fees earned and  
11 paid by the Debtors. However, the hold harmless and indemnity shall not apply to the extent that a  
12 court of competent jurisdiction has found by final judgment that such loss, claim, damage,  
13 obligation, penalty, judgment, award, settlement, liability, cost, expense or disbursement resulted  
14 from the negligence or willful malfeasance or gross negligence of ESBA. See Katz Declaration,  
15 Exhibit 1 at p. 5.

16                   **III.**

17                   **AUTHORITY FOR RELIEF REQUESTED<sup>3</sup>**

18                   Section 363(b) of the Bankruptcy Code provides in pertinent part: "The trustee, after  
19 notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of  
20 the estate." 11 U.S.C. § 363(b). In the Ninth Circuit, a proposed use of property pursuant to section  
21 363(b) is appropriate if "some articulated business judgment" exists for the transaction. Walter v.  
22 Sunwest Bank (In re Walter), 83 B.R. 14, 19-20 (B.A.P. 9th Cir. 1988) (quoting Institutional  
23 Creditors of Cont'l Air Lines, Inc. v. Cont'l Air Lines, Inc. (In re Cont'l Air Lines, Inc.), 780 F.2d  
24 1223, 1226 (5th Cir. 1986)); see also In re 240 North Brand Partners, Ltd., 200 B.R. 653, 659  
25 (B.A.P. 9th Cir. 1996) ("[D]ebtors who wish to utilize § 363(b) to dispose of property of the estate

26  
27 <sup>3</sup> Pursuant to Section 363(c) of the Bankruptcy Code, entering into contractual arrangements for the provision of  
28 interim management is within the ordinary course of the Debtors' businesses as contemplated by the Bankruptcy  
Code. Corporations routinely hire and fire senior executives. Notwithstanding this contention, the Debtors have  
filed the Motion in the interest of full disclosure to the Court and the Debtors' stakeholders.



1 must demonstrate that such disposition has a valid business justification."); In re Ernst Home Ctr.,  
2 209 B.R. 974, 979 (Bankr. D. Wash. 1997) (stating that the debtor's decision to enter into a  
3 transaction under section 363(b) "must be based on its reasonable business judgment . . .," which  
4 should be approved if the debtor establishes "some articulated business justification for the  
5 transaction").

6           Once a debtor articulates a valid business justification, the law vests a debtor's  
7 decision to use property out of the ordinary course of business with a strong presumption "that in  
8 making a business decision the directors of a corporation acted on an informed basis, in good faith  
9 and in the honest belief that the action taken was in the best interests of the company." Official  
10 Comm. of Subordinated Bondholders v. Integrated Res., Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992)  
11 (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)).

12           The retention of interim corporate officers is proper under section 363 of the  
13 Bankruptcy Code. A company engaged to provide management services and to provide interim  
14 officers need not be engaged as a "professional" because the very act of rendering the management  
15 services during the period prepetition would prevent any such firm from qualifying as  
16 "disinterested." A debtor's president, CEO or CFO is not disinterested and need not be engaged as a  
17 professional, where disinterestedness is mandatory. The same standard must be applied to a CRO  
18 and firms like ESBA that provide crisis management related services.

19           Among others, the United States Bankruptcy Courts for the District of Delaware, the  
20 Northern District of Illinois, the Middle District of Florida, and the Southern District of New York  
21 have approved the retention of temporary employees to provide crisis management and interim  
22 officers and directors under section 363 of the Bankruptcy Code. See, e.g., In re Eastman Kodak  
23 Company, Case No. 12-10202 (ALG) (Bankr. S.D.N.Y. Feb. 28, 2012); In re Archbrook Laguna  
24 Holdings LLC, Case No. 11-13292 (SCC) (Bankr. S.D.N.Y. Aug. 3, 2011); In re Harry & David  
25 Holdings, Inc., Case No. 11-10884 (MFW) (Bankr. D. Del. Apr. 27, 2011); In re Web Press Corp.,  
26 (Case No. 09-17418) (KAO) (Bankr. W.D. Wash. Apr. 22, 2010); In re EZ Lube, Inc., (Case No. 08-  
27 13256) (CSS) (Bankr. D. Del. Jan. 13, 2009); In re Weeks Landing, LLC, (Case No. 06-1721) (ALP)

(Bankr. M.D. Fla. Dec. 19, 2006). An appendix comprised of copies of each of these orders has been filed contemporaneously herewith.

Here, ESBA will provide only services that are "necessary whether a Chapter 11 had been filed or not, and the nature of the services [will] not change significantly on account of a bankruptcy." See In re Dairy Dozen-Milnor, LLP, 441 B.R. 918, 921 (Bankr. D.N.D. 2010).

Indeed, ESBA is the only entity that can supply the Debtors with the full extent of management services that the Debtors require to manage their day to day affairs and oversee their restructuring efforts. The Debtors' management should not be treated as a "professional" under the Bankruptcy Code, because, as one court reasoned:

Who else would the creditors expect to be running the show? It is contemplated by the Code that the debtor will continue to operate its business unless and until an independent trustee or examiner is appointed. . . . The requirements of 11 U.S.C. § 1104 for appointment of a trustee or examiner should not be sidestepped by the unwarranted use of 11 U.S.C. § 327(a). CMG is not an independent professional person, and this court finds that 11 U.S.C. § 327(a) does not apply.

In re Century Inv. Fund VII Ltd. Partnership, 96 B.R. 884, 894 (Bankr. E.D. Wis. 1989).

Given the circumstances surrounding the Debtors' Cases, it is imperative that the Debtors not only immediately fill the role of CRO, but fill it with a person that has significant restructuring experience. As discussed above, the expertise of Mr. Katz and his firm in providing restructuring and management services to companies undergoing chapter 11 reorganizations makes them particularly well-qualified to provide the services contemplated in the ESBA Agreement and this Motion. The Debtors submit that, based on the circumstances of these Cases, they have clearly identified a legitimate and compelling business purpose for the relief requested herein, and that such relief is in the best interests of their estates and creditors and should be granted in all respects by the Court pursuant to Bankruptcy Code sections 363 and 105(a).

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IV.

CONCLUSION

**WHEREFORE**, based on the arguments and authorities set forth above, the Debtors respectfully request the entry of an Order granting the relief requested herein and such other and further relief as the Debtors deem proper and just.

Dated: July 30, 2013

/s/ Margreta M. Morgulas

GARY E. KLAUSNER  
MARGRETA M. MORGULAS AND  
KIZZY L. JARASHOW, Members of  
STUTMAN, TREISTER & GLATT  
PROFESSIONAL CORPORATION  
[Proposed] Reorganization Counsel  
for Debtors and Debtors in Possession

**DECLARATION OF ROBERT D. KATZ**

I, Robert D. Katz, hereby declare as follows:

**Introduction**

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

2. I am a Managing Director of Executive Sounding Board Associates Inc. ("ESBA"), a financial and management consulting firm having expertise in turnaround, bankruptcy and financial advisory issues. ESBA maintains offices in New York, New York and Philadelphia, Pennsylvania.

3. I am authorized to execute this Declaration on behalf of ESBA.

4. I submit this declaration in support of the motion (the "Motion")<sup>4</sup> of the above-captioned debtors and debtors in possession ("Debtors") under sections 363 and 105 of Title 11 of the United States Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), filed contemporaneously herewith, for an order authorizing and approving the ESBA Agreement, pursuant to which ESBA will serve as crisis manager and appoint me as Chief Restructuring Officer of the Debtors in compliance with the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

5. Except as otherwise noted, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.

6. ESBA is a firm of seasoned professionals leading a coordinated effort for business recovery and improvement. Over 35 years and more than a thousand cases, ESBA's professionals have honed the skills needed to quickly diagnose problems, stabilize situations, determine the best courses of action, and develop a long term plan. With an average of 30 years business experience, our consultants have a diverse array of first-hand experience and hold a wide range of credentials

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<sup>4</sup> Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed thereto in the Motion.

1           7. I have personally led numerous companies through crises and turnarounds  
2 with the vision and insight earned from more than 25 years on the front lines. In many instances, I  
3 have acted as Interim President, Chief Financial Officer, Chief Operating Officer, Chief  
4 Restructuring Officer or Treasurer, helping companies improve operating performance and generate  
5 additional cash flow.

6           8. My colleague, Mr. Newton, has more than thirty-five years of management  
7 experience in numerous functional areas. As a turnaround consultant, he has functioned in senior  
8 leadership positions in a number of industries including manufacturing, printing, communications,  
9 transportation, distribution, and healthcare. The work in these instances was strategic in evaluating  
10 viable options for a debtor's future including steps to strengthen existing operations as well as  
11 pursuing sale of the company or parts thereof, as well as the potential for additional acquisitions to  
12 create a stronger competitor in the marketplace as part of a plan of reorganization.

13           9. I have reviewed the list of parties-in-interest as they are currently known,  
14 including without limitation (i) the Debtors and their affiliates; (ii) the Debtors' directors and officers  
15 and certain of their most significant business affiliations, as provided to ESBA by the Debtors;  
16 (iii) the Debtors' pre- and post-petition lenders; and (v) other significant parties-in-interest, as  
17 identified by the Debtors, and have determined, to the best of my knowledge, information and  
18 belief, insofar as I have been able to ascertain after reasonable inquiry, other than in connection with  
19 this case, neither I, nor ESBA, nor any of its principals, employees, agents or affiliates, have any  
20 connection with the Debtors, their creditors, the U.S. Trustee or any other party with an actual or  
21 potential interest in this Chapter 11 cases or their respective attorneys or accountants, except as  
22 set forth below:

23           (a) ESBA is not employed by, and has not been employed by any entity  
24 other than the Debtors in matters related to these Chapter 11 cases.

25           (b) ESBA provides services in connection with numerous cases,  
26 proceedings and transactions unrelated to these Chapter 11 cases. These unrelated matters  
27 involve numerous attorneys, financial advisors and creditors, some of which may be  
28

1 claimants or parties with actual or potential interests in these cases or may represent such  
2 parties.

3 (c) From time to time, ESBA may have provided services, and may  
4 currently be providing services, to certain creditors of the Debtors and various other parties  
5 adverse to the Debtors in matters unrelated to the Debtors and these Chapter 11 cases.  
6 However, ESBA has undertaken a detailed search to determine and to disclose, whether it is  
7 providing or has provided services to any significant creditors, equity security holders,  
8 insiders or other parties in interest in such unrelated matters.

9 (d) ESBA personnel may have business associations with certain  
10 creditors of the Debtors unrelated to the Debtors and these Chapter 11 cases. In addition, in  
11 the ordinary course of its business, ESBA may engage counsel or other professionals in  
12 unrelated matters who now represent, or who may in the future represent, creditors or other  
13 interested parties in these cases.

14 10. To the best of my knowledge, insofar as I have been able to ascertain after  
15 reasonable inquiry, neither I, nor ESBA, nor any of its principals, employees, agents or affiliates  
16 holds or represents an interest materially adverse to the Debtors' estates, is a creditor, an equity  
17 security holder, or an insider of the Debtors, is or was within two (2) years before the date of the  
18 filing of these cases, a director, officer or employee of the Debtors or has an interest materially  
19 adverse to the interest of the Debtors estates of any class of creditors or equity security holders, by  
20 reason of any direct or indirect relationship to, connection with, or interest in the Debtors, or for any  
21 other reason. Accordingly, I believe ESBA to have no conflict in connection with its engagement as  
22 crisis manager and the appointment of the CRO.

23 11. If our Agreement with the Debtors is approved by this Court, ESBA will not  
24 accept any engagement or perform any service for any entity or person other than the Debtors in  
25 connection with or related to these Chapter 11 cases. ESBA may, however, continue to provide  
26 services to entities or persons that may be creditors of the Debtors or parties-in-interest in these  
27 Chapter 11 cases, provided that such services do not relate to, or have any direct connection with, the  
28 Debtors or these Chapter 11 cases.

1                   12. Despite the efforts described above to identify an disclose ESBA's  
2 connections with parties-in-interest in these cases because the Debtors have numerous creditors and  
3 other relationships, ESBA is unable to state with certainty that every client relationship or other  
4 connection has been disclosed. In this regard, ESBA reserves the right to supplement this  
5 Declaration should any additional connections come to its attention.

6                   13. No agreement exists between ESBA or any other person (other than the  
7 employees and contractors of ESBA) for the sharing of compensation to be received by ESBA in  
8 connection with services rendered in this case. Further, neither me nor Mr. Newton, or any other  
9 employee of ESBA, has been a director of the Debtors in the past two years, nor has any of the  
10 above invested in the Debtors in the prior three years.

11                   14. ESBA's requested compensation for services rendered by me, as CRO, as well  
12 as any additional Temporary Staff that may be needed and shall be based upon hourly fees; hourly  
13 fees consist of the time expended to render such services and at billing rates commensurate with the  
14 experience of the person performing such services, and will be computed at hourly billing rates  
15 customarily charged by ESBA for such services based on contemporaneous time records in tenth of  
16 an hour increments or in conjunction with the success fee outlined below.

17                   15. Specifically, my and Mr. Newton's hourly billing rates will be \$525 and \$395  
18 (discounted for this engagement from his normal hourly rate of \$445/hour), respectively. Mr.  
19 Newton will be majority time and I will be part-time. In the unlikely event that Mr. Newton works  
20 more than 40 hours per week, ESBA will cap Mr. Newton's fees at \$15,000 per week. Alternatively,  
21 ESBA may elect to cap Mr. Newton's fees at \$12,500 per week with a \$200,000 "success fee" to be  
22 paid by Meserole upon completion of a reorganization under Chapter 11 of the Bankruptcy Code or  
23 a sale of substantially all of the Debtors' assets pursuant to Section 363. If elected, the terms and  
24 conditions of the success fee will be more formally spelled out in an addendum to the ESBA  
25 Agreement.

26                   16. To the extent not performing billable work while traveling, ESBA personnel  
27 will bill all travel-related time at 50% of the applicable hourly rate. If any additional Temporary  
28 Staff are needed by ESBA, their rates will be billed between \$295 to \$480 per hour, depending upon

1 seniority and experience. Any such additional Temporary Staff must be approved by the Debtors'  
2 Boards of Directors. ESBA has agreed to endeavor to minimize the cost of this engagement by  
3 working efficiently and cost effectively. ESBA reserves the right, if the engagement lasts more than  
4 six (6) months, to increase the hourly fee rates charged, upon prior written notice.

5 17. It is ESBA's policy to charge its clients in all areas of practice for all other  
6 expenses incurred in connection with the client's case. Such expenses include, but are not limited to,  
7 travel, meals, lodging, parking, telephone and fax, general office services, photocopying and  
8 delivery services. ESBA will make reasonable efforts to advise the Company of any material  
9 expenses that are expected to be incurred before they are incurred. Travel expenses to California for  
10 meetings with parties including but not limited to The United States Trustees Office; United States  
11 Bankruptcy Court; Board Members and Counsel will be paid by the Debtors directly.

12 18. No entity with which ESBA has an alliance agreement, marketing agreement,  
13 joint venture, referral arrangement or similar agreement is involved in this case as a creditor, service  
14 provider or professional.

15 19. In July 2013, ESBA received a retainer of \$30,000 from the Debtors to secure  
16 ESBA's services ("Prepetition Retainer").

17 20. Additionally, the Debtors have agreed that ESBA shall be given a postpetition  
18 retainer in the amount of \$85,000 ("Postpetition Retainer"), which shall be funded from the first  
19 funds available under the DIP Financing Facility, if any, and after approval of the interim order  
20 approving the DIP Financing Facility. ESBA shall segregate the Post Petition retainer and any  
21 remaining proceeds from the prepetition retainer, to secure the payment of ESBA's fees and  
22 expenses. The Debtors have agreed to grant ESBA a first-priority security interest in the  
23 Postpetition Retainer.

24 21. Neither the Debtors nor ESBA shall have any further obligations to one  
25 another if the Postpetition Retainer is not funded as previously delineated.

26 22. Subject to the approval of this Court, the source of all compensation for  
27 services to be rendered on behalf of the Debtors shall be funds of the Debtors' estates. ESBA submits  
28 its bills weekly and they are payable upon presentation, subject to the requirements outlined below in



1 paragraph 25. Moreover, ESBA is unaware of the existence of any asserted or threatened claims  
2 against ESBA or any person furnished by ESBA arising from any act or omission in the course of a  
3 prepetition engagement.

4 23. ESBA had no authority prepetition to decide on behalf of the Company to  
5 engage ESBA as crisis manager. To the best of my knowledge, that decision has been made by the  
6 Debtors' Boards of the Directors, which are independent of ESBA and consists of individuals  
7 unrelated to ESBA and any of its principals, employees, agents or affiliates.

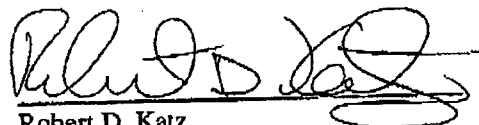
8 24. During the pendency of these cases, ESBA will provide to the Office of the  
9 United States Trustee and counsel for any official statutory committees, reports of staffing,  
10 compensation earned and expenses incurred on a monthly basis, with respect to the prior month.  
11 Such reports shall include the names of individuals assigned and the functions filled by such  
12 individuals, summarize the services provided, identify the compensation for the CROs and any  
13 Temporary Staff, and itemize the expenses incurred.

14 25. Also throughout the pendency of these cases, ESBA shall also file with the  
15 Court: (i) monthly staffing reports for the prior month, including the names of individuals assigned  
16 and the functions filled by such individuals; and (ii) expense reports no less frequently than monthly,  
17 summarizing the services provided, identifying the compensation for the CRO and any Temporary  
18 Staff, and itemizing the expenses incurred. ESBA will provide notice of such filing to the United  
19 States Trustee and counsel for any official statutory committees, providing a ten (10) day time period  
20 from the date of issuance for objections to be filed. Such staffing and compensation for fees and  
21 expenses shall be subject to review by the Court only in the event that an objection is filed within  
22 such ten (10) day time period.

23  
24  
25 **[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**  
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1 I declare under penalty of perjury under the laws of the United States of America that  
2 the foregoing is true and correct.

3  
4 Executed at Philadelphia, Pennsylvania on July 29, 2013.

5  
6 

7 Robert D. Katz  
8 Managing Director,  
9 Executive Sounding Board Associates Inc.  
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**Exhibit "1"**  
**ESBA Agreement**

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Main Document Page 29 of 40

## **Executive Sounding Board**

### **Associates Inc.**

### **Management and Financial Consultants**

1350 Broadway • Suite 702 • New York, NY 10018 • (212) 944-0750 • FAX: (212) 944-0753  
1500 JFK Blvd • Suite 1730 • Philadelphia, PA 19102 • (215) 568-5788 • FAX: (215) 568-5769

VIA E-MAIL PERSONAL & CONFIDENTIAL

July 27, 2013

The Board of Colorep, Inc.  
c/o Gary E. Klausner  
Shareholder  
Stutman, Treister & Glatt  
1901 Avenue of the Stars, 12<sup>th</sup> Floor  
Los Angeles, California 90067

Re: Engagement Agreement

Dear Mr. Klausner:

I was told to forward our engagement proposal to you as Counsel to Colorep, Inc. This is the updated engagement letter from the previous one dated July 5, 2013 and signed by Kerry Dukes on July 9, 2013. We appreciate the opportunity for Executive Sounding Board Associates Inc. ("ESBA") to propose as the Chief Restructuring Officer ("CRO") to assist you with the reorganization and operating efforts of Colorep, Inc and Transprint, USA, Inc. ("Colorep" or "Company" "Debtors").

While we cannot guarantee results, we have often work with companies in similar situations as Colorep tailoring the engagement to fit the particular and specific needs of each client for the last 34 years and over 1,000 successes. ESBA has represented companies as the CRO with the overriding objective to maximize value to our clients and reduce the time you spend on matters such as these take from the ultimate goal of your ongoing entities to generate additional profits and cash flow.

We understand that time is of the essence. We have prepared this letter to include both a proposal scope and our standard engagement terms.

*My colleague Paul Newton and I have done this for the last 20 + years in situations similar to yours that require intense and committed effort for a compressed period of time answering to multiple stakeholders and assisting the Company in choosing the alternative that will minimize cost and additional investment of resources.*

I have included both mine and Paul's CV and Bio so that you and the Board see the depth, experience and expertise of our professional staff that would lead this engagement.

As we understand it, the Company is considering engaging a Chief Restructuring Officer to lead both the Manufacturing and Financial operations; to assist the Company in generating positive cash flow; operating performance and producing financial reports on a timely basis to be used by management and its stakeholders. We would further assist the Company in working it through a Chapter 11 filing and/or a 363 sale.

## **Executive Sounding Board**

### **Associates Inc.**

### **Management and Financial Consultants**

All which we have successfully guided are clients through to emerge a stronger and healthier company under ESBA's leadership.

#### **SCOPE OF WORK**

As we discussed, the situation and the proposed scope is designed to be as efficient as possible and to first utilize Company resources when possible.

We will work with you to focus on:

- Act as the Chief Restructuring Officer (CRO) and as such ESBA will be appointed CRO and assume certain duties and responsibilities of the day to day management and operation of the Debtors' businesses, during their Chapter 11 cases, including responsibility for the Debtors' compliance with UST requirements and regulations, with the understanding and assuming that there is wherewithal to provide the information timely and materially accurately, and assisting the Debtors in managing a sale process under Bankruptcy Code section 363 and/or evaluating and developing alternative reorganization strategies; The CRO may appoint subordinate officers of the Company; provided, however, ESBA shall use commercially reasonable efforts to manage the Debtors in the exercise of "apparent authority" by any officer, employee or consultant (interim or otherwise) which is inconsistent with their actual authority.
- Working to improve the manufacturing process; enhancing throughput; material utilization; reducing the cost per unit and advising on the most effective way to position the operations while considering other stake holder concerns and maintaining focus on the overall picture and the accompanying details;
- Minimize the day to day interruptions and involvement of related stakeholders. Freeing up Company management from internal time consuming matters, to focus on business growth.
- Prepare and develop a rolling cash flow forecast to manage the Company's cash position and to maximize the value from each disbursement. It will enable the Company to better report to remote stakeholders.
- Prepare and develop if requested a business plan, including balance sheet, income statement, cash flow statements and support schedules and assumptions.
- Work with Company personnel to provide monthly financial statements; close the books/accounting records and report variances to budget.
- Prepare a market overview if requested; assess the Company's competitive position, customer base and sales performance and trends. Recommend opportunities to improve and increase sales.
- Guide the Company through the proposed Chapter 11/363 sale process. Prepare statements and schedules as needed and as requested.
- Guide the company through the transition process.

## **Executive Sounding Board**

### **Associates Inc.**

### **Management and Financial Consultants**

- Testify in Bankruptcy Court and participate in hearings as requested
- Manage the work flow, work product, court deadlines and interaction with others court related professionals and personnel including but not limited to the US trustee;
- Other projects as requested by the board of directors.
- Provide at minimum weekly and more frequent status updates and progress reports.
- ESBA's responsibilities and authority as CRO do not include any responsibilities, powers and authority of the Debtors Board of Directors, all of which shall remain with the Board

### **Additional Background**

ESBA began its assignment pre-petition under a previous executed engagement letter. At that time the Company had existing past payroll taxes obligations, past 401K plan payments, past payroll obligations due to employees and other personnel. Subsequent to that ESBA also learned that the Company's Health Care Plan ("HCP") for its employees which was with Anthem Blue Cross/Blue Shield had been terminated. The Company and its Board Members indicated that the Company had not received termination notices; subsequent to our initial engagement, notices received from Anthem Blue Cross/Blue Shield were found that indicated that HCP had been terminated; also certain other patents and intangible property ownership and licenses were either soon to be or had been terminated. Other issues not detailed as well as those outlined in the Company and Debtor's petition had occurred prior to ESBA's initial engagement.

### **STANDARD ENGAGEMENT TERMS**

1. Robert Katz's billing rate for this engagement is \$525 per hour. Paul Newton's billing rate for this engagement will be \$395 per hour, discounted from his normal hour rate of \$445 per hour. In the event and likelihood that Paul Newton will have to work more than 40 hours per week, we will cap Paul Newton's fee's at \$15,000 per week related to his work.

As an alternative and at ESBA's sole discretion, ESBA would cap Mr. Newton's fees at \$12,500 per week with a \$200,000 "success fee" to be paid by Meserole upon completion of a reorganization under Chapter 11 of the Bankruptcy Code or a Section 363 sale. This success fee would be more formally spelled out in an addendum to this agreement.

Travel time for ESBA consultants will be billed at ½ their normal hourly rate.

Should other consultant's from ESBA be needed, their rates will be billed between \$295 and \$480 per hour and will be approved by you in advance. As indicated previously, we will endeavor to minimize the cost of this engagement to you by working efficiently and cost effectively; the efficiency of our work will depend upon the cooperation and availability of your team. If the

## **Executive Sounding Board**

### **Associates Inc.**

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engagement lasts more than six (6) months, we reserve the right to increase the hourly fee rates charged, upon written notice to the Company.

2. Billings for fees and out of pocket expenses will be rendered weekly. The Company acknowledges that ESBA invoices are due and payable upon presentation. If an invoice is not paid on a timely basis, ESBA reserves the right to cease work until the matter is settled.
3. The Debtors have agreed that ESBA shall be given a postpetition retainer in the amount of \$ 85,000 ("Postpetition Retainer"), which shall be funded from the first funds available under the DIP Financing Facility, if any, and after approval of the interim order approving the DIP Financing Facility. ESBA shall segregate the Retainer as well as the amounts, if any, remaining from the Prepetition Retainer to secure the payment of ESBA's fees and expenses. The Debtors have further agreed to grant ESBA a first-priority security interest in the Postpetition Retainer. As stated previously, neither the Debtors nor ESBA shall have any further obligations to one another if the Postpetition Retainer is not funded as previously delineated.
4. ESBA will be reimbursed for any out-of-pocket expenses reasonably incurred in connection with the services rendered hereunder. Such expenses include, but are not limited to, travel, meals, lodging, parking, telephone and fax, general office services, photocopying and delivery services. We will make reasonable efforts to advise the Company of any material expenses that are expected to be incurred before they are incurred. Travel expenses to California for meetings with parties including but not limited to The United States Trustees Office; United States Bankruptcy Court; Board Members and Counsel will be paid initially by the Company.
5. In performing the services described above, the Company agrees to furnish or cause to be furnished to ESBA such information as ESBA reasonably believes appropriate to the execution of its engagement hereunder (all such information so furnished being the "Information"). ESBA has concluded that the Company's records have been less than satisfactory and ESBA's ability to produce timely and accurate information is questionable, which could delay reporting to certain entities. ESBA will use its best efforts to meet stated deadlines. ESBA (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated hereby without having independently verified any of the same and (b) does not assume responsibility for accurateness or completeness of the Information and such other information and (c) will not make an appraisal of the assets or liabilities of the Company.
6. ESBA is being retained by the Company and ESBA will report to Mr. Gary E. Klausner, The Company's bankruptcy counsel and to the Board upon reasonable request.
7. The Company, at its premises, shall provide ESBA personnel with the use of office and telephone facilities and general office services, as reasonably required in connection with this engagement.
8. The Company agrees to make available to ESBA the Company's financial & operational information and data with respect to the Company as requested and agrees to permit discussions

## **Executive Sounding Board**

### **Associates Inc.**

### **Management and Financial Consultants**

with Company personnel and other stakeholders as ESBA reasonably believes necessary in connection with this engagement.

9. Should services outside the scope of this engagement be requested, the extent and the additional compensation to be paid for such services shall be mutually agreed to in writing before ESBA personnel begins to perform such services. A separate engagement letter or an addendum to this engagement letter will be processed to provide for such services.
10. ESBA is not an independent accounting firm or law firm and does not undertake the performance of an audit or the rendering of legal advice in this engagement. We will rely upon financial data and legal advice provided by the Company and the Company's independent auditors and counsel, as applicable.
11. The Company shall indemnify and hold harmless ESBA, its affiliates and their respective shareholders, directors, officers, employees and agents from and against any and all claims, liability, loss, cost, damage or expense (including reasonable attorneys' fees) asserted against, or incurred by ESBA or its affiliates or any such shareholder, director, officer, employee or agent by reason of, or arising out of this agreement or performance under this agreement, whether such claim, liability, loss, cost, damage or expense is asserted by the client or any other person or entity; provided, however, ESBA shall not be indemnified for any act of gross negligence or intentional misconduct. . Should any claim be made, ESBA will only be liable up to the amount of fees earned and paid by the Company.
12. Messrs. Katz and Newton will be added to the Debtors' existing Officers and Directors Insurance Policy (the "D&O Policy"). Further, upon any cancellation or non-renewal of the D&O Policy, the Debtors have agreed to exercise their rights to extend the claim period for a one-year "discovery period" and will exercise such rights and pay such premiums required there under. Messrs. Katz and Newton will also be covered by the indemnity provisions of the bylaws of Debtor Colorep, Inc & Tradeprint, USA, Inc. and any applicable state law.
13. Except for the services to be provided pursuant to this Agreement, during the term of this engagement and for a period of two (2) years thereafter, the Company shall not utilize, whether as employee or independent consultant, and whether directly or indirectly, the services of any person who is, was or had been employed by ESBA during the term of this engagement without Rob's written consent.
14. If ESBA is requested or required to appear and or testify before any tribunal in connection with this engagement, whether or not pursuant to lawful process, all time spent and out-of-pocket expenditures, including reasonable expenses for legal counsel, shall be considered to have been performed under the terms of this Engagement Agreement, and shall be entitled to receive payment of fees and reimbursement of expenses thereof from the Company.
15. Either ESBA or the Company may terminate this Agreement upon written notice. Paragraphs 11, 12 and 13 shall survive any termination. In addition, payment of all outstanding amounts due provided for in this Agreement is to accompany termination by the Company.



## **Executive Sounding Board**

**Associates Inc.**

**Management and Financial Consultants**

The signing of this engagement letter and receipt of the retainer is necessary to commence.

Please wire the \$85,000 retainer to ESBA's account at PNC Bank, Philadelphia, PA 19102, ABA#031000053 account number 8605830556.

I look forward to the opportunity to work with you and assist you in achieving your objectives, relieving the pressures and strains and returning the focus toward profitable initiatives.

Should you have any questions or need additional information please give me a call on my cell at 215-738-5542.

Very Truly Yours,

EXECUTIVE SOUNDING BOARD ASSOCIATES INC.

***Robert D. Katz***

Robert D. Katz  
Managing Director

Terms and conditions accepted by Colorep, Inc and affiliated Companies if any. The Person signing this agreement has the authority to bind the Company.

By: Joseph P. Bartlett

Title: Director

Date: July 23, 2013

## 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, 12<sup>th</sup> Floor, Los Angeles, California 90067. A true and correct copy of the foregoing document entitled (*specify*): **DEBTORS' NOTICE OF MOTION AND MOTION PURSUANT TO BANKRUPTCY CODE SECTIONS 105(a) AND 363 FOR ENTRY OF AN ORDER AUTHORIZING THE EMPLOYMENT OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. TO PROVIDE CRISIS MANAGEMENT SERVICES AND TO PROVIDE ROBERT D. KATZ TO SERVE AS CHIEF RESTRUCTURING OFFICER FROM THE PETITION DATE; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF ROBERT D. KATZ, CTP 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*) July 30, 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*) July 30, 2013, 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*) July 30, 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**

The Honorable Julia Brand U.S. Bankruptcy Court Central District of California 255 East Temple Street, Suite 1382 Los Angeles, CA 90012	The Honorable Sheri Bluebond U.S. Bankruptcy Court Central District of California 255 East Temple Street, Suite 1482 Los Angeles, CA 90012
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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.  
July 30, 2013      Therese A. Barron      /s/ Therese A. Barron  
Date      Printed Name      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;sgae  
ta@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 Virginia Electric And Power Co  
david@davidwmeadowslaw.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

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

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

**2. SERVED BY UNITED STATES MAIL:**

Colorep, Inc.  
6400.000  
575094v1

Debtor:  
Colorep, Inc.  
c/o Law Offices of Joseph P. Bartlett  
1900 Avenue of the Stars, 20th Floor  
Los Angeles, CA 90067

Office of the US Trustee  
Ron Maroko, Esq.  
725 S Figueroa St Ste 2600  
Los Angeles, CA 90017

Secured Lenders

Meserole, LLC  
Attn: Ari Hirt  
152 W 57th Street, 4th Floor  
New York, NY 10019

Counsel to Meserole LLC  
DLA Piper LLP (US)  
Attn: Stuart Brown  
919 North Market St., #1500  
Wilmington, DE 19801

Parties Asserting a Secured  
Interest

Debs Corporation  
8F Honmachi Center Building  
2-6-10 Honmachi  
Chuo-ku  
Osaka 541-0053  
JAPAN

BDG (Larry Levy)  
177 Riverside Drive  
Newport Beach, CA 92663

Cheran Digital Imaging &  
Consulting  
798 Burnt Gin Road  
Gaffney, SC 29340

Cheran Digital Imaging & Consulting  
1506 Old Georgia Hwy  
Gaffney, SC 29341

Counsel to Cheran Digital  
Imaging & Consulting  
Dillina W. Stickley  
Hoover Penrod PLC  
342 South Main Street  
Harrisonburg, VA 22801

Danzas Corporation  
t/a DHL Global Forwarding  
433B Carlisle Drive  
Herndon, VA 20170

Counsel to Danzas Corporation  
David H. Gougher PC  
7834 Forest Hill Avenue  
Richmond, VA 23225

Waste Management of Virginia  
3580 S. Main Street  
Harrisonburg, VA 22801

Counsel to Waste Management of  
Virginia  
David H. Gougher PC  
7834 Forest Hill Avenue  
Richmond, VA 23225

Fisher Textiles, Inc.  
139 Business Park Drive  
Indian Trail, NC 28079

Vern & Mary Jane Michael LC  
8218 Port Republic Rd  
Port Republic, VA 24471-2654

Counsel to Vern & Mary Jane  
Michael LC  
Litten & Sipe  
Attn: Melisa G. Michelsen  
410 Neff Avenue  
Harrisonburg, VA 22801

Roy Rolando  
509 Wirt Avenue  
Elkton, VA 22827

Counsel to Roy Rolando  
Roland Santos  
52 E Market Street  
Harrisonburg, VA 22801

Riddleberger Brothers  
6127 S. Valley Pike  
Mt. Crawford, VA 22841

Counsel to Riddelberg Brothers  
Attn: Andrew S. Baugher  
Lenhart Obenshain P.C.  
PO Box 1287  
Harrisonburg, VA 22803-1287

Victoria Home Imp. LLC  
3200 Honey Flower Ct  
Chesapeake, VA 23323-1952

Summit Financial Resources  
2455 East Parleys Way,  
Salt Lake City, UT 84109

Faunus Group International, Inc.  
80 Broad Street, 22nd Floor  
New York, NY 10004

David Gelbaum, Trustee  
Quercus Trust  
1835 Newport Blvd, A109 -  
PMB 467  
Costa Mesa, CA 92627

Counsel for Quercus Trust  
Brian Davidoff, Esq.  
Greenberg Glusker, et al.  
1900 Ave. of the Stars, 21st Fl  
Los Angeles, CA 90067

Dolly & Robert K. Raisler  
Foundation, Inc.  
2600 Netherland Avenue, #520  
Bronx, NY 10463 - 4857

David Grzan  
2680 Silver View Drive  
Orono, MN 55356

Anne Rand  
392 Rutland Avenue  
Teaneck, NJ 07666

Steven R. Jacobson  
2600 Netherland Avenue, #520  
Bronx, NY 10463

Sensient Imaging Technologies  
777 East Wisconsin Avenue  
Milwaukee, WI 53202-5304

Valley Industrial Trucks  
1152 Meadowbrook Ave.  
Youngstown, OH 44512

Valley Industrial Trucks (NMAC)  
990 W 190th St  
Torrance, CA 90502-1014

Internal Revenue Service  
PO Box 145595  
Cincinnati, OH 45250-5595

Kuehne & Nagel, Inc.  
Stephen Savarese, Esq.  
10 Exchange Place  
Jersey City, NJ 07302

Counsel to Kuehne & Nagel, Inc.  
Halperin Battaglia Raicht, LLP  
Attn: Carrie E. Essensfeld  
40 Wall Street, 37th Floor  
New York, NY 10005

Compressor Parts & Repairs  
8256 Rising Creek Ln  
Broadway, VA 22815

Essex Temporary Service, Inc.  
1501 Broadway  
Suite 601  
New York, NY 10036

Dougherty Equipment  
591 Belle Circle  
Harrisonburg, VA 22801

Geno's Coffee LLC  
253 Bookerdale Rd  
Waynesboro, VA 22980

Pitney Bowes Credit Corp  
27 Waterview Dr  
Shelton, CT 06484-4301

SIK Associates  
Kaufman Management Co., LLC  
Attn: Steven J. Kaufman  
450 Seventh Avenue  
New York, New York 10123

Stork Prints America  
3201 N 1-85  
Charlotte, NC 28269

Silvious, Peggy R.  
623 Gypsy Ln,  
Elkton, VA, 22827

Silvious, Peggy R.  
995 Floyd Cir, Mc  
Gaheysville, VA, 22840

Robert Fellows  
1176 Portland Dr  
Harrisonburg, VA 22801-8627

Deborah Wagner  
5048 Scotts Ford Road  
Mount Crawford, VA 22841

20 Largest Creditors

Anthem Blue Cross Blue Shield  
Attn: Dianne Loving  
P.O. Box 580494  
Charlotte, NC 28258

Domtar Corporation  
Port Huron Mill  
1700 Washington Avenue  
Port Huron, Michigan 48060

Domtar Corporation  
Subsidiary Of Domtar Ind  
1700 Washington Avenue  
Port Huron, MI 48060

Dominion Va Power  
Attn: Barbara Smith  
P.O. Box 26666  
Richmond, VA 23261-6666

Dominion Virginia Power  
P.O. Box 26019  
Richmond, VA 23260-6019

Krausz Puente LLC  
c/o The Krausz Companies  
44 Montgomery St, Ste 3300  
San Francisco, CA 94104

Krausz Puente LLC  
11383 Newport Dr  
Rancho Cucamonga, CA  
91730-5536

Stonefield Josephson, Inc.  
Attn: Steve Rapattoni, CPA  
5 Park Plaza, Suite 700  
Irvine, CA 92614

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

Susan D'Arcy  
aka SRD International  
95 East Broadway  
Roslyn, NY 11576

Bonnie Julian  
1244 Pole Branch Rd  
Clover, SC 29710

Fish & Associates  
Attn: Mei Tsang  
2603 Main Street  
Suite 10000  
Irvine, CA 92614-4271

Stand Energy Corporation  
Attn Kathy Kellems, Credit Manager  
1077 Celestial St  
Suite 110  
Cincinnati, OH 45202

Atlantic Paper Company  
430 Fehleley Drive  
King of Prussia, PA 19406

PBMares /PBGH  
Attn: Mary Aldrich  
558 South Main Street  
Harrisonburg, VA 22801

Dupont Company  
Attn: Jenna Pike  
1007 Market Street  
Wilmington, DE 19898

Nexeo Solutions  
3 Waterway Square Place  
Suite 1000  
The Woodlands, Texas 77380

Served by Certified Mail  
Union Bank of California  
Attn: Jose Duenes  
1980 Saturn St.  
Monterey Park, CA 91755

Mimaki USA, Inc.  
c/o William Hearnburg, Jr.  
Smith, Gambrell & Russell  
Promenade, Suite 3100  
1230 Peachtree Street N.E.  
Atlanta, GA 30309

L.H. Charney Associates, LLC  
Attn: Bruce Block  
1441 Broadway  
New York, New York 10018

Fedex - Techconnect  
Attn: Pam Gish  
Lockbox 360353  
500 Ross St. Rm 154-0455  
Pittsburg, PA 15252

Stand Energy Corporation  
PO Box 632712  
Pittsburgh, PA 15250-7461

Univar USA, Inc.  
Attn: Doug Putney  
1001 Old Bermuda Hundred Rd  
Chester, VA 23836

Columbia Gas GTS Account  
P.O. Box 742529  
Cincinnati, OH 45274-2529

Dupont Company  
Cashier's Office D-8003-3  
1007 Market Street  
Wilmington, DE 19898

Nexeo Solutions LLC  
62190 Collections Center Dr  
Chicago, IL 60693-0621

Served Via Certified Mail  
Wells Fargo Bank N.A.  
141 East Market Street  
Harrisonburg, VA 22801

Mimaki USA, Inc.  
Dept. CH 17368  
Palatine, IL 60555-7368

Counsel to L.H. Charney  
Associates, LLC  
Attn: Scott S. Markowitz  
Tarter Krinsky & Drogin LLP  
1350 Broadway  
New York, NY 10018

Federal Express Corp.  
PO Box 371461  
Pittsburgh, PA 15250-7461

Carlo Tenconi  
Via Stromboli 209  
Milan 20144  
ITALY

Univar USA, Inc.  
P. O. Box 409692  
Atlanta, GA 30384-9692

Chemsolv, Inc.  
P.O. Box 13847  
Roanoke, VA 24037

Shelter Capital Partners fka  
Yazam LLC  
Attn: Rodney Friedman  
10880 Wilshire Blvd., Suite 1850  
Los Angeles, CA 90024

Other Parties in Interest

Governmental Agencies

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

Internal Revenue Service PO Box 7346 Philadelphia, PA 19101-7346	Employment Development Department Bankruptcy Group MIC 92E PO Box 826880 Sacramento, CA 94280-0001	State of California Franchise Tax Board Bankruptcy Section, MS: A-340 PO Box 2952 Sacramento, CA 95812-2952
NYS Dept. Taxation & Finance Bankruptcy /Special Procedures Section PO Box 5300 Albany, NY 12205-0300	NYC Dept. of Finance 345 Adams Street, 3rd Fl. Attn: Legal Affairs Brooklyn NY 12201	US Environmental Protection Agency 1200 Pennsylvania Ave NW Mail Code 2272A Washington, DC 20004-2004
Virginia Department of Taxation Office of Customer Services PO Box 1115 Richmond, VA 23218-1115	North Carolina Department of Revenue 501 N Wilmington St Raleigh NC 27604	US Attorney General Office (Los Angeles) 312 N Spring St Los Angeles, CA 90012
Attorney General's Office California Department of Justice P.O. Box 944255 Sacramento, CA 94244-2550	New York Attorney General's Office 120 Broadway New York, NY 10271	Virginia Office of the Attorney General 900 East Main Street Richmond, VA 23219
North Carolina Office of the Attorney General 114 W Edenton St Raleigh, NC 27603	City Of Harrisonburg Municipal Building 345 South Main Street Harrisonburg, VA 22801	

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## **EXHIBIT "B"**

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1 GARY E. KLAUSNER (STATE BAR NO. 69077), and  
2 MICHAEL S. NEUMEISTER (STATE BAR NO. 274220), Members of  
3 STUTMAN, TREISTER & GLATT  
4 PROFESSIONAL CORPORATION  
5 1901 Avenue of the Stars, 12th Floor  
6 Los Angeles, CA 90067  
7 Telephone: (310) 228-5600  
8 Telecopy: (310) 228-5788  
9 Email: gklausner@stutman.com  
10 mneumeister@stutman.com

11 Reorganization Counsel  
12 for Debtors and Debtors in Possession

13 Debtors' Mailing Address:  
14 Colorep, Inc. and Transprint USA, Inc.  
15 1000 Pleasant Valley Road  
16 Harrisonburg, VA 22801-9790  
17 Attn: Robert Katz

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

14 In re:

15 COLOREP, INC.,  
16 a California corporation, *et al.*,

17 Debtors.

18 Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and  
19 54-1200596 (Transprint USA, Inc.)

) Case No. 2:13-bk-27689-WB

) Chapter 11  
(Jointly Administered)

) **ORDER AUTHORIZING THE**  
) **EMPLOYMENT OF EXECUTIVE**  
) **SOUNDING BOARD ASSOCIATES INC.**  
) **TO SERVE AS CHIEF RESTRUCTURING**  
) **OFFICER PURSUANT TO BANKRUPTCY**  
) **CODE SECTION 327**

20 Hearing Date

21 Date: October 24, 2013  
22 Time: 10:00 a.m.  
23 Location: Courtroom 1375  
24 255 East Temple Street  
25 Los Angeles, CA 90012

FILED & ENTERED

NOV 18 2013

CLERK U.S. BANKRUPTCY COURT  
Central District of California  
BY beauchan DEPUTY CLERK

At the above-captioned time and place (the "Hearing"), the Court held a hearing on the Debtors' Notice Of Motion And Motion Pursuant To Bankruptcy Code Sections 105(a) And 363 For Entry Of An Order Authorizing The Employment Of Executive Sounding Board Associates Inc. To Provide Crisis Management Services And To Provide Robert D. Katz To Serve As Chief Restructuring Officer From The Petition Date [Docket No. 80] (the "Motion"),<sup>1</sup> filed by Colorep, Inc. and Transprint USA, Inc. (collectively, the "Debtors"). Appearances were made at the Hearing by counsel for the Debtors, counsel for the Office of the United States Trustee, and Robert D. Katz on behalf of Executive Sounding Board Associates, Inc. ("ESBA"). Upon review and consideration of the Motion, the Declaration of Robert D. Katz filed in support of the Motion, the Declaration of Danielle A. Pham regarding non-receipt of opposition to the Motion, the record in this case, and the arguments of counsel at the Hearing, the Court hereby finds that good causes exists, and the Debtors are authorized, pursuant to Bankruptcy Code section 327(a), to employ ESBA as the Debtors' Chief Restructuring Officer ("CRO"), and that notice was appropriate under the circumstances.

Accordingly,

**IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion is GRANTED as set forth herein.
2. Pursuant to Bankruptcy Code section 327(a), ESBA is authorized to serve as the Debtors' CRO, *nunc pro tunc* to July 10, 2013 (the "Petition Date"), under the terms of the ESBA Agreement.
3. ESBA's Proposed Postpetition Retainer in the amount of \$85,000, funded from the DIP Financing Facility, is approved.
4. ESBA is authorized to be paid its accruing fees and costs pursuant to the terms, conditions and procedures set forth in the ESBA Agreement, and to draw down each month on the Proposed Prepetition Retainer and any other funds received by ESBA in connection with its representation of the Debtors subsequent to the Petition Date (together with the Proposed Prepetition Retainer, the "Chapter 11 Retainer") pursuant to the following terms:

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning afforded to them in the Motion.

1 a. Before the Chapter 11 Retainer is drawn down each month, ESBA will  
2 deliver to the Office of the United States Trustee (the "UST") monthly invoices, together with  
3 documentation supporting the charges (the "Professional Fee Statement"), showing the amount of  
4 fees ESBA has incurred for professional services rendered and the amount of expenses incurred on  
5 behalf of the Debtors for which ESBA seeks reimbursement, by no later than the 20th day after the  
6 end of the month during which the services were rendered.

7 b. ESBA will also serve copies of the Professional Fee Statement  
8 (without supporting documentation) on the Debtors, any committee that may be appointed in this  
9 case or the twenty largest creditors if no committee is appointed, other parties in interest who request  
10 special notice in these cases, and their counsel (the "Notice Parties"). If no objection to the  
11 Professional Fee Statement is filed and served within ten (10) days after the service of the  
12 Professional Fee Statement, ESBA will draw from its account 80% of the amount of fees and 100%  
13 of the amount of costs represented by that monthly invoice and will pay to itself those sums without  
14 further notice, hearing or order of the Court. If a written objection to ESBA's monthly invoice is  
15 filed by a party in interest, ESBA will refrain from withdrawing the disputed funds from its account  
16 until the objection has been resolved by the Court.

17 c. After the Chapter 11 Retainer is exhausted, ESBA will receive further  
18 payment from the Debtors for its fees and costs incurred in these chapter 11 cases only upon further  
19 Court order.

20 5. The notices of ESBA's fees and expenses filed with the Court for the periods  
21 from July 10, 2013 through July 31, 2013 (the "July Fee Period") [Docket No. 200] and from August  
22 1, 2013 through August 31, 2013 (the "August Fee Period") [Docket No. 226] are deemed sufficient  
23 to satisfy ESBA's obligation to serve Professional Fee Statements for the July Fee Period and August  
24 Fee Period. ESBA, having received no objection to these statements, may draw down the Chapter  
25 11 Retainer for its fees and expenses incurred during the July Fee Period and August Fee Period  
26 pursuant to the terms of this Order.

1                   6. Any and all compensation of ESBA for its fees and expenses is subject to  
2 review on a final basis by the Court pursuant to the reasonableness standards of Bankruptcy Code  
3 section 330.

4                   7. ESBA shall file a fee application, pursuant to Bankruptcy Code section 330 or  
5 331, Federal Rule of Bankruptcy Procedure 2016, and Local Rule of Bankruptcy Procedure 2016-1,  
6 so as to be heard by this Court on January 30, 2013.

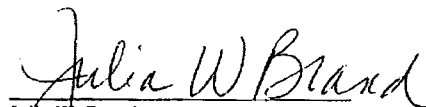
7  
8 Presented by:

9 /s/ Michael S. Neumeister

10 Gary E. Klausner, and  
11 Michael S. Neumeister, members of  
12 STUTMAN, TREISTER & GLATT, P.C.  
Reorganization Counsel  
for Debtors and Debtors in Possession

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24 Date: November 18, 2013

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26 Julia W. Brand  
27 United States Bankruptcy Judge  
28

## NOTICE OF ENTERED ORDER AND SERVICE LIST

Notice is given by the court that a judgment or order entitled (*specify*): **ORDER AUTHORIZING THE EMPLOYMENT OF EXECUTIVE SOUNDING BOARD ASSOCIATES INC. TO SERVE AS CHIEF RESTRUCTURING OFFICER PURSUANT TO BANKRUPTCY CODE SECTION 327** was entered on the date indicated as October 25, 2013 on the first page of this judgment or order and will be served in the manner stated below:

1. **SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)** Pursuant to controlling General Orders and LBRs, the foregoing document was served on the following persons by the court via NEF and hyperlink to the judgment or order. As of October 29, 2013, the following persons are currently on the Electronic Mail Notice List for this bankruptcy case or adversary proceeding to receive NEF transmission at the email addresses stated below.

☒ Service information continued on attached page

2. **SERVED BY THE COURT VIA UNITED STATES MAIL:** A copy of this notice and a true copy of this judgment or order was sent by United States mail, first class, postage prepaid, to the following persons and/or entities at the addresses indicated below:

☐ Service information continued on attached page

3. **TO BE SERVED BY THE LODGING PARTY:** Within 72 hours after receipt of a copy of this judgment or order which bears an "Entered" stamp, the party lodging the judgment or order will serve a complete copy bearing an "Entered" stamp by United States mail, overnight mail, facsimile transmission or email and file a proof of service of the entered order on the following persons and/or entities at the addresses, facsimile transmission numbers, and/or email addresses stated below:

☒ Service information continued on attached page

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

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 Fuller Smith Capital Management LLC  
frank.pepler@dlapiper.com, keith.nesbit@dlapiper.com

Frank T Pepler on behalf of Creditor Meserole, LLC  
frank.pepler@dlapiper.com, keith.nesbit@dlapiper.com

Frank T Pepler on behalf of Creditor Saviva FS I LP  
frank.pepler@dlapiper.com, keith.nesbit@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

James Stang on behalf of Interested Party L.H. Charney 1410 Broadway LLC  
jstang@pszjlaw.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)  
ustpregion16.la.ecf@usdoj.gov

3. **TO BE SERVED BY THE LODGING PARTY:**

Colorep, Inc.  
Limited Service List  
6400.000 Rev. 10/1/13  
575550v1

Debtors:  
Colorep, Inc. and Transprint USA, Inc.  
Attn: Robert Katz  
1000 Pleasant Valley Road  
Harrisonburg, VA 22801-9790

The Honorable Julia Brand  
U.S. Bankruptcy Court Central  
District of California  
255 East Temple Street, Suite 1382  
Los Angeles, CA 90012

Internal Revenue Service  
PO Box 21126  
Philadelphia, PA 19114

20 Largest Creditors

Anthem Blue Cross Blue Shield  
Attn: Dianne Loving  
P.O. Box 580494  
Charlotte, NC 28258

Domtar Corporation  
Port Huron Mill  
1700 Washington Avenue  
Port Huron, MI 48060

Domtar Corporation  
Subsidiary Of Domtar Ind  
1700 Washington Avenue  
Port Huron, MI 48060

Dominion Va Power  
Attn: Barbara Smith  
P.O. Box 26666  
Richmond, VA 23261-6666

Dominion Virginia Power  
P.O. Box 26019  
Richmond, VA 23260-6019

Krausz Puente LLC  
c/o The Krausz Companies  
44 Montgomery St, Ste 3300  
San Francisco, CA 94104

Krausz Puente LLC  
11383 Newport Dr  
Rancho Cucamonga, CA 91730-  
5536

Stonefield Josephson, Inc.  
Attn: Steve Rapattoni, CPA  
5 Park Plaza, Suite 700  
Irvine, CA 92614

Susan D'Arcy  
aka SRD International  
95 East Broadway  
Roslyn, NY 11576

Mimaki USA, Inc.  
c/o William Hearnburg, Jr.  
Smith, Gambrell & Russell, LLP  
Promenade, Suite 3100  
1230 Peachtree Street N.E.  
Atlanta, GA 30309

Mimaki USA, Inc.  
Dept. CH 17368  
Palatine, IL 60555-7368

Bonnie Julian  
1244 Pole Branch Rd  
Clover, SC 29710

L.H. Charney Associates, LLC  
Attn: Bruce Block  
1441 Broadway  
New York, New York 10018

Counsel to L.H. Charney  
Associates, LLC  
Attn: Scott S. Markowitz  
Tarter Krinsky & Drogin LLP  
1350 Broadway  
New York, NY 10018

Fish & Associates  
Attn: Mei Tsang  
2603 Main Street, Suite 10000  
Irvine, CA 92614-4271

Fedex -- Techconnect  
Attn: Pam Gish  
Lockbox 360353  
500 Ross St. Rm 154-0455  
Pittsburg, PA 15252

Federal Express Corp.  
PO Box 371461  
Pittsburgh, PA 15250-7461

Stand Energy Corporation  
Attn Kathy Kellems, Credit Manager  
1077 Celestial St., Suite 110  
Cincinnati, OH 45202

Stand Energy Corporation  
PO Box 632712  
Pittsburgh, PA 15250-7461

Carlo Tenconi  
Via Stromboli 209  
Milan 20144  
ITALY

Atlantic Paper Company  
430 Fehleley Drive  
King of Prussia, PA 19406

Univar USA, Inc.  
Attn: Doug Putney  
1001 Old Bermuda Hundred Rd  
Chester, VA 23836

Univar USA, Inc.  
P. O. Box 409692  
Atlanta, GA 30384-9692

PBMares /PBGH  
Attn: Mary Aldrich  
558 South Main Street  
Harrisonburg, VA 22801

Columbia Gas GTS Account  
P.O. Box 742529  
Cincinnati, OH 45274-2529

ChemSolv, Inc.  
P.O. Box 13847  
Roanoke, VA 24037

Dupont Company  
Attn: Jenna Pike  
1007 Market Street  
Wilmington, DE 19898

Dupont Company  
Cashier's Office D-8003-3  
1007 Market Street  
Wilmington, DE 19898

Shelter Capital Partners fka  
Yazam LLC  
Attn: Rodney Friedman  
10880 Wilshire Blvd., Suite  
1850  
Los Angeles, CA 90024

Nexeo Solutions  
3 Waterway Square Place  
Suite 1000  
The Woodlands, TX 77380

Nexeo Solutions LLC  
62190 Collections Center Dr  
Chicago, IL 60693-0621

Secured Lenders

Meserole, LLC  
Attn: Ari Hirt  
152 W 57th Street, 4th Fl.  
New York, NY 10019

Counsel to Meserole LLC  
DLA Piper LLP (US)  
Attn: Stuart M. Brown  
919 N. Market St., # 1500  
Wilmington, DE 19801

Counsel to Meserole LLC  
DLA Piper LLP (US)  
Attn: Frank Pepler & Bertrand  
Pan  
550 S. Hope Street, #2300  
Los Angeles, CA 90071-2678

Party Asserting A Secured Interest  
Markman Law, PC  
55 East 59th Street  
17th Floor  
New York, NY 10022



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## EXHIBIT "C"

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GARY E. KLAUSNER (STATE BAR NO. 69077), and  
MICHAEL S. NEUMEISTER (STATE BAR NO. 274220), 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  
mneumeister@stutman.com

Reorganization Counsel  
for Debtors and Debtors in Possession

Debtors' Mailing Address:  
Colorep, Inc. and Transprint USA, Inc.  
1000 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, *et al.*,

Debtors.

Tax I.D. Nos. 94-3055026 (Colorep, Inc.) and  
54-1200596 (Transprint USA, Inc.)

Case No. 2:13-bk-27689-WB

Chapter 11  
(Jointly Administered)

**ORDER APPROVING FIRST INTERIM  
APPLICATION OF EXECUTIVE  
SOUNDING BOARD ASSOCIATES, LLC  
AS CHIEF RESTRUCTURING OFFICER  
TO THE DEBTORS FOR COMPENSATION  
AND ALLOWANCE OF PROFESSIONAL  
FEES AND EXPENSES DURING THE  
PERIOD FROM JULY 10, 2013 THROUGH  
OCTOBER 31, 2013**

Hearing Date

Date: January 30, 2014  
Time: 10:00 a.m.  
Location: Courtroom 1375  
255 East Temple Street  
Los Angeles, CA 90012

FILED & ENTERED

FEB 07 2014

CLERK U.S. BANKRUPTCY COURT  
Central District of California  
BY beauchamp DEPUTY CLERK

1           Upon review and consideration of the *First Interim Application of Executive*  
2 *Sounding Board Associates, LLC as Chief Restructuring Officer to the Debtors for Compensation*  
3 *and Allowance of Professional Fees and Expenses During the Period from July 10, 2013 Through*  
4 *October 31, 2013* [Docket No. 259] (the "Application"), submitted by Executive Sounding Board  
5 Associates, LLC ("ESBA"), and the Declarations of Robert D. Katz and Larry Levy in support  
6 thereof, and having received no opposition to the granting of the Application, the Court hereby finds  
7 that notice was appropriate under the circumstances, and, pursuant to Bankruptcy Code section 331,  
8 good cause exists for the relief requested in the Application, and hereby orders as follows:

9           **IT IS ORDERED THAT:**

- 10           1.     The Application is GRANTED in its entirety.
- 11           2.     ESBA is hereby allowed, on an interim basis, an amount equal to \$432,055.25  
12 as reasonable compensation for actual, necessary services rendered by ESBA as Chief Restructuring  
13 Officer ("CRO") for Colorep, Inc. and Transprint USA, Inc. in the above-captioned bankruptcy  
14 proceeding (together, the "Debtors"), during the period from July 10, 2013 through and including  
15 October 31, 2013 (the "First Interim Period").
- 16           3.     ESBA is hereby allowed, on an interim basis, an amount equal to \$20,793.29  
17 as reimbursement for actual, necessary expenses incurred by ESBA as CRO for the Debtors during  
18 the First Interim Period.
- 19           4.     Nothing in this Order shall entitle ESBA to compensation for any allowed fees  
20 or expenses in excess of what ESBA has received or may receive through the Chapter 11 Retainer  
21 and the Supplemental Retainer, as those terms are defined in the Application.
- 22           5.     Upon receipt of the Supplemental Retainer, ESBA may draw down on such  
23 retainer in satisfaction of any fees or expenses allowed on an interim basis under this Order, but for  
24 which ESBA has not yet been compensated.
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27  
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1 Presented by:

2

/s/ Michael S. Neumeister

3

Gary E. Klausner, and

4

Michael S. Neumeister, members of  
STUTMAN, TREISTER & GLATT, P.C.

5

Reorganization Counsel

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for Debtors and Debtors in Possession

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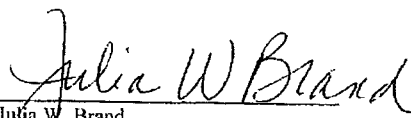
Date: February 7, 2014

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Julia W. Brand  
United States Bankruptcy Judge