IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
VILLAGE ROADSHOW ENTERTAINMENT GROUP USA INC., *et al.*,[1]	Case No. 25-10475 (TMH)
	(Jointly Administered)
Debtors.	**Re: D.I. 144**

WARNER BROS. ENTERTAINMENT INC.'S OBJECTION TO THE DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO (A) OBTAIN POSTPETITION FINANCING AND (B) UTILIZE CASH COLLATERAL, (II) GRANTING LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (III) GRANTING ADEQUATE PROTECTION, (IV) MODIFYING THE AUTOMATIC STAY, (V) SCHEDULING A FINAL HEARING, AND (VI) GRANTING RELATED RELIEF

Warner Bros. Entertainment Inc. and its affiliates (collectively, "Warner Bros.") files this objection (the "Objection") to the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final hearing, and (VI) Granting Related Relief* [Dkt. No. 9] (the "DIP Motion")[2] filed by the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"). In support of this Objection, Warner Bros. respectfully states as follows:

[1] The last four digits of Village Roadshow Entertainment Group USA Inc.'s federal tax identification number are 0343. The mailing address for Village Roadshow Entertainment Group USA Inc. is 750 N. San Vicente Blvd., Suite 800 West, West Hollywood, CA 90069. Due to the large number of debtors in these cases, which are being jointly administered for procedural purposes only, a complete list of the Debtors and the last four digits of their federal tax identification is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at https://www.veritaglobal.net/vreg.

[2] Capitalized terms used but not otherwise defined in this Objection shall have the meanings ascribed to them in the DIP Motion.

I. PRELIMINARY STATEMENT

1. At the first day hearing in these cases, the Debtors acknowledged that they "have excess proceeds of approximately $140 million or $130 million if you were to assume that the DIP were to be fully funded and repaid" that could be used to satisfy their liability to Warner Bros., arising out of their recent arbitration with Warner Bros. concerning the fourth Matrix film, *The Matrix Resurrections* (the "Matrix Arbitration"). *See* First Day Hr'g Tr. at 47:7-11 (Mar. 18, 2025). The Debtors also represented that Warner Bros. is "the only material, potential creditor" of the entities that own the Library Assets (and such entities, the "Library Debtors"),[3] besides the secured ABS Loans. *Id.* As such, Warner Bros. has a unique interest in protecting the Library Assets. But the Debtors' proposed DIP financing jeopardizes Warner Bros.' structural superiority and instead seeks to improve the position of the Debtor's prepetition noteholders who are also equity holders (such noteholders/equity holders, the "Prepetition Noteholders") by giving them liens and super-priority claims in the Library Assets for *both* their prepetition notes (such notes, the "Prepetition Notes") and post-petition new money claims.

2. The Debtors also informed the Court at the first day hearing that the Library Debtors transferred the Derivative Rights associated with 90 motion-pictures that Warner Bros. and Village co-financed from the Library Debtors to newly created entities and that "questions about that transaction have been, and likely, will be raised." *Id.* at 15:12-22. To be clear, the Library Debtors fraudulently transferred these Derivative Rights to new shell entities for a total

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[3] The Library Debtors include: Village Roadshow Pictures North America Inc. ("VRPNA"), Village Roadshow Films North America Inc. ("VRFNA"), Village Roadshow Films (BVI) Limited ("VRF-BVI"), Village Roadshow Distribution USA Inc. ("VRD-USA"), and Debtor entity that purports to hold any interest in, or contract right concerning, any Warner Bros. motion picture or television production. The obligations owed to Warner Bros. are also guaranteed by the Debtors' parent, Village Roadshow Entertainment Group (BVI) Ltd. ("VREG-BVI"). All references to "Village" or "Village Roadshow" as used later in this Objection are references to one or more of the Library Debtors, Village Roadshow Distribution (BVI) Ltd. ("VRD-BVI") and/or Village's parent-guarantor.

consideration of nine dollars ($1 per transfer) and the new shell entities then immediately pledged the Derivative Rights to the Prepetition Noteholders. These gratuitous transfers violated Warner Bros.' contracts and applicable law. They were made just months after Warner Bros. obtained a liability determination against the Library Debtors in the Matrix Arbitration. The putative transfer documents were signed by one of the Debtors' officer who was very active in the Matrix Arbitration and well aware of the results. Nevertheless, the DIP Order seeks to sanitize those transactions before allowing Warner Bros., or any other party, to adequately challenge them and to grant new putatively "valid" liens in both the Derivative Rights and related avoidance actions for the benefit of the Prepetition Notes held by the Debtors' equity owners.

3. These benefits are conferred despite the fact that the DIP Budget does not reflect a dire need for cash to execute on the proposed sale process and that other options may well be available. The Debtors' efforts to secure third-party financing were limited at best.[4] They did not approach Warner Bros. for financing and they even declined to provide Warner Bros. with the transaction documents prepetition, despite multiple requests. While Warner Bros. does not oppose the DIP Lenders receiving market protection for the new money portion of the DIP Loans, it

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[4] *See Declaration of George N. Koutsonicolis in Support of Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* [Dkt. No. 10] ("Koutsonicolis Decl."), ¶ 13:

> With limited time available to secure debtor-in-possession financing, the Debtors embarked on a process to raise liquidity on a compressed timeline. Upon information provided by the Debtors' advisors, I understand that given this compressed timeline, the complexities of the Debtors' business, and their significant liquidity challenges combined with the results of the prepetition marketing process and expected value to be realized from their remaining assets, the Debtors and their advisors immediately recognized that it would be exceedingly difficult to approach a broad range of traditional financing sources. While our team did reach out to several third parties to solicit interest in providing financing, the Debtors and their advisors initiated discussions with the Debtors' existing capital structure constituents, including Prepetition Senior Secured Noteholders, and other parties familiar with the Debtors' business. Following further discussions, [the DIP Lenders] were the only constituent in the Debtors' existing capital structure to offer financing.

strongly opposes the effort to infect the Library Assets with the prepetition obligations owed under the structurally subordinated Prepetition Notes, or to cleanse any putative lien the Prepetition Noteholders may assert in the Derivative Rights.

4. The DIP Motion confusingly labels the Prepetition Notes as "Prepetition *Senior Secured* Notes," even though those notes are structurally subordinated and have no claim against the Library Debtors or their assets and are held by the Debtors' equity owners—two of which are also DIP Lenders. Yet the DIP Motion, if approved, would elevate the Prepetition Notes from having a claim only on the net equity value of the Library Debtors to a senior, super-priority, secured (and priming, except as to the Prepetition ABS Obligations) position ahead of the legitimate creditors of those estates.[5] This includes (i) a "roll-up" of approximately $5.8 million in prepetition debt owed by the non-Library Debtors into super-priority obligations of the Library Debtors and secured by the Library Assets, *id*. § K; (ii) liens, cash payments and super-priority "adequate protection" claims against the Library Debtors and from their assets for the benefit of the Prepetition Noteholders, *id.* ¶ 8; and (iii) credit bidding rights on the Library Debtors' assets, *id*. ¶ 22(h). Equally troubling, the DIP Motion would effectively launder the prepetition fraudulent transfers of the Derivative Rights owned by the Library Debtors, which Derivative Rights were then pledged to the Prepetition Noteholders in violation of Warner Bros.' contracts and applicable law.

5. Warner Bros.' concerns are amplified by the fact that the Library Assets are contract rights in films that Warner Bros. created and the Derivative Rights are potential contract

[5] *See Interim Order (I) Authorizing the Debtors to Obtain Post-Petition Secured Financing, (II) Authorizing the Use of Cash Collateral, (Iii) Granting Liens and Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [ECF No. 69] (the "Interim DIP Order" or "DIP Order"), ¶ (vi), § E(iii).

rights in films that Warner Bros. may create in the future. As noted, Warner Bros. asserted and prosecuted arbitration claims against the *Library Debtors* in connection with *The Matrix: Resurrections* ("*Matrix IV*"), and it has already been conclusively determined following an appeal procedure that the *Library Debtors* breached their contractual co-financing agreement with Warner Bros. for *Matrix IV* and that Warner Bros. was damaged as a result of that breach.[6] All that remains to be decided is the extent of Warner Bros.' damages. Thus, the Debtors' only valuable assets are based on executory contracts with Warner Bros. and the Debtors have already been adjudged to be in default under those contracts.

6. By contrast, the Prepetition Noteholders were issued prepetition notes by certain of the *non-Library Debtors*—including the ultimate corporate parent of the Library Debtors. The Debtors contend these obligations—which, as of the Petition Date the Debtors assert are in the aggregate principal amount of approximately $163,075,096.60—are secured by the Debtors' interests in the recently transferred Derivative Rights assets, the Studio Business, and a senior pledge of equity interests in a number Debtor entities (one of which is alleged to hold the Library Assets). Critically, however, the Debtors concede that the Prepetition Noteholders' collateral ***does not*** include the Library Assets, nor are the Library Debtors guarantors of the Prepetition Notes. And the purported security interest in the Derivative Rights consists entirely of fraudulent transfers that immediately followed an award against Debtor in the Matrix Arbitration. Maintaining the bargained-for structure is of paramount importance to Warner Bros., whose film rights and interests, and distribution agreements with certain of the Debtors, and arbitration claim, sit at the Library Debtors, *see infra* § II.A-F. Any attempt to elevate the Prepetition Noteholders' claims

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[6] Warner Bros. has also asserted claims in a separate arbitration against the Library Debtors for a determination that the Library Debtors lack derivative rights in connection with over 20 films in the co-financed film library, including *Ocean's Eleven*, *Sherlock Holmes*, *Constantine*, *I Am Legend* and *Wonka*. *See* Smith Decl., ¶ 24.

and liens above Warner Bros. and any other creditors of the Library Debtors—whether through a roll-up, cash payments, adequate protection, or otherwise—should be rejected.

7. Likewise, the Court should also reject any attempt to encumber Warner Bros. contracts or intellectual property rights without preserving Warner Bros.' rights. Bankruptcy Code section 365(c)(1) and federal copyright law provides holders of intellectual property, like Warner Bros., with unique rights in bankruptcy concerning efforts to assume or assign interests in their intellectual property. The Warner Bros. contracts grant it exclusive rights concerning the films, including liens on picture rights, and place limitations on assignments and liens. Even if the rights under Warner Bros.' contracts could be assigned, the Bankruptcy Code section 365(b) would require both cure and adequate assurance of performance for any such assignment—requirements that the Prepetition Noteholders are unlikely to satisfy given the prepetition defaults and transactions. Further, no attempted lien or super-priority claim can affect Warner Bros.' own rights in the contracts and its intellectual property, as none of these are property of the estate. Nor can any lien prime any of Warner Bros.' offsets, recoupments or liens absent consent or adequate protection. Thus, any proposed claim or lien must be subject to Warner Bros.' existing rights under its agreements.

8. Despite the foregoing, Warner Bros. does not object to the new money portion of the Debtors' proposed DIP Facility if and to the extent that the provisions in the DIP Order and DIP Credit Documents are revised to reflect and protect Warner Bros.' rights and interests.[7] Warner Bros.' requested modifications address the following terms and provisions of the DIP

[7] All parties' rights were reserved in connection with the Interim DIP Order. Attached as **Exhibit A** hereto is a redline mark-up showing changes that Warner Bros. has proposed to the Debtors to address its concerns. Warner Bros. does not object to new money DIP Loans being given market protections, in contrast to efforts by the Prepetition Noteholders to invade the assets of the Library Debtors to cover their prepetition claims.

Facility and/or DIP Order that impair Warner Bros.' rights and claims, and unfairly prejudice its rights:

- Overreaching Roll-Up: The DIP Lenders seek to roll-up approximately $5.78 million of the Prepetition Notes into the DIP Loans, with a lien on substantially all the Debtors' assets. *See* DIP Order § K; *see id*. ¶ 2(d). Warner Bros. will not object to the Roll-Up so long as the post-petition claim and collateral for the Roll-Up is limited to the DIP Lenders' pre-existing Debtor obligors and guarantors and any liens of the same validity as the prepetition ones. The Library Debtors' assets should only be liable for, and encumbered by, the new money portion of the DIP Loan.

- Overbroad Adequate Protection: The Debtors also propose to grant the Prepetition Noteholders adequate protection liens, payments, and super-priority claims against the Library Debtors and their assets. *See id*. ¶ 8(b), (e), (f), (g). The Prepetition Noteholders, however, are not entitled to adequate protection for any diminution in value of the equity-pledges they hold by converting them into a senior creditor position ahead of Warner Bros. in the Library Assets.

- Debtors Seek to Avoid Scrutiny of Prepetition and Post-petition Actions and Inappropriately Limit Lender Liability and Releases: The DIP Lenders are part of the same group of creditors (*i.e.*, the Prepetition Noteholders) who took a lien on the Derivative Rights assets immediately after the Debtors fraudulently transferred those assets out from underneath the Library Debtors, and Warner Bros.' claim recovery pool, in late 2023. Accordingly, the lender liability provision of the final DIP Order (the "Final DIP Order") must be limited to (i) the DIP Secured Parties in their capacities as such and DIP Loan Documents (and should not be extended to the Prepetition Noteholders or the Prepetition Notes Credit Documents) and (ii) claims arising from any activities by the Debtors in the operation of their businesses ***with respect to the DIP Loans***. *Cf*. DIP Order § E(vi). Further, the DIP Order's lender liability provision must expressly reserve the rights of the Library Debtors and their creditors to assert causes of action based upon the prepetition transfers of the assets of the Library Debtors or any related transfers or pledges, and the prepetition parties should be carved out of any releases. *Id.* The proposed Releases must be similarly constrained. *Cf*. DIP Order, ¶ 23.

- Avoidance Actions and Proceeds. The liens and super-priority claims set forth in the DIP Order should not include avoidance actions or the proceeds thereof in light of the Debtors' fraudulent transfers of prepetition Derivative Rights. *Id.* ¶ 2(d). Because the prepetition transfers of the Derivative Rights were likely fraudulent transfers, any adequate protection liens granted therein should be only as valid as the existing prepetition liens and the benefit of the potential claims should be preserved by the Library Debtors and their creditors.

- 75-day Challenge Period & Library Debtor Protection: The general 75-day challenge period should be no less than the later of (i) 120 days from entry of the Final DIP Order and (ii) 45 days after the Debtors' proposed sale of Library Assets closes. *Id.* ¶ 12(a). Should a chapter 11 trustee (or in the case of conversion, a chapter 7 trustee) be appointed, Warner Bros. submits that such trustee should also have the later of the extended challenge deadline, as proposed in this Objection, or 30 days after the trustee's appointment. The DIP Order should provide that all rights and claims of the Library Debtors and their creditors are preserved and excluded from the Prepetition Lien and Claims Stipulations, the Challenge Period, and Challenge Deadline. *Id.* The prepetition transfers of the Derivative Rights are already well known to the parties and must be preserved for the estates and their creditors.

- Warner Bros.' Property Rights. Warner Bros.' reservation of rights language with respect to its contract and intellectual property rights, as set forth in the Interim DIP Order, should likewise be included in the Final DIP Order. *Id.* ¶ 30. It is axiomatic that a lender cannot assert liens on the property rights of a non-borrower, like Warner Bros. The DIP Order should also clearly provide that Warner Bros.' rights are not impaired in connection with any sale of Debtors' assets. All of Warner Bros. intellectual property rights and contracts rights must be preserved, including the right to object to any transfer, assumption or assignment of any rights related to Warner Bros.' contracts. And any liens in contracts with Warner Bros. should be limited the proceeds thereof.

- Warner Bros. Recoupments, Offsets and Liens. Any rights that Warner Bros. has that may be characterized as offsets, recoupment, liens or copyright mortgages related to the distribution of motion-pictures or otherwise cannot be made subordinate to the liens sought in the DIP Motion, except as Warner Bros. has otherwise expressly agreed. *See* Smith Decl., Ex. 6, 2020 Domestic Dist. Agrmt., ¶ 17 ("[redacted]").

- Credit Bid Rights: The Prepetition Noteholders' collateral agent should not be afforded an automatic right to credit bid the prepetition liens of the Prepetition Noteholders,[8] and instead, must seek such right upon further motion and order of the Court, subject to objections of other parties-in-interest. Moreover, any credit bidding party should remain subject to Warner Bros.' objections (based

[8] The DIP Order provides that "[i]n connection with any sale process authorized by the Court, (i) the DIP Collateral Agent (or its assignee, as applicable) may credit bid (each a "Credit Bid") up to the full amount of the applicable outstanding DIP Obligations, in each case including any accrued interest and expenses, as provided for in section 363(k) of the Bankruptcy Code in any sale of any DIP Collateral. . . ." *Id.* ¶ 22(h).

on contractual and intellectual rights, Bankruptcy Code protections or otherwise) to any attempt to transfer rights related to Warner Bros.' contracts.

- Adequate Protection Payments. Any cash adequate protections payments should be limited to the ABS Lenders, who have liens on the Library Assets. DIP Order § G; *see also id*. ¶ 8. The Library Debtors should not be obligated to pay or encumber their assets under the DIP Loans to pay the Prepetition Noteholders' or their collateral agent's attorneys' fees when the Prepetition Noteholders have no prepetition claims or liens against the Library Debtors.

9. Accordingly, for the reasons set forth herein, the Court should condition approval of the DIP Motion upon the Debtor's substantially revising the DIP Order and the DIP Credit Documents to address Warner Bros.' legitimate concerns. If the Debtors and the DIP Lenders are unwilling to modify their proposal, Warner Bros. believes that other options are available to bridge the Debtors through the sale process. The Debtors' actual cash needs are modest and much of that can be deferred until sale proceeds are received.[9] With the $365 million stalking horse bid, third-party financing is likely available, and may be on more favorable terms than the proposed DIP Facility. Warner Bros. has even advised the Debtors that it would entertain advancing certain of the participation payments otherwise due to the Library Debtors in an amount sufficient to pay critical operating expenses between now and the scheduled sale of the Library Assets on reasonable terms.

II. FACTUAL BACKGROUND

A. Village Co-Finances Certain Warner Bros. Films Under Specific Contractual Terms.

10. Warner Bros. and Village's contractual relationship dates back to 1998. Warner Bros. and Village have co-financed more than 90 theatrical films through a series of agreements.

[9] Per the *Notice of Filing Revised DIP Budget* [Dkt. No. 47] (the "DIP Budget"), it appears that total Operating Disbursements total less than $1.2 million. *Id.* The DIP Budget is attached to this Objection for the Court's convenience as **Exhibit B**. And while the Debtors' thirteen-week cash flow shows virtually no revenue, Warner Bros. has continued to pay the Debtors their share of the participation receipts post-petition.

See Declaration of Wayne Smith ("Smith Decl.") ¶ 3. At a high level, and as more detailed below, Warner Bros. and Village agreed (1) to share in certain revenues of the co-financed films (which Village has referred to as comprising part of the Library Assets), (2) that Village will have some rights to participate in co-financing of certain derivative works of certain of the co-financed films (the Derivative Assets), and (3) that Warner Bros. has the exclusive right to produce and exploit the co-financed films. *See generally id.* ¶¶ 3-5. Since December 31, 2020, the parties are no longer engaged in co-financing any projects other than derivative works. *See id.* ¶ 4.

11. The basic structure of Warner Bros. and Village's contractual arrangement is as follows.[10] Warner Bros. and Village entered into a series of agreements—first, the Qualified Cost Sharing Agreements and later, the Motion Picture Rights Purchase Agreements ("MPRPA")—setting out certain terms for co-financing new projects, including executing security agreements and copyright mortgages and assignments in favor of WAV Distribution LLC ("WAV"—a Warner Bros. affiliate) with respect to, among other things, picture rights. *See id.* ¶¶ 7 and 9; *see also id.* Exs. 1 and 2 (2014 and 2020 MPRPA). For each co-financed motion-picture, Warner Bros. and Village also entered into a Rights Purchase Agreement ("RPA"), which specified the terms of Village's co-financing obligation for the picture, and a Co-Ownership Agreement specifying each party's rights in that co-financed picture, including with respect to derivative works. *See* Smith Decl. ¶ 10. Over the years, the Co-Ownership Agreements have been amended through two Omnibus Amendments, including to ensure that they contain certain identical terms. *See, e.g.*, *id.* Ex. 4 (2017 Omnibus Amendment); *see also id*. Ex. 5 (Omnibus Amendment No. 2).

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[10] This description is purposefully simplified for background purposes only. Certain terms capitalized in this section are used as defined in the applicable agreement(s).

12. Once a motion-picture is produced, Warner Bros. has the exclusive right to determine whether to produce derivative projects. *Id.* Ex. 4 (2017 Omnibus Amendment), attach. 1 ¶ 4(f).[11] Under certain circumstances and for certain qualifying derivative projects, Warner Bros. must offer Village an opportunity to co-finance such derivative projects. *See id.* attach. 1 ¶ 4(a), (c), (g); *see also id.* Exs. 1 and 2 (2014 and 2020 MPRPA) § 6.4. The Co-Ownership Agreement, as amended by the 2017 Omnibus Amendment, dictates the terms of that process: Warner Bros. sends Village a Project Notice, which Village must accept within 15 days. *Id.* Ex. 4 (2017 Omnibus Amendment), attach. 1 ¶ 4(a), (c); *see also id.* Exs. 1 and 2 (2014 and 2020 MPRPA), § 6.4 and Ex. G (form Co-Ownership Agreement). If Village accepts, Warner Bros. will then produce the project and front all production and marketing costs. *See id.* Ex. 4 (2017 Omnibus Amendment), attach. 1 ¶ 4(b), (d). Village must pay its co-financing share (which is specifically defined in the agreements, but approximately equal to the relevant percentage of the film's production costs, less any applicable anticipated offsets and rebates) by the "Pick-Up Date," which will occur by the time the film is released. *See id.* Exs. 1 and 2 (2014 and 2020 MPRPA) § 5.1 & Ex. F (form RPA) § 2(b). Village is then entitled to participate in future revenues from that derivative work.

13. The domestic and foreign Output Distribution Agreements then set forth the economic and other terms pursuant to which Warner Bros. retains the exclusive rights to exploit each picture, and how the proceeds from such exploitation are divided among the parties.[12] *See*

[11] "Each of VRF and VRFNA shall have the right to propose Sequel or Remake Projects or Television Projects for consideration by WB, provided that WB shall have no obligation to agree to any such proposal and WB's decision to agree or not to agree to a proposal is within its sole discretion, and neither VRF nor VRFNA shall have any right, as a consequence, to exploit any of the Derivative Rights, nor shall VRF or VRFNA have any right to produce, license or exploit any of the Derivative Rights without WB's written consent, it being understood that only WB shall have the unilateral right in its sole discretion to initiate any exploitation of the Derivative Rights."

[12] These agreements, dated as of November 10, 2020, are identified as the "Warner F/D Agreement," the "Domestic Distribution Agreement," and the "Warner Foreign Agreement" in the Stalking Horse APA, which are otherwise

Smith Decl. ¶¶ 16-18. The Distribution Agreements grant Warner Bros. full and exclusive control over distribution decisions with "the broadest possible latitude," subject to certain obligations (for instance, Warner Bros. must release each film in a minimum number of theaters). *See e.g.,* Exs. 6 and 7 (2015 and 2020 Domestic Distribution Agreements) §§ 6, 14. Warner Bros. advances all distribution expenses and is entitled to collect a distribution fee. *Id.* § 6(a). The Distribution Agreements also provide specific terms governing participations in receipts received from Warner Bros.' exploitation. *See id.* § 7.

14. In addition, the Distribution Agreements provide for the creation of certain security interests by Village in favor of Warner Bros. for, picture rights, among other things. For example, the 2020 and 2015 Domestic Distribution Agreements require Village to execute certain security agreements, copyright mortgages, and assignments of copyrights in favor of WAV, to secure WAV's security interests in each picture in the Domestic Territory (as defined and otherwise set forth therein). Similarly, the 2020 and 2015 Warner F/D Agreements require Village to execute certain security agreements, copyright mortgages, and assignments in favor of Warner Bros. Productions Ltd. ("WBPL"). Smith Decl. ¶ 19.; *see also id.* Exs. 11, 12, 13, and 14 (Security Agreements, Mortgages and Assignments of Copyright and Copyright Mortgage Assignments dated November 22, 2019). Warner Bros. also filed UCC-1 financing statements to perfect its security interests for its rights in its film library. *See id.* Exs. 15 and 16 (UCC-1 Financing Statements).

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defined herein as 2020 Warner Foreign Distribution (F-D) Agreement, 2020 Domestic Distribution Agreement, and the 2020 Warner Foreign Agreement, respectively. "Distribution Agreements" as used herein include the Warner F/D Agreement, the Domestic Distribution Agreement, the *Amended and Restated Output Distribution Agreement (Domestic),* dated October 30, 2015 between WAV and Village (the "2015 Domestic Distribution Agreement"), and the *Amended and Restated Output Distribution Agreement (Foreign)* dated as of October 30, 20215 between WBPL and Village (the "2015 Warner Foreign Distribution (F-D) Agreement").

B. Village Breached Its Contract with Warner Bros. By Refusing to Pay Its Co-Financing Share of *Matrix IV*.

15. Among the many films co-financed by Warner Bros. and Village is the *Matrix* trilogy. In 2003, the parties entered into the *Matrix* Co-Ownership Agreement, which, among other things set forth Warner Bros.' and Village's rights with respect to future derivative works based on the first three *Matrix* films. *See* Smith Decl. ¶ 10; *id.* Ex. 3 (Matrix Co-Ownership Agreement). That agreement was amended in 2017 by the Omnibus Amendment. *See* Smith Decl. ¶ 11; *see also id.* Ex. 20 (Appeal Panel's Interim Decision and Award) at 3.

[redacted]

17. After Warner Bros. filed its arbitration demands, Village filed a complaint and motion for a preliminary injunction in California state court. *See Village Roadshow Films (BVI) Ltd. v. Warner Bros. Entm't Inc.*, No. 22STCV04606 (L.A. Cnty. Super. Ct.). The complaint addressed both the *Matrix* and *Wonka* disputes as well as a separate issue related to another

television series. The superior court denied the preliminary injunction, finding that Village was not irreparably harmed and not likely to prevail on its claims, and ordered Village's claims to arbitration. *See* Minute Order, *Village Roadshow Films (BVI) Ltd.*, No. 22STCV04606 (L.A. Cnty. Super. Ct. May 27, 2022).

C. The Arbitrator Finds Village Breached [redacted]

18. The Matrix Arbitration proceeded but the parties agreed to stay the *Wonka* proceedings pending resolution of the Matrix Arbitration. [redacted] Hon. Terry Friedman (Ret.) [redacted] Judge Friedman [redacted] *Id.* Ex. 17 at 51 (Arbitrator's Final Award); *see also id.* Ex. 18 (Order Granting Post-Hearing Relief).

D. [redacted]

19. [redacted] Judge Friedman's [redacted] Judge Friedman's [redacted] Judge Friedman [redacted] Judge Friedman [redacted]

[redacted]

[redacted] *See id.* ¶ 27.

E. Village Fraudulently Transfers Derivative Rights [redacted].

20. Village began almost immediately to impede Warner Bros.' ability to collect the amounts it is owed. On November 28, 2023, just four months after Judge Friedman issued his Final Award, Village entered into nine separate transfers and assignment of the Derivative Rights to 90 films that it had previously co-financed with Warner Bros. to other Village entities not named in the Matrix Arbitration. *See* Smith Decl. ¶ 26; *see also id*. Ex. 19 (Derivative Rights Assignments). Village's assignment of these rights, without Warner Bros.' permission and for consideration of a mere $1 per transfer, reflected Village's intent to move assets to entities outside of the Village respondents named in the Matrix Arbitration (here, the Library Debtors) in an effort to potentially shield them from being used to satisfy Warner Bros.' damages. Such fraudulent conveyances of material assets are plainly improper and strictly prohibited under California law. *See Kirkeby v. Super. Ct.*, 33 Cal. 4th 642, 648 (2004) (A fraudulent conveyance "is a transfer by the debtor of property to a third person undertaken with the intent to prevent a creditor from reaching that interest to satisfy its claim."); *see also* Cal. Civ. Proc. Code § 3439.04(a)(2) (constructive fraud demonstrated when debtor makes transfer "without receiving a reasonably equivalent value in exchange for the transfer or obligation, and . . . intended to incur, or believed or reasonably should have believed that [he] would incur, debts beyond [his] ability to pay as they

became due"). In March and April 2024, Warner Bros. objected that Village's transfer of these Derivative Rights to entities that were not respondents in the Matrix Arbitration, for a total of $9 in consideration, was fraudulent. *See* Smith Decl. ¶ 26.

F. [redacted].

21. As a result of these transfers and other indications of Village's financial instability, [redacted]. Smith Decl. ¶ 28. [redacted]. *See id*. On March 15, 2025, [redacted]. *See id.* Ex. 21 (March 15, 2025 Order). [redacted]. *Id.* Warner Bros. was about to proceed in Superior Court when Village filed its bankruptcy petition.

G. Village Commences These Chapter 11 Cases and Seek Approval of DIP Financing and Bid Procedures for a Sale of Substantially all (or all) of Their Assets.

22. On March 18, 2025 (the "Petition Date"), Village and a number of its affiliates (collectively, the "Debtors"), each filed a voluntary petition for relief under title 11 of the United States Code, 11 U.S.C. §§ 101-1552 (the "Bankruptcy Code"). The Debtors are continuing in possession of their property and are operating and managing their businesses as debtors in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

23. No trustee or examiner has been appointed in the Debtors' bankruptcy cases. On March 27, 2025, the Office of the United States Trustee for the District of Delaware (Region 3) appointed an Official Committee of Unsecured Creditors in these bankruptcy cases (the "Committee"), but did not include Warner Bros. on the Committee.

24. On March 18, 2025, the Debtors filed the DIP Motion, through which the Debtors seek to (i) obtain secured, superiority, debtor-in-possession financing in the aggregate principal amount of up to $12,786,104.96 in DIP financing, of which $7,000,000 constitutes new money loans, and a proposed roll-up of $5,786,104.96 of the Debtors' prepetition obligations under the Bridge Financing and (ii) authority from the Court to use cash collateral. *See* DIP Mot., ¶¶ 4, 13; *see also* DIP Order ¶¶ (i)-(x).

25. That same day, the Debtors subsequently filed the *Debtors' Motion for Entry of Orders (I)(A) Approving Bid Procedures for the Sale of the Debtors' Assets, (B) Authorizing the Debtors' Entry Into the Stalking Horse APA and Approving Bid Protections Thereunder, (C) Scheduling an Auction for, and Hearing to Approve, Sale of the Debtors' Assets, (D) Approving Form and Manner of Notices of Sale, Auction, and Sale Hearing, and (E) Approving Assumption and Assignment Procedures; (II)(A) Approving the Sale of the Debtors' Assets Free and Clear of all Liens, Claims, Interests, and Encumbrances ,and (B) Approving Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Granted Related Relief* [Dkt. No. 11] (the "Bid Procedures Motion"). Pursuant to the Bid Procedures Motion, the Debtors seek the Court's (i) approval of their Bid Procedures and (ii) authorization for the Debtors to enter into the Stalking Horse APA, including a $10 million break-up fee and up to $2 million in reimbursement and documented out-of-pocket costs, fees and expenses of the Stalking Horse Bidder). *See* Bid Procedures Mot., ¶¶ 1, 15. The DIP Facility is linked to certain case milestones that provide for the sale process as outlined in the Bid Procedures Motion. *See* DIP Mot., ¶¶ 5-6.

26. Several weeks before Debtors' filing of these bankruptcy cases, Warner Bros.' counsel was advised that the Debtors were planning to file for bankruptcy and had entered into an agreement which they would close a sale transaction via bankruptcy. *See* Smith Decl. ¶ 29.

Warner Bros. repeatedly asked for the documents related to the Debtors' forthcoming bankruptcy filing and sale transaction. *See id.* The Debtors refused to provide those documents, however, and never asked if Warner Bros. would provide financing. *See id.*

III. <u>ARGUMENT</u>

27. The Debtors' proposed DIP Facility (including a proposed Roll-Up) seeks to sweep up the Debtors' "most valuable" assets (*e.g*., the Library Assets) at Warner Bros.' expense to cover prepetition claims with no recovery rights against the Library Debtors —in contravention of Warner Bros.' contractual agreements with the Debtors and its intellectual property rights. *See, e.g.*, DIP Order, ¶¶ 1(d)-(h), 4, 8. It similarly seeks to enrich the Prepetition Noteholders (including the DIP Lenders), who took a lien on the Debtors' interest in the Derivative Rights following the Debtors' prepetition fraudulent transfers of those assets. *See id*.; *see also* DIP Mot., ¶ 16. These actions should not be blessed nor rewarded. Ultimately, the proposed DIP Facility and the relief requested by the DIP Motion cannot be approved without (i) Warner Bros.' express consent and/or (ii) revisions that assure that Warner Bros.' property, rights, and interests are not impaired and otherwise adequately protected. Absent such protections or consent, the relief requested by the DIP Motion should be denied.

28. It is well settled that a court may not approve debtor-in-possession financing under section 364(c) of the Bankruptcy Code unless a debtor establishes that (1) it was "unable to obtain unsecured credit"; (2) the financing is "necessary to preserve the assets of the estate"; and (3) the proposed terms are "fair, reasonable, and adequate, given the circumstances of the debtor-borrower and the proposed lender." *In re Los Angeles Dodgers LLC*, 457 B.R. 308, 312 (Bankr. D. Del. 2011) (debtors' failure to attempt to obtain unsecured financing precluded court's approval of the proposed financing) (citations omitted). With respect to the first element, while a debtor is not

required to seek credit from every possible source, a debtor "must show that it has made a reasonable effort to seek other sources of credit available[.]" *In re Ames Dept. Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990) (citations omitted).

29. Courts routinely recognize that "[d]ebtors in possession generally enjoy little negotiating power with a proposed lender," and, as a result, "lenders often exact favorable terms that harm the estate and creditors." *In re Defender Drug Stores, Inc.*, 145 B.R. 312, 317 (9th Cir. BAP 1992) (citations omitted). The Court has an independent duty to safeguard against this risk, and ensure that proposed financing is appropriate and not harmful to the estate and its creditors. *See, e.g., Ames*, 115 B.R. at 37-38 (court must consider whether proposed financing "would tilt the conduct of the bankruptcy case; prejudice, at an early stage, the powers and rights that the Bankruptcy confers for the benefit of all creditors; or leverage the Chapter 11 process by preventing motions by parties-in-interest from being decided on their merits") (citations omitted); *In re Laffite's Harbor Dev. I*, LP, No. 17-36191, 2018 WL 272781, at *3 (Bankr. S.D. Tex. Jan. 2, 2018) (same). While certain favorable terms may be permitted as a reasonable exercise of a debtor's business judgment, bankruptcy courts have declined to approve financing arrangements that convert the bankruptcy process from one designed to benefit all creditors to one designed for the sole (or primary) benefit of the lender. *Id.*; *see also Ames*, 115 B.R. at 38 (holding that the terms of a post-petition financing facility must not "pervert the reorganizational process from one designed to accommodate all classes of creditors . . . to one specially crafted for the benefit" of one creditor.) (citing *Tenney*, 104 B.R. at 567-570). Those concerns are amplified when the proposed DIP lender holds other roles besides that of a creditor, such as a major equity holder.

30. Here, the DIP Loans were procured through an abbreviated process where the die was cast from the start to favor the Prepetition Noteholders, two of which serve as the DIP Lenders

to the proposed DIP Facility. *See* DIP Mot., ¶¶ 15-17; *see also id.* at Ex. A, Annex A. The terms they now want the Court to endorse contravene applicable law, and are highly objectionable, as detailed below.

A. The Parties' Agreements and Applicable Law Limit the Debtors From Pledging Interests in the Derivative Rights and Library Assets, which Constitute Warner Bros.' Intellectual Property.

31. The Debtors' assets consist of contract rights from its executory agreements with Warner Bros. As such, they are subject to the limitations imposed by the contracts themselves, as well as the Bankruptcy Code and applicable law. As an initial matter, the governing agreements among the Library Debtors and Warner Bros. limit the Debtors' ability to pledge their purported interests in the Library Assets and Derivative Rights. Warner Bros. and the Debtors' estates also have meritorious challenges to the Prepetition Noteholders' asserted prepetition liens on the Derivative Rights. The agreements governing these assets expressly prohibit the Debtors' assignment of their purported interests in the Derivative Rights and Library Assets except for certain specific transactions, none of which are applicable here.

32. For example, Omnibus Amendment No. 2 to the Co-Ownership Agreements [redacted]. *See* Smith Decl., Ex. 5 (Omnibus Amend. § 2(f)(i) (amending ¶ 2(c) of the Co-Ownership Agreement)).[13] [redacted]

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[13] The explicit language of Section 2(f)(i) provides:

> [redacted]

Id.

[redacted] *Id.* (emphasis added).[14] These contractual exceptions plainly do not apply where, as here, the Debtors seek to pledge their Derivative Rights to the DIP Lenders as DIP Collateral under the proposed DIP Facility.

33. Likewise, the parties' agreements [redacted].[15] And while there

[14] The Debtors violated this contractual exception when it engaged in the intentional and constructive fraudulent prepetition transfers of Derivative Rights. The non-Library Debtors who now hold the Debtors' interests in Derivative Rights [redacted]. In any event, this contractual exception from the non-assignment limitation does not permit the Debtors to engage in intentional fraudulent transfers to avoid Warner Bros.' arbitration judgment without consideration to the transferors.

[15] *See* Smith Decl., Ex. 2 (2020 MPRPA § 8.4: [redacted]") *See also id.* Ex. 6, 2020 Domestic Dist. Agrmt., ¶ 17 ("[redacted]."). The Debtors also identify the MPRPA as a contract included in the Stalking Horse APA. *See* Stalking Horse APA [Dkt. No. 11-1], p. 17; *see also id*. at § 2.05(a) ("Assumed Contracts" to include "certain of the Picture Agreements"). The Domestic

are also exceptions [redacted], those exceptions equally should not apply in the context of the Debtors' requested DIP financing, when the DIP Facility otherwise impairs Warner Bros.' property and contract rights.[16]

34. The Bankruptcy Code also places limits on the Debtors' use of property. Section 365(c)(1) of the Bankruptcy Code provides that "[the debtor] may not assume or assign . . . any executory contract . . . if . . . (1)(A) applicable law excuses a party, other than the debtor, to such contract . . . from accepting performance from . . . an entity other than the debtor or the debtor in possession . . . and (B) such party does not consent to such assumption." 11 U.S.C. § 365(c)(1); *see also In re W. Elecs., Inc*., 852 F.2d 79, 83 (3d Cir. 1988) (Recognizing that section 365(c)(1) "limiting assumption of contracts is applicable to any contract subject to a legal prohibition against assignment.") (citations omitted). Federal copyright law provides holders of intellectual property with powerful rights in bankruptcy under section 365(c)(1) to prevent assumption and assignment of their intellectual property agreements absent consent. *In re Patient Educ. Media, Inc*., 210 B.R. 237, 242 (Bankr. S.D.N.Y. 1997) (citing *Fantastic Fakes, Inc. v. Pickwick Int'l, Inc.*, 661 F.2d 479, 483 (5th Cir. 1981) (Copyright Act constitutes applicable non-bankruptcy law when evaluating the assignability of copyright licenses).

Distribution Agreement is also identified as a "Fundamental Contract," the Debtors' delivery of which, is a condition precedent to closing. *See id*. at p. 13, § 3.01(g).

[16] Specifically, the Domestic Distribution Agreement [redacted]." Smith Decl.., Ex. 6, 2020 Domestic Dist. Agrmt., ¶ 17. Section 13.5 of the MPRPA, in turn, provides that [redacted]." *Id*. Ex. 2, 2020 MPRPA § 13.5. That said, [redacted]. *See id.*

35. Financings under Bankruptcy Code section 364 should not approve transactions that the Debtors would be prohibited from making themselves under sections 363 and 365. That is, if a debtor cannot assume and assign a contract, it follows that it should not be permitted to grant a lien authorizing a lender to effectively do so by credit bidding and taking control of such contract. *See generally In re Defender Drug Stores*, Inc., 145 B.R. at 317 ("[B]ankruptcy courts do not allow terms in financing arrangements that convert the bankruptcy process from one designed to benefit all creditors to one designed for the unwarranted benefit of the postpetition lender.") (citing *In re Tenney Vill. Co.*, 104 B.R. 562, 567-570 (Bankr. D.N.H. 1989)). A debtor can only convey its own rights, nothing more. *See generally Butner v. United States*, 440 U.S. 48, 49 (1979) ("Congress has generally left the determination of property rights in the assets of a bankrupt's estate to state law.") (citations omitted); *see also generally Majestic Star Casino, LLC v. Barden Dev., Inc. (In re Majestic Star Casino, LLC)*, 716 F.3d 736, 748 (3d Cir. 2013) ("[T]he trustee [or debtor-in-possession] can assert no greater rights than the debtor himself had on the date the [bankruptcy] case was commenced.") (internal quotations omitted). If the Bankruptcy Code and applicable law restrict those rights, a financing must remain subject to those restrictions.

36. In restricting a debtor's assignment or pledge of interests under an executory contract where applicable nonbankruptcy law requires consent prior to a such assignment, section 365(c)(1) curtails the type of maneuvering that the Debtors seek to employ here. The Debtors do not share co-equal rights with Warner Bros. for either the Library Assets or Derivative Rights under the Co-Ownership Agreements.[17] Instead, [redacted]

[17] *See* Smith Decl., Ex. 5, Omnibus Amend. No. 2 § 2(f)(ii) (amending ¶ 2(c) of the Co-Ownership Agreement):

> [redacted] . . .

[redacted].

37. Ultimately, DIP financing should not be approved when "a creditor leverages a debtor in possession into making a concession unauthorized by, or in conflict with, the Bankruptcy Code as a condition for the requested credit." *General Elec. Capital Corp. v. Hoerner (In re Grand Valley Sport & Marine)*, 143 B.R. 840, 852 (Bankr. W.D. Mich. 1992) (citations omitted). Because the DIP Facility improperly seeks to pledge the Debtors' interests in the Derivative Rights and Library Assets as DIP Collateral (and as part of the Roll-Up and asserted adequate protection) without Warner Bros.' consent, or otherwise prime any of Warner Bros.' liens without such consent or adequate protection,[18] in contravention of its contractual agreements and appliable bankruptcy and federal copyright law, the DIP Motion should be denied in its current state.

B. Notwithstanding Warner Bros.' Intellectual Property and Contract Rights, Warner Bros. will Consent to the DIP Facility if the Debtors Include Critical Modifications.

38. Warner Bros. is willing to consent to the DIP Facility if the DIP Credit Documents and Final DIP Order contain several modifications. As proposed, the DIP Facility otherwise does not contain terms that are "fair, reasonable and adequate," nor have the Debtors demonstrated the

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See also Smith Decl., Ex. 2, 2020 MPRPA, ¶ A ("[redacted]. "); *see also id*. Ex. 6, 2020 Domestic Dist. Agmnt., ¶ A (. . . "[[redacted].").

[18] *See, e.g.,* DIP Order, ¶¶ 1(d)-(h), 4, 8. Section 364(d)(1)(B) of the Bankruptcy Code provides that the Court may authorize debtor-in-possession financing "only if . . . there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted." 11 U.S.C. § 364(d)(1)(B). It is the Debtors' burden to make this showing. *See* 11 U.S.C. § 364(d)(2). To be sure, "[p]riming is extraordinary relief requiring a strong showing that the loan to be subordinated is adequately protected. Bankruptcy judges are required to grant Section 364(d) financing only upon a tangible demonstration of adequate protection." *In re LTAP US, LLLP*, 2011 WL 671761, at *3 (Bankr. D. Del. Feb. 18, 2011) (citations omitted). Warner Bros. reserves all rights to the extent the Debtors intend to prime any Warner Bros. liens in connection with the DIP Facility.

requested financing is "necessary to preserve the assets of the estate," the reasons for which Warner Bros. articulates below. *Cf. In re Los Angeles Dodgers LLC*, 457 B.R. at 312.

a. The Roll-Up Must be Limited to the DIP Lenders' Preexisting Obligors, Guarantors and Their Assets, as Follows: The Derivative Rights of the Non-Library Debtors.

39. As an initial matter, Warner Bros. does not object, in principle, to the New Money Commitment Amount. *See* DIP Mot., ¶ 4; *see also* DIP Order, ¶ (iv). Warner Bros. also does not object to the DIP Facility's corresponding granting of automatic security interests in and liens on all of the DIP Collateral, subject to the priorities set forth in the DIP Order if prepetition lien challenges are preserved, except with respect (i) to liens on avoidance actions (which must be carved out of the DIP Collateral, *see infra*, § B(c)), (ii) cash collateral held by the Library Debtors (other than to the extent of such funds actually advanced under the New Money Loan Commitment),[19] and (iii) DIP Liens on the Library Debtors (save for the DIP Liens in respect of the New Money Loan Commitment, subject to Warner Bros' contract and property rights), *see* DIP Order ¶ 2(d). Nor does Warner Bros. object to the DIP Facility to the extent that the New Money Loan Commitment Amount is guaranteed by the Guarantors identified in the DIP Motion. *See* DIP Mot., Ex. A at p. 1.

40. Although Warner Bros. is agreeable to the foregoing, Warner Bros. is not amenable to the Debtors' proposed "roll-up" in the amount of $5,786,104.96 on a cashless, dollar-for-dollar basis, of the Debtors' outstanding obligations with respect to the Bridge Notes. *See* DIP Mot., ¶ 4; *see also* DIP Order § K, ¶ 4. The Debtors assert that the Roll-Up "was the subject of arm's length and good-faith negotiations between the Debtors and the DIP Lenders," and "a necessary

[19] The DIP Budget shows 0 receipts and thus, no present need or use of cash collateral.

condition for the DIP Lenders to agree to provide the Bridge Financing on a petition basis," while "no other party has put forward actionable financing proposal." *See* DIP Mot., ¶ 45. But these assertions are belied by the record before the Court, which shows an inadequate effort to obtain other financing.[20] The Debtors never approached Warner Bros. for financing and repeatedly refused to provide sale documents to it prepetition, despite repeated requests.

41. As far as Warner Bros. can tell, the only parties who demonstrably stand to benefit from the Roll-Up are the DIP Lenders in their capacities as Prepetition Noteholders, as the Roll-Up would enable them to sweep up previous unencumbered collateral of the Library Debtors and impair or prime any other interests aside from the Prepetition ABS Obligations, at the expense of Warner Bros. and other unsecured creditors. The Debtors allege the Senior Notes Collateral includes (i) the Derivative Rights, subject to the competing interests of their studio partners (most sizably, Warner Bros.) and (ii) the Studio Business. DIP Mot., ¶ 16. The Debtors also contend that the Prepetition Notes are further secured by a senior pledge of the equity interests of each of (a) the Subsidiary Guarantors, (b) Village Roadshow Distribution (BVI) Limited ("VRD-BVI"), (c) Village Roadshow Productions (BVI) Limited ("VRP-BVI"), (d) Village Roadshow Film Management Pty Ltd ("VRFAM"), and (e) VRD-USA (collectively, the "Equity-Pledged Debtor Entities"). *Id.*

42. But courts should not approve proposed financing "where it is apparent that the purpose of the financing is to benefit a creditor rather than the estate." *Ames*, 115 B.R. at 39 (citing *In re Crouse Grp.*, 71 B.R. 544, 551 (Bankr. E.D. Pa. 1987)). It follows that the Roll-Up should

[20] The record also does not show that the Debtors conducted a competitive and rigorous prepetition marketing process for proposed DIP financing sufficient to support the Court's approval of the DIP Facility. *See* Koutsonicolis Decl., ¶ 13. Nor does the record reflect that DIP financing is actually necessary for the Debtors to have sufficient liquidity to consummate a sale under its proposed timeline. *See* DIP Budget.

be limited to the DIP Lenders' pre-existing Debtor obligors and guarantors who pledged their non-equity assets to the Prepetition Noteholders prior to the Petition Date (the Derivative Rights of the non-Library Debtors), subject to the same validity/potential avoidance as the prepetition liens securing the Prepetition Notes in the Derivative Rights. The Roll-Up should not include any roll-up of obligations into the prepetition equity pledges by the Equity-Pledged Debtor Entities. *See infra*, § B.b.

43. Importantly, the permissibility of roll-ups under the Bankruptcy Code is, at best, uncertain. As observed by the Court of Appeals for the Eleventh Circuit, "[b]y their express terms, sections 364(c) and (d) apply only to future—*i.e.*, post-petition—extensions of credit. They do not authorize the granting of liens [or awarding administrative expense status] to secure prepetition loans." *Shapiro v. Saybrook Mfg. Co., Inc. (In re Saybrook Mfg. Co., Inc.)*, 963 F.2d 1490, 1495 (11th Cir. 1992); *see also In re Oxford Mgmt., Inc*., 4 F.3d 1329, 1334 (5th Cir. 1993) (noting that no Bankruptcy Code provision authorizes the payment of post-petition funds to satisfy prepetition claims) (citations omitted); *cf. Norwest Bank Worthington v. Ahlers*, 485 U.S. 197, 206 (1988) ("[W]hatever equitable powers remain in the bankruptcy courts must and can only be exercised within the confines of" the Bankruptcy Code.) (citations omitted).

44. Other courts, in certain circumstances, have authorized the post-petition payment of prepetition obligations, but, critically, only "where necessary to protect and preserve the estate." *See In re CoServ, L.L.C*., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (authorizing payment of certain prepetition claims pursuant to the "doctrine of necessity"); *In re Equalnet Comm'ns Corp*., 258 B.R. 368, 369-70 (Bankr. S.D. Tex. 2000) (business transactions critical to the survival of the business of the debtor are exceptions to the general rule of nonpayment of prepetition claims prior to plan confirmation); *In re Berry Good, LLC*, 400 B.R. 741, 747 (Bankr. D. Ariz. 2008) ("A ***clean***

line must be drawn between pre- and post-petition debt, and it is unlawful to blur those lines, except in rare and exceptional circumstances, such as with wage claimants.") (emphasis added); *cf. Czyzewski v. Jevic Holding Corp.*, 580 U.S. 451, 468 (2017) (noting that courts that have approved roll-ups have found that "the distributions at issue would enable a successful reorganization and make even the disfavored creditors better off") (internal quotation marks omitted). As a corollary to the doctrine of necessity, a proposed roll-up must leave "even the disfavored creditors better off." *Jevic*, 580 U.S. at 468. Ultimately, "[r]oll-ups are generally disfavored[.]" *In re Wildcat Met Mining, Inc.*, 2024 WL 1025002, at *11 (Bankr. S.D. W.Va. Mar. 8, 2024) (citations omitted).

45. While Roll-Ups should be the exception and not the rule, Warner Bros. will agree to the Roll-Up subject to such Roll-Up being limited to the DIP Lenders' pre-existing Debtor obligors and guarantors with respect to the Derivative Rights, but not including the Library Debtors or any of their assets. For similar reasons, the Court should not grant the DIP Lenders super-priority administrative expense claim status for claims against the Library Debtors, except with respect to the New Money Commitment Amount as against the Library Debtors. *Cf.* DIP Order, ¶ 2(h). Under no circumstances should prepetition note obligations of a parent holding company to an insider creditor be rolled up to become a senior obligation ahead of the existing creditors of operating entities (the Library Debtors) that own assets. Here, the debt "rolled-up" is not an obligation of the Library Debtors and has no claim to their assets. It stands in the shoes of mere equity. There is no reason to impair the claims of creditors of the Library Debtors to benefit the equity of the corporate parent and lenders who only have a lien in such equity.

b. The Prepetition Noteholders' Adequate Protection Liens, Payments, and Super-priority Claims Must be Similarly Cabined.

46. The Debtors also propose to grant the Prepetition Noteholders adequate protection liens and payments, and super-priority claims, to protect against alleged post-petition diminution in value of their prepetition collateral. DIP Mot., ¶¶ 40-41; *see also* DIP Order, ¶ 8(b), (e), (g).

47. As an initial matter, the Prepetition Noteholders are not entitled to adequate protection for any diminution in value of the Equity-Pledged Debtor Entities. *See* 11 U.S.C. 363(e) ("[O]n request of an entity that has an interest in property used, sold, or leased, or proposed to be used, sold, or leased, by the trustee, the court . . . shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest."); *see also generally In re H.T. Pueblo Props., LLC*, No. 11-24718 MER, 2011 Bankr. LEXIS 5231, at *23 (Bankr. D. Colo. Dec. 30, 2011) ("In bankruptcy proceedings, a secured creditor ordinarily has a statutory right to adequate protection payments to protect its interests against the diminution in value of its security."). Equity is neither used nor leased in the Debtors' operations (of which the Debtors concede there are none).[21] Thus, the Court should not permit holders of an equity interest to bootstrap an equity pledge into an adequate protection superiority claim ahead of other creditors.

48. For this Court to hold otherwise would be to contravene the policies and rationale of section 361. *See* 11 U.S.C. § 361(1)-(2) ("When adequate protection is required under section 362, 363, or 364 of this title . . . such adequate protection may be provided by . . . periodic cash payments to such entity . . . or replacement lien to the extent that such stay, use, sale, lease, or grant results in a decrease in the value of such entity's interest in such property . . . ."). *See also* 3

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[21] *See Declaration of Keith Maib in Support of First Day Relief* [Dkt. No. 2] ("First Day Decl."), ¶ 35 ("[T]he Company narrowed its workforce and tailored it to fit only the employees required to implement the Sale.").

Collier on Bankruptcy ¶ 361.03 (16th 2025) ("[A]dequate protection payments are intended to compensate the creditor for a decline in the value of the collateral."). It would also improperly elevate the claim of a holder of a pledged equity interest ahead of the rights of unsecured creditors, including Warner Bros. *See generally In re Insilco Techs., Inc.*, 480 F.3d 212, 217–18 (3d Cir. 2007) (holding that equity holders merely have an ownership interest subordinate to the debtor's debt obligations).

49. Along similar lines, the Prepetition Noteholders cannot use DIP Loan proceeds or Library Debtor assets for their prepetition adequate protection claims. *See* DIP Order, ¶ 8(b), (c), (e), (f), (g). At most, the Prepetition Noteholders have liens in the equity interests of the Library Debtors. Accordingly, the Prepetition Noteholders stand in the shoes of equity. Equity is not entitled to adequate protection or super-priority claims to trump the creditors of the Library Debtors (*e.g.*, Warner Bros.). *See generally In re Armstrong World Indus., Inc.*, 432 F.3d 507, 509 (3d Cir. 2005) (affirming the District Court's decision holding that a plan could not be confirmed because the distribution to the Debtors' equity interest holders over the objection of the class of unsecured creditors violated the absolute priority rule); *see also generally Czyzewski v. Jevic Holding Corp.*, 580 U.S. at 464 (holding that while Chapter 11 permits some flexibility, a court still cannot confirm a plan that contains priority-violating distributions over the objection of an impaired creditor class). Moreover, any adequate protection liens and payments that are afforded to the Prepetition Noteholders must remain subject to the validity of their liens, and subject to challenge.

c. The DIP Facility Contains Additional Objectionable Provisions and Omissions That Must be Rectified.

50. In the event that the Court approves the DIP Order on a final basis subject to the Roll-Up and adequate protection and super-priority claim modifications set forth above, it should

also be stripped of the numerous other provisions that not only forfeit valuable estate rights but that are also designed to disarm its creditors (and in particular, Warner Bros.) from challenging the claims and liens of the Prepetition Noteholders. *See, e.g.*, *In re Colad Grp., Inc*., 324 B.R. 208, 224 (Bankr. W.D.N.Y. 2005) ("The debtor and its secured creditor do not constitute a legislature. Thus, they have no right to implement a private agreement that effectively changes the bankruptcy law with regard to statutory rights of third parties."). The Final DIP Order must also contain certain clarifying language with respect to Warner Bros.' property rights and other interests. Among these objectionable terms and omissions are:[22]

- Encumbrance on Avoidance Action Proceeds. The DIP Collateral and DIP Lenders' super-priority liens should not include avoidance actions or the proceeds thereof. *See* DIP Order, ¶ 2(d). This is particularly true where, as here, the DIP Lenders are part of the same group of creditors (*i.e.*, the Prepetition Noteholders) who took a lien on the Derivative Rights assets immediately after the Debtors fraudulently transferred those assets out from underneath the Library Debtors, and Warner Bros.' claim recovery pool, in late 2023. If this Court allows the DIP Lenders to take a lien on avoidance actions, it would prevent Warner Bros. (who is the party most harmed by the fraudulent transfers) and other unsecured creditors from recovering on these potentially valuable claims. This is particularly problematic since the Prepetition Noteholders may have benefited from the gratuitous transfer of the Derivative Rights from the Library Entities through subsequent liens.

- 75-day Challenge Period: The 75-day challenge period should be extended to allow any creditor, including Warner Bros., to examine the Prepetition Noteholders' prepetition loans and to determine whether the loans were properly secured and perfected, or, among other things, whether there exist any avoidance actions against the prepetition lenders. *Id.* ¶ 12(a). Warner Bros. submits that the challenge period should be no less than the later of (i) 120 days from entry of the DIP Order and (ii) 45 days after the Debtors' proposed sale of Library Assets closes. Should a chapter 11 trustee (or in the case of conversion, a chapter 7 trustee) be appointed, Warner Bros. submits that such trustee should also have the later of the extended challenge deadline, as proposed in this Objection, or the 30th day of such trustee's appointment.

[22] The below is not intended to be an exhaustive list, and Warner Bros. expressly reserves all rights in connection with the Final DIP Order.

- DIP and Adequate Protection Liens on Contracts with Warner Bros.; Warner Bros.' Property Right Protections. The DIP Collateral should not include any contract or license to which any Warner Bros. entity is a party, but may include the proceeds of any such contract or license, subject to all of Warner Bros.' rights under and with respect to such contracts. Warner Bros.' reservation of rights language with respect to its contract and intellectual property rights, as set forth in the Interim DIP Order, should similarly be included in the Final DIP Order. *Cf.* DIP Order ¶ 30. It is black letter law that a lender cannot assert liens on a non-borrower's (*e.g*., Warner Bros.') property rights. *See generally In re Harris*, No. 07-38530, 2009 WL 1607742, at *5 (Bankr. S.D. Tex. June 8, 2009) ("A lender's interest in the collateral is limited to its lien securing the note"). The Final DIP Order should also clearly provide that Warner Bros.' rights are not impaired in connection with any sale of Debtors' assets.

- Warner Bros.' Recoupment, Offsets and Liens. Any rights that Warner Bros. has that may be characterized as offsets, recoupment, liens or copyright mortgages related to the distribution of motion-pictures or otherwise cannot be made subordinate to the liens sought in the DIP Motion. *See* Smith Decl., Ex. 6, 2020 Domestic Dist. Agrmt., ¶ 17.

- Library Debtor Reservation: The Debtors must include a provision in the Final DIP Order that provides that all rights and claims of the Library Debtors and their creditors are preserved and excluded from the Prepetition Lien and Claims Stipulations, the Challenge Period, and Challenge Deadline.

- Lender Liability and Releases. In light of the Debtor's prepetition fraudulent transfers of the Derivative Rights, the lender liability provision of the DIP Order must be limited to (i) the DIP Secured Parties and DIP Loan Documents (and should not be extended to the Prepetition Notes Credit Documents) and (ii) to claims arising from any activities by the Debtors in the operation of their businesses ***with respect to the DIP Loans***. *Cf.* DIP Order, § E(vi). Further, the DIP Order's lender liability provision must expressly reserve the rights of the Library Debtors and their creditors to assert causes of action based upon the prepetition transfers of the assets of the Library Debtors or any related transfers. *Id.* Similarly, the Prepetition Noteholders should be carved out of any Releases. *Cf.* DIP Order, ¶ 23

- Credit Bid Rights: The Prepetition Noteholders' collateral agent should not be afforded an automatic right to credit bid the prepetition liens of the Prepetition Noteholders, and instead, must seek such right upon further motion and order of the Court, subject to objections of other parties-in-interest. *Id.* ¶ 22(h). The Court must not ignore the fact that Warner Bros.' rights under the contracts are exclusive, and the contracts impose limitations on assignments. Even if assignment was possible, any such assignment would require cure and adequate assurance of performance—something the Prepetition Noteholders have not shown they can meet. Nevertheless, the Debtors have neither addressed this

> requirement nor made any effort to comply, raising further doubts as to the feasibility of any assignment. Warner Bros. reserves all objections to any such putative credit bid.

51. Warner Bros. is open to a consensual resolution of these issues with the Debtors. However, any solution must respect Warner Bros.' contract and property rights, as well as the structural superiority of its claims. Absent such protections, the Debtors' pledge of the Debtors' interests in the Library Assets and Derivative Rights under its film and distribution agreements with Warner Bros. cannot stand. Alternatively, Warner Bros. remains open to discussing financing alternatives, which may include Warner Bros. accelerating payments of participation distributions on reasonable economic terms or options from third-party lenders.

IV. RESERVATION OF RIGHTS

52. Warner Bros. expressly reserves all rights to amend and/or supplement this Objection, and any arguments advanced herein, at any time prior to, or during, the Court's hearing to consider final approval of the DIP Facility.

53. In addition, nothing contained herein is intended to be or shall be deemed as a waiver of Warner Bros.' rights under the Bankruptcy Code or any other applicable non-bankruptcy law, including its rights to (a) move to withdraw the reference from this Court; (b) contest the jurisdiction of this Court; (c) contest whether any matter constitutes a core proceeding; (d) contest the entry of final orders or judgments by this Court; or (e) demand arbitration or a trial by jury.

V. CONCLUSION

WHEREFORE, Warner Bros. respectfully requests that this Court (i) deny the DIP Motion on a final basis, or alternatively, modifying the terms of the Debtors' DIP Facility and Final DIP Order in a manner consistent with the relief requested hearing and (ii) grant such other and further relief as the Court deems just and proper.

Dated: April 7, 2025
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Matthew B. Harvey
Curtis S. Miller (No. 4583)
Matthew B. Harvey (No. 5186)
1201 North Market Street, 16th Floor
Wilmington, DE 19801
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
Email: cmiller@morrisnichols.com
mharvey@morrisnichols.com

- *and* –

O'MELVENY & MYERS LLP
Steve Warren (*Admitted pro hac vice*)
400 South Hope Street, Suite 1900
Los Angeles, CA 90071
Telephone: (213) 430-6000
Email: swarren@omm.com

Matt Kline (*Admitted pro hac vice*)
1999 Avenue of the Stars, 8th Floor
Los Angeles, CA 90067
Telephone: (310) 553-6700
Email: mkline@omm.com

Scott Drake (*Admitted pro hac vice*)
Emma Jones (*Admitted pro hac vice*)
2801 North Hardwood Street, Suite 1600
Dallas, Texas 75201
Telephone: (972) 360-1900
Email: sdrake@omm.com
Email: eljones@omm.com

Counsel to Warner Bros. Entertainment Inc., and its Affiliates.

Exhibit A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: VILLAGE ROADSHOW ENTERTAINMENT GROUP USA INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 25-10475 (TMH) (Joint Administration Granted)

INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO OBTAIN POST-PETITION SECURED FINANCING, (II) AUTHORIZING THE USE OF CASH COLLATERAL, (III) GRANTING LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (IV) GRANTING ADEQUATE PROTECTION, (V) MODIFYING THE AUTOMATIC STAY, (VI) SCHEDULING A FINAL HEARING, AND (VII) GRANTING RELATED RELIEF

Upon the motion (the "**DIP Motion**") dated March 17, 2025, of the above-captioned debtors and debtors-in-possession (the "**Debtors**") in the above-referenced chapter 11 cases (the "**Chapter 11 Cases**"), pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 503, 506(c), and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "**Bankruptcy Code**"); Rules 2002, 4001, 6003, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"); and Rules 2002-1(b), 9006-1, 9013-1, 9014-1, and 9014-2 of the Local Bankruptcy Rules for the District of Delaware (the "**Local Rules**"), for entry of an interim order (the "**Interim Order**") authorizing the Debtors to, among other things:

[1] The last four digits of Village Roadshow Entertainment Group USA Inc.'s federal tax identification number are 0343. The mailing address for Village Roadshow Entertainment Group USA Inc. is 750 N. San Vicente Blvd., Suite 800 West, West Hollywood, CA 90069. Due to the large number of debtors in these cases, which are being jointly administered for procedural purposes only, a complete list of the Debtors and the last four digits of their federal tax identification is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at https://www.veritaglobal.net/vreg.

(i) Obtain senior secured, super priority, debtor-in-possession financing in the aggregate principal amount of up to $12,786,104.96 (the "**DIP Facility**") pursuant to the terms and conditions of the DIP Credit Documents (as defined below), the Interim Order, and the Final Order (as defined below);

(ii) Enter into the (a) Superpriority Secured Debtor-In-Possession Credit Facility Term Sheet (the "**DIP Term Sheet**"), substantially in the form attached as **Exhibit A** hereto between Village Roadshow Entertainment Group (BVI) Limited ("**VREG**"), as borrower, each of the other Debtors as guarantors party thereto, FMP Agency Services, LLC, as collateral agent (in such capacity, the "**DIP Collateral Agent**"), and the lenders from time to time party thereto as set forth on Annex A thereto (in such capacities, the "**DIP Lenders**," and together with the DIP Collateral Agent, the "**DIP Secured Parties**") and (b) all other documents, including security agreements or other collateral documents, executed or filed in connection therewith (together with the DIP Term Sheet, the "**DIP Credit Documents**");

(iii) Borrow, on an interim basis, pursuant to the DIP Credit Documents and this Interim Order, post-petition financing in an aggregate principal amount of up to $500,000 (the "**Initial DIP Loans**") and obtain other financial accommodations from the DIP Secured Parties pursuant to the DIP Term Sheet, the other DIP Credit Documents, and the Interim Order;

(iv) Borrow, on a final basis, pursuant to the DIP Credit Documents and the Final Order (as defined below), post-petition financing in an aggregate principal amount of up to $6,500,000 (for a total of $7,000,000), plus the DIP Roll-Up Loans (as defined below) (the "**Final DIP Loans**," and together with the Initial DIP Loans, the "**DIP Loans**") and obtain other financial accommodations from the DIP Secured Parties pursuant to the DIP Term Sheet, the other DIP Credit Documents, and the Final Order (as defined below);

(v) Authorize the Debtors to execute and deliver the DIP Term Sheet and the other DIP Credit Documents subject to the terms of this Order;

(vi) Grant to the DIP Secured Parties allowed super-priority administrative expense claims in the Chapter 11 Cases and any Successor Cases (as defined below) for the DIP Facility and all obligations of the Debtors owing under the DIP Credit Documents (collectively, and including all "**DIP Facility Obligations**" of the Debtors as defined and described in the DIP Term Sheet, the "**DIP Obligations**") subject to the priorities and provisions set forth herein;

(vii) Grant to the DIP Secured Parties automatically perfected security interests in and liens on all of the DIP Collateral (as defined below), including all property constituting "cash collateral" as defined in section 363(a) of the Bankruptcy Code ("**Cash Collateral**"), which liens shall be subject to the priorities set forth herein;

(viii) Use the proceeds of the DIP Facility in accordance with the DIP Term Sheet, the DIP Credit Documents, and this Interim Order, in all cases in accordance with the Initial DIP Budget (as defined in the DIP Term Sheet), a copy of which is attached hereto as **Exhibit B**, and as otherwise provided in the DIP Credit Documents;

(ix) Use any Prepetition Collateral (as defined below), including Cash Collateral, and provide adequate protection to the parties that may have an interest in such Prepetition Collateral, including Cash Collateral, for any "decrease in the value," as that term is used in section 361 of the Bankruptcy Code ("**Diminution in Value**") of their interests therein;

(x) Vacate and modify the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms of the DIP Credit Documents and this Interim Order;

(xi) Schedule a final hearing (the "**Final Hearing**") to consider entry of an order (the "**Final Order**") granting the relief requested in the DIP Motion on a final basis and approving the form of notice with respect to the Final Hearing; and

(xii) Waive, to the extent applicable, any stay of the immediate effectiveness of this Interim Order imposed by the Bankruptcy Code or the Bankruptcy Rules, such that this Interim Order shall be immediately effective upon its entry on the docket of the United States Bankruptcy Court for the District of Delaware (the "**Court**").

The Court having considered the DIP Motion, the *Declaration of Keith Maib in Support of First Day Relief* [Docket No. 2] (the "**First Day Declaration**"), the exhibits attached thereto, the *Declaration of George N. Koutsonicolis in Support of Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* [Docket No. 10], the DIP Term Sheet, and the evidence submitted or adduced and the arguments of counsel made at the hearing on this Interim Order (the "**Interim Hearing**"); and notice of the DIP Motion and the Interim Hearing having been given in accordance with Bankruptcy Rules 2002, 4001(b), (c), and (d), and 9014 and the Local Rules; and the Interim Hearing having been held and concluded; and it appearing that granting the relief requested in the DIP Motion on an interim basis is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing, and is otherwise fair and reasonable and in the best interests of the Debtors, their estates, and their creditors, and is essential for the preservation of the value of the Debtors' assets; and all objections, if any, to the entry of this Interim Order having been withdrawn, resolved, or overruled by the Court; and after due deliberation and consideration, and good and sufficient cause appearing therefor:

IT IS FOUND AND DETERMINED that:[2]

A. **Petition Date**. On March 17, 2025 (the "**Petition Date**"), the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code with this Court.

B. **Jurisdiction and Venue**. This Court has jurisdiction over these proceedings, pursuant to 28 U.S.C. §§ 157(b) and 1334, and over the persons and property affected hereby. Venue for the Chapter 11 Cases and proceedings on the DIP Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. Consideration of the DIP Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). This Court may enter a final order consistent with Article III of the United States Constitution.

C. **Committee Formation**. A statutory committee of unsecured creditors (the "**Committee**") has not yet been appointed in the Chapter 11 Cases.

D. **Notice**. Notice of the Interim Hearing and notice of the DIP Motion have been provided by the Debtors to (i) the Office of the United States Trustee for the District of Delaware (the "**U.S. Trustee**"); (ii) the United States Securities and Exchange Commission; (iii) the Office of the United States Attorney for the District of Delaware; (iv) the Internal Revenue Service; (v) the Australia Taxation Office; (vi) the Debtors' thirty (30) largest unsecured creditors (excluding insiders); (vii) counsel to the ABS Trustee (as defined herein); and (viii) counsel to the DIP Secured Parties, in each case, by telecopy, email, overnight courier, and/or hand delivery. Under the circumstances, such notice of the Interim Hearing and the DIP Motion

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

constitutes adequate and sufficient notice and complies with section 102(1) of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b), (c), and (d), and the Local Rules.

E. **Debtors' Stipulations**. After consultation with their attorneys and financial advisors, and subject to and without prejudice to the rights of parties-in-interest as set forth in paragraph 12 herein, the Debtors, on their behalf and on behalf of their estates, admit, stipulate, acknowledge, and agree as follows:

(i) *Prepetition Senior Secured Notes Agreement*. Pursuant to that certain Fifth Amended and Restated Note Purchase Agreement, dated January 21, 2025 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), among VREG, as borrower, each of the guarantors party thereto, the noteholders listed therein (the "**Prepetition Senior Secured Noteholders**"), and Wilmington Savings Fund Society FSB, as collateral agent (the "**Prepetition Senior Secured Notes Collateral Agent**," and together with the Prepetition Senior Secured Noteholders, the "**Prepetition Senior Secured Notes Parties**") (such agreement, the "**Prepetition Senior Secured Notes Agreement**"), Debtors VREG, Crescent Film Holdings Limited, Village Roadshow Entertainment Group USA Inc., Village Roadshow Holdings USA Inc., Village Roadshow Pictures Entertainment Inc., VREG WW IP Global LLC, VREG MM2 IP Global LLC, VREG J2 Global LLC, VREG OP Global LLC, and VREG IP Global LLC (collectively, the "**Notes Debtors**") incurred or guaranteed indebtedness incurred by their affiliates to the Prepetition Senior Secured Notes Parties (such facility, the "**Prepetition Senior Secured Notes Facility**"). As of the Petition Date, the aggregate principal amount outstanding under the Prepetition Senior Secured Notes Facility was not less than $163,075,096.60, plus interest, fees and all other obligations owing under the Prepetition Senior Secured Notes Facility and as set forth in the Prepetition Senior Secured Notes Agreement, each of the notes outstanding thereunder, and the other credit documents related thereto (such documents, collectively, the "**Prepetition Senior Secured Notes Credit Documents**," and such obligations, collectively, the "**Prepetition Senior Secured Notes Obligations**").

(ii) *Prepetition ABS Agreements*. Pursuant to that certain (1) Base Indenture dated as of November 10, 2020, among VR Funding LLC and VR Films Holdings (BVI) Limited, as the Parent Co-Issuers (the "**Parent Co-Issuers**"), and U.S. Bank National Association, as the Trustee (in such capacity, the "**ABS Trustee,**" and together with the Prepetition Senior Secured Notes Collateral Agent, the "**Prepetition Agents**"), as supplemented by (2) that certain Group A Supplement dated as of November 10, 2020 among the Parent Co-Issuers, Debtors Village Roadshow Films (BVI) Limited, Village Roadshow Films North America Inc., Village Roadshow VS Films LLC, and Village Roadshow Films Global Inc. (the "**Subsidiary Co-Issuers**" and, together with the Parent Co-Issuers, the "**Group A Co-Issuers**"), and the ABS Trustee, as supplemented by (3) the Series 2020-1 Supplement dated as of November 10, 2020 among the Group A Co-Issuers and the ABS Trustee, as amended, supplemented or otherwise modified from time to time; (4) that certain First Supplement to Base Indenture dated as of August 30, 2023 among the Parent Co-Issuers and the ABS Trustee; (5) that certain First Supplement to Series 2020-1 Supplement dated as of August 30, 2023 among the Group A Co-Issuers and the ABS Trustee, (6) that certain First Supplement to Group A Supplement dated as of August 30, 2023 by and among the Group A Co-Issuers and the ABS Trustee, and (7) that certain Second Supplement to Group A Supplement dated as of September 29, 2023 in each case, as amended, supplemented or otherwise modified from time to time (collectively, the "**Prepetition ABS Agreements**"), the Group A Co-Issuers and Debtors Village Roadshow Distribution (BVI) Limited, Village Roadshow Pictures North America Inc., Village

Roadshow Pictures (BVI) Limited, and Village Roadshow Distribution USA Inc. (collectively, the "**ABS Debtors")** incurred and/or guarantied indebtedness to the ABS Trustee and the Noteholders under and as defined in the Prepetition ABS Agreements (the "**ABS Noteholders**," and together with the ABS Trustee and the Prepetition Senior Secured Notes Parties, the "**Prepetition Secured Parties**"). As of the Petition Date, the estimated aggregate principal amount outstanding under the Prepetition ABS Agreements was not less than $223,820,605.53, plus interest, fees and all other obligations owing under the Prepetition ABS Agreements, as set forth in the Prepetition ABS Agreements and the other credit documents related thereto (such documents, collectively, the "**Prepetition ABS Credit Documents**," and together with the Prepetition Senior Secured Notes Credit Documents, the "**Prepetition Credit Documents**," and such obligations, collectively, the "**Prepetition ABS Obligations**," and together with the Prepetition Senior Secured Notes Obligations, the "**Prepetition Obligations**").

(iii) As set forth more fully in each of the Prepetition Credit Documents and the DIP Motion, prior to the Petition Date, the Notes Debtors granted (x) to the Prepetition Senior Secured Notes Parties first-priority liens (the "**Prepetition Senior Secured Notes Liens**") on certain of the Notes Debtors' assets, including, but not limited to, all goods, accounts, equipment, inventory, proceeds of intellectual property, contract rights, leases, general intangibles, commercial tort claims, cash, deposit accounts, and letters of credit (collectively, the "**Senior Secured Notes Prepetition Collateral**"), which Senior Secured Notes Prepetition Collateral does not include the assets of the Library Debtors and (y) to the ABS Trustee and the ABS Noteholders first-priority liens (the "**ABS Prepetition Liens**," together with the Prepetition Senior Secured Notes Liens, the "**Prepetition Liens")** on certain of the ABS Debtors' assets, including, but not limited to, all rights that relate to the film assets of the ABS Debtors, subordinated intercompany debt and proceeds of the foregoing each as more fully described in the ABS Credit Documents (which the foregoing description is not intended to, and does not, amend or otherwise modify) (collectively, the "**ABS Prepetition Collateral**," and together with the Senior Secured Notes Prepetition Collateral, the **"Prepetition Collateral**").

(iv) ~~The~~Subject to the reservations set forth in this Order concerning the rights and claims of the Library Debtors and their creditors, the Debtors acknowledge that, as of the Petition Date, (a) the Prepetition Liens on the Prepetition Collateral were valid, binding, enforceable, non-avoidable, and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Parties for fair consideration and reasonably equivalent value; (b) the Prepetition Liens were senior in priority over any and all other liens on the Prepetition Collateral, subject only to certain liens senior by operation of law (including any that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code) or otherwise permitted by the Prepetition Credit Documents (solely to the extent any such permitted liens were valid, properly perfected, non-avoidable, and senior in priority to the Prepetition Liens as of the Petition Date, the "**Permitted Liens**"); (c) the Prepetition Obligations constitute legal, valid, binding, and non-avoidable obligations of the Debtors enforceable in accordance with the terms of the Prepetition Credit Documents; (d) no offsets, recoupments, challenges, objections, defenses, claims, or counterclaims of any kind or nature to any of the Prepetition Liens or Prepetition Obligations exist, and no portion of the Prepetition Liens or Prepetition Obligations is subject to any challenge or defense, including avoidance, disallowance, disgorgement, recharacterization, or subordination (equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (e) the Debtors and their estates have no claims, objections, challenges, causes of action, and/or choses in action, including avoidance claims under Chapter 5 of the Bankruptcy Code or applicable state law equivalents or actions for recovery or disgorgement, against the Prepetition Secured Parties, or any of its or their affiliates, agents, attorneys, advisors, professionals, officers, directors, and employees arising out of, based upon, or related to the Prepetition Obligations; (f) the Debtors waive, discharge, and release any right to challenge any of the Prepetition Obligations or the Prepetition Liens; the priority of the Debtors' obligations thereunder; and the validity, extent, and priority of the liens securing the Prepetition Obligations; and (g) the Prepetition Obligations constitute allowed, secured claims within the meaning of sections 502 and 506 of the Bankruptcy Code.

(v) **Permitted Liens**. Nothing herein shall constitute a finding or ruling by this Court that any alleged Permitted Lien is valid, senior, enforceable, prior, perfected, or non-avoidable relative to the Prepetition Liens. Moreover, nothing shall prejudice the rights of any party-in-interest, including, but not limited to, the Debtors or a Committee (if appointed) to challenge the validity, priority, enforceability, seniority, avoidability, perfection, or extent of any alleged Permitted Lien and/or security interests (other than the Prepetition Liens or the DIP Liens (as defined below)). For the purposes hereof, any alleged claim arising or asserted as a right of reclamation or return (whether asserted under Section 546(c) of the Bankruptcy Code or otherwise) is not a Permitted Lien. Any alleged claim arising or asserted as a right of reclamation or return (whether asserted under Section 546(c) of the Bankruptcy Code or otherwise) shall have the same rights and priority with respect to the DIP Facility, DIP Liens, and DIP Collateral as such claims had with respect to the Prepetition Liens in the Prepetition Collateral and the DIP Collateral.

(vi) **Limits on Lender Liability**. Nothing in this Interim Order~~,~~ or any of the DIP Loan Documents~~, any of the Prepetition Senior Secured Notes Credit Documents, or any~~

~~other documents related thereto,~~ shall in any way be construed or interpreted to impose or allow the imposition upon any of the DIP Secured Parties ~~or the Prepetition Senior Secured Notes Secured Parties~~ of any liability for any claims arising from any activities by the Debtors in the operation of their businesses ~~or in connection with the administration of these Chapter 11 Cases or any Successor Cases~~with respect to the DIP Loans. The DIP Secured Parties and the Prepetition Senior Secured Notes Secured Parties shall not, solely by reason of having made loans under the DIP Facility or authorizing the use of Cash Collateral, be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., as amended, or any similar federal or state statute). Nothing in this Interim Order or the DIP Loan Documents shall in any way be construed or interpreted to impose ~~or allow the imposition~~ upon any of the DIP Secured Parties or any of the Prepetition Senior Secured Notes Secured Parties of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors. For the avoidance of doubt, this provision (i) applies to the DIP Secured Parties and the Prepetition Senior Secured Notes Secured Parties solely in their capacity as such, and does not apply, to the extent applicable, to their capacity as a shareholder, officer, or director of the Debtors~~.~~ and (ii) does not limit the ability of Debtors Village Roadshow Pictures North America Inc., Village Roadshow Films North America Inc., Village Roadshow Films (BVI) Limited, Village Roadshow Distribution USA Inc., or any Debtor entity that purports to hold any interest in or contract right concerning any Warner Bros. motion picture or television production (collectively, the "**Library Debtors**") and their creditors to assert any causes of action related to or based upon the pre-petition transfers of the assets of the Library Debtors, any Secondary Transfers and all related transactions.

(vii) **Cash Collateral**. All of the Debtors' cash, including cash and other amounts on deposit or maintained in any account or accounts by the Debtors, whether subject to control agreements or otherwise, and any amount generated by the collection of accounts receivable or other disposition of the Prepetition Collateral, and the proceeds of any of the foregoing, whether existing on the Petition Date or thereafter, constitute the Cash Collateral of the DIP Secured Parties, *provided that* cash, amounts on deposit, or other cash equivalents held by the Library Debtors shall not constitute Cash Collateral except to the extent of funds actually advanced under the new money portion of the DIP Loans. For the avoidance of doubt, cash held in the deposit account maintained by VREG Wonka at City National Bank ending in 4465 (the "**Loompala Account**") does not constitute property of the Debtors' estates or Cash Collateral.

F. **Findings Regarding the DIP Facility**.

(i) **Need for DIP Facility and to Use Cash Collateral**. An immediate need exists for the Debtors to obtain funds from the Initial DIP Loans and to use Cash Collateral in order to continue operations, fund payroll and operating expenses, and administer and preserve the value of their estates pending the Final Hearing. The ability of the Debtors to finance their operations through the incurrence of the Initial DIP Loans and use of Cash Collateral is vital to the preservation and maintenance of the going concern value of the Debtors' estates, to maximize the value of the Debtors' assets for the benefit of their creditors, and to avoid immediate and irreparable harm to the Debtors, their estates, and their creditors.

(ii) **No Credit Available on More Favorable Terms**. The Debtors have been unable to obtain (a) unsecured credit allowable under Bankruptcy Code section 503(b)(1) as an administrative expense or (b) credit for money borrowed secured by a lien on property of their estates on more favorable terms and conditions than those provided in the DIP Term Sheet and this Interim Order. The Debtors are unable to obtain credit for borrowed money without granting to the DIP Secured Parties the DIP Protections (as defined below).

G. **Adequate Protection**. The Prepetition Secured Parties are entitled to receive adequate protection to the extent of any Diminution in Value of their respective interests in the Prepetition Collateral. Pursuant to sections 361, 363, and 507(b) of the Bankruptcy Code, as adequate protection, the Prepetition Secured Parties will receive (i) adequate protection liens and super-priority claims, as more fully set forth in paragraph 8 herein; and (ii) periodic payments and payment of reasonable and documented legal fees and out-of-pocket expenses arising before or after the Petition Date, as more fully set forth in paragraphs 2(a) and 8(g) herein.

H. **Sections 506(c) and 552(b)**. Subject to and effective upon entry of the Final Order granting such relief, the Debtors shall be deemed to have waived the provisions of section 506(c) of the Bankruptcy Code and any "equities of the case" exception under section 552(b) of the Bankruptcy Code as part of the DIP Facility. Further, subject to and effective upon entry of the Final Order granting such relief, no expenses of administration of the Chapter 11 Cases or any other proceedings superseding or related to the foregoing ("**Successor Cases**") shall be charged against or recovered from the DIP Collateral pursuant to section 506(c) of the Bankruptcy Code, the enhancement of collateral provisions of section 552 of the Bankruptcy Code, or any other legal or equitable doctrine (including, without limitation, unjust enrichment) or any similar principle of law, without the prior written consent of the DIP Lenders and the ABS Trustee, and no consent shall be implied from any action, inaction, or acquiescence by the DIP Secured Parties or the ABS Trustee.

I. **Use of Proceeds of the DIP Facility**. Proceeds of the DIP Facility (net of any amounts used to pay fees, costs, and expenses under the DIP Credit Documents) shall be used in a manner consistent with the terms and conditions of the DIP Term Sheet and this Interim Order and in accordance with the Initial DIP Budget.

J. **Application of Proceeds of DIP Collateral**. All proceeds of any sale or other disposition of the DIP Collateral (as defined below) shall be applied in accordance with the Initial DIP Budget and the terms and conditions of the DIP Credit Documents and this Interim Order.

K. **Roll-Up of Prepetition Obligations**. Upon entry of the Final Order granting such relief, without any further action by the Debtors or any other party, $5,786,104.96 of the outstanding Prepetition Senior Secured Notes Obligations with respect to the "**Tranche 3 Bridge Notes**" under and as defined in the Prepetition Senior Secured Notes Agreement shall constitute DIP Obligations under and as further described in the DIP Term Sheet (the "**DIP Roll-Up Loans**"). The replacement and refinancing (or "roll-up") of the DIP Roll-Up Loans shall be authorized as compensation for, in consideration for, and solely on account of the agreement of the DIP Lenders to fund amounts and provide other consideration to the Debtors under the DIP Facility and not as payments under, adequate protection for, or otherwise on account of, any Prepetition Obligations. The holders of the prepetition Tranche 3 Bridge Notes would not otherwise consent to the use of their prepetition collateral, and the DIP Lenders would not be willing to provide the DIP Facility or extend credit to the Debtors thereunder without the inclusion of the DIP Roll-Up Loans in the DIP Obligations. Moreover, the replacement and refinancing of the Tranche 3 Bridge Notes into DIP Obligations will enable the Debtors to obtain urgently needed financing to administer these Chapter 11 Cases and fund their operations.

Because the DIP Roll-Up Loans are subject to the reservation of rights in paragraph 12 below and subject to entry of a final order granting such relief, they will not prejudice the right of any other party in interest.

L. **Effect of Reversal, Good Faith**. The DIP Secured Parties have indicated a willingness to provide financing to the Debtors in accordance with the DIP Term Sheet and this Interim Order, and provided that the DIP Obligations, DIP Liens, and other protections granted by this Interim Order and the DIP Credit Documents will not be affected by any subsequent reversal or modification of this Interim Order as provided in section 364(e) of the Bankruptcy Code. The DIP Secured Parties have acted in good faith in connection with negotiating the DIP Credit Documents and agreeing to provide the DIP Facility approved by this Interim Order and the DIP Secured Parties' claims, superpriority claims, security interests, and liens and other protections granted pursuant to this Interim Order and the DIP Credit Documents will have the protections provided by section 364(e) of the Bankruptcy Code.

M. **Business Judgment and Good Faith Pursuant to Section 364(e)**.

(i) The terms and conditions of the DIP Facility and the DIP Credit Documents, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration;

(ii) the DIP Credit Documents and use of Cash Collateral were negotiated in good faith and at arm's length between the Debtors and the DIP Secured Parties; and

(iii) the proceeds to be extended under the DIP Facility will be so extended in good faith, and for valid business purposes and uses, as a consequence of which the DIP Secured Parties are entitled to the protection and benefits of section 364(e) of the Bankruptcy Code.

N. **Findings Regarding Corporate Authority**. Each Debtor has all requisite corporate or limited liability company authority to execute and deliver the DIP Facility Documents to which it is a party and to perform its obligations thereunder.

O. **Relief Essential; Best Interest; Good Cause for Immediate Entry**. Good cause has been shown for the relief requested in the DIP Motion (and as provided in this Interim Order) and such relief is necessary, essential, and appropriate for the preservation of the Debtors' assets, business, and property. It is in the best interest of the Debtors' estates to be allowed to enter into the DIP Facility contemplated by the DIP Term Sheet.

NOW, THEREFORE, based upon the foregoing findings, and upon consideration of the DIP Motion and the record made before this Court with respect to the DIP Motion, including the record created during the Interim Hearing, and with the consent of the Debtors, the DIP Collateral Agent, and the Prepetition Senior Secured Notes Parties to the form and entry of this Interim Order, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED AND DECREED:

1. **Motion Granted**. The DIP Motion is granted in accordance with the terms and conditions set forth in this Interim Order and the DIP Term Sheet. Any objections to the DIP Motion with respect to entry of this Interim Order to the extent not withdrawn, waived, or otherwise resolved, and all reservations of rights included therein, are hereby denied and overruled on the merits. The use of Cash Collateral (as defined herein) on an interim basis is authorized, subject to the terms of this Interim Order.

2. **<u>DIP Credit Documents</u>**.

(a) **<u>Approval of Entry into DIP Credit Documents</u>**. The DIP Facility, including the DIP Roll-Up Loans (which DIP Roll-Up Loans shall be subject to entry of the Final Order granting such relief), is hereby approved. The Debtors are authorized and empowered to execute and deliver the DIP Credit Documents and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Credit Documents, to execute and deliver all instruments and documents that may be required or necessary for the performance by the Debtors under the DIP Credit Documents and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Credit Documents, and to take such further acts as may be necessary. The Debtors are hereby authorized to use Cash Collateral pursuant to the terms of this Interim Order and the Initial DIP Budget. The Debtors are hereby authorized to do and perform all acts, pay the principal, interest, fees, expenses, indemnities, and other amounts described in the DIP Term Sheet and all other DIP Credit Documents as such become due, including, without limitation, reasonable attorneys' fees and disbursements of the DIP Secured Parties incurred before, on, and after the Petition Date, which amounts are not required to comply with U.S. Trustee fee guidelines but are subject to the notice provisions set forth in paragraph 8(g) herein.

(b) **<u>Interim Authorization to Borrow/and or Guarantee</u>**. To enable them to continue to preserve the value of their estates during the period prior to entry of the Final Order (the "**Interim Period**") and subject to the terms and conditions of this Interim Order, upon the execution of the DIP Term Sheet and the other DIP Credit Documents, the Debtors are hereby authorized to borrow the Interim DIP Loan up to a total committed amount of $500,000 under the DIP Credit Documents.

(c) **Conditions Precedent**. The DIP Lenders shall have no obligation to make any loan or advance under the DIP Term Sheet during the Interim Period unless the conditions precedent to making such loan under the DIP Term Sheet have been satisfied in full or waived in writing (which may be via email) by the DIP Lenders in their respective sole discretion.

(d) **DIP Liens**. In order to secure the DIP Obligations, effective immediately upon entry of this Interim Order, pursuant to sections 361, 362, 364(c)(2), and 364(c)(3) of the Bankruptcy Code, the DIP Collateral Agent is hereby granted continuing, valid, binding, enforceable, non-avoidable, and automatically and properly perfected post-petition security interests in and liens on (collectively, the "**DIP Liens**") all real, personal, and mixed property (including equity interests), whether now existing or hereafter arising and wherever located, tangible and intangible, of the Debtors' respective estates, including, without limitation, all inventory, accounts receivable, general intangibles, contracts, chattel paper, owned real estate, real property leaseholds, governmental approvals, licenses and permits, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, securities, partnership interests, membership interests in limited liability companies, and capital stock of any subsidiary of any of the Debtors, including, without limitation, the products and proceeds thereof (the "**DIP Collateral**") ~~and including (i)~~ subject to entry of a Final Order granting such relief, the ~~proceeds of any avoidance actions brought pursuant to Chapter 5 of the Bankruptcy Code or applicable state law equivalents; and (ii) subject to entry of a Final Order granting such relief, the~~ Debtors' rights under sections 506(c) and 550 of the Bankruptcy Code and the proceeds thereof, *provided that* (a) any lien granted in intellectual property (including any copyright) will not alter or supersede any intellectual property rights of Warner Bros. Entertainment Inc., WAV Distribution LLC, and their affiliates (collectively, "**Warner Bros.**"); (b) the DIP Liens shall attach to the assets of the Library Debtors to secure only the DIP Obligations in respect of the $7,000,0000 of new-money DIP Loans, and shall not attach to the assets of the Library Debtors to secure the DIP Obligations in respect of the DIP Roll-Up Loans and (c) the DIP Liens in the Derivative Rights granted with respect to the Roll Up shall be of the same validity as the pre-petition liens therein securing the Prepetition Senior Secured Notes. Notwithstanding the foregoing, the DIP Collateral shall not include (w) any contract or license to which any Warner Bros. entity is a party but shall include the proceeds of any such contract or license, subject to all of Warner Bros.' rights under and with respect to such contract or license, (x) any contract or license under which the granting of the DIP Liens thereon would constitute a breach or termination thereof other than to the extent such breach or termination would be rendered ineffective pursuant to applicable law (including applicable state law or the Bankruptcy Code) but shall, in any event, include the proceeds of such contracts and licenses or (y) the funds held in the Funded Reserve Account (as defined herein) or in the Loompala Account. ~~Notwithstanding anything to the contrary set forth in this Interim Order or the DIP Term Sheet~~Subject to the provisions of this Order (including any potential challenge to lien validity permitted hereunder), the relative lien priorities with respect to the applicable collateral shall be as set forth in **Exhibit C** hereto~~.~~ as among the entities identified therein. Nothing herein shall extend the DIP Liens to causes of action under Chapter 5 of the Bankruptcy Code (or applicable state law equivalents) or the proceeds thereof.

(e) **DIP Lien Priority**. The DIP Liens securing the DIP Obligations are valid, automatically perfected, and non-avoidable, and the DIP Collateral Agent shall have, (i) pursuant to section 364(c)(2) of the Bankruptcy Code, first-priority perfected security interests, liens, and mortgages on all DIP Collateral (subject only to the Carve Out and the Permitted Liens) not subject to valid, perfected, enforceable, and non-avoidable security interests, liens, or mortgages in existence on the Petition Date; (ii) pursuant to section 364(c)(3) of the Bankruptcy Code, junior security interests, liens, and mortgages on all DIP Collateral that is subject to (a) the ABS Prepetition Liens and (b) valid, perfected, enforceable, and non-avoidable security interests, liens, or mortgages in existence on the Petition Date or that is subject to valid Permitted Liens; and (iii) pursuant to section 364(d), first-priority, priming perfected security interests, liens, and mortgages on all other DIP Collateral, including the Senior Secured Notes Prepetition Collateral. Other than as set forth herein or in the DIP Credit Documents, the DIP Liens shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter granted in these Chapter 11 Cases or any Successor Cases, and shall be valid and enforceable against any trustee appointed in these Chapter 11 Cases or any Successor Cases, upon the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code (or in any other Successor Cases), and/or upon the dismissal of the Chapter 11 Cases or any Successor Cases. The DIP Liens shall not be subject to section 510, 549, or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the estate pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the DIP Liens.

(f) **Enforceable Obligations**. The DIP Credit Documents shall constitute and evidence the valid and binding obligations of the Debtors, which obligations shall be enforceable against the Debtors, their estates, and any successors thereto and their creditors or representatives thereof, in accordance with their terms.

(g) **Protection of DIP Collateral Agent and Other Rights**. From and after the Petition Date, the Debtors shall use the proceeds of the extensions of credit under the DIP

Facility only for the purposes specifically set forth in the DIP Term Sheet and this Interim Order and in strict compliance with the Initial DIP Budget (subject to any variances thereto permitted by the DIP Term Sheet).

(h) **Superpriority Administrative Claim Status**. Upon entry of this Interim Order, and subject to subparagraph (iii) of this paragraph, the DIP Lenders are hereby granted, pursuant to section 364(c)(1) of the Bankruptcy Code, allowed super-priority administrative expense claims in the Chapter 11 Cases and any Successor Cases (collectively, the "**DIP Superpriority Claims**" and, together with the DIP Liens, the "**DIP Protections**") for all DIP Obligations: (i) subject only to the Carve Out, having priority over any and all administrative expense claims and unsecured claims against the Debtors or their estates in these Chapter 11 Cases and any Successor Cases, at any time existing or arising, of any kind or nature whatsoever, including administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c) (subject to entry of the Final Order granting such relief), 507(a), 507(b), 546(c), 546(d), 552(b) (subject to entry of the Final Order granting such relief), 726, 1113, and 1114, and any other provision of the Bankruptcy Code, as provided under section 364(c)(1) of the Bankruptcy Code; ~~and~~ (ii) which shall at all times be senior to the rights of the Debtors and their estates, and any subsequent trustee or other estate representative to the extent permitted by law; and (iii) which shall be allowed against the Library Debtors and their estates only as to the DIP Obligations in respect of the $7,000,0000 of new-money DIP Loans, and not as to the DIP Obligations in respect of the DIP Roll-Up Loans.

3. **Authorization to Use Proceeds of DIP Facility**. Pursuant to the terms and conditions of this Interim Order, the DIP Term Sheet, and the other DIP Credit Documents, and in accordance with the Initial DIP Budget and the variances thereto set forth in the DIP Term

Sheet, the Debtors are authorized to use the advances under the DIP Term Sheet during the period commencing immediately after the entry of the Interim Order and terminating upon the occurrence of a DIP Termination Event (as defined below) and the termination of the DIP Term Sheet in accordance with its terms and subject to the provisions hereof. The Debtors and the DIP Lenders may agree in writing (which may be via email), with notice to the ABS Trustee, to modify the Initial DIP Budget in their discretion at any time that the DIP Facility remains outstanding without further notice or approval by this Court.

4. **DIP Roll-Up Loans**. Upon entry of the Final Order granting such relief, without any further action by the Debtors or any other party, and as a condition to the provision of liquidity under the DIP Facility, the DIP Roll-Up Loans shall be replaced and refinanced and shall constitute DIP Obligations, except in respect of the Library Debtors and their estates.

5. **Access to Records**. The Debtors shall provide the DIP Secured Parties' advisors with all reporting and other information required to be provided to the DIP Secured Parties under the DIP Facility Documents. In addition to, and without limiting, whatever rights to access the DIP Secured Parties have under the DIP Facility Documents, upon reasonable notice to counsel to the Debtors (email being sufficient), at reasonable times during normal business hours, the Debtors shall permit representatives, professionals, agents, and employees of the DIP Secured Parties to have reasonable access to (i) inspect the Debtors' assets, and (ii) reasonably requested information (including historical information and the Debtors' books and records) and personnel, including regularly scheduled meetings as mutually agreed with senior management of the Debtors and other advisors of the Debtors (during normal business hours), and the DIP Secured Parties shall be provided with access to all information they shall reasonably request, excluding any information for which confidentiality is owed to third parties, information subject to

attorney-client or similar privilege, or where such disclosure would not be permitted by any applicable requirements of law.

6. **Authorization to Use Cash Collateral**. Pursuant to the terms and conditions of this Interim Order, the DIP Term Sheet, and the other DIP Credit Documents, and in accordance with the Initial DIP Budget and the variances thereto set forth in the DIP Term Sheet, the Debtors are authorized to use the advances under the DIP Term Sheet during the period commencing immediately after the entry of the Interim Order and terminating upon the occurrence of a DIP Termination Event and the termination of the DIP Term Sheet in accordance with its terms and subject to the provisions hereof. Nothing in this Interim Order shall authorize the disposition of any assets of the Debtors or their estates outside the ordinary course of business, or the Debtors' use of any Cash Collateral or other proceeds resulting therefrom, except as permitted in this Interim Order, the DIP Term Sheet, and the other DIP Credit Documents, and in accordance with the Initial DIP Budget.

7. **Post-Petition Lien Perfection**. This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the DIP Liens and Adequate Protection Liens (as defined below) without the necessity of filing or recording any financing statement, deed of trust, mortgage, or other instrument or document that may otherwise be required under the law of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement) to validate or perfect the DIP Liens and the Adequate Protection Liens or to entitle the DIP Liens or the Adequate Protection Liens to the priorities granted herein. Notwithstanding the foregoing, the DIP Collateral Agent or the Prepetition Agents, as applicable, may, in its sole discretion, file such financing statements, mortgages, notices of liens, and other similar documents, and is hereby

granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, notices, and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of the Chapter 11 Cases. The Debtors shall execute and deliver to the DIP Collateral Agent and the Prepetition Agents all such financing statements, mortgages, notices, and other documents as the DIP Collateral Agent or the Prepetition Agents, as applicable may reasonably request to evidence, confirm, validate, or perfect, or to ensure the contemplated priority of, the DIP Liens or the Adequate Protection Liens granted pursuant hereto. The DIP Collateral Agent and the Prepetition Agents, in each of their sole discretion, may file a photocopy of this Interim Order as a financing statement with any recording officer designated to file or record financing statements or with any registry of deeds or similar office in any jurisdiction in which the Debtors have real or personal property, and in such event, the recording officer shall be authorized to file or record such copy of this Interim Order.

8. **Adequate Protection**. The Prepetition Secured Parties shall receive the following as adequate protection against any Diminution in Value of such Prepetition Secured Party's interest in the Prepetition Collateral caused by the imposition of the automatic stay:

(a) The ABS Trustee, for the benefit of itself and the ABS Noteholders, is hereby granted, pursuant to sections 105, 361, 363(e), and 364(d)(1) of the Bankruptcy Code, continuing, valid, binding, enforceable, and perfected post-petition security interests in and liens on the DIP Collateral (the "**ABS Adequate Protection Liens**"). The ABS Adequate Protection Liens shall be subject to the Carve Out and the Permitted Liens as set forth in this Interim Order and shall be (i) solely with respect to the ABS Collateral, senior to the DIP Liens and SSN Adequate Protection Liens (as defined below), and (ii) otherwise junior only to the DIP Liens, the Prepetition Senior Secured Notes Liens and the SSN Adequate Protection Liens.

(b) The Prepetition Senior Secured Notes Collateral Agent, for the benefit of the Prepetition Senior Secured Notes Parties, is hereby granted, pursuant to sections 105, 361, 363(e), and 364(d)(1) of the Bankruptcy Code, continuing, valid, binding, enforceable, and perfected post-petition security interests in and liens on the DIP Collateral (the "**SSN Adequate Protection Liens**" and, together with the ABS Adequate Protection Liens, the "**Adequate Protection Liens**"), except for the assets of the Library Debtors and their estates. The SSN Adequate Protection Liens shall be subject to the Carve Out and the Permitted Liens as set forth in this Interim Order and shall be (i) solely with respect to the ABS Collateral, junior to the ABS Prepetition Liens, the ABS Adequate Protection Liens; and the DIP Liens, (ii) with respect to the Senior Secured Notes Prepetition Collateral; junior to the DIP Liens and senior to the Prepetition Senior Secured Notes Liens, and (iii) otherwise junior only to the DIP Liens.

(c) The Adequate Protection Liens shall have the same validity as the pre-petition liens asserted by the applicable Prepetition Secured Parties, such that avoidance of any a pre-petition lien held by a Prepetition Secured Party shall result in the elimination of any Adequate Protection Lien in the applicable asset for the benefit of such Prepetition Secured Party and any related diminution claim.

(d) ~~(c)~~ Except as provided herein or in the DIP Term Sheet, the Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter arising in the Chapter 11 Cases or any Successor Cases, and shall be valid and enforceable against any trustee appointed in the Chapter 11 Cases or any Successor Cases or upon the dismissal of any of the Chapter 11 Cases or any Successor Cases.

The Adequate Protection Liens shall not be subject to section 510, 549, or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the estate pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the Prepetition Liens or the Adequate Protection Liens.

(e) ~~(d)~~ As further adequate protection of the interests of the ABS Trustee and the ABS Noteholders against any Diminution in Value of such interests in the ABS Prepetition Collateral, (x) the ABS Trustee, on behalf of itself and the ABS Noteholders, is hereby granted an allowed super-priority administrative expense claim in the Chapter 11 Cases and any Successor Cases against each of the Debtors, other than the Notes Debtors, under sections 503 and 507(b) of the Bankruptcy Code (the "**ABS 507(b) Claim**"). The ABS 507(b) Claim shall be subject to the Carve Out and the Permitted Liens as set forth in this Interim Order and shall be (i) solely with respect to the ABS Debtors, senior to the SSN 507(b) Claim (as defined below), and (ii) otherwise junior to the DIP Superpriority Claims and the SSN 507(b) Claim.

(f) ~~(e)~~ As further adequate protection of the interests of the Prepetition Senior Secured Notes Parties against any Diminution in Value of such interests in the Senior Secured Notes Prepetition Collateral, (x) the Prepetition Senior Secured Notes Collateral Agent and (y) the Prepetition Senior Secured Notes Parties are hereby granted allowed super-priority administrative expense claims in the Chapter 11 Cases and any Successor Cases against each of the Debtors, other than the Library Debtors, under sections 503 and 507(b) of the Bankruptcy Code (collectively, the "**SSN 507(b) Claim**" and, together with the ABS 507(b) Claim, the "**507(b) Claims**"). The SSN 507(b) Claim shall be subject to the Carve Out and the Permitted Liens as set forth in this Interim Order and shall be (i) solely with respect to the ABS Debtors, junior to the ABS 507(b) Claim and the DIP Superpriority Claims; and (ii) otherwise junior only to the DIP Superpriority Claims.

(g) The 507(b) Claims shall not extend to causes of action under Chapter 5 of the Bankruptcy Code or the proceeds thereof.

(h) ~~(f)~~ Subject to the relative priorities set forth in paragraphs (d) and (e) above, the 507(b) Claims shall have priority over all other administrative expense claims and unsecured claims against the Debtors (except for the Library Debtors) or their estates (except the estates of the Library Debtors), now existing or hereafter arising, of any kind or nature whatsoever, including administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c) (subject to entry of the Final Order granting such relief), 507(a), 507(b), 546(c), 546(d), 552(b) (subject to entry of the Final Order granting such relief), 726, 1113, and 1114, and any other provision of the Bankruptcy Code.

(i) ~~(g)~~ As further adequate protection of the interests of the Prepetition Secured Parties, the Debtors shall make the following periodic adequate protection payments to the Prepetition Secured Parties in cash (without the need for the filing of a formal fee application where otherwise applicable or comply with U.S. Trustee fee guidelines) (the "**Prepetition Adequate Protection Payments**"): ~~(1) to the ad hoc group of certain Prepetition Senior Secured Notes Parties (such parties also being the DIP Lenders in these Chapter 11 Cases), reasonable and documented legal fees and out-of-pocket expenses of Morrison & Foerster LLP and Potter Anderson & Corroon LLP, in each case incurred or arising before, on, or after the Petition Date; (2) to~~To the ABS Trustee, all amounts payable in respect of the Group A Notes (as defined in the Prepetition ABS Credit Documents) and reasonable and documented legal fees and out-of-pocket expenses of Barnes & Thornburg LLP incurred or arising before, on, or after the Petition Date~~;~~

~~(3) to the Prepetition Senior Secured Notes Collateral Agent, reasonable and documented fees and out-of-pocket expenses of the Senior Secured Notes Collateral Agent and the legal fees and out-of-pocket expenses of Seward & Kissel LLP and local Delaware bankruptcy counsel to the Prepetition Senior Secured Notes Collateral Agent, in each case, incurred or arising before, on, or after the Petition Date; and (4) to the Vine Holders, as defined in the Prepetition Senior Secured Notes Agreement, reasonable and documented legal fees and out-of-pocket expenses of Cooley LLP and local Delaware bankruptcy counsel to the Vine Holders, in each case, incurred or arising before, on, or after the Petition Date, in each case with respect to the reasonable and documented legal fees and out-of-pocket expenses of each professional representing any Prepetition Secured Party or the DIP Secured Parties, without further order from this Court within ten (10) calendar days of receipt of a summary invoice by the Debtors, the U.S. Trustee, counsel for the Committee (if any), and counsel for the DIP Lenders (which may be via email)~~. After delivery of a summary invoice, the Debtors, the U.S. Trustee, the Committee (if any), Warner Bros. and the DIP Lenders shall have ten (10) calendar days to raise an objection thereto. Any objections raised by the Debtors, the U.S. Trustee, the Committee (if any), Warner Bros. and the DIP Lenders with respect to the Debtors' payment of the amounts of such invoices must be in writing and state with particularity the grounds therefor and must be submitted to the applicable professional. If an objection is timely raised, such objection shall be subject to resolution by the Court. Pending such resolution, the undisputed portion of any such fee and expense statement or invoice shall be paid promptly by the Debtors, without further order of the Court following the expiration of the review period. Any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the foregoing professionals are hereby approved in full, subject to the provisions of paragraph 12 hereof.

(j) ~~(h)~~ Notwithstanding any other provision hereof, the grant of adequate protection to the Prepetition Secured Parties pursuant hereto is without prejudice to the right of the Prepetition Secured Parties to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection and without prejudice to the right of the Debtors or any other party in interest to contest any such modification.

9. **Carve Out**.

(a) Notwithstanding anything to the contrary in this Interim Order, any other DIP Credit Documents, or any other order of this Court to the contrary, the rights and claims of the DIP Lenders, including the DIP Liens and DIP Superpriority Claims, shall be subject and subordinate in all respects to the payment of the Carve Out. As used in this Interim Order, "**Carve Out**" means the following expenses, which, for the avoidance of doubt, shall be allocated by each professional against each Debtor's estate for which such fees were incurred: (i) all fees required to be paid to the Clerk of the Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a) (without regard to the notice set forth in (iii) below); (ii) all reasonable fees and expenses incurred by a trustee under section 726(b) of the Bankruptcy Code in an amount not to exceed $25,000 (without regard to the notice set forth in (iii) below); (iii) to the extent allowed at any time, whether by interim order, procedural order, or otherwise, all (A) unpaid fees and expenses (other than any restructuring, sale, success, or other transaction fee of any investment bankers or financial advisors of the Debtors (the "**Allowed Debtor Professional Fees**")) incurred by persons or firms retained by the Debtors pursuant to section 327, 328, or 363 of the Bankruptcy Code (collectively, the "**Debtor Professionals**") and (B) unpaid fees and expenses (the "**Allowed Committee Professional Fees**" and together with the

Allowed Debtor Professional Fees, collectively, the "**Allowed Professional Fees**") incurred by persons or firms retained by any statutory committees appointed in the Cases (each, a "**Committee**") pursuant to section 328 or 1103 of the Bankruptcy Code (the "**Committee Professionals**" and, together with the Debtor Professionals, the "**Professional Persons**") at any time before or on the first calendar day following delivery by the DIP Lenders of a Carve Out Trigger Notice (as defined below), whether allowed by the Court prior to or after delivery of a Carve Out Trigger Notice (these clauses (i) through (iii), the "**Pre-Carve Out Trigger Amounts**"); and (iv) Allowed Debtor Professional Fees not to exceed $300,000 and Allowed Committee Professional Fees not to exceed $50,000, incurred after the first calendar day following delivery by the DIP Lenders of the Carve Out Trigger Notice, to the extent allowed at any time, whether by interim order, procedural order, or otherwise (the amounts set forth in this clause (iv) being the "**Post-Carve Out Trigger Notice Cap**," and together with the Pre-Carve Out Trigger Amounts, the "**Carve Out Amount**"). For purposes of the foregoing, "**Carve Out Trigger Notice**" shall mean a written notice delivered by email (or other electronic means) by the DIP Lenders to the Debtors, their restructuring counsel, the U.S. Trustee, and counsel to the Committee (if any), which notice may be delivered following the occurrence and during the continuation of an Event of Default and acceleration of the DIP Obligations under the DIP Facility, stating that the Post-Carve Out Trigger Notice Cap has been invoked.

(b) <u>Carve Out Funded Reserve</u>. For the period prior to the delivery of the Carve Out Trigger Notice, the Debtors shall fund from the DIP Facility or cash on hand into a segregated account (the "**Funded Reserve Account**") held by a third-party in trust for the benefit of Professional Persons the amounts set forth in the Initial DIP Budget for Professional Persons. The Debtors shall use funds held in the Funded Reserve Account exclusively to pay Allowed

Professional Fees and other obligations included within the Carve Out in accordance with the Initial DIP Budget as they become allowed and payable pursuant to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any interim or final orders of the Court; provided that when all Allowed Professional Fees provided for in the Initial DIP Budget that have funded into the Funded Reserve Account have been paid, any unused funds remaining in the Funded Reserve Account for those periods shall revert to the DIP Collateral Agent for the benefit of the DIP Lenders. Funds transferred to the Funded Reserve Account shall be subject to the DIP Liens and DIP Superpriority Claims granted hereunder solely to the extent of such reversionary interest; provided, that, for the avoidance of doubt, such liens and claims shall be subject in all respects to the Carve Out.

(c) Carve Out Funding. Notwithstanding anything in the DIP Credit Documents to the contrary, on the day on which a Carve Out Trigger Notice is validly delivered (the "**Carve Out Trigger Notice Date**"), the Carve Out Trigger Notice shall constitute a demand to the Debtors to utilize all cash on hand as of such date and any available cash thereafter held by any Debtor to first pay all DIP fees and DIP Lender expenses, then to fund to the Funded Reserve Account an amount equal to the then-unpaid amounts of the Allowed Professional Fees for the period prior to the Carve Out Trigger Notice Date. All funds in the Funded Reserve Account shall be used to pay the Pre-Carve Out Trigger Amounts, but not, for the avoidance of doubt, the Post-Carve Out Trigger Notice Cap, until paid in full, and then, to pay the obligations set forth in the Post-Carve Out Trigger Notice Cap, and then, to the extent the Funded Reserve Account has not been reduced to zero, to pay the DIP Collateral Agent for the benefit of the DIP Lenders, unless the DIP Obligations have been indefeasibly paid in full, in cash, and all DIP Obligations have been terminated, in which case any such excess shall be paid to the Debtors. Further, notwithstanding anything to the contrary in the Interim Order, (i) disbursements by the Debtors from the Funded Reserve Account shall not constitute DIP Loans or increase or reduce the DIP Obligations and (ii) the failure of the Funded Reserve Account to satisfy in full the Allowed Professional Fees shall not affect the priority of the Carve Out, which shall be senior to all DIP Superpriority Claims.

(d) The failure of the Funded Reserve Account to satisfy Professional Fees in full shall not affect the priority of the Carve Out; *provided* that, to the extent that the Funded Reserve Account is actually funded, the Carve Out shall be reduced by such funded amount dollar-for-dollar. In no way shall the Initial DIP Budget, Carve Out, Post-Carve Out Trigger Notice Cap, Funded Reserve Account, or any of the terms of the Interim Order be construed as a cap or limitation on the amount of the Allowed Debtor Professional Fees or the Allowed Committee Professional Fees (if any) due and payable by the Debtors or that may be allowed by the Court at any time (whether by interim order, final order, or otherwise), but rather only a cap on the amount of Allowed Professional Fees that is entitled to the priority of the Carve Out. Any payment or reimbursement made prior to the occurrence of the Carve Out Trigger Notice Date in respect of any Allowed Professional Fees shall not reduce the Post-Carve Out Trigger Notice Cap.

(e) None of the DIP Secured Parties shall be responsible for the payment or reimbursement of any fees or disbursements of any Professional Persons incurred in connection with the Cases or any Successor Cases. Nothing in this Interim Order or otherwise shall be construed to obligate the DIP Secured Parties, in any way, to pay compensation to, or to reimburse expenses of, any Professional Persons or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement.

10. **Limitation on Use of the DIP Facility, the DIP Collateral and the Prepetition Collateral (Including Cash Collateral)**. Notwithstanding anything herein or in any other order of this Court to the contrary, the DIP Facility (including any disbursements set forth in the Initial DIP Budget or obligations benefitting from the Carve Out), the DIP Collateral, the Prepetition Collateral, any Cash Collateral or the Carve Out (other than the Investigation Budget Cap (as defined herein)) may not be used to (a) investigate, analyze, commence, prosecute, threaten, litigate, object to, contest or challenge in any manner or raise any defenses to the validity, perfection, priority, extent or enforceability of any amount due under the DIP Credit Documents, the Prepetition Credit Documents or the liens or claims granted under this Interim Order, the DIP Credit Documents or the Prepetition Credit Documents, including the Prepetition Liens and the DIP Liens, or any mortgage, security interest or lien with respect thereto, or any other rights or interests or replacement liens with respect thereto or any other rights or interests of any of the DIP Secured Parties or the Prepetition Secured Parties, (b) assert any claims and defenses, including any Avoidance Actions, or any other causes of action against the DIP Secured Parties or the Prepetition Secured Parties or, in each case, their respective agents, affiliates, subsidiaries, directors, officers, employees, representatives, attorneys or advisors, (c) prevent, hinder or otherwise delay the DIP Collateral Agent's or the Prepetition Agents' assertion, enforcement or realization on the Prepetition Collateral or the DIP Collateral, in accordance with the DIP Credit Documents, the Prepetition Credit Documents, or this Interim Order, the exercise of rights by the DIP Secured Parties or the Prepetition Secured Parties once an Event of Default (as defined herein) has occurred and is continuing or any other rights or interest of any of the DIP Secured Parties or the Prepetition Secured Parties following the occurrence of a DIP Termination Event and after the Remedies Notice Period (as defined below), (d) seek to subordinate (other than to

the Carve Out or as set forth in this Interim Order) or recharacterize the DIP Obligations or any of the Prepetition Obligations or to disallow or avoid any claim, mortgage, security interest, lien or replacement lien or payment thereunder, (e) seek to modify any of the rights granted to the DIP Secured Parties or any of the Prepetition Secured Parties hereunder or under the DIP Credit Documents or the Prepetition Credit Documents, in the case of each of the foregoing clauses (a) through (e), without such party's prior written consent, (f) pay any amount on account of any claims arising prior to the Petition Date unless such payments are approved by an order of this Court or otherwise permitted under the DIP Credit Documents, or (g) pay Allowed Professional Fees, disbursements, costs or expenses incurred by any person, including, without limitation, the Committee (if any), in connection with any of the foregoing. The "Investigation Budget Cap" means a cap of $25,000 with respect to Allowed Professional Fees to be incurred by the Committee (if any) under the investigation budget.

11. **Payment of Compensation**. Nothing herein shall be construed as consent to the allowance of any Allowed Professional Fees, or shall affect the rights of the DIP Lenders' to object to the allowance and payment of such fees and expenses or to permit the Debtors to pay any such amounts not set forth in the Initial DIP Budget. Further, nothing herein shall be construed to obligate the DIP Lenders to pay any professional fees or to assure that the Debtors have sufficient funds on hand to pay any professional fees.

12. **Effect of Stipulations**.

(a) Generally. ~~The~~Subject to the limitations herein, the admissions, stipulations, agreements, releases, and waivers set forth in this Interim Order (collectively, the "**Prepetition Lien and Claim Stipulations**") are and shall be binding on the Debtors (excluding the Library Debtors). In addition, subject to the limitations herein, the Prepetition Lien and

Claim Stipulations shall be binding on any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including a Committee (if appointed), unless, and solely to the extent that, a party in interest with standing and requisite authority (other than the non-Library Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) (i) has timely filed the appropriate pleadings and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph 12) challenging the Prepetition Lien and Claim Stipulations (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "**Challenge**") by ~~no~~the later ~~than seventy-five (75~~of (i) one hundred and twenty (120) calendar days from the entry of ~~this~~ the Interim Order ~~(the "~~and (ii) forth-five (45) days after the Library Sale closes (the later of such dates, "**Challenge Deadline**" and, such period, the "**Challenge Period**"), as such applicable date may be extended in writing from time to time in the sole discretion of each of the ABS Trustee or the Prepetition Senior Secured Noteholders, as applicable (without additional notice to or approval from this Court), or by this Court for good cause shown pursuant to an application filed by a party in interest prior to the expiration of the Challenge Deadline; and (ii) this Court enters judgment in favor of the plaintiff or movant in any such timely and properly commenced Challenge proceeding and any such judgment has become a final judgment that is not subject to any further review or appeal. Notwithstanding the foregoing, if a chapter 11 trustee is appointed or the Chapter 11 Cases are converted to chapter 7 prior to the expiration of the Challenge Deadline, the chapter 11 trustee or chapter 7 trustee, as applicable, shall have until the later of the Challenge Deadline or the ~~tenth~~thirtieth (~~10th~~30th) day after the appointment of the chapter 11 trustee or the conversion of the Chapter 11 Cases to chapter 7, as applicable, to commence a Challenge, subject to any further extension by order of the Court for cause. Subject to the entry of the Final Order granting such relief, the timely filing of a motion seeking standing to file a Challenge before the termination of the Challenge Period shall toll the Challenge Deadline only as to the party that timely filed such standing motion (and any Committee that may be subsequently appointed) and only with respect to the specific Challenges identified in such standing motion until such motion is resolved or adjudicated by the Court. Any pleadings, including, but not limited to, the complaint, filed in any Challenge proceeding shall set forth with specificity the basis for such Challenge (and any Challenge not so specified prior to the Challenge Deadline shall be deemed forever waived, released and barred). The Court may fashion any appropriate remedy following a successful Challenge. For the avoidance of doubt, any trustee appointed or elected in these Chapter 11 Cases shall, until the expiration of the Challenge Period, and thereafter for the duration of any adversary proceeding or contested matter commenced pursuant to this paragraph (whether commenced by such trustee or commenced by any other party in interest on behalf of the Debtors' estates), be deemed to be a party other than the Debtors and shall not, for purposes of such adversary proceeding or contested matter, be bound by the acknowledgments, admissions, confirmations and stipulations of the Debtors in this Interim Order. The Prepetition Secured Parties stipulate and agree that each of the Prepetition Secured Parties will not raise as a defense in connection with any Challenge the ability of creditors to file derivative suits on behalf of limited liability companies, and, if the Committee (if any) or other party-in-interest pursues or brings forth such a Challenge, the defendant Prepetition Secured Party of such Challenge shall not object on the grounds that the Committee or other party-in-interest lacks standing to file derivative suits on behalf of limited liability companies; *provided*, that all other standing arguments shall be preserved. For the avoidance of doubt, as to the non-Library Debtors, upon entry of this ~~Interim~~ Order, all Challenges, and any right to assert any Challenge, are hereby irrevocably waived and relinquished as of the Petition Date, and the non-Library Debtors' Stipulations shall be binding in all respects on the non-Library Debtors irrespective of the filing of any Challenge.

(b) Binding Effect. To the extent no Challenge is timely and properly commenced by the Challenge Deadline, or to the extent such proceeding does not result in a final and non-appealable judgment or order of this Court that is inconsistent with the Prepetition Lien and Claim Stipulations, then, without further notice, motion, or application to, order of, or hearing before this Court and without the need or requirement to file any proof of claim, (x) the obligations in respect of the Prepetition Credit Documents shall constitute allowed claims against the respective non-Library Debtors' estates that are borrowers, obligors, or guarantors thereunder, not subject to any claims and defenses (whether characterized as a counterclaim, setoff, subordination, recharacterization, defense, avoidance, contest, attack, objection, recoupment, reclassification, reduction, disallowance, recovery, disgorgement, attachment, "claim" (as defined by Bankruptcy Code section 101(5)), impairment, subordination (whether equitable, contractual or otherwise) or other challenge of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law), for all purposes in these Chapter 11 Cases and any subsequent chapter 7 case; (y) the Prepetition Liens shall not be subject to any other or further Challenge, including, without limitation, any claims and defenses, which shall be deemed to be forever waived and barred, and all parties in interest shall be enjoined from seeking to exercise the rights of the Debtors' estates, including any successor thereto (including any estate representative or a trustee, whether such trustee is appointed or elected prior to or following the expiration of the Challenge Period); and (z) the Prepetition Lien and Claim Stipulations shall, pursuant to this Interim Order, be of full force and effect and forever binding upon the applicable Debtor's estate and all creditors, interest holders and other parties in interest, including a trustee, responsible individual, examiner with expanded powers, or other representative of the Debtors' estates, in these Chapter 11 Cases and any Successor Cases.

(c) Notwithstanding anything to the contrary herein, if any such Challenge proceeding is properly and timely commenced, the Prepetition Lien and Claim Stipulations shall nonetheless remain binding on all other parties in interest and preclusive as provided in subparagraph (b) above, except to the extent that any of such Prepetition Lien and Claim Stipulations is expressly the subject of a timely and properly filed Challenge, which Challenge is successful as set forth in a final judgment as provided in subparagraph (b) above. To the extent any such Challenge proceeding is timely and properly commenced, the Prepetition Secured Parties shall be entitled to payment of the related costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred under the Prepetition Credit Documents in defending themselves in any such proceeding as adequate protection, except if a Challenge results in a determination that the entirety of the applicable Prepetition Secured Party's Prepetition Liens are invalid. Nothing in this Interim Order vests or confers on any person, including the Committee (if any), standing or authority to pursue any cause of action belonging to the Debtors or their estates, including, without limitation, Challenges with respect to the Prepetition Lien and Claim Stipulations, and all rights to object to such standing are expressly reserved.

(d) **Library Debtor Reservation**. For the avoidance of doubt, all rights and claims of the Library Debtors and their creditors are preserved and are excluded from the effect of the Debtors' stipulations regarding the Prepetition Lien and Claim Stipulations, the Challenge Period, the Challenge Deadline and the other limitations set forth herein for all purposes, including any right to assert or to seek standing to assert causes of action, including under Chapter 5 and any similar causes of action under other applicable law related to any direct or indirect pre-petition transfers of assets of the Library Debtors or liens therein. To the extent that any non-Library Debtor received any direct or indirect transfer of an asset from a Library Debtor and made a subsequent transfer of such asset (including the Derivative Rights) or granted any lien therein (any such transfer or lien, a "Secondary Transfer"), such Secondary Transfer shall be subject to the reservations herein for the benefit of the Library Debtors and their creditors.

13. **Section 506(c) Claims**. Nothing contained in this Interim Order shall be deemed a consent by the DIP Secured Parties to any charge, lien, assessment, or claim against the DIP Collateral under section 506(c) of the Bankruptcy Code or otherwise. Upon entry of the Final Order granting such relief, no costs or expenses of administration that have been or may be incurred in the Chapter 11 Cases or any Successor Cases at any time may be charged against the DIP Collateral Agent or any of its claims or the DIP Collateral pursuant to sections 105 or 506(c) of the Bankruptcy Code, or otherwise.

14. **Collateral Rights**. Subject to the rights of parties in interest set forth in paragraph 12 herein, unless the DIP Lenders or ABS Trustee, respectively, have provided their prior written consent or all DIP Obligations or Prepetition ABS Obligations, respectively, have been paid in full in cash (or will be paid in full in cash upon entry of an order approving indebtedness described in subparagraph (a) below) and all commitments to lend have terminated:

(a) The Debtors shall not seek entry, in these Chapter 11 Cases, or in any Successor Cases, of any order that authorizes the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other lien on all or any portion of the DIP Collateral or the ABS Prepetition Collateral and/or entitled to priority administrative status that is senior or *pari passu* to those granted to the DIP Collateral Agent or the ABS Trustee, respectively, pursuant to this Interim Order, unless such credit or indebtedness is sufficient to pay all of the DIP Obligations or the Prepetition ABS Obligations, as applicable, in full in cash; and

(b) The Debtors shall not consent to relief from the automatic stay by any persons other than the DIP Collateral Agent or the ABS Trustee to proceed against any DIP Collateral or ABS Prepetition Collateral having a fair market value in excess of $20,000 without the express written consent of the DIP Lenders or the ABS Trustee, as applicable.

15. **DIP Termination Events**. Subject to any obligations under the Carve Out and any applicable grace period under the DIP Credit Documents and this Interim Order and the Remedies Notice Period, the DIP Obligations shall accelerate and become immediately due and payable in full, in each case without further notice or action by the Court following the earliest to occur of any of the following, unless waived in writing by the DIP Lenders (each a "**DIP Termination Event**"): (i) the occurrence of any Event of Default (as defined herein); (ii) the Debtors' failure to comply with any provision of this Interim Order; (iii) the occurrence of the Maturity Date (as defined in the DIP Term Sheet); (iv) the entry of an order authorizing the use of DIP Collateral or Cash Collateral or financing under Bankruptcy Code section 364 or the filing by the Debtors of a motion seeking such authority, in each case without the consent of the DIP Lenders; (v) dismissal or conversion of any of the Chapter 11 Cases to a case under chapter

7 of the Bankruptcy Code; (vi) termination of this Interim Order; (vii) the filing of a plan or disclosure statement that is not approved by the DIP Lenders; and (viii) the filing of a motion, plan, or disclosure statement seeking, directly or indirectly, repayment of the DIP Obligations without providing for (a) the prior repayment in full of the Prepetition ABS Obligations or (b)(i) with respect to the Library Sale (as defined in the DIP Term Sheet) or (ii) in the event the Challenge Period has not expired with respect to the Prepetition ABS Obligations, in each case, a reservation by the Debtors of an amount in cash sufficient to satisfy the Prepetition ABS Obligations in full.

16. **Disposition of Collateral**. Subject to the rights of parties in interest set forth in paragraph 12 herein, the Debtors shall not sell, transfer, lease, encumber, or otherwise dispose of any portion of the DIP Collateral or the ABS Prepetition Collateral, without the prior written consent of the DIP Lenders or the ABS Trustee, as applicable (and no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Secured Parties, the ABS Trustee, or an order of this Court), except as provided in the DIP Term Sheet and this Interim Order; *provided however*, the foregoing restriction shall not limit the ability of the Debtors to sell assets if such transaction will result in proceeds sufficient to satisfy the new money DIP Loans and the Prepetition ABS Obligations.

17. **Events of Default**. The occurrence of an "Event of Default" under the DIP Term Sheet shall constitute an event of default under this Interim Order, unless expressly waived in writing by the DIP Collateral Agent, and such Events of Default are explicitly incorporated by reference into this Interim Order (collectively, the "**Events of Default**"). The failure of the Debtors to achieve a "Chapter 11 Milestone" by the applicable "Specified Deadline" (each as

defined in the DIP Term Sheet) (a "**Bankruptcy Milestone**"), as set forth in Exhibit I to the DIP Term Sheet shall, constitute an Event of Default.

18. **Rights and Remedies Upon a DIP Termination Event**

(a) The Debtors shall promptly provide notice to counsel to the DIP Secured Parties, counsel to the ABS Trustee, counsel to Warner Bros. and counsel to the Committee (if any) of the occurrence of any DIP Termination Event. Upon the occurrence and during the continuation of a DIP Termination Event (regardless of whether the Debtors have given the notice described in the previous sentence), and subject to the full funding of the Carve Out, and following the giving of not less than five (5) business days' prior written notice of such occurrence by the DIP Lenders, which may be via email, to the Debtors and their counsel, counsel to the ABS Trustee, counsel to Warner Bros., counsel for the Committee, if any, and the U.S. Trustee (such notice, the "**Remedies Notice**," and such period, the "**Remedies Notice Period**"), (i) the DIP Secured Parties shall be entitled to exercise any of their rights and remedies against the DIP Collateral available to them under this Interim Order, the DIP Credit Documents, and applicable non-bankruptcy law in accordance with the DIP Credit Documents, (ii) the Prepetition Secured Parties may exercise any rights and remedies to satisfy the Prepetition Obligations and Adequate Protection Obligations, subject to the DIP Obligations, the DIP Superpriority Claims, the Permitted Liens (if any), and the Carve Out, in accordance with the relative lien priorities with respect to the applicable collateral as set forth in **Exhibit C** hereto and in accordance with the Prepetition Credit Documents; and (iii) any obligation otherwise imposed on the DIP Secured Parties to provide any loan or advance to the Debtors pursuant to the DIP Credit Documents shall immediately be terminated. Nothing in this Interim Order shall limit the ability of any party to immediately exercise rights and remedies with respect any non-Debtor.

(b) Notwithstanding the preceding paragraph, immediately following the giving of notice by the DIP Lenders of the occurrence of a DIP Termination Event, and subject to the full funding of the Carve Out: (i) the Debtors shall continue to deliver and cause the delivery of the proceeds of DIP Collateral to the DIP Lenders as provided in the DIP Term Sheet and this Interim Order; (ii) the DIP Lenders shall continue to apply such proceeds in accordance with the provisions of this Interim Order and of the DIP Term Sheet; (iii) the Debtors shall have no right to use any of such proceeds other than towards the satisfaction of the DIP Obligations and the Carve Out, or as otherwise agreed by the DIP Lenders in writing in their respective sole discretion; and (iv) any obligation otherwise imposed on the DIP Lenders to provide any loan or advance to the Debtors pursuant to the DIP Credit Documents shall immediately be suspended. Upon delivery of a Remedies Notice, each of the DIP Secured Parties, the Prepetition Secured Parties, the Debtors, Warner Bros., and the Committee (if any) as applicable, consent to a hearing on an expedited basis to consider (x) whether a DIP Termination Event has occurred and (y) any appropriate relief; *provided* that if a request for such hearing is made prior to the end of the Remedies Notice Period, then the Notice Period shall be continued until the Court hears and rules with respect thereto. At the end of the Remedies Notice Period, unless this Court has entered an order to the contrary or otherwise fashioned an appropriate remedy, the Debtors' right to use Cash Collateral shall immediately cease, unless otherwise provided herein, and the Prepetition Secured Parties, and the DIP Secured Parties shall have the right set forth in paragraph (a) immediately above, without the necessity of seeking relief from the automatic stay.

(c) Nothing included herein shall prejudice, impair, or otherwise affect the DIP Secured Parties' or the ABS Trustee's rights to seek any other or supplemental relief in respect of the DIP Secured Parties' or the ABS Trustee's rights, as provided in the DIP Term Sheet or the other DIP Facility Documents.

19. **Payments Free and Clear.** Subject in all respects to the Carve Out and paragraph 12 hereof, any and all payments or proceeds remitted to the DIP Secured Parties or Prepetition Secured Parties pursuant to the provisions of this Interim Order, the DIP Credit Documents or any subsequent order of the Court shall be irrevocably received free and clear of any claim, charge, assessment or other liability, including without limitation, any such claim or charge arising out of or based on, directly or indirectly, Bankruptcy Code sections 506(c) or 552(b) (subject to a Final Order granting such relief), whether asserted or assessed by, through or on behalf of the Debtors.

20. **Indemnification**. The Debtors shall indemnify and hold harmless the DIP Collateral Agent, the DIP Lenders, and each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors, attorneys and representatives (collectively, the "**Indemnified Parties**"), from and against all reasonable and documented out-of-pocket costs, expenses, liabilities arising out of or relating to the transactions contemplated hereby and any actual or proposed use of the proceeds of any loans made under the DIP Facility, and such other liabilities as set forth in, in accordance with and subject to the limitations of the DIP Credit Documents; *provided* that no Indemnified Parties will be indemnified for any losses, claims, damages, liabilities or related expenses to the extent determined by a final, nonappealable judgment of a court of competent jurisdiction to have been incurred solely by reason of the gross negligence or willful misconduct or fraud of such Indemnified Parties.

21. **Proofs of Claim**. ~~Neither the DIP Collateral Agent nor the DIP Lenders will be required to file proofs of claim in these Chapter 11 Cases or any Successor Cases in order to assert claims arising under the DIP Credit Documents. None of the Prepetition Agents, the ABS Noteholders, nor the Prepetition Senior Secured Noteholders shall be required to file proofs of claim in these Chapter 11 Cases or any Successor Cases in order to assert claims on behalf of themselves or the Prepetition Secured Parties on account of the obligations arising under the Prepetition Credit Documents, including, without limitation, any principal, unpaid interest, fees, expenses, and other amounts under the Prepetition Credit Documents; *provided*, however, the Prepetition Agents should be permitted (but shall not be required)~~ The Prepetition Agents are authorized to file one master proof of claim in the lead Chapter 11 Case of Village Roadshow Entertainment Group USA Inc., which claim shall be deemed filed in the Chapter 11 Cases of each Debtor for which a claim may be asserted on account of the obligations arising under the Prepetition Credit Documents, as applicable.

22. **Other Rights and Obligations**.

(a) Good Faith Under Section 364(e) of the Bankruptcy Code. No Modification or Stay of this Interim Order. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, amended, or vacated by a subsequent order of this or any other Court, the DIP Collateral Agent and the DIP Lenders are entitled to all the benefits and protections provided in section 364(e) of the Bankruptcy Code. Any such reversal, modification, amendment, or vacatur shall not affect the validity and enforceability of any advances made pursuant to this Interim Order or the liens or priority authorized or created hereby. Any claims, liens, or DIP Protections granted to the DIP Collateral Agent or the DIP Lenders hereunder arising prior to the effective date of such reversal, modification, amendment, or vacatur shall be governed in all respects by the original provisions of this Interim Order, and the DIP Secured Parties shall be entitled to all of the rights, remedies, privileges, and benefits, including the DIP Protections granted herein, with respect to any such claim. Since the loans made pursuant to the DIP Term Sheet are made in reliance on this Interim Order, the obligations owed to the DIP Secured Parties prior to the effective date of any reversal or modification of this Interim Order cannot, as a result of any subsequent order in the Chapter 11 Cases or in any Successor Cases, be subordinated, lose their lien priority or super-priority administrative expense claim status, or be deprived of the benefit of the status of the liens and claims granted to the DIP Secured Parties under this Interim Order and/or the DIP Credit Documents.

(b) Binding Effect. The provisions of this Interim Order shall be binding upon and inure to the benefit of the DIP Secured Parties, the Prepetition Secured Parties, the Debtors, and each of their respective successors and assigns (including any trustee or other fiduciary hereinafter appointed as a legal representative of the Debtors or with respect to the property of the estates of the Debtors) whether in the Chapter 11 Cases, in any Successor Cases, or upon dismissal of any such chapter 11 or chapter 7 cases.

(c) No Waiver. The failure of the DIP Secured Parties to seek relief or otherwise exercise their rights and remedies under the DIP Credit Documents, the DIP Facility, this Interim Order, or otherwise, as applicable, shall not constitute a waiver of the DIP Secured Parties' rights hereunder, thereunder, or otherwise. Notwithstanding anything herein, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair the DIP Secured Parties under the Bankruptcy Code or under non-bankruptcy law, including, without limitation, the rights of the DIP Secured Parties to (i) request conversion of the Chapter 11 Cases to a case under chapter 7, dismissal of the Chapter 11 Cases, or the appointment of a trustee in the Chapter 11 Cases; or (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a plan of reorganization; or (iii) exercise any of the rights, claims, or privileges (whether legal, equitable, or otherwise) the DIP Secured Parties may have pursuant to this Interim Order, the DIP Credit Documents, or applicable law. Nothing in this Interim Order shall interfere with the rights of any party with respect to any non-Debtor.

(d) No Third-Party Rights. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder, or any direct, indirect, or incidental beneficiary.

(e) No Marshaling. Subject to entry of the Final Order granting such relief, the DIP Secured Parties shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral.

(f) Section 552(b). In light of the DIP Secured Parties' agreement to subordinate their liens and super-priority claims to the Carve Out, and subject to entry of the Final Order granting such relief, the DIP Secured Parties are entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the "equities of the case" exception shall not apply with respect to proceeds, product, offspring, or profits of any of the DIP Collateral.

(g) Amendment. The Debtors and the DIP Lenders may amend or waive any provision of the DIP Credit Documents, *provided* that, such amendment or waiver must be on notice to the U.S. Trustee, Warner Bros., the Committee (if any), and counsel to the ABS Trustee, who shall have five (5) business days from the date of such notice within which to object in writing to such amendment or waiver. If the U.S. Trustee, the Committee, Warner Bros. or ABS Trustee timely objects to any such amendment or waiver to the DIP Credit Documents, such amendment or waiver shall only be permitted pursuant to an order of this Court (which the parties agree may be on shortened notice).

(h) Credit Bidding. In connection with any sale process authorized by the Court concerning their respective Collateral, (i) the DIP Collateral Agent (or its assignee, as applicable) may credit bid (each a "**Credit Bid**") up to the full amount of the applicable outstanding DIP Obligations, in each case including any accrued interest and expenses, as provided for in section 363(k) of the Bankruptcy Code in any sale of any DIP Collateral (provided that only the new money portion of the DIP Loan may be credit bid on the Library Assets), and (ii) the ~~Prepetition Agents (or each of their~~ABS Trustee (or its assignees, as applicable), subject to the rights of parties in interest in paragraph 12, may Credit Bid up to the full amount of ~~their respective~~the outstanding Prepetition ABS Obligations, including any accrued interest and expenses, as provided for in section 363(k) of the Bankruptcy Code in any sale of any of its Prepetition Collateral, in each case, whether such sale is effectuated through section 363 or section 1129 of the Bankruptcy Code, by a chapter 7 trustee under section 725 of the Bankruptcy Code, or otherwise, in each case, without further order from this Court authorizing the same. The Prepetition Senior Secured Notes Collateral Agent reserves the right to seek authorization of the Court by separate motion and order to Credit Bid the pre-petition liens in the Senior Secured Notes Prepetition Collateral asserted by the Prepetition Senior Secured Noteholders and all parties-in-interest reserve all objections to any such motion and order. Absent such separate order, the Prepetition Senior Secured Notes Collateral Agent and the Prepetition Senior Secured Noteholders shall not be entitled to Credit Bid. Notwithstanding the foregoing, Warner Bros. reserves all objections to the assumption or assignment of any contract or any rights related to a contract to which it is a party, all of which are preserved.

(i) No Subrogation. In no event shall any person or entity who pays (or through the extension of credit to the Debtors, causes to be paid) any of the DIP Loans be subrogated, in whole or in part, to any rights, remedies, claims, privileges, liens, or security interests granted in favor of, or conferred upon, the DIP Secured Parties by the terms of this Interim Order, the other DIP Credit Documents, or otherwise at law or contract or in equity, unless and until such time as all of the DIP Loans have been indefeasibly paid in full in cash on a final basis and all lending commitments have been terminated under the DIP Facility and the DIP Secured Parties have received a full release in connection therewith.

(j) Rights Preserved. Other than as expressly set forth in this Interim Order, any other rights, claims, or privileges (whether legal, equitable, or otherwise) of the DIP Secured Parties and the Prepetition Secured Parties are preserved.

23. **Releases.** ~~Subject to the rights and limitations set forth in paragraph 12 with respect to the Prepetition Secured Parties in their capacities as such, each~~Each Debtor, for itself and its successors, assigns, parents, subsidiaries, affiliates, predecessors, employees, agents, heirs and executors, as applicable, hereby fully and unconditionally releases each of the ~~Prepetition Agents, the~~ DIP Lenders~~, the Prepetition Secured Parties~~, each solely in its capacity as such, and each of their respective directors, officers, employees, subsidiaries, affiliates, attorneys, financial advisors, investment bankers, agents, representatives, successors and assigns (collectively, and solely in their capacities as such, the "Released Parties") from any and all claims, causes of action, costs or demands of whatever kind or nature, whether known or unknown, liquidated or unliquidated, fixed or contingent, asserted or unasserted, foreseen or

unforeseen, or matured or unmatured, which the Debtors may have had against the Released Parties by reason of any act or omission on the part of the Released Parties occurring prior to the date hereof, in each case regarding or relating to the DIP Term Sheet, the DIP Facility, the DIP Facility Documents or any document or instrument relating thereto, ~~the Prepetition Senior Secured Notes Agreement, the "Note Documents" (as defined in the Prepetition Senior Secured Notes Agreement), or any document or instrument relating thereto, or the Prepetition ABS Agreements, the "Transaction Documents" (as defined in the Prepetition ABS Agreements), or any document or instrument relating thereto~~ (collectively, the "Released Matters"); *provided*, that Released Matters shall not include (i) any claims, causes of action, costs or demands of whatever kind or nature, whether known or unknown, liquidated or unliquidated, fixed or contingent, asserted or unasserted, foreseen or unforeseen, or matured or unmatured, resulting primarily from the gross negligence or willful misconduct or fraud of the Released Parties, as determined by a court of competent jurisdiction in a final and non-appealable judgment or order or (ii) the right to enforce the terms of this Order and the DIP Term Sheet, the DIP Facility, the DIP Facility Documents or any document or instrument relating thereto according to their terms.

24. **[Reserved]**.

25. **Loss or Damage to Collateral**. Nothing in this Interim Order, the DIP Credit Documents or any other documents related to these transactions shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Secured Parties or the Prepetition Secured Parties of any liability for any claims arising from the prepetition or postpetition activities of the Debtors in the operation of their business, or in connection with their restructuring efforts. So long as the DIP Secured Parties and the Prepetition Secured Parties comply with their obligations under the DIP Credit Documents and this Interim Order and their

obligations, if any, under applicable law (including the Bankruptcy Code), (a) the DIP Secured Parties and the Prepetition Secured Parties shall not, in any way or manner, be liable or responsible for (i) the safekeeping of the DIP Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof or (iv) any act or default of any carrier, servicer, bailee, custodian, forwarding agency or other person and (b) all risk of loss, damage or destruction of the DIP Collateral shall be borne by the Debtors.

26. **Insurance**. To the extent that any of the Prepetition Secured Parties is listed as additional insured and/or loss payee under the Borrower's or Guarantors' (each as defined in the DIP Term Sheet) insurance policies, the DIP Lenders are deemed to be the additional insureds and/or loss payees under such insurance policies and shall act in that capacity and distribute any proceeds recovered or received in respect of any such insurance policies, in each case, subject to the Carve Out, first, to the payment in full of the DIP Obligations and second, to the payment of the obligations arising under the Prepetition Credit Documents.

27. **Cooperation**. All Prepetition Secured Parties shall cooperate with the DIP Collateral Agent in its efforts to enforce its liens and security interests in the DIP Collateral. Such lenders shall not take or direct any entity to take any action designed or intended to hinder or restrict in any respect the DIP Collateral Agent from enforcing its rights or remedies in the DIP Collateral.

28. **Survival of Interim Order and Other Matters**. The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order that may be entered (i) confirming any chapter 11 plan in the Chapter 11 Cases; (ii) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or any Successor Cases; (iii) to the extent

authorized by applicable law, dismissing the Chapter 11 Cases; (iv) withdrawing the reference of the Chapter 11 Cases from this Court; or (v) providing for abstention from handling or retaining of jurisdiction of the Chapter 11 Cases in this Court. The terms and provisions of this Interim Order, including the DIP Protections granted pursuant to this Interim Order and the DIP Credit Documents, shall continue in full force and effect notwithstanding the entry of such order, and such DIP Protections shall maintain their priority as provided by this Interim Order until all the obligations of the Debtors to the DIP Secured Parties pursuant to the DIP Credit Documents have been indefeasibly paid in full in cash and discharged (such payment being without prejudice to any terms or provisions contained in the DIP Credit Documents that survive such discharge by their terms).

(a) Inconsistency. In the event of any inconsistency between the terms and conditions of the DIP Credit Documents or this Interim Order, the provisions of this Interim Order shall govern and control.

(b) Enforceability. This Interim Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry of this Interim Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, 9024, or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry, and there shall be no stay of execution or effectiveness of this Interim Order. The rights of all parties in interest to object to the terms of the Final Order, the DIP Term Sheet, and any other DIP Facility Document at the Final Hearing are expressly reserved.

(c) Objections Overruled. All objections to the DIP Motion to the extent not withdrawn or resolved are hereby overruled on an interim basis.

(d) No Waivers or Modification of Interim Order. The Debtors irrevocably waive any right to seek any modification or extension of this Interim Order without the prior written consent of the DIP Lenders and the Prepetition Secured Parties, and no such consent shall be implied by any other action, inaction, or acquiescence of the DIP Secured Parties or the Prepetition Secured Parties.

(e) Necessary Action. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Interim Order and the transactions contemplated hereby.

29. **<u>Conditions Precedent</u>**. Except as provided for in the Carve Out, no DIP Lender shall have any obligation to make any DIP Loan under the respective DIP Facility Documents unless all of the conditions precedent to the making of such extensions of credit under the applicable DIP Facility Documents have been satisfied in full or waived in accordance with such DIP Facility Documents.

30. **Warner Bros.** Notwithstanding the terms of the DIP Motion and this Interim Order, ~~Warner Bros. Entertainment Inc., WAV Distribution LLC and their affiliates (collectively, "**Warner Bros.**") reserve all objections to the relief sought in the DIP Motion or otherwise granted by this Interim Order, including without limitation any super-priority claims and liens granted for the benefit of the DIP Lenders or as adequate protection for the Prepetition Senior Secured Notes Parties. In the event of a reversal of this Interim Order or in the event that the Court later sustains any objection of Warner Bros. to the DIP Motion, the DIP Lenders will retain any liens and claims provided herein solely with respect to the $500,000 amount of the Initial DIP Loan, *provided* that~~ (i) any lien ~~in~~or priority claim provided herein concerning any right related to a contract or proceeds thereof with Warner Bros. ~~that secures the Initial DIP Loan~~ shall at all times remain subject to the rights of Warner Bros. in and concerning such contract and (ii) any lien granted ~~in~~or priority claim provided herein concerning intellectual property (including any copyright) will not alter or supersede any intellectual property rights of Warner Bros. ~~For the avoidance of doubt~~or any other rights conferred to Warner Bros. related to motion pictures that constitute the Library Assets or Derivative Assets, including rights that may be characterized as recoupments, offsets, liens or copyright mortgages related to the distribution of such motion pictures or otherwise. Nothing herein shall limit or impair any objection that Warner Bros. may assert to the sale of assets of the Debtors or the identity and qualifications of any proposed buyer of such assets, including any party purporting to Credit Bid for such assets as otherwise permitted hereunder. Without limiting the generality of the foregoing, Warner Bros. reserves all ~~arguments~~rights and objections ~~(and the Court may grant any such relief sought by Warner Bros.) so that no adequate protection liens or claims shall be granted to holders of the Prepetition Senior Secured Notes Parties as against the estates or assets of any Debtors that are~~

~~not existing borrowers, guarantors or obligated to the Prepetition Senior Secured Notes Parties, and that no liens or claims shall be granted to the DIP Lenders or holders of Prepetition Senior Secured Notes Parties in any contract or intellectual property of, or with, Warner Bros., except to the extent set forth in the immediately preceding sentence with respect to the Initial DIP Loan.~~related to any proposed assumption, assignment or transfer of rights related to its contracts with the Debtors, pursuant to the Bankruptcy Code and applicable law, including Section 365.

31. **<u>Entertainment Guilds.</u>** Notwithstanding the terms of the DIP Motion and this Interim Order, the Directors Guild of America, Inc., the Screen Actors Guild–American Federation of Television and Radio Artists, and the Writers Guild of America, West, Inc. (collectively, "**Guilds**") reserve all objections to the relief sought in the DIP Motion or otherwise granted by this Interim Order, including without limitation any super-priority claims and liens granted for the benefit of the DIP Lenders or as adequate protection for the Prepetition Senior Secured Notes Parties. Notwithstanding the terms of the DIP Motion and this Interim Order, the Guilds reserve all rights they may have with respect to any security interests in certain motion pictures produced and/or distributed by the Debtors, which the Guilds assert may be properly perfected and senior in such motion pictures, including, *inter alia*, any cash proceeds generated by such motion pictures (collectively, "**Guild Liens**"). Any such Guild Liens shall remain in full force and effect to the extent they existed as of the Petition Date, without modification or prejudice, including, without limitation, any Guild interest in any cash collateral encompassed by any valid and properly perfected Guild Liens as of the Petition Date. In the event of a reversal of this Interim Order or in the event that the Court later sustains any objection of the Guilds to the DIP Motion, the DIP Lenders will retain any liens and claims provided herein solely with respect to the $500,000 amount of the Initial DIP Loan, *provided* that any lien will not alter or supersede any rights of the Guilds in any valid and properly perfected Guild Liens as of the Petition Date.

32. Nothing in this Interim Order (including paragraphs 30 or 31 above) shall be deemed to waive or otherwise impair the Debtors' or DIP Lenders' rights to seek at any future hearing any of the relief set forth in the DIP Motion or otherwise available to them under the Bankruptcy Code in connection with any of the DIP Loans, including but not limited to, any relief that may be available to them under Bankruptcy Code sections 361 or 364.

33. **Preservation of Avoidance and Other Claims**. For the avoidance of doubt, nothing in this Final Order or the DIP Credit Agreement shall limit the ability of the Library Debtors, their creditors (including Warner Bros.) and the Committee to assert claims and causes of action, including under Chapter 5 and any similar causes of action under other applicable law related to any direct or indirect pre-petition transfers or liens concerning or related to the assets of the Library Debtors including the Derivative Rights, any Prepetition Liens, and/or Secondary Transfers. Without limiting the generality of the foregoing and notwithstanding anything to the contrary herein, the Library Debtors, their creditors (including Warner Bros.) and the Committee (if any) reserve all claims and causes of action against all persons and entities related to any transfer of the Library Debtors' assets to or from VREG WW IP Global LLC, VREG MM2 IP Global LLC, VREG J2 Global LLC, VREG OP Global LLC, and VREG IP Global LLC and all transactions related thereto, including any lien granted in such assets and any Secondary Transfers.

34. ~~33.~~ **Final Hearing**.

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for **April 11, 2025, at 1:30 p.m. prevailing Eastern time** at the United States Bankruptcy Court for the District of Delaware. Any party in interest objecting to the relief sought at the Final Hearing shall file a written objection no later than **April 4, 2025, at 4:00 p.m. prevailing Eastern time**, which objections shall be served so that the same are received on or before such date by: (i) proposed co-counsel for the Debtors, (a) Sheppard, Mullin, Richter & Hampton LLP, 321 North Clark Street, 32nd Floor, Chicago, Illinois 60654, Attn.: Justin Bernbrock (jbernbrock@sheppardmullin.com), and (b) Young, Conaway, Stargatt & Taylor LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Attn.: Joseph M. Mulvihill (jmulvihill@ycst.com); (ii) counsel for the DIP Secured Parties, (a) Morrison & Foerster LLP, 250 West 55th Street, Floor 20, New York, NY 10019, Attn: James A. Newton, Esq. (jnewton@mofo.com) and Miranda K. Russell, Esq. (mrussell@mofo.com) and (b) Potter Anderson & Corroon LLP, Hercules Plaza 1313 North Market Street, 6th Floor P.O. Box 951 Wilmington, DE 19801 (csamis@potteranderson.com); (iii) counsel to the Prepetition Senior Secured Notes Collateral Agent, Seward & Kissel LLP, One Battery Park Plaza, New York, NY 10004 (ashmead@sewkis.com and bateman@sewkis.com); (iv) counsel for the Prepetition ABS Parties, Barnes & Thornburg LLP, One North Wacker Drive, Suite 4400, Chicago, IL 60606 (agavant@btlaw.com); (v) counsel to the Committee, if any; and (vi) the U.S. Trustee, Attn: Rosa Sierra-Fox, Esq. (rosa.sierra-fox@usdoj.gov), and shall be filed with the Clerk of the Court, in each case to allow actual receipt of the foregoing no later than **April 4, 2025, at 4:00 p.m. prevailing Eastern time**. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) The Debtors shall promptly serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order (which shall constitute adequate notice of the Final Hearing) to the parties having been given notice of the Interim Hearing and to any party that has filed a request for notices with this Court and any other party required to be served by the Rules.

(c) Notwithstanding the terms of this Interim Order, this Court is not precluded from entering a Final Order containing provisions that are inconsistent with, or contrary to, any of the terms in this Interim Order, subject to the protections under Section 364(e) and the rights of the DIP Lenders to terminate the DIP Term Sheet if such Final Order is not acceptable to them. In the event this Court modifies any of the provisions of this Interim Order or the DIP Credit Documents following such further hearing, such modifications shall not affect the rights and priorities of DIP Secured Parties pursuant to this Interim Order with respect to the DIP Collateral, and any portion of the DIP Obligations that arises or is incurred, advanced, or paid prior to such modifications (or otherwise arising prior to such modifications), and this Interim Order shall remain in full force and effect except as specifically amended or modified at such Final Hearing.

34. **Effect of this Interim Order**. This Interim Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and, notwithstanding Bankruptcy Rules 6003 and 6004 or any other Bankruptcy Rule, shall take effect and be enforceable as of the Petition Date immediately upon execution thereof, and there shall be no stay of execution or effectiveness of this Interim Order.

35. **Retention of Jurisdiction**. The Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

<u>Exhibit A</u>

DIP Term Sheet

Exhibit B

Initial DIP Budget

Exhibit C

Lien Priorities on DIP Collateral[3]

The DIP Liens, the Adequate Protection Liens and the Prepetition Liens, shall in each case be subject to the Carve Out and any Permitted Liens and otherwise have the following priority on the DIP Collateral and the applicable Prepetition Collateral.

Priority	ABS Prepetition Collateral	Senior Secured Notes Prepetition Collateral	Other DIP Collateral
1.	ABS Prepetition Liens	DIP Liens	DIP Liens
2.	ABS Adequate Protection Liens	Senior Secured Notes Adequate Protection Liens	Senior Secured Notes Adequate Protection Liens
3.	New Money DIP Liens	Senior Secured Notes Prepetition Liens	ABS Adequate Protection Liens
4.	~~Senior Secured Notes Adequate Protection Liens~~	ABS Adequate Protection Liens	

[3] The priorities set forth herein are subject to (i) the potential validity challenges set forth in the Order, and (ii) the reservation in the Order, including those applicable to Warner Bros.

Exhibit B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
VILLAGE ROADSHOW ENTERTAINMENT GROUP USA INC., *et al.*,[1]	)	Case No. 25-10475 (TMH)
	)	(Joint Administration Requested)
Debtors.	)	

NOTICE OF FILING OF REVISED BUDGET

PLEASE TAKE NOTICE that on March 17, 2025, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* [Docket No. 9] (the "Motion") with the United States Bankruptcy Court for the District of Delaware (the "Court"). The Initial DIP Budget (as defined in the DIP Term Sheet), was attached to the Motion as Exhibit B.

PLEASE TAKE FURTHER NOTICE that, subsequent to filing the Motion, the Debtors made certain revisions to the Initial DIP Budget. Attached hereto as **Exhibit A** is the revised Initial DIP Budget (the "Revised DIP Budget").

PLEASE TAKE FURTHER NOTICE that copies of the Motion and other information regarding these chapter 11 cases are available for inspection free of charge on the case website at https://www.veritaglobal.net/vreg.

[Remainder of page intentionally left blank]

[1] The last four digits of Village Roadshow Entertainment Group USA Inc.'s federal tax identification number are 0343. The mailing address for Village Roadshow Entertainment Group USA Inc. is 750 N. San Vicente Blvd., Suite 800 West, West Hollywood, CA 90069. Due to the large number of debtors in these cases, which are being jointly administered for procedural purposes only, a complete list of the Debtors and the last four digits of their federal tax identification is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at https://www.veritaglobal.net/vreg.

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Dated: March 18, 2025
Wilmington, Delaware

/s/ Benjamin C. Carver

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Joseph M. Mulvihill (Del. Bar No. 6061)
Carol E. Thompson (Del. Bar No. 6936)
Benjamin C. Carver (Del. Bar No. 7176)
Rodney Square
1000 North King Street
Wilmington, DE 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
Email: jmulvihill@ycst.com
cthompson@ycst.com
bcarver@ycst.com

Proposed Co-Counsel for the Debtors and Debtors in Possession

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
Justin R. Bernbrock (*pro hac vice* pending)
Matthew T. Benz (*pro hac vice* pending)
321 North Clark Street, 32nd Floor
Chicago, Illinois 60654
Telephone: (312) 499-6300
Facsimile: (312) 499-6301
Email: jbernbrock@sheppardmullin.com
mbenz@sheppardmullin.com

-and-

Jennifer L. Nassiri (*pro hac vice* pending)
1901 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067
Telephone: (310) 228-3700
Facsimile: (310) 228-3701
Email: jnassiri@sheppardmullin.com

-and-

Alyssa Paddock (*pro hac vice* pending)
30 Rockefeller Plaza, 39th Floor
New York, NY 10112
Telephone: (212) 653-8700
Facsimile: (212) 653-8701
Email: apaddock@sheppardmullin.com

Proposed Co-Counsel for the Debtors and Debtors in Possession

<u>Exhibit A</u>

Revised DIP Budget

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VILLAGE ROADSHOW ENTERTAINMENT GROUP USA Inc.
DIP Financing Cash Flow

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Forecast Week #	1	2	3	4	5	6	7	8	9	10	11	12	13
Week Ended	**03/21/25**	**03/28/25**	**04/04/25**	**04/11/25**	**04/18/25**	**04/25/25**	**05/02/25**	**05/09/25**	**05/16/25**	**05/23/25**	**05/30/25**	**06/06/25**	**06/13/25**
Receipts													
ABS Notes: Class A,B,C - Servicing Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Incoming Funds	10,374	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	**10,374**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating Disbursements													
Salaries, Payroll Taxes, and Employee Benefits	(77,500)	-	(75,000)	(10,000)	(75,000)	-	(76,000)	-	(10,000)	(76,000)	-	(10,000)	(76,000)
Professional, Consulting, and Advisory fees	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)
Office & Administrative Expenses (ex office rent and insurance)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
VRFAM and VREG BVI - ANZ accounts funding	-	(100,000)	-	(100,000)	-	(100,000)	-	-	(100,000)	-	-	-	(100,000)
Total Operating Disbursements	**(90,000)**	**(112,500)**	**(87,500)**	**(122,500)**	**(87,500)**	**(112,500)**	**(88,500)**	**(12,500)**	**(122,500)**	**(88,500)**	**(12,500)**	**(22,500)**	**(188,500)**
Operating Cash Flow	**(79,626)**	**(112,500)**	**(87,500)**	**(122,500)**	**(87,500)**	**(112,500)**	**(88,500)**	**(12,500)**	**(122,500)**	**(88,500)**	**(12,500)**	**(22,500)**	**(188,500)**
Restructuring Items													
Restructuring Professional Fees	-	-	-	-	-	-	-	-	(2,425,000)	-	-	-	(2,175,000)
Adequate Protection Payments									(500,000)				(250,000)
Interest, Fees, & Other	-	-	-	-	-	-	-	-	-	-	-	-	(10,483)
US Trustee Fees	-	-	-	-	(3,310)	-	-	-	-	-	-	-	(52,948)
Total Restructuring Disbursements	**-**	**-**	**-**	**-**	**(3,310)**	**-**	**-**	**-**	**(2,925,000)**	**-**	**-**	**-**	**(2,488,430)**
Net Cash Flow	**$ (79,626)**	**$ (112,500)**	**$ (87,500)**	**$ (122,500)**	**$ (90,810)**	**$ (112,500)**	**$ (88,500)**	**$ (12,500)**	**$ (3,047,500)**	**$ (88,500)**	**$ (12,500)**	**$ (22,500)**	**$ (2,676,930)**
Beginning Cash Balance	**$ 225,212**	**$ 645,586**	**$ 533,086**	**$ 445,586**	**$ 536,981**	**$ 446,171**	**$ 333,671**	**$ 245,171**	**$ 232,671**	**$ 685,171**	**$ 596,671**	**$ 584,171**	**$ 561,671**
Net Cash Flow	(79,626)	(112,500)	(87,500)	(122,500)	(90,810)	(112,500)	(88,500)	(12,500)	(3,047,500)	(88,500)	(12,500)	(22,500)	(2,676,930)
Bridge Roll Over	-	-	-	(5,786,105)	-	-	-	-	-	-	-	-	-
DIP Draw	500,000	-	-	6,000,000	-	-	-	-	3,500,000	-	-	-	2,786,104
Ending Cash Balance	**$ 645,586**	**$ 533,086**	**$ 445,586**	**$ 536,981**	**$ 446,171**	**$ 333,671**	**$ 245,171**	**$ 232,671**	**$ 685,171**	**$ 596,671**	**$ 584,171**	**$ 561,671**	**$ 670,845**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing document and any corresponding attachments were served this 7th day of April 2025, via CM/ECF upon those parties registered to receive such electronic notifications and via electronic mail upon the parties identified below.

/s/ Avery Jue Meng
Avery Jue Meng (No. 7238)

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
Justin Bernbrock
321 North Clark Street, 32nd Floor
Chicago, Illinois 60654
jbernbrock@sheppardmullin.com

Proposed co-counsel for the Debtors

YOUNG, CONAWAY, STARGATT & TAYLOR LLP
Joseph M. Mulvihill
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
jmulvihill@ycst.com

Proposed co-counsel for the Debtors

MORRISON & FOERSTER LLP
James A. Newton
Miranda K. Russell
250 West 55th Street, Floor 20
New York, NY 10019
jnewton@mofo.com
mrussell@mofo.com

Counsel for the DIP Secured Parties

POTTER ANDERSON & CORROON LLP
Christopher Samis
Hercules Plaza
1313 North Market Street, 6th Floor
P.O. Box 951 Wilmington, DE 19801
csamis@potteranderson.com

Counsel for the DIP Secured Parties

SEWARD & KISSEL LLP
John Ashmead
Gregg Bateman
One Battery Park Plaza
New York, NY 10004
ashmead@sewkis.com
bateman@sewkis.com

Counsel to the Prepetition Senior Secured Notes Collateral Agent

BARNES & THORNBURG LLP
Aaron Gavant
One North Wacker Drive
Suite 4400
Chicago, IL 60606
agavant@btlaw.com

Counsel for the Prepetition ABS Parties

PACHULSKI STANG ZIEHL & JONES LLP
Bradford J. Sandler
Peter J. Keane
919 North Market Street, 17th Floor
Wilmington, DE 19801
bsandler@pszjlaw.com
pkeane@pszjlaw.com

Richard J. Feinstein
Shirly S. Cho
780 Third Avenue, 34th Floor
New York, NY 10017-2024
rfeinstein@pszjlaw.com
scho@pszjlaw.com

Counsel to the Official Committee of Unsecured Creditors

OFFICE OF THE UNITED STATES TRUSTEE
Rosa Sierra-Fox
J. Caleb Boggs Federal Building
844 King Street, Suite 2207
Lockbox 35
Wilmington, DE 19801
rosa.sierra-fox@usdoj.gov