IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
VYAIRE MEDICAL, INC., *et al.*,[1]	)	Case No. 24-11217 (BLS)
Debtors.	)	(Jointly Administered)

DECLARATION OF MICHAEL SCHLAPPIG IN SUPPORT OF THE DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (II) AUTHORIZING THE DEBTORS TO ENTER INTO A STALKING HORSE AGREEMENT AND PROVIDE BID PROTECTIONS, (III) APPROVING THE FORM AND MANNER OF NOTICE THEREOF, (IV) SCHEDULING AN AUCTION AND SALE HEARING, (V) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS, (VI) APPROVING THE SALE OF THE DEBTOR'S ASSETS FREE AND CLEAR, AND (VII) GRANTING RELATED RELIEF

I, Michael Schlappig, declare under penalty of perjury:

1. I am a Managing Director in the Restructuring and Special Situations Group at PJT Partners LP ("PJT"), a leading investment banking firm listed on the New York Stock Exchange with its principal offices at 280 Park Avenue, New York, New York 10017. The above-captioned debtors and debtors in possession (collectively, the "Debtors") intend to file an application seeking to retain PJT as their investment banker in these chapter 11 cases.

2. I submit this declaration (this "Declaration") in support of the relief requested in the *Motion of the Debtors for Entry of an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtors' Assets, (II) Authorizing the Debtors to Enter Into*

[1] The last four digits of Debtor Vyaire Medical, Inc.'s federal tax identification number are 6495. A complete list of each of the Debtors in these chapter 11 cases and each such Debtor's federal tax identification number may be obtained on the website of the Debtors' claims and noticing agent at https://omniagentsolutions.com/Vyaire. The location of Debtor Vyaire Medical, Inc.'s principal place of business and the Debtors' service address in these chapter 11 cases is 26125 North Riverwoods Boulevard, Mettawa, Illinois, USA 60045.

a Stalking Horse Agreement and Provide Bid Protections, (III) Approving the Form and Manner of Notice Thereof, (IV) Scheduling an Auction and Sale Hearing, (V) Approving Procedures for the Assumption and Assignment of Contracts, (VI) Approving the Sale of the Debtors' Assets Free and Clear, and (VII) Granting Related Relief [Docket No. 16] (the "Bidding Procedures Motion").[2]

3. Except as otherwise indicated, all statements set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the PJT team, the Debtors' management team, and/or the Debtors' other advisors, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. If called as a witness, I could and would testify competently to the statements set forth in this Declaration on that basis. I am not being specifically compensated for this testimony other than through payments received by PJT as a professional proposed to be retained by the Debtors.[3] I am over the age of 18 years and authorized to submit this Declaration on behalf of the Debtors.

Background and Qualifications

4. PJT is a leading global financial advisory firm with more than 1,000 employees in eleven offices in the U.S., Europe, and Asia. The firm offers integrated advisory services for mergers and acquisitions, restructuring and special situations, and fund placement. PJT is an industry leader in advising companies and creditors in all aspects of complex restructurings and bankruptcies. The firm has extensive experience providing financial advisory and investment

---

[2] Capitalized terms used but not otherwise defined shall have the meaning ascribed to them in the Bidding Procedures Motion or the *Declaration of John Bibb, Group Chief Executive Officer of Vyaire Medical, Inc., in Support of Chapter 11 Filing and First Day Motions* [Docket No. 15], (the "First Day Declaration") as applicable.

[3] Pursuant to PJT's engagement letter with the Debtors, subject to Court approval thereof, PJT will be entitled to receive certain fees in connection with the transactions described herein.

banking services to financially distressed companies. PJT is a registered broker dealer with the United States Securities and Exchange Commission and is a member of the Securities Investor Protection Corporation and is regulated by the Financial Industry Regulatory Authority.

5. I received a Bachelor of Arts in Economics and a Minor in French Area Studies from Cornell University, and an MBA from Columbia Business School. I have approximately eighteen (18) years of investment banking and restructuring experience. I have been employed by PJT since October 2015, when PJT was spun off from The Blackstone Group L.P. ("Blackstone"). Prior to PJT's spin-off from Blackstone in 2015, I was a Vice President in Blackstone's Restructuring & Reorganization Group. Prior to joining Blackstone in 2010, I worked as an investment banker at Lazard and at Banc of America Securities (now known as Bank of America Merrill Lynch).

6. I have extensive experience advising companies and their stakeholders in chapter 11 restructurings, out-of-court workouts, and other distressed transactions, including the following representative publicly disclosed transactions, among others: BW Homecare Holdings, LLC; Cineworld Group PLC; Clearwire Corporation; Digicel Group Limited; Essar Steel Algoma Inc.; Frontier Communications Corporation; GFG Alliance; GT Advanced Technologies Inc.; Ligado Networks LLC; LightSquared Inc.; Magnum Hunter Resources Corporation; NII Holdings, Inc.; Northpole Newco S.a.r.l; Pacific Drilling S.A.; Starry Group Holdings, Inc.; syncreon Group B.V.; TerreStar Corporation/TerreStar Networks Inc.; Theia Group, Inc.; and Windstream Holdings, Inc.

The Prepetition Retention of PJT

7. In April 2023, the Debtors retained PJT as their investment banker to pursue balance sheet alternatives. In April 2024, the Debtors expanded the scope of PJT's engagement to include investment banking services in connection with a potential capital raise, restructuring, and/or the sale of Vyaire, in part or in full, through an in-court process, including assistance with

the negotiation of the terms of the proposed debtor-in-possession financing (the "DIP Facility") and the restructuring support agreement (the "RSA") in these chapter 11 cases. Based on PJT's work with the Debtors, members of the PJT team and I are familiar with the Debtors' capital structure, liquidity needs, and business operations.

The Marketing Process

8. As described in the First Day Declaration, the Debtors commenced these chapter 11 cases to address their balance sheet and liquidity challenges. In April 2024, the Company, with the assistance of PJT and in coordination with the prepetition first lien lenders, began preparations to launch a third-party marketing process (the "Marketing and Sale Process") to solicit proposals for any and all of the Debtors' assets (the "Assets") including for the Ventilation Assets, and separately for the Respiratory Diagnostic Assets.

9. At the outset of the process, the Company, with PJT's assistance, prepared a teaser and compiled a list of over 100 potential parties comprised of both strategic and financial buyers. Additionally, the Company, with PJT's assistance, prepared detailed confidential information memoranda (each, a "CIM") for the Ventilation Assets and separately for the Respiratory Diagnostic Assets, and populated a virtual data room (the "VDR") containing substantial diligence materials. On May 3, 2024, PJT commenced the formal market outreach and provided a teaser and non-disclosure agreement ("NDA") to potential purchasers. The outreach to potential purchasers has resulted in 51 parties signing the NDA and receiving a copy of the CIM and access to the VDR. PJT began distributing a formal process letter to the interested parties that signed NDAs on May 13, 2024. The process letter set the submission deadline for indications of interest on May 31, 2024, with final bids due no later than June 10, 2024. On June 4, 2024, the Debtors added to the VDR a form asset purchase agreement expected to be marked-up by interested parties as part of submitting final bids. Following commencement of the chapter 11 proceedings, on June

13, 2024, PJT began distributing an updated formal process letter to interested parties that extended the deadline for submission of final bids to July 22, 2024. While the Debtors have yet to select a stalking horse bidder for the Ventilation Assets or Respiratory Diagnostics Assets, the Debtors have received multiple indications of interest and are actively progressing diligence with various parties. Pursuant to the Bidding Procedures Motion, the Debtors seek authority, in their discretion, to designate one or more stalking horse bidders and offer certain bidding protections in furtherance of facilitating a competitive sale process.

10. As set forth in the Bidding Procedures Motion, the Debtors are seeking approval of the Bidding Procedures to establish a clear and transparent process for the solicitation, receipt, and evaluation of bids on a court-approved timeline that allows the Debtors to timely consummate a sale of their Assets.

The Bidding Procedures

11. I have reviewed the Bidding Procedures. Generally speaking, the Bidding Procedures establish, among other things:

- the availability of due diligence materials and access to conduct due diligence review by Prospective Bidders;
- the deadlines and requirements regarding a stalking horse bid, if any;
- the deadlines and requirements for submitting competing bids and the method and criteria by which such competing bids are deemed to be "Qualified Bids" sufficient to trigger the Auction, including the terms and conditions that must be satisfied and the deadline that must be met by any bidder to be considered a "Qualified Bidder" and to participate in the Auction;
- the manner in which Qualified Bids will be evaluated by the Debtors;
- the conditions for having the Auction and procedures for conducting the Auction, if any;
- various other matters relating to the sale process generally, including the Back-Up Bid, return of any good faith deposits, and certain reservations of rights; and

- the following proposed key dates and deadlines:

Event	Date
IOI Deadline	July 1, 2024, at 4:00 p.m., prevailing Eastern Time
Bidding Procedures Hearing	July 9, 2024
Stalking Horse Bidder Designation	July 11, 2024
Stalking Horse Objection Deadline	No later than four (4) days after the filing of the Stalking Horse Notice, at 4:00 p.m., prevailing Eastern Time
Sale Transaction Objection Deadline	July 22, 2024, at 4:00 p.m., prevailing Eastern Time
Bid Deadline	July 22, 2024, at 5:00 p.m., prevailing Eastern Time
Auction (if necessary)	July 24, 2024, at 10:00 a.m., prevailing Eastern Time
Post Auction Objection Deadline	July 25, 2024, at 4:00 p.m., prevailing Eastern Time
Adequate Assurance Objection Deadline	July 29, 2024, at 4:00 p.m., prevailing Eastern Time
Sale Hearing	July 31, 2024, at 2:00 p.m., prevailing Eastern Time (subject to the Court's availability)
Sale Closing	August 19, 2024

12. Based on my experience, I believe that the Bidding Procedures are designed to maximize the value received for the Assets by facilitating a fair and competitive bidding process where potential bidders are encouraged to participate and submit competing bids within the specified time frame. As described in the Bidding Procedures Motion, the proposed Bid Deadline requires binding bids for the purchase of the Assets to be delivered no later than July 22, 2024. The Bid Deadline thus provides parties with approximately six (6) weeks from the filing of the Bidding Procedures Motion and approximately eleven (11) weeks since the start of the Marketing and Sale Process to obtain information, formulate, and submit a timely and informed bid to purchase any and all of the Debtors' Assets.

13. As discussed in the First Day Declaration, following extensive negotiations with the ad hoc group of first lien lenders, the Debtors were able to secure $45 million of new money debtor-in-possession financing and the consensual use of cash collateral. The timeline contemplated by the Bidding Procedures is a requirement under such postpetition financing

facility, which remains the Debtors' best and only currently available source of liquidity to pursue going-concern sales of their businesses. I believe continued pursuit of the Marketing and Sale Process under the timeline contemplated by the Bidding Procedures is in the best interests of the Debtors' estates and their creditors, particularly in light of the extensive prepetition marketing conducted by the Debtors.

Bid Protections

14. To the extent the Debtors seek to appoint one or more Stalking Horse Bidders, the Bid Protections identified in any revised proposed Bidding Procedures Order are, in my view and based on my experience, customary and reasonable and are in line with bid protections that stalking horse bidders typically require. In the event the Debtors seek to appoint one or more Stalking Horse Bidders, such appointment will be noticed to parties in interest in these chapter 11 cases and subject to their right to object to such bid protections. I believe that authority to provide the Bid Protections is in the best interest of the Debtors' estates and their creditors, and a Stalking Horse Bidder, if designated, would establish a floor for bidding that may ultimately increase the consideration received by the Debtors in exchange for some or all of the Assets. I believe the ability to appoint a Stalking Horse Bidder and provide such bidder with Bid Protections provides the Debtors the necessary flexibility to pursue a value-maximizing transaction.

Conclusion

15. Given the outreach process launched by PJT for the Assets, the publicity surrounding these chapter 11 cases, and the timeline proposed by the Debtors, it is my view, based on my experience and in light of the circumstances, that the proposed postpetition sale process set forth in the Bidding Procedures is reasonable and appropriate under the circumstances. At the Auction, as set forth in the proposed Bidding Procedures, the Debtors will have an opportunity to

consider all competing offers, including offers for any and all of the Debtors' Assets, and select the offer or offers that they deem to be the highest or otherwise best offer(s) for the Assets.

16. Accordingly, for all the foregoing reasons, I believe that the Bidding Procedures and the timeline set forth therein: (a) will encourage bidding for the Debtors' assets; (b) are generally consistent with other bidding procedures previously approved in chapter 11 cases of similar size and complexity; and (c) are appropriate under the circumstances. Given the details described above and based on my experience as a restructuring professional and involvement in other sales transactions, I believe that the Bidding Procedures are appropriate and should be approved.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the facts set forth in the foregoing declaration are true and correct to the best of my knowledge, information, and belief.

Dated: July 8, 2024

/s/ *Michael Schlappig*
Michael Schlappig
Managing Director
PJT Partners LP