

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

K. Heeps HoldCo, LLC, *et al.*,¹

Debtors.

Chapter 11 (Subchapter V)

Case No. 26-11505 ()

(Joint Administration Requested)

**DECLARATION OF CHRISTOPHER DIAS IN SUPPORT
OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Christopher Dias, hereby declare under penalty of perjury:

1. I am currently the President of K. Heeps HoldCo, LLC and a member of its Board of Managers. I am also a Partner at Boston-based private equity firm Alta Equity Partners, LLC (“Alta”), where I have been employed since 2009.

2. Before joining Alta, I was an Associate in the leveraged finance group at NewStar Financial, where I focused on executing financing solutions to support middle-market leveraged buyouts, acquisitions, and recapitalizations across a range of industries. I hold a master’s degree and bachelor’s degree in economics from Boston University.

3. In my role as President and board member of K. Heeps HoldCo, LLC, I am knowledgeable and familiar with the Debtors’ (as defined below) day-to-day operations, business, and financial affairs, and the circumstances leading to the commencement of these Chapter 11 Cases (as defined below). Except as otherwise indicated herein, the statements in this declaration (the “Declaration”) are based on my personal knowledge, my review of relevant

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification numbers are: K. Heeps HoldCo, LLC (6064); and K. Heeps, LLC (5618). The Debtors’ service address is 5239 Tilghman Street, Allentown, PA 18104.

documents, information provided to me by the Debtors or their employees, advisors, or professionals, or my opinion based on my experience, knowledge, and information concerning the Debtors' operations and the industry in which they operate. I am over the age of eighteen, and if called upon to testify, I would testify competently to the facts set forth in this Declaration.

4. On the date hereof (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Court") commencing these chapter 11 cases (the "Chapter 11 Cases"). The Debtors are each a "debtor" as defined in section 1182(1) of the Bankruptcy Code and have elected to proceed under Subchapter V of chapter 11 of the Bankruptcy Code.

5. To minimize any disruption or other adverse effect resulting from the filing of the Chapter 11 Cases, on the Petition Date, the Debtors filed various motions seeking certain "first day" relief (collectively, the "First Day Motions"). I submit this Declaration in support of the First Day Motions and to assist the Court and parties in interest in understanding the Debtors, their business, and the circumstances leading to these Chapter 11 Cases. This Declaration is organized into the following sections:

- **Part I** describes the Debtors' business, including their corporate history and operations;
- **Part II** describes the Debtors' corporate and capital structure;
- **Part III** describes the challenges faced by the Debtors over recent years;
- **Part IV** discusses the Debtors' Subchapter V Election; and
- **Part V** discusses the First Day Motions.

I. Corporate History and Business Operations

A. General Background

6. The Debtors are a third-generation family-run business founded in 1948 by the great-uncle of the current President of K. Heeps, LLC, Beau Heeps. Beau Heeps joined the Debtors in 1994 and in 2008 became President of K. Heeps, Inc., taking over for his father James Heeps. The Debtors initially operated as a food-service company before expanding into the production of puréed food products in 1992, working alongside national and multinational companies while developing their own bespoke manufacturing process.

7. US Patent No 5,322,705 was filed in 1992 and later issued to James Heeps in 1994 (granted June 21, 1994; expired 2012) covering the process for making a cooked, puréed food product. The Debtors were pioneers in the industry and have been using their unique processes and expertise to produce purées for over thirty years.

8. On or about July 14, 2021, AEP K. Heeps Investors, LLC, of which I am a member, acquired a controlling interest in the Debtors by purchasing approximately 70% of the equity in K. Heeps HoldCo, LLC. The investment contemplated the continued growth and expansion of the Debtors' business operations. As part of this investment, the Debtors modified their organizational structure and converted K. Heeps, Inc. from a Pennsylvania corporation to a Pennsylvania limited liability company, resulting in the formation of the Debtors' current operating company K. Heeps, LLC.

B. Business Operations

1. *Operations Overview*

9. Today, the Debtors operate as a food manufacturing company, serving primarily hospitals and long-term care facilities across the United States. The Debtors manufacture special-purpose, nutrient-dense puréed meats, vegetables, fruits, desserts, and entrées in pre-

portioned, visually appealing servings for those with dysphagia (i.e., swallowing disorders). The Debtors are headquartered in Allentown, Pennsylvania, where they operate a 50,000-square-foot manufacturing plant.

2. *The Debtors' Cash Management System*

10. The Debtors maintain two bank accounts (collectively, the “Bank Accounts” and each, a “Bank Account”). One Bank Account is held at Salem Five Cents Savings Bank (“Salem Bank”) and the other is held at Fulton Bank, N.A. (“Fulton Bank,” and together with Salem Bank, the “Banks”). Both Bank Accounts are held in the name of K. Heeps, LLC.

11. The Bank Account held at Salem Bank is the Debtors’ main operating account, where the majority of the Debtors’ transactions take place. All of the Debtors’ incoming cash is deposited into the Bank Account held at Salem Bank and all disbursements are made from this Bank Account. The Debtors use “Positive Pay”² and no debit transaction clears without the Debtors’ approval. The Bank Account held at Fulton Bank is a business checking account used only to deposit checks and obtain petty cash. The Bank Account held at Fulton Bank has not had activity since May 2026 but is maintained so that the Debtors have access to a local bank branch.

3. *The Debtors' Employees*

12. The Debtors’ employees are all employed by K. Heeps, LLC. As of the Petition Date, there are 77 part- and full-time employees, in addition to five temporary employees (collectively, the “Employees”). Specifically, 73 Employees are full-time salaried employees, four are part-time Employees, and five are temporary employees whose wages are paid directly to the Debtors’ staffing agency, Employer Solution Staffing Group.

² Positive Pay is an automated fraud prevention service that verifies checks that are presented for payment on a company’s account against the company’s check register on a daily basis.

13. The Employees provide a variety of essential functions, including management and leadership, sales and customer service, production, food safety and quality compliance, finance and accounting, manufacturing and servicing, human resources and legal, safety and operations, and warranty and supply chain. The Employees include personnel that are intimately familiar with the Debtors' business and the bespoke manufacturing process used to create the Debtors' highly specialized and innovative products. Many Employees have also developed relationships with suppliers, customers, and other key constituents essential to the Debtors' business. The Employees are therefore essential to the effective operation of the Debtors' business and their ability to maximize value during the pendency of these Chapter 11 Cases.

II. The Debtors' Prepetition Corporate and Capital Structure

A. The Debtors' Corporate Structure

1. *K. Heeps, LLC*

14. K. Heeps, LLC is a Pennsylvania limited liability company and the only operational debtor entity. The equity in K. Heeps, LLC is wholly owned by K. Heeps HoldCo, LLC. K. Heeps, LLC, in turn, holds 100% of the equity of non-debtor affiliate K. Heeps Real Estate Company, LLC.

2. *K. Heeps HoldCo, LLC*

15. K. Heeps HoldCo, LLC is a Delaware limited liability company used solely as a holding company. The equity of K. Heeps HoldCo, LLC is held by (i) AEP K. Heeps Investors, LLC (68.85%); (ii) K. Heeps Seller One, Inc. (29.51%); and (iii) K. Heeps Incentive Company, LLC (1.64%).

B. The Debtors' Prepetition Capital Structure

16. As of the Petition Date, the Debtors have approximately \$2.2 million in total secured debt, excluding contingent obligations and obligations owed to related third-parties. The

Debtors have approximately \$185,688.57 of cash on hand, all of which is encumbered. The following table depicts the Debtors' prepetition capital structure:

Secured Debt and Other Obligations	Approx. Outstanding Amount
Business Loans (Term Loan and Revolving Line of Credit)	\$2,000,000
Real Estate Loans (Contingent, Guaranteed Debt)	\$6,654,129
Equipment Loans	\$215,763.42
Subordinated Seller Note (Unsecured – Owed to Insider/Affiliate)	\$1,100,000

1. *The Business Loans*

17. On or about July 14, 2021, the Debtors and Salem Bank entered into that certain Loan Agreement, dated as of July 14, 2021 (as amended, restated or otherwise modified from time to time, the “Business Loan Agreement”), whereby Salem Bank (i) extended a term loan to the Debtors in the original principal amount of \$7,000,000 (the “Business Term Loan”), and (ii) extended a revolving line of credit in an amount up to \$1,500,000 (the “Revolving Line of Credit” and together with the Business Term Loan, the “Business Loans”) in favor of the Debtors. The Business Term Loan and the Revolving Line of Credit are evidenced by (i) that certain Secured Term Note, dated as of July 14, 2021, by the Debtors in favor of Salem Bank in the amount of \$7,000,000 (as amended, restated or otherwise modified from time to time, the “Business Term Note”) and (ii) that certain Secured Revolving Note, dated as of July 14, 2021, by the Debtors in favor of Salem Bank in the maximum amount of \$1,500,000 (as amended, restated or otherwise modified from time to time, the “Revolving Note”).

18. The Business Loans are secured by a first-priority security interest in substantially all of the Debtors' personal property and assets, pursuant to that certain Security Agreement,

dated as of July 14, 2021, by the Debtors in favor of Salem Bank (as amended, restated or otherwise modified from time to time, the “2021 Security Agreement” and together with the Business Loan Agreement, the Business Term Note, and the Revolving Note, the “Business Loan Documents”).³

2. *The Real Estate Loans*

19. On or about July 14, 2021, non-debtor K. Heeps Real Estate Company, LLC (“PropCo”) and Salem Bank entered into that certain Loan Agreement, dated as of July 14, 2021 (as amended, restated or otherwise modified from time to time, the “Real Estate Loan Agreement”), whereby Salem Bank extended a term loan to PropCo in the original principal amount of \$3,800,000 (the “2021 Real Estate Loan”). The 2021 Real Estate Loan is evidenced by that certain Secured Term Note, dated July 14, 2021, by PropCo, in favor of Salem Bank, in the amount of \$3,800,000 (as amended, restated or otherwise modified from time to time, the “2021 Real Estate Note”).

20. The 2021 Real Estate Loan is secured by a first priority lien on and security interest in certain real property located in Lehigh County, Pennsylvania, together with improvements, fixtures, and rents (the “Real Estate Collateral”) pursuant to that certain Open-End Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of July 14, 2021 (as amended, restated or otherwise modified from time to time, the “2021 Mortgage”).

21. On or about February 24, 2023, PropCo and Salem Bank entered into that certain First Amendment to Loan Agreement, dated February 24, 2023 (as amended, restated or

³ As discussed below, Salem Bank has released K. Heeps HoldCo, LLC from its liability under the Business Term Loan and released its liens on any collateral provided by K. Heeps HoldCo, LLC to secure such indebtedness.

otherwise modified from time to time, the “Real Estate Loan Amendment”), whereby Salem Bank extended an additional term loan to PropCo in the original principal amount of \$4,300,000 (the “2023 Real Estate Loan” and together with the 2021 Real Estate Loan, the “Real Estate Loans”) to fund expansion of the Real Estate Collateral. The 2023 Real Estate Loan is evidenced by a Secured Term Note, dated February 24, 2023, by PropCo, in favor of Salem Bank, in the amount of \$4,300,000 (as amended, restated or otherwise modified from time to time, the “2023 Real Estate Note” and together with the 2021 Real Estate Note, the “Real Estate Notes”).

22. The 2023 Real Estate Loan is secured by a first priority lien on and security interest in the Real Estate Collateral, together with all additional lands, estates, and development rights acquired by PropCo for use in connection with the Real Estate Collateral, pursuant to that certain Open-End Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of February 23, 2023 (as amended, restated or otherwise modified from time to time, the “2023 Mortgage” and together with the Real Estate Loan Agreement, Real Estate Loan Amendment, Real Estate Notes, and 2021 Mortgage, the “Real Estate Loan Documents”).

23. Both Real Estate Loans are unconditionally guaranteed by the Debtors pursuant to (i) that certain Unconditional Guaranty, dated as of July 14, 2021, by the Debtors in favor of Salem Bank (as amended, restated or otherwise modified from time to time, the “2021 Guaranty”) and (ii) that certain Unconditional Guaranty, dated as of February 23, 2023, by the Debtors in favor of Salem Bank (as amended, restated or otherwise modified from time to time, the “2023 Guaranty” and together with the 2021 Guaranty, the “Unconditional Guaranties”).

24. As additional security for the Real Estate Loans, the Debtors executed that certain Security Agreement, dated as of February 23, 2023 (as amended, restated or otherwise modified

from time to time, the “2023 Security Agreement” and together with the Real Estate Loan Documents, Business Loan Documents, and Unconditional Guaranties, the “Salem Loan Documents”), in favor of Salem Bank, whereby the Debtors granted Salem Bank an all-asset lien securing all obligations arising under both the Business Loan Agreement and the 2023 Guaranty.

3. *The Equipment Loans*

25. On or about December 1, 2021, K. Heeps, LLC and Fulton Bank entered into that certain Loan Agreement, dated December 1, 2021, whereby Fulton Bank agreed to extend (i) a term loan in the original principal amount of \$721,500 (“Term Loan #1”) and (ii) a term loan in the original principal amount of \$285,500 (“Term Loan #2” and together with Term Loan #1, the “2021 Equipment Loans”) to K. Heeps, LLC for the purchase of certain equipment. The 2021 Equipment Loans are evidenced by (i) that certain Term Loan Note, dated December 1, 2021, by K. Heeps, LLC in favor of Fulton Bank in the amount of \$721,500 and (ii) that certain Term Loan Note, dated December 1, 2021, by K. Heeps, LLC in favor of Fulton Bank in the amount of \$285,500.

26. The 2021 Equipment Loans are secured by a security interest in two pieces of equipment, as more fully described in that certain Security Agreement, dated as of December 1, 2021, by K. Heeps, LLC in favor of Fulton Bank.

27. On or about June 7, 2023, Fulton Bank extended an additional term loan to K. Heeps, LLC in the original principal amount of \$251,478 (the “2023 Equipment Loan”), pursuant to that certain Promissory Note, dated June 7, 2023, by K. Heeps, LLC in favor of Fulton Bank.

28. The 2023 Equipment Loan is secured by specific equipment, as more fully described in that certain Commercial Security Agreement, dated June 7, 2023, by K. Heeps, LLC in favor of Fulton Bank.

4. *The Subordinated Seller Note*

29. In connection with Alta's 2021 investment in the Debtors, K. Heeps, LLC issued that certain Subordinated Promissory Note, dated July 14, 2021 (the "Subordinated Seller Note"), in favor of non-debtor K. Heeps Seller One, Inc. ("Seller One"), whereby K. Heeps, LLC agreed to pay \$1,500,000 to Seller One. The Subordinated Seller Note is unsecured and subordinated to the obligations arising under the Salem Loan Documents.

5. *Other Unsecured Claims*

30. The Debtors routinely incur fixed, liquidated, and undisputed payment obligations in the ordinary course of business to various third-party providers of goods and services. The Debtors rely on a network of vendors to supply fresh produce, proteins, flavoring, packaging, and other ingredients and supplies required for the production of various pureed food products. Currently, the Debtors have approximately \$796,986.19 of accounts payable.

III. Challenges Facing the Debtors

31. The Debtors filed these Chapter 11 Cases to restructure their secured debt and to preserve the going-concern value of the Debtors' business for their stakeholders and all parties in interest.

32. The Debtors are involved in an ongoing litigation with their primary customer, Medtrition, Inc. ("Medtrition"), which has resulted in financial and operational challenges that threaten the viability of the Debtors' short- and long-term business operations. As described below, these factors precipitated the filing of these Chapter 11 Cases.

A. The Debtors' Relationship with Medtrition and the 2016 Co-Packer Agreement

33. As of the Petition Date, Medtrition is the Debtors' largest customer and the primary source of the Debtors' revenue. The Debtors' business relationship with Medtrition

dates back to 2013 when the Debtors agreed to allow Medtrition to sell and market the Debtors' products under the brand name "Café Puree" on behalf of Medtrition's predecessor entity, Café Puree Inc. This agreement was memorialized in that certain Co-Packer Agreement, dated June 1, 2014 (the "2014 Co-Packer Agreement"), by and between K. Heeps, Inc. (predecessor in interest to K. Heeps, LLC) and Café Puree Inc. (predecessor in interest to Medtrition). The 2014 Co-Packer Agreement was not fully executed until June 16, 2015.

34. On or about March 1, 2015, the Debtors and Medtrition, through their respective predecessors in interest, entered into that certain Co-Packer Agreement, dated March 1, 2015 (the "2015 Co-Packer Agreement"), for the manufacture and sale of powder products. Like the 2014 Co-Packer Agreement, the 2015 Co-Packer Agreement was not fully executed until June 16, 2015.

35. Both the 2014 Co-Packer Agreement and the 2015 Co-Packer Agreement were signed by Beau Heeps, President of K. Heeps, Inc. According to the Debtors' books and records, neither the 2014 Co-Packer Agreement nor the 2015 Co-Packer Agreement was renewed or extended.

36. On or about June 29, 2016, the parties, through their respective predecessors in interest, purportedly entered into that certain Co-Packer Agreement, dated June 29, 2016 (the "2016 Co-Packer Agreement"), whereby the Debtors agreed to serve as the exclusive supplier and co-packer for the production of Medtrition's Café Puree product line. Unlike the 2014 Co-Packer Agreement and the 2015 Co-Packer Agreement, the 2016 Co-Packer Agreement was allegedly signed by James Heeps, the former President of K. Heeps, Inc. The Debtors had no record of the 2016 Co-Packer Agreement prior to it being brought to the attention of the Debtors'

management team after Medtrition's commencement of the State Court Action (as defined below).

37. Pursuant to Section 2 of the 2016 Co-Packer Agreement, it was to automatically terminate on July 1, 2017 (the "Termination Date"), unless renewed for successive one-year periods at Medtrition's option by providing written notice of such election ninety (90) days prior to expiration. Specifically, Section 2 of the 2016 Co-Packer Agreement states:

The term of this Agreement shall commence as of the date of this Agreement and shall continue in full force and effect until July 1, 2017 (the "Term"). This Agreement may, at the option of Cafe Puree, Inc., be renewed for an additional one (1) year period, and successive one (1) year periods thereafter, by providing written notice to Co-Packer of such election to renew at least ninety (90) days prior to expiration of the Term or any renewal term thereof.

38. Section 13(b) of the 2016 Co-Packer Agreement includes a non-compete provision (the "Non-Compete"), which states that the Debtors "shall not, directly or indirectly, engage in the business of producing, distributing, purchasing, or selling, or otherwise dealing in, any products, goods, or merchandise that cannot be differentiated from the Product by taste or formula evaluation in any part of the United States, except pursuant to this Agreement." Section 13(b) further provides that the Non-Compete shall remain in full force and effect (i) during the initial term of the 2016 Co-Packer Agreement, (ii) during any renewal term of the 2016 Co-Packer Agreement, and (iii) for a period of one year following termination of the 2016 Co-Packer Agreement. The Debtors have no record of Medtrition renewing the 2016 Co-Packer Agreement in writing or otherwise prior to the Termination Date.

39. The Debtors' records indicate that on October 26, 2020, an email was sent from Medtrition's CFO, Trey Little, to James Heeps stating:

According to our agreement, we need to renew every year by giving written notice, so I wanted to confirm that we are wanting to renew for another year, which would take us through July of 2021. Can you please confirm that you are in agreement with this?

40. Since July 2021, no additional requests to extend the Termination Date have been received from Medtrition and the parties have continued to operate on a per purchase order/invoice basis.

41. On or about May 2024, in response to the Debtors' request for a price increase, Medtrition advised the Debtors' management team that it believed Medtrition could stop working with the Debtors at any time. Medtrition also led the Debtors' management team to understand that Medtrition was searching for a replacement co-packer. Accordingly, the Debtors' management team decided to develop their own product line to reduce the risk presented by their overdependence on Medtrition. Diversifying the Debtors' revenue streams was a critical strategic initiative to support the Debtors' long-term viability and reduce their reliance on a single customer. The Debtors subsequently commenced the production of "Eatsential" products, their own unique line of puréed food products.

42. On or about April 28, 2026, the Debtors informed Medtrition that the Debtors would be winding down the parties' relationship. At Medtrition's request, on April 29, 2026, members of the Debtors' management team held a video call with Medtrition. On this call, Medtrition's representatives acknowledged that the Debtors had a right to sell their own product line but requested that the Debtors provide Medtrition with a longer transition period beyond the Debtors' proposed 60-day transition period. At no time during the call did Medtrition's representatives reference the existence of a contract between the parties or any restrictions on competition.

B. The State Court Action and Preliminary Injunction

43. Despite Medtrition's representation, a mere nine days later, on May 8, 2026, Medtrition filed a verified complaint in the Lancaster County Court of Common Pleas (the "State Court") commencing the case captioned *Medtrition, Inc. v. K. Heeps, Inc., et al.*, Case No. 26-

03265 (the “State Court Action”). Medtrition’s verified complaint asserts claims for, among other things, breach of the 2016 Co-Packer Agreement, misappropriation of trade secrets, tortious interference, and unfair competition.

44. Simultaneously, Medtrition filed a Petition for Temporary Restraining Order and Preliminary Injunction. On May 8, 2026, the same day the State Court Action was filed, the State Court entered an *ex parte* temporary restraining order (the “TRO”) barring the Debtors from “manufacturing, producing, packaging, distributing, selling, marketing, advertising, or promoting any products under the Eatsential brand name or any other brand that compete with, imitate, or are substantially similar to Medtrition’s Café Puree products.” The TRO also enjoined the Debtors from “discontinuing manufacturing and packaging of Medtrition’s Café Puree products until a reasonable transition can take place,” and directed that “[t]he status quo as set forth in the contracts between Medtrition and Heeps shall be maintained until the parties’ rights are finally determined.”

45. A hearing on Medtrition’s request for a preliminary injunction was held on May 13, 2026. The State Court found in Medtrition’s favor and issued an order keeping the TRO in effect (the “Preliminary Injunction”). As a result, the Debtors were required to continue manufacturing products for Medtrition without the ability to continue producing their own product line. The Superior Court of Pennsylvania (an intermediate appellate court) denied a stay pending appeal on July 10, 2026, and the State Court denied reconsideration on July 29, 2026. Appeals remain pending.

46. The Debtors maintain, and have argued in the State Court Action, that Medtrition’s claims are without merit. The Debtors’ product line is materially different in both formula and flavor from any of Medtrition’s products and was developed using the Debtors’

substantial manufacturing expertise that predated the parties' relationship. Accordingly, the Debtors maintain that even if the 2016 Co-Packer Agreement did not terminate and the Non-Compete is still in effect, which the Debtors dispute, it would not be applicable to the manufacture and sale of the Debtors' Eatsential line.

C. The Bank Defaults and Resulting Operational Strain

47. The Preliminary Injunction set off a chain of events that strained the Debtors' operations, financial stability, and long-term business outlook. The Preliminary Injunction compelled the Debtors to continue manufacturing products for Medtrition on an open-ended timetable, while barring them from every other line of business. Because pureed food manufacturing is the Debtors' only business, the injunction left the Debtors' revenue entirely dependent on a single customer whose relationship with the Debtors had proven unstable and now litigious. Additionally, by this time, the Debtors' management team understood that Medtrition was actively seeking a replacement co-packer. The Debtors were completely exposed to the risk that Medtrition would replace them while being unable to explore alternative revenue streams.

48. The Preliminary Injunction also resulted in financial consequences that cost the Debtors their operating credit. After the Preliminary Injunction was issued, Salem Bank declined to extend the Business Term Note beyond its July 14, 2026 maturity date. The Debtors subsequently failed to pay the Business Term Loan in full on the maturity date.

49. On July 22, 2026, Salem Bank issued a default and reservation-of-rights letter (the "Default Notice") notifying the Debtors, among other things, that (i) the Business Term Loan was due and payable in full, (ii) the Preliminary Injunction constituted a "Material Adverse Effect" under all Salem Loan Documents and an omnibus event of default, (iii) *all* indebtedness

owed to Salem Bank had been accelerated, and (iv) Salem Bank would have no obligation to make any future advances under the Salem Loan Documents, including under the Revolving Line of Credit which the Debtors depended upon to fund operations. The Default Notice also stated that the Preliminary Injunction is “substantially problematic in the Bank’s view for obvious reasons . . . as the viability of the business of K. Heeps is now essentially beholden to Medtrition who likely will seek an alternate source.”

50. Moreover, on or about August 11, 2026, Salem Bank requested a new appraisal for the Real Estate Collateral. On or about August 31, 2026, a new appraisal report was issued and Salem Bank determined that the Real Estate Loans were outside the 80% loan-to-value ratio required under the Real Estate Loan Documents, triggering an additional event of default. As a result, Salem Bank demanded a \$1.5 million segregated cash reserve as credit support.

51. With their indebtedness accelerated, no committed source of working capital, Medtrition actively pursuing a replacement co-packer, and no ability to develop a new product line critical to their survival once Medtrition replaces the Debtors, the Debtors and Salem Bank engaged in negotiations regarding potential paths forward. The parties evaluated several different possibilities to implement a comprehensive debt restructuring, including pursuing a forbearance agreement, amending the Salem Loan Documents, filing for chapter 11 bankruptcy or some combination of the foregoing.

D. The Retention of the Professionals and Negotiations with the Bank

52. As it became increasingly clear to the Debtors’ management that the Debtors would need to explore a potential bankruptcy filing to implement a comprehensive restructuring with Salem Bank, the Debtors retained Ice Miller LLP on August 28, 2026 and Development Specialists, Inc. (“DSI”) on September 11, 2026. Mark T. Iammartino, a Senior Managing

Director at DSI, was appointed as the Debtors' Chief Restructuring Advisor on September 11, 2026.

53. The Debtors continued negotiations with Salem Bank to reach a consensual resolution concerning the outstanding events of default. In parallel, DSI and Ice Miller began working on bankruptcy contingency planning.

54. On or about September 22, 2026, the Debtors, PropCo, and Salem Bank entered into that certain Reinstatement, Modification and Forbearance Agreement, dated as of September 22, 2026 (as amended, restated or otherwise modified from time to time, the "Reinstatement and Forbearance Agreement") whereby Salem Bank, among other things, (i) rescinded and withdrew its prior acceleration of the Real Estate Loans and demand for payment, (ii) released K. Heeps HoldCo, LLC from all liabilities under the Business Term Loan and released its liens on any collateral provided by K. Heeps HoldCo, LLC to secured such indebtedness, (iii) terminated the Revolving Line of Credit, and (iv) agreed to forbear from exercising its rights and remedies to collect the Business Term Loan for six months, pending successful reorganization efforts. The Reinstatement and Forbearance Agreement further provides that the Debtors' obligations arising under the Unconditional Guaranties constitute contingent obligations only which are not presently due and payable.

55. As consideration for the deceleration of the Real Estate Loans under the Reinstatement and Forbearance Agreement, K. Heeps, LLC is required to maintain a segregated deposit account at Salem Bank (the "Pledged Cash Account") with a balance of not less than \$1,500,000. Salem Bank shall have a continuing security interest in and lien on the Pledged Cash Account as additional security for all obligations arising under the Business Term Loan and Real Estate Loans.

IV. The Debtors' Subchapter V Election

56. Following extensive negotiations with Salem Bank, the Debtors elected to pursue relief under Subchapter V of the Bankruptcy Code to implement a comprehensive restructuring of their secured debt, prevent Salem Bank from exercising its remedies under the Salem Loan Documents, and address the restrictive and burdensome obligations caused by Medtrition's assertion of purported rights under the expired 2016 Co-Packer Agreement. These goals could not be adequately addressed outside a coordinated restructuring.

57. Moreover, the Debtors elected to proceed under Subchapter V because it offers a streamlined and cost-effective path to reorganization that is specifically tailored to small business debtors. By eliminating many of the administrative burdens and expenses associated with a traditional chapter 11 case, Subchapter V enables the Debtors to preserve liquidity, maintain operations, and focus their resources on implementing a consensual restructuring for the benefit of all stakeholders.

V. First Day Motions

58. The Debtors have filed the First Day Motions to facilitate a smooth transition into chapter 11 and minimize disruptions to the Debtors' business operations.

59. A list of the First Day Motions is set forth below:

- i. *Debtors' Motion for an Order Directing Joint Administration of Chapter 11 Cases;*
- ii. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, and (C) Maintain Existing Business Forms; (II) Authorizing the Debtors' Banks to Honor All Related Payment Requests; and (III) Granting Related Relief;*
- iii. *Debtors' Motion for Entry of Interim and Final Orders (I) Approving Form of Adequate Assurance of Payment to Utility Companies; (II) Establishing Procedures for Resolving Objections by Utility*

Companies; (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, and (IV) Granting Related Relief;

- iv. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Taxes and Fees, (II) Authorizing the Debtors' Banks to Honor All Related Payment Requests, and (III) Granting Related Relief;*
- v. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Them to (A) Maintain Insurance Policies and Honor Obligations Thereunder, and (B) Renew, Amend, Supplement, Extend, or Purchase New Insurance Policies, and (II) Granting Related Relief;*
- vi. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, the Debtors to (A) Pay Prepetition Wages, Compensation, Employee Benefits, and Other Employee Obligations and (B) Continue Certain Employee Benefit Programs in the Ordinary Course; (II) Authorizing All Banks to Honor Prepetition Checks for Payment of Prepetition Employee Obligations; and (III) Granting Related Relief;*
- vii. *Debtors' Motion for Entry of an Order Authorizing Redaction of Certain Personal Identifying Information Within the Consolidated List of Creditors and Other Filings;*
- viii. *Debtors' 156(c) Application for Retention and Appointment of Omni Agent Solutions, Inc. as Claims and Noticing Agent;*
- ix. *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to File Under Seal the Name of a Certain Confidential Party in Interest on the Debtors' Top 20 Credit List and Osborne Declaration;*
- x. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims Arising Under the Perishable Agricultural Commodities Act and (II) Authorizing All Banks to Honor and Process Checks and Electronic Transfer Requests Related to the Foregoing; and*
- xi. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lender; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief.*

60. The above First Day Motions seek authority to, among other things, honor workforce related compensation and benefit obligations, pay certain prepetition claims, continue

using the Debtors' bank accounts, and continue other operations in the ordinary course of business.

61. The Debtors have narrowly tailored the First Day Motions to (i) continue their operations in chapter 11 to preserve value for the Debtors' estates and their stakeholders; (ii) provide an adequate runway for the Debtors to effectuate a successful reorganization process; and (iii) establish procedures for the efficient administration of the Chapter 11 Cases.

62. I have reviewed each of the First Day Motions (including the exhibits and schedules attached thereto) and, to the best of my knowledge, information and belief, the facts set forth therein are true and correct. I incorporate by reference the factual statements set forth in each of the First Day Motions as though set forth herein. Based on my personal knowledge, information supplied to me by and discussions with other members of the Debtors' management, Debtors' counsel, professionals, and representatives, my review of relevant documents, my opinion based upon my experience and the aforementioned review and discussions, and as set forth in more detail below, I believe that the relief sought in each First Day Motion (a) is necessary for the Debtors to (i) minimize disruption and loss of productivity to their business; (ii) effectuate a smooth transition into and operate within these Chapter 11 Cases; (iii) avoid immediate and irreparable harm; (b) is in the best interests of the Debtors' creditors, estates, and other stakeholders; and (c) constitutes a critical element in preserving value during these Chapter 11 Cases.

63. Additionally, several of the First Day Motions request authority to pay certain prepetition claims. I understand that Rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent that

relief is necessary to avoid immediate and irreparable harm.” Given this requirement, the Debtors have narrowly tailored their requests for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors’ estates. Other relief will be deferred for consideration at a later hearing.

[Remainder of page intentionally left blank]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct.

Dated: September 24, 2026

By: /s/ Christopher Dias
Name: Christopher Dias
Title: President of K. Heeps HoldCo, LLC