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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

In re:	Chapter 11
Multi-Color Corporation, *et al.*,	Case No. 26-10910 (MBK)
Debtors.[1]	Judge: Michael B. Kaplan
	Hearing Date : March 31, 2026, at 10:00 a.m.

OBJECTION OF THE EXCLUDED FIRST LIEN LENDERS TO CONFIRMATION OF JOINT PREPACKAGED PLAN OF REORGANIZATION OF MULTI-COLOR CORPORATION AND ITS DEBTOR AFFILIATES

The Excluded First Lien Lenders,[2] as secured creditors of Debtor Multi-Color Corporation and its debtor affiliates in the above-captioned cases (collectively, the "Debtors" or "Company"), by and through their undersigned counsel, hereby submit this objection (the "Objection") to

[1] The last four digits of Debtor Multi-Color Corporation's tax identification number are 5853. A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at https://www.veritaglobal.net/MCC. The location of the Debtors' service address for purposes of these chapter 11 cases is 3284 Northside Parkway NW, Suite 400, Atlanta, GA 30327.

[2] The Excluded First Lien Lenders are identified in the *Joint Verified Statement of Willkie Farr & Gallagher LLP and Rolnick Kramer Sadighi LLP Pursuant to Federal Rule of Bankruptcy Procedure 2019* [Docket. No. 73].

confirmation of the *Joint Prepackaged Plan of Reorganization of Multi-Color Corporation and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 17] (the "Proposed Plan").[3]

INTRODUCTION

1. The Proposed Plan is the outgrowth of a restructuring support agreement (the "RSA") in which the Debtors agreed to provide certain preferred secured lenders (the "Secured Ad Hoc Group" or the "Favored First Lien Lenders") and Clayton, Dubilier & Rice, LLC ("CD&R" or the "Plan Sponsor") with outsized recoveries that are incompatible with confirmation of the Proposed Plan under Section 1129 of the Bankruptcy Code. This Objection focuses on what may be the most salient flaw in the Proposed Plan: Multiple plan provisions that funnel significant value to the Favored First Lien Lenders—in the form of an exclusive investment opportunity in preferred equity and putative "backstop premiums"—while denying the same recovery to other holders of First Lien Secured Claims, such as the Excluded First Lien Lenders.

2. The Proposed Plan thus violates the core bankruptcy principle of equality of distribution among similarly situated creditors, as embodied in Section 1123(a)(4) of the Code. A Chapter 11 plan must "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of such particular claim or interest." 11 U.S.C. § 1123(a)(4). But, in several different ways, the Debtors' Proposed Plan provides disparate treatment within the class of First Lien Secured Claims by allocating valuable recoveries to the Favored First Lien Lenders that is not shared with other holders of First Lien Secured Claims.

[3] Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed to them in the Proposed Plan.

3. To be sure, the Proposed Plan *labels* this additional compensation as a "holdback" of New Preferred Equity or as "backstop premiums" to be paid in connection with the Favored First Lien Lenders' support of financing for the Proposed Plan. But Section 1123(a)(4)'s equal treatment requirement cannot be evaded with this kind of artifice. When some creditors in a class are offered "[a]n exclusive opportunity resulting in a significant disparity in value, without consideration for the [investment] opportunity itself," while other creditors in the same class are denied the same opportunity, that "qualifies as treatment for a claim under § 1123(a)(4)." *In re ConvergeOne Holdings, Inc.*, Case No. 4:24-cv-02001, Dkt. No. 54 (S.D. Tex. Sept. 25, 2025). And "[w]ithout a genuine test of the market valuation of the [investment] opportunity"—which might potentially support the parties' characterization of the additional value as compensation for an independent investment, as opposed to treatment for the favored creditors' claims—such disparate treatment violates Section 1123(a)(4). *Id.* at 19. Because the Debtors have not undertaken any such market test here, confirmation should be denied.

OBJECTION

4. The Debtors' Proposed Plan cannot be confirmed because it flouts the equal treatment requirement set forth in Section 1123(a)(4) of the Code. That provision requires any Chapter 11 plan to "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of such particular claim or interest." 11 U.S.C. § 1123(a)(4). In doing so, Section 1123(a)(4) furthers "a central policy of the Bankruptcy Code"—ensuring equality of distribution among creditors, *Begier v. IRS*, 496 U.S. 53, 58 (1990), by mandating that all claimants in a class be afforded "'the same opportunity' for recovery." *In re W.R. Grace & Co.*, 729 F.3d 311, 327 (3d Cir. 2013) (quoting *In re Dana Corp.*, 412 B.R. 53, 62 (S.D.N.Y. 2008)). A plan that violates Section 1123(a)(4) cannot

be confirmed. *See* 11 U.S.C. § 1129(a)(1) (providing that a plan may be confirmed only if it "complies with the applicable provisions of this title").

5. The Debtors' Proposed Plan violates Section 1123(a)(4)'s equal treatment requirement by allocating additional recovery to the Favored First Lien Lenders in multiple different ways, any of which standing alone would independently bar confirmation of the Proposed Plan.

6. First, with respect to the issuance of New Preferred Equity, the Proposed Plan contemplates a $600 million preferred equity issuance, with $489 million to be made available for subscription by holders of First Lien Secured Claims. *See* Proposed Plan art. I.A.151. But a full 20% of that total—$97.8 million—will be set aside as the "New Preferred Equity Investment Holdback" and made available *only* to the Favored First Lien Lenders (along with the Plan Sponsor). *See id.* art. I.A.157. In addition, the Favored First Lien Lenders (and the Plan Sponsor) will receive additional consideration styled as a 10% "backstop premium," amounting to $48.9 million in aggregate face value of New Preferred Equity. *See id.* art. I.A.155. By contrast, the Excluded First Lien Lenders are excluded from the New Preferred Equity Investment Holdback and the New Preferred Equity Investment Backstop Commitment Premium, and hence will not benefit from these opportunities to receive additional value on account of their First Lien Secured Claims.

7. Second, turning to the Proposed Plan's exit debt financing, the Proposed Plan contemplates that holders of First Lien Secured Claims are slated to receive $1,565,000,000 in New Term Loans to replace their existing debt. *See* Proposed Plan art. I.A.102, 138; *id.* art. III.B.4(b)(ii). The holders can choose a "cash-out" option, taking cash equal to 80% of the New Term Loans that they would otherwise receive. *Id.* art. I.A.164; *id.* III.B.4(b)(ii). To support that

cash-out option, the Proposed Plan pays a New Debt Backstop Premium equal to 8% of the full $1,565,000,000 face amount—*i.e.*, $125.2 million in aggregate face value of additional exit debt—*only* to the Plan Sponsor and the Favored First Lien Lenders. *Id.* art. I.A.142. Again, because the Excluded First Lien Lenders are excluded from the backstop opportunity, they will not receive this additional value in the Proposed Plan. This is valuable additional consideration that is reserved for the Favored First Lien Lenders, a subset of the holders of the First Lien Secured Claims.

8. The district court's recent decision on appeal in *In re ConvergeOne Holdings, Inc.*, Case No. 4:24-cv-02001, Dkt. No. 54 (S.D. Tex. Sept. 25, 2025), addressed materially identical facts and persuasively explains why this kind of disparate treatment among creditors in the same class cannot be squared with Section 1123(a)(4)'s equal treatment mandate. There, the district court reversed confirmation of a pre-packaged Chapter 11 plan in which certain favored lenders had locked in an exclusive opportunity to backstop an equity rights offering in return for additional consideration, resulting in higher recoveries for the favored lenders as compared to other members of the same creditor class who were excluded from the backstop opportunity. The district court held that Section 1123(a)(4) prohibits a Chapter 11 plan from offering this kind of exclusive investment opportunity to a subset of a creditor class, at least without a market test to ensure an accurate market valuation of the backstopping opportunity.

9. *ConvergeOne* establishes two propositions that are of critical importance here. First, the district court held that "the exclusive backstopping opportunity" constituted "treatment for [a] claim" for purposes of Section 1124(a)(4), and that the plan's treatment violated that provision because it "allowed for some class members to receive higher recoveries than others in the same class." *ConvergeOne*, Dkt. No. 54, at 13. The court explained that this conclusion followed from the Supreme Court's decision in *Bank of America National Trust & Savings v.*

Association v. 203 N. LaSalle St. Partnership, 526 U.S. 434 (1999), which addressed the requirement in Section 1129(b) that a plan not give "property" to the holders of junior claims or equity interests "on account of" of those claims or interests unless all classes of senior claims are paid in full or have consented. 11 U.S.C. § 1129(b)(2)(B); *see ConvergeOne*, Dkt. No. 54, at 8-10. In *LaSalle*, the Supreme Court held that when pre-petition equity holders were given an exclusive opportunity to participate as post-petition equity investors in the reorganized debtor, that opportunity constituted "a property interest extended 'on account of'" their pre-petition equity interests, even though the new equity was nominally attributable to new value contributed to the reorganized debtor. 526 U.S. at 456. The Court construed "on account of" in line with "common understanding" and held that the statutory language covers property received "because of" a pre-petition equity interest. *Id.* at 450. For similar reasons, when an exclusive investment opportunity is offered only to members of a particular creditor class, that opportunity constitutes part of the creditor's treatment "for" their claims under Section 1123(a)(4). *See ConvergeOne*, Dkt. No. 54, at 13.

10. Second, the district court in *ConvergeOne* addressed the possibility that a "market test" of an exclusive investment opportunity can demonstrate compliance with Section 1123(a)(4). As the court noted, *LaSalle* suggested that Section 1129(b)'s bar on equity recovery might not extend to a "truly full value transaction," in which a "market valuation" demonstrates that pre-petition equity holders' investment corresponds to what third parties would pay for the same opportunity. 526 U.S. at 453. In that scenario, the market valuation could demonstrate that the new equity position in the reorganized debtor was in fact attributable to newly contributed value, such that the plan would not be distributing property "at least in part, to do old equity a favor . . . because of old equity's prior interest" in the debtor. *Id.* at 458.

11. Applying *LaSalle*, the *ConvergeOne* court held that the pre-packaged Chapter 11 plan at issue did not include any market test that could validate the additional value flowing to the favored pre-petition lenders (which was nominally attributable to their backstop agreement). *ConvergeOne*, Dkt. No. 54, at 18 -19. The objecting lenders had been excluded from a restructuring support agreement that was finalized before the Chapter 11 filing, and there was "no dispute that the Debtors made no attempt to put the investment opportunity into an open-market option, seek any third-party input, or otherwise test the fair-market valuation of the backstopping agreement." *Id.* at 18. The court also held that that the possibility that the excluded lenders could offer a competing plan of reorganization was not an adequate market test. *Id.* at 17. Any such "opportunity' . . . was illusory at best," given that "the proposed pre-packaged Plan was basically finished, satisfied the needs of the Debtors, and permitted the in-group to recover more at the expense of the out-group." *Id.*

12. The same conclusions hold true here. As in *ConvergeOne*, the Favored First Lien Lenders negotiated a pre-packaged Chapter 11 plan that guarantees them favorable investment opportunities that are unavailable to other holders of First Lien Secured Claims, leading to disparate recoveries for creditors in the same class. They have done so via the RSA, which combines this favorable treatment with an obligation to vote their First Lien Secured Claims to accept the Proposed Plan and otherwise to support confirmation of the Proposed Plan. RSA § 5.02(a), (f). Thus, as in *ConvergeOne*, the Favored First Lien Lenders' exclusive investment opportunities constitute treatment "for" their First Lien Secured Claims under Section 1123(a)(4), which means that other holders of First Lien Secured Claims cannot be denied the same treatment without their consent.

13. Nor can the Debtors and the Favored First Lien Lenders defend the Proposed Plan's disparate treatment by depicting the additional value that the Favored First Lien Lenders have extracted as consideration for backstop commitments, rather than plan treatment for the Favored First Lien Lenders' claims. As the court explained in *ConvergeOne*, accepting that characterization would require a true "market test"—*i.e.*, "a genuine test of the market valuation of the backstopping opportunity." Dkt. No. 54, at 19. But the Debtors and the Favored First Lien Lenders cannot plausibly contend that there has been any "attempt to put the investment opportunity into an open-market option, seek any third-party input, or otherwise test the fair-market valuation of the backstopping agreement." *Id.* at 18. Indeed, the *Cross-Holder Group's Objection to Confirmation of the Joint Prepackaged Plan of Reorganization*, filed today, catalogs the myriad flaws in the Debtors' putative post-petition "sale process" and underscores the conclusion that the Proposed Plan does not reflect any genuine market valuation of the special recoveries earmarked for the Favored First Lien Lenders. Rather, this case presents precisely the same situation as the court addressed in *ConvergeOne*: a value-grab by certain favored creditors, followed by a push to confirm a pre-packaged Chapter 11 plan in order to insulate the parties' deal from a true market test.

14. Indeed, the terms of the supposed "backstop premiums" that the Favored First Lien Lenders have negotiated for themselves confirm that they cannot be considered bona fide compensation for the risk of providing backstop financing. Consider first the New Preferred Equity Investment Backstop Commitment Premium, which is calculated as 10% of the $489 million in total New Preferred Equity that will be made available for subscription by all holders of First Lien Secured Claims (*i.e.*, an amount that excludes the $97.8 million New Preferred Equity Investment Holdback that is reserved for the Favored First Lien Lenders and the Plan Sponsor). When these

cases were filed, however, the Debtors represented that the RSA was supported by holders of 72.3% in aggregate principal value of outstanding First Lien Secured Claims. *See* Dkt. No. 23, at ¶ 15. In other words, the Favored First Lien Lenders—*the parties that negotiated the terms of the New Preferred Equity*—held almost three quarters of the outstanding First Lien Secured Claims that would be eligible to participate in the Proposed Plan's subscription mechanic. Because it can safely be assumed that the Favored First Lien Lenders regard the terms that they negotiated as attractive ones, the likelihood is that the vast majority of the 72.3% of RSA holdings would elect to purchase New Preferred Equity, rendering much of the supposed "backstop" illusory.

15. The supposed "backstop" for the cash out option in connection with the New Term Loans is even more egregious. As an initial matter, the New Debt Backstop Premium is calculated as 8% of the full $1,565,000,000 face amount in New Term Loans that would be issued pursuant to the Proposed Plan—yielding $125.2 million in additional exit debt issued to the Favored First Lien Lenders (and the Plan Sponsor). But any lender who chooses the cash-out option will receive only 80% of the face amount of the New Term Loans that they would otherwise receive under the Proposed Plan; tying the 8% premium to the full $1,565,000,000 face amount of New Term Loans thus lacks economic justification. Moreover, the RSA bars its signatories from electing the cash-out option. *See* RSA § 5.02(*l*) (providing that Consenting Stakeholders agree not to "make any New Term Loan Cash Out Election"). Given that 72.3% of the potential cash-out electors were already signatories to the RSA when these cases were filed and thus had contractually agreed not to take cash-out option, the real risk associated with the cash-out backstop is much smaller than it is assumed to be under the Proposed Plan. In short, the Proposed Plan contemplates payment of a premium of $125,200,000 (*i.e.*, 8% of the full $1,565,000,000 in face amount) to "backstop" a maximum potential outlay of no more than $346,804,000 (*i.e.*, an 80% cash payment on account

of the 27.7% of the $1,565,000,000 in New Term Loans than are not accounted for by RSA signatories).

16. To state the obvious, this *36.1% fee* does not remotely correspond to any plausible "market valuation" of the Favored First Lien Lenders' backstopping commitment. *ConvergeOne,* Dkt. No. 54, at 19. To the contrary, this supposed "backstop premium" is exactly what Section 1123(a)(4) proscribes: A significant and unjustifiable outlay of incremental value that will be funneled to a favored subset of one class of creditors as treatment *for* their pre-petition claims, in order to secure their support for the Debtors' Proposed Plan. Confirmation should accordingly be denied.

JOINDER AND RESERVATION OF RIGHTS

17. In addition to asserting the arguments set forth above, the Excluded First Lien Lenders respectfully join in the arguments set forth in Sections II, IV, VI, VII, VIII.B, and VIII.C of the *Cross-Holder Group's Objection to Confirmation of the Joint Prepackaged Plan of Reorganization*, filed today.

18. The Excluded First Lien Lenders expressly reserves all rights, claims, defenses, and arguments, whether or not raised herein, including without limitation the right to raise additional objections to the Plan, the Disclosure Statement, or any related relief at or before the confirmation hearing. Nothing in this Objection shall be deemed a waiver of any issue or argument not expressly addressed herein.

19. In addition, the Excluded First Lien Lenders maintain the objection that venue is improper in this Court and reserve all rights to appeal this Court's decision [Dkt. No. 458] holding that venue is proper. Nothing in this Objection shall be deemed a waiver of any right or argument with respect to venue in this Court.

CONCLUSION

20. For the foregoing reasons, the Excluded First Lien Lenders respectfully request that the Court (a) deny confirmation of the Proposed Plan and (b) grant such other and further relief as the Court deems appropriate under the circumstances.

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Dated: March 24, 2026
West Orange, New Jersey

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Certificate of Service

I certify that on March 24, 2026, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the District of New Jersey.

By: */s/ Nicole T. Castiglione*
Nicole T. Castiglione