IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
	:	
LIBBEY GLASS INC., *et al.*,[1]	:	Case No. 20-_______ (_____)
	:	
Debtors.	:	(Joint Administration Requested)

DECLARATION OF BRIAN WHITTMAN IN SUPPORT
OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

Under 28 U.S.C. § 1764, BRIAN WHITTMAN declares as follows under the penalty of perjury:

1. I am a Managing Director at Alvarez & Marsal North America, LLC ("**A&M**"), a limited liability corporation, which has served as a restructuring advisor to Libbey Inc. (the "**Parent**"), its wholly owned direct subsidiary Libbey Glass Inc. ("**Libbey Glass**"), and their domestic affiliates and subsidiaries, that are the debtors and debtors-in-possession (collectively, the "**Debtors**") in the above-captioned cases (collectively, the "**Chapter 11 Cases**") since March 2020. I have over twenty-five years of financial restructuring and bankruptcy experience.[2] I have served as a Managing Director in A&M's Restructuring & Turnaround group since 2008 and the

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: Libbey Glass Inc. (4107), Libbey Inc. (9357), Libbey.com LLC (6913), Syracuse China Company (1904), The Drummond Glass Company (0383), LGC Corp. (6034), LGAC LLC (0497), World Tableware Inc. (1231), LGFS Inc. (0975), LGAU Corp. (5531), LGA4 Corp. (5673), and LGA3 Corp. (1505). The Debtors' address is P.O. Box 10060, Toledo, Ohio 43699-0060.

[2] I have advised companies requiring performance improvement or financial restructuring across a wide range of industries, including automotive, communications, distribution, manufacturing, media, mining and retail. I have also led complex engagement's for companies, secured lenders and creditors, serving in both interim management and advisory roles. My in-court and out-of-court restructuring engagements in the manufacturing, foodservice, retail, and/or business-to-business industries include SLI, Appleton Coated, Coriant, Drug Emporium, Edison Brothers Stores, Electro Motive Diesel, EveryWare Global, Horizon Global, and UCI International. My other restructuring engagements include Tribune Company, Heartland Automotive Services, Murray Energy, Paddock Enterprises, and Boy Scouts of America. I am a Certified Insolvency and Restructuring Advisor and a Certified Public Accountant.

group's co-head of the Midwest region since 2019. Prior to joining A&M in 2002, I spent seven years working as a director in restructuring at Arthur Andersen. I am over the age of 18 and I am authorized by each of the Debtors to submit this declaration (the "**First Day Declaration**") on behalf of the Debtors.

2. As part of overseeing the Debtors' preparations for these Chapter 11 Cases, their business plans and prepetition diligence process with key constituents, I have familiarized myself with the Debtors' day-to-day operations, financial affairs, business affairs, and books and records through review of key financial documents and discussions with management. Except as otherwise stated in this First Day Declaration, the statements set forth herein are based on (1) my personal knowledge or opinion based on my experience, (2) information that I have received from the Debtors, my colleagues at A&M working directly with me or under my supervision, direction, or control, or other advisors of the Debtors, and/or (3) my review of relevant documents. References to the Bankruptcy Code (as hereafter defined), the chapter 11 process, and related legal matters are based on my understanding of such matters in reliance on the explanation provided by, and the advice of, counsel. If called upon to testify, I would testify competently to the facts set forth in this First Day Declaration.

3. On June 1, 2020 (the "**Petition Date**"), the Debtors each filed voluntary petitions for relief in the United States Bankruptcy Court for the District of Delaware (the "**Court**") and they will continue to operate their businesses and manage their properties as debtors in possession. The Debtors' foreign affiliates (the "**Non-Debtors**"), which consist of their operating subsidiaries in Mexico, the Netherlands, Canada, China, and Portugal (together with the Debtors, the "**Company**"), have not filed chapter 11 petitions.

4. I submit this First Day Declaration on behalf of the Debtors in support of their (i) voluntary petitions for relief that were filed under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") and (ii) "first-day" pleadings, which are being filed concurrently herewith (collectively, the "**First Day Pleadings**"). The Debtors seek the relief set forth in the First Day Pleadings to minimize the adverse effects of the commencement of the Chapter 11 Cases on their businesses. I have reviewed the Debtors' petitions and the First Day Pleadings, or have otherwise had their contents explained to me, and it is my belief that the relief sought therein is essential to ensure the uninterrupted operation of the Debtors' businesses and to successfully maximize the value of the Debtors' estates.

5. To familiarize the Court with the Debtors, their businesses, the circumstances leading to these chapter 11 cases, and the relief the Debtors are seeking in the First Day Pleadings, this Declaration is organized as follows:

- Part I provides an overview of the Company's business and organizational structure;
- Part II provides an overview of the Company's prepetition capital structure and indebtedness;
- Part III provides an overview of the Company's financial performance and the circumstances leading to the commencement of these Chapter 11 Cases by the Debtors; and
- Part IV sets forth the relevant facts in support of the First Day Pleadings.

I. The Company's Business and Organizational Structure

A. Overview of the Business

6. The Company is a global leader in the design, production and sale of tableware and other products. Headquartered in Toledo, Ohio, the Company produces glass tableware in five countries and sells to customers in over 100 countries. Under their Libbey®, Libbey Signature®,

Master's Reserve®, Crisa®, Royal Leerdam®, World Tableware®, Syracuse China® and Crisal Glass® brand names (among others), the Company designs and markets an extensive line of high-quality glass tableware, ceramic dinnerware and metal flatware for sale primarily in the foodservice, retail and business-to-business channels of distribution.

7. The Company owns and manufactures glass tableware and other products at two manufacturing plants in the United States as well as at plants in Mexico, the Netherlands, Portugal and China. In addition, the Company sources glass tableware, ceramic dinnerware, metal flatware, buffetware and other products globally in order to complement their line of manufactured items. The combination of manufacturing and procurement allows the Company to compete in the global tabletop market by offering an extensive product line at competitive prices. The Company believes their glass tableware manufacturing, distribution and service network is the largest in the Western Hemisphere and is among the largest in the world.

B. Company History

8. The Company was originally founded as the New England Glass Company in 1818 in East Cambridge, Massachusetts. In 1888, Edward Drummond Libbey moved the Company's operations to Toledo, Ohio, and in 1935, the Company was acquired by the Owens-Illinois Glass

Company. Parent and Libbey Glass were incorporated in Delaware in 1987, and in 1993, the Company was spun off from Owens-Illinois through an initial public offering on the New York Stock Exchange. The Company remains a public company and files annual and quarterly reports with, and furnishes other information to, the Securities Exchange Commission. The Company's common stock is currently traded on the New York Stock Exchange American under the ticker symbol LBY. A chart illustrating the Company's organizational structure, as of the date hereof, is attached hereto as Exhibit A.

C. The Company's Business Operations

1. *Manufacturing and Sourcing*

9. The Company currently owns and operates three glass manufacturing plants in North America, two of which are located in the United States (one in Toledo, Ohio, and one in Shreveport, Louisiana) and one of which is located in Monterrey, Mexico. In Europe, the Company owns and operates two glass tableware manufacturing plants, one in Leerdam, the Netherlands, and the other in Marinha Grande, Portugal. In Asia, the Company owns and operates a glass tableware production facility in Langfang, China.

10. The manufacturing of the Company's tableware products involves the use of automated processes and technologies, as well as manual production. The Company designs much of their glass tableware production machinery, and continuously refines such machinery to incorporate technological advances. The Company believes that its production machinery and equipment will be adequate for their needs for the foreseeable future, but continues to invest to further improve their products, gain production efficiencies and reduce their cost profile.

11. The Company's glass tableware products are generally produced using one of two manufacturing methods, commonly referred to as "blown" or "pressed." In the case of certain

stemware, the Company may use a combination of these methods. Most of the Company's tumblers, stemware and other glass tableware products are "blown," meaning that they are produced by forming molten glass in molds with the use of compressed air. The Company's other glass tableware products and the stems of certain stemware are "pressed," meaning that they are produced by pressing molten glass into the desired product shape.

12. To assist in the manufacturing process, the Company employs a team of engineers whose responsibilities include efforts to improve and upgrade the Company's manufacturing facilities, equipment and processes. In addition, this team provides engineering required to manufacture new products and implement the large number of innovative changes continuously being made to the Company's product designs, sizes and shapes.

2. ***Products***

13. The Company's tabletop product portfolio consists of an extensive line of high quality, machine-made glass tableware, including casual glass beverageware, in addition to ceramic dinnerware and metal flatware. In addition to glassware products that the Company produces at their six manufacturing facilities, the Company's products include glass tableware, ceramicware, metalware, handmade glass tableware and other tabletop products that the Company sources globally, primarily from the Asia Pacific region.

14. The Company's glass tableware include products such as tumblers, stemware, mugs, bowls, shot glasses, canisters, candleholders and other items. Other glass products include candle jars, vases, storageware, serveware, bakeware and components such as blender jars and mixing bowls sold to original equipment manufacturers (OEMs).

15. The Company also offers a wide range of ceramic dinnerware products, including plates, bowls, platters, cups, saucers and other tabletop accessories. The Company also offers an extensive selection of metal flatware, including knives, forks, spoons and serving utensils.

3. ***Sales, Marketing and Distribution***

16. The Company sells their products in over 100 countries around the world. In 2019, approximately 78 percent of the Company's sales were to customers located in North America (U.S., Canada and Mexico), and approximately 22 percent of the Company's sales were to customers in other countries. The Company employs its own sales force to market to customers and distributors. In addition, the Company occasionally retains the services of manufacturers' representative organizations to assist in selling their products. The Company has marketing staff located at their corporate headquarters in Toledo, Ohio, and in their Columbus, Ohio office, as well as in Mexico, Portugal, the Netherlands and China.

17. The Company operates distribution centers at or near each of their manufacturing facilities. In addition, the Company operates distribution centers in Laredo, Texas and West Chicago, Illinois, and the Company has contracts with third-party logistics providers to service a portion of the Company's direct-to-consumer e-commerce business. The Company's warehouse and distribution centers are strategically located to enable them to supply significant quantities of their products to customers on a timely and cost-effective basis.

18. The Company's sales, cash flow and operating income tend to be stronger in the last three quarters of each year and weaker in the first quarter of each year, primarily due to the impact of consumer buying patterns and production activity. The Company typically builds inventory during the first half of the year to allow for optimal customer service and timely delivery

in the second half of the year, a higher demand period when orders may exceed short-term production capabilities. The Company also builds inventory to service customers during periods of planned downtime for furnace rebuilds or maintenance, as well as to maintain an appropriate level of safety stock of items that the Company sources primarily from the Asia Pacific region and that, as a result, require longer lead times.

19. The majority of the Company's sales and revenue in the U.S and Canada are in the foodservice, retail and business-to-business channels. Each channel has a different marketing strategy, customer base and product composition. In Latin America and in Europe, the Middle East and Africa (EMEA), the majority of the Company's revenue is derived from the retail and business-to-business channels.

a. *Foodservice*

20. The Company believes it maintains a leading market share in glass tableware sales in the U.S. and Canadian foodservice channel, placing the Company among the leading glass tableware foodservice suppliers around the globe. The majority of the Company's tabletop products sold in the foodservice channel are sold through a network of foodservice distributors. The Company's strong foodservice distributor network and in-house sales force provide broad coverage to a wide variety of foodservice establishments, including restaurants, bars, hotels, other travel and tourism venues, and healthcare facilities. A high percentage of foodservice sales are replacements, historically driving a relatively predictable revenue stream.

21. Over the past few years, the Company has seen more customers in the U.S. and Canada turning to web-based distribution, particularly when ordering replacement products after the original installation. The Company is leveraging their digital and e-commerce experience and capabilities developed in the retail channel to help their foodservice distribution customers adapt

to this changing environment and meet this demand. In 2019, the Company developed a new foodservice website to provide end users and distributors quicker visibility into the Company's product offerings. In addition, the Company reconfigured its sales force in 2018 and 2019 to increase focus on the healthcare industry (with a particular focus on the senior living segment of that industry) and hospitality.

b. *Retail*

22. The Company's primary customers in the retail channel include mass merchants, department stores, national retail chains, pure play e-commerce retailers or marketers, retail and wholesale distributors, value-oriented retailers, grocers and specialty housewares stores in the U.S. and around the globe. The Company believes it maintains a leading share of the U.S. retail market for glass beverageware. The Company's relationships with major retailers, particularly in the U.S. & Canada, Latin America and EMEA regions, position the Company to successfully introduce differentiated new retail products to pursue increased market share and profitability. The Company also operates outlet stores in the U.S., Mexico and Portugal and make sales via internet retailers.

c. *Business-to-Business*

23. The Company supplies glass tableware to the business-to-business channel of distribution. The Company's customers for products sold in the business-to-business channel in the U.S. & Canada and Latin America include drink companies and custom decorators of glassware for promotional purposes and resale, as well as producers of products for candle and floral applications. In addition, the Latin America segment sells blender jars and various OEM products in this channel. The craft industries and gourmet food-packing companies are also among the Company's business-to-business glassware customers. In Europe, the Company's customers

in the business-to-business channel include marketers who decorate the Company's glassware with company logos and resell these products to large breweries and distilleries, which redistribute the glassware for promotional purposes and resale.

4. *Patents, Trademarks and Licenses*

24. Based upon market research and surveys, the Company believes that their trade names and trademarks, as well as their product shapes and styles, enjoy a high degree of consumer recognition. The Company believes that the Libbey®, Libbey Signature®, Master's Reserve®, Master's Gauge®, Syracuse China®, World Tableware®, Crisa®, Royal Leerdam® and Crisal Glass® trade names and trademarks are material to their business.

25. The Company has rights under a number of patents that relate to a variety of products and processes.

5. *Employees*

26. The Debtors and Non-Debtors collectively employed 5,543 persons as of the Petition Date. Approximately 70 percent of the Company's employees are employed outside the United States.

27. The unprecedented COVID-19 pandemic (defined and described in more detail below) has had a significant impact on the Debtors' work force and resulted in the temporary furlough or lay-off of certain employees in the United States, the temporary reduction of employee salaries in the United States by between 10% and 25% depending on salary and position, and the suspension of the Debtors' salaried 401(k) matching program. A limited number of furloughed employees have begun to return to the plants and retail stores as restrictions are beginning to be lifted.

28. As of the Petition Date, inclusive of the furloughed employees and laid-off employees, the Debtors' work force consists of approximately 1,752 employees worldwide (excluding non-employee directors), of whom approximately 1,743 are located in the United States, and approximately 6 are located in Canada and one each in in Singapore, Australia, and China.

29. The majority of the Debtors' US employees are paid hourly and covered by four local collective bargaining agreements in Toledo, Ohio and one in Shreveport, Louisiana (described further below). In addition, some of the Debtors' employees have the benefit of certain defined benefit pension plans and retiree medical and life insurance programs, described in further detail below.

a. *Collective Bargaining Agreements*

30. The following chart sets forth the Debtors' collective bargaining agreements and their respective expiration dates:

Union	**Affiliation**	**Libbey Entity**	**Term**
Toledo, Ohio			
Local 700T	United Steelworkers AFL-CIO-CLC	Libbey Glass Inc.	October 2019-September 2022
Local 65T	United Steelworkers AFL-CIO-CLC	Libbey Glass Inc.	October 2019-September 2022
Lodge 105	International Association of Machinists and Aerospace Workers	Libbey Glass Inc.	October 2019-September 2022
Local 59M	United Steel, Paper, Forestry, Rubber and Manufacturing International	Libbey Glass Inc.	October 2019-September 2022
Shreveport, Louisiana			
Local 711T	United Steelworkers AFL-CIO	Libbey Glass Inc.	December 2017-December 2020

b. *Defined Benefit Pension Obligations*

31. Certain of the U.S. employees are eligible to participate in either a Salaried Employee pension plan (the "**US Salaried Pension Plan**") or an Hourly Employee pension plan (the "**US Hourly Pension Plan**", together, the "**US Pension Plans**"). However, the US Pension Plans were closed to new participants for: (i) US Salaried Employees hired on or after January 1, 2006; (ii) Union US Hourly Employees at the Shreveport Plant hired on or after December 16, 2008; and (iii) Union US Hourly Employees at the Toledo Plant hired on or after October 1, 2010. Future benefit accruals under the US Salaried Pension Plan were frozen effective January 1, 2013. The US Hourly Pension Plan was approximately 97% funded for the 2019 plan year and does not have payments due until 2025 and the US Salaried Pension Plan was fully funded.

c. *Other Retiree Obligations*

32. The Debtors have historically provided certain eligible employees with medical benefits and life insurance after retirement. The retiree benefit program has approximately 3,100 union and salaried participants in aggregate, of which 2,100 are in payment status (i.e. retired) and approximately 1,000 are in active status (currently employed). Of that population, there are approximately 2,200 hourly participants, including 700 in active status. Retirees under the age of 65 pay a monthly premium towards the cost of coverage under a PPO Plan, the amount of which is dependent in part on the amount of coverage elected (single, single +one, family) and whether certain annual average costs per participant exceed set cost sharing thresholds. For hourly retirees, the premium and cost sharing thresholds are set under the applicable collective bargaining agreements. For salaried retirees, the premiums and cost sharing thresholds depend on retirement date and years of service. Hourly retirees above the age of 65 receive an annual stipend of $600

per covered person. Salaried retirees above the age of 65 are eligible to enroll in a supplemental retiree health reimbursement account through Libbey providing $300 per covered person annually. The retiree benefit plans have been closed to new participants for more than ten years. As of December 31, 2019, the Debtors' liability under the retiree benefit programs for both salaried and hourly employees is approximately $48 million and the liability is unfunded. The Debtors incurred a cash cost of $4.4 million in 2019 with approximately $4.2 million attributable to hourly workers. The approximate cash cost for 2020 for the Debtors is expected to be $3.8 million with $3.2 million attributable to hourly workers.[3]

6. *Properties*

33. The Company's global manufacturing, warehousing and distribution facilities have an aggregate floor space of 7.1 million square feet. The Company owns approximately 65 percent and leases approximately 35 percent of this floor space. In addition, the Company's headquarters in Toledo, Ohio, office space for members of the marketing, digital and e-commerce team in Columbus, Ohio, some warehouses in various locations, sales offices in various locations, showrooms in Chicago, Illinois, New York, New York and Toledo, Ohio and various outlet stores are located in leased space. The Company also uses various warehouses as needed on a month-to-month basis.

II. Prepetition Capital Structure

A. Prepetition ABL Facility

34. Libbey Glass and Libbey Europe B.V. ("**Libbey Europe**") are borrowers under an Amended and Restated Credit Agreement, dated as of February 8, 2010 (as amended,

[3] The Company has additional retiree obligations associated with its Canadian workforce that are paid by the U.S. Debtors and reconciled with an intercompany charge to the Canadian entities.

supplemented or otherwise modified prior to the date hereof, and as may be further amended, modified or supplemented (the "**Prepetition ABL Facility**")), with JPMorgan Chase Bank, N.A. as administrative agent with respect to the US Loans (as defined in the Prepetition ABL Facility), and J.P. Morgan Europe Limited as administrative agent with respect to the Netherlands Loans (as defined in the Prepetition ABL Facility), and the lenders party thereto from time to time (the "**Prepetition ABL Facility Lenders**"). Each of the Debtors is a guarantor of Libbey Glass's and Libbey Europe's borrowings while the Dutch Non-Debtors are guarantors of Libbey Europe's borrowings under the ABL Credit Agreement (the "**Prepetition ABL Facility Loans**").

35. The Prepetition ABL Facility provides for borrowings of up to $100.0 million, subject to certain borrowing base limitations, reserves and outstanding letters of credit. The borrowing base under the Prepetition ABL Facility is determined by a monthly analysis of the eligible accounts receivable and inventory. As of the Petition Date, the Debtors had $66.9 million of outstanding borrowings under the Prepetition ABL Facility and $9.4 million in letters of credit and $5.6 million of other reserves, and a borrowing base of $83.1 million, resulting in $1.4 million of unused availability. The interest rate on the Prepetition ABL Facility borrowings was the Eurocurrency (as defined in the Prepetition ABL Facility) rate plus 1.50 percent as of the Petition Date. In addition, the Prepetition ABL Facility Obligations include approximately $22 million under the JP Morgan Swap (defined below) and the Interest Rate Swap (defined below) as well as other commodity hedging obligations described further below.

36. All borrowings under the Prepetition ABL Facility are secured by:

- a first-priority security interest in:
  - substantially all of the existing and future current assets and proceeds thereof of Libbey Glass and its domestic subsidiaries;

  - 100% of the stock of Libbey Glass and 100% of the stock of substantially all of Libbey Glass's present and future direct and indirect domestic subsidiaries;

  - 100% of the non-voting stock of substantially all of Libbey Glass's first-tier present and future foreign subsidiaries;

  - 100% of the voting stock of substantially all of Libbey Glass's first-tier present and future foreign subsidiaries; and

  - substantially all proceeds and products of the property and assets described above (collectively, the "**Prepetition ABL Priority Collateral**");

- a second-priority security interest in substantially all of the owned real property, equipment and fixtures in the United States of Libbey Glass and its domestic subsidiaries, subject to certain exceptions and permitted liens ("**Prepetition Term Loan Priority Collateral**").

37. Additionally, borrowings by Libbey Europe under the Prepetition ABL Facility are secured by a first-priority security interest in:

- substantially all of the existing and future real and personal property of Libbey Europe and its Dutch subsidiaries; and

- 100% of the stock of Libbey Europe and 100% of the stock of substantially all of the Dutch subsidiaries; and

- 100% (or a lesser percentage in certain circumstances) of the outstanding stock issued by the first-tier foreign subsidiaries of Libbey Europe and its Dutch subsidiaries.

38. The Prepetition ABL Facility matures on December 7, 2022. However, in the event that the Prepetition Term Loans (as defined below) are not refinanced by January 9, 2021, the Prepetition ABL Facility's springing maturity date becomes effective and the Prepetition ABL Facility matures on such date.

39. Libbey Glass is party to two interest rate swap transactions, one opposite JPMorgan Chase Bank, N.A. (the "**JP Morgan Swap**") and one opposite Fifth Third Bank (the "**Fifth Third Swap**"), each with a trade date of September 24, 2018. Under each interest rate swap transaction, Libbey Glass makes fixed rate payments to the applicable counterparty and receives floating

LIBOR payments from the applicable counterparty on the 9th day of each month. The effective date of each interest rate swap transaction was January 9, 2020 and the termination date is January 9, 2025. Each swap is governed by a an ISDA Master Agreement that references the Prepetition ABL Facility, and each ISDA Master Agreement provides that the obligations under the ISDA Master Agreements, including, as applicable, the JP Morgan Swap and the Fifth Third Swap, are secured obligations under the Prepetition ABL Facility in the aggregate amount of approximately $22 million, as noted above. Libbey Glass Inc. is also party to a series of commodity hedge transactions with three of the Prepetition ABL Secured Parties (JPM, Fifth Third Bank and CitiBank, N.A.). Similar to the swaps described above, these commodity hedge agreements are governed by ISDA Master Agreements that reference the Prepetition ABL Facility, and each ISDA Master Agreement provides that the obligations under the ISDA Master Agreements, including, as applicable, the commodity hedge transactions, are secured obligations under the Prepetition ABL Facility.

40. Contemporaneous with the filing of these Chapter 11 Cases, the Prepetition ABL Lenders and, among others, Libbey Europe and other non-debtor foreign Dutch affiliates entered into a forbearance agreement whereby the Prepetition ABL Lenders agreed to forbear from exercising their rights and remedies against such entities under the Prepetition ABL Documents against the Non-Debtors as the result of the Debtors' commencement of these Chapter 11 Cases.

B. Prepetition Term Loan

41. Libbey Glass is the borrower under a $440.0 million Senior Secured Credit Agreement, dated as of April 9, 2014 (as amended, supplemented or otherwise modified prior to the date hereof, and as may be further amended, modified or supplemented (the "**Prepetition Term Loan Credit Agreement**")), with Cortland Capital Market Services LLC, as administrative agent

and collateral agent, (as successor agent to Citibank, N.A.), and the lenders party thereto from time to time (the "**Prepetition Term Loan Lenders**"). Each of the other Debtors is a guarantor of the loans under the Prepetition Term Loan Credit Agreement (the "**Prepetition Term Loans**"). The Prepetition Term Loans mature on April 9, 2021. Neither Libbey Europe nor any of the other foreign Non-Debtor Affiliates are an obligor or guarantor under the Prepetition Term Loan Credit Agreement. The Prepetition Term Loans and the related guarantees under the Prepetition Term Loan Credit Agreement are secured by (i) first priority liens on the Prepetition Term Loan Priority Collateral and (ii) second priority liens on the Prepetition ABL Priority Collateral as set forth in that certain Intercreditor Agreement, dated April 9, 2014, as amended on April 30, 2020.

42. As of the Petition Date, the principal amount of Prepetition Term Loans outstanding was approximately $377.9 million. The Prepetition Term Loans bear interest at the rate of LIBOR plus 3.0 percent, subject to a LIBOR floor of 0.75 percent.

C. Other Unsecured Debt

43. In the ordinary course, the Debtors incur trade debt with certain vendors and suppliers in connection with the operation of their business. In addition, the Debtors have other potential and contingent liabilities related to litigation, pension, employee obligations, and real estate, certain of which are described herein. The Debtors believe that, as of the Petition Date, their obligations related to unsecured trade debt are in excess of $35 million.

III. Circumstances Leading to the Commencement of these Chapter 11 Cases

A. Challenges Facing the Debtors' Business

1. *General Background*

44. In early 2019, the Debtors' board of directors and management team began evaluating their capital structure due to the scheduled maturity of the Prepetition Term Loans in April 2021 and the springing maturity of the Prepetition ABL Facility in January 2021 if the

Prepetition Term Loans were not previously refinanced. On February 18, 2019, the Parent's board of directors (the "**Board of Directors**") also approved a plan to pursue strategic alternatives with respect to the Company's business in China, including the potential sale or closure of the Company's manufacturing and distribution facility located in Langfang, China within 12 to 18 months, in order to better focus on the Company's core markets.

45. As a result of a significant reduction to the trading price of the Company's common stock, the Company determined that a triggering event had occurred requiring it to perform interim impairment tests of goodwill and other intangible assets as of June 30, 2019. During the second quarter of 2019, the Company updated its long-range plan which indicated lower sales and profitability within the Mexico reporting unit as compared to the projections used in prior goodwill impairment testing, and as a result the Company recorded a non-cash impairment charge of $46.0 million during the second quarter of 2019.

46. Additionally, throughout 2019 management worked to reduce costs and improve cash flows to help offset some of these issues. Specifically as announced in August 2019, the Company executed on an organizational realignment plan that focused on transformational actions and structural changes to create a simplified organization structure to reduce costs.

47. In the fall of 2019, the Company engaged an investment bank to lead an effort to refinance the Prepetition Term Loans with high-yield notes first and thereafter with preferred equity in order to address the upcoming maturities. These efforts were unsuccessful and abandoned in the first quarter of 2020.

48. During 2019 and continuing into the first quarter of 2020, the Company also explored other strategic transactions involving the Company's EMEA operations, as well as the Company as a whole, however such strategic transactions did not advance.

49. With no deleveraging transaction materializing, the Company began working with Latham & Watkins LLP ("**Latham**"), its corporate counsel, in late 2019 and retained Lazard & Frères, & Co. LLC ("**Lazard**") in January 2020 to evaluate all restructuring options.

50. For the year ended December 31, 2019, the Company incurred a net loss of $69.0 million, compared to a net loss of $8.0 million in the prior year, of which $65.2 million was attributed to non-cash impairment charges in the Company's Latin America and EMEA segments, while total revenues were down just $16.0 million over the same period.

51. Throughout 2019 and the start of 2020, the Debtors' business was impacted by global competition in all of the Debtors' distribution channels, fluctuating business and consumer confidence in the United States and Europe as a result of increased economic and political uncertainty from various factors including ongoing trade tensions between the United States and China and the potential for a Brexit no-deal in Europe, as well as slowing economies in Europe, China and parts of Latin America. Other factors impacting the Debtors' business during 2019 and the start of 2020 were continued declines in United States and Canada foodservice traffic with take-out and delivery increasing in popularity relative to in-restaurant dining; continued migration of consumer purchasing from brick-and-mortar stores to online commerce, particularly in the United States, Canada and Europe; shifting consumer preferences in Europe from mid-tier retailers (where sales of the Company's Royal Leerdam® products have been concentrated) to discounters; and increased competitive pressures in Latin America, as Chinese manufacturers divert sales of their products from the U.S. market to Latin America in order to avoid the increased tariffs imposed by the United States on Chinese imports.

52. The competitive pressures in China and Mexico in 2019 persisted into the beginning of 2020. With these challenges in mind, the Company published guidance for the 2020

fiscal year, excluding any impact from the pandemic of coronavirus disease 2019 ("**COVID-19**"), which at the time was highly uncertain, expecting net sales to be flat or to increase in the low-single digits as compared to the 2019 fiscal year. The Company's performance in January and February of 2020 outpaced management's 2020 operating plan.

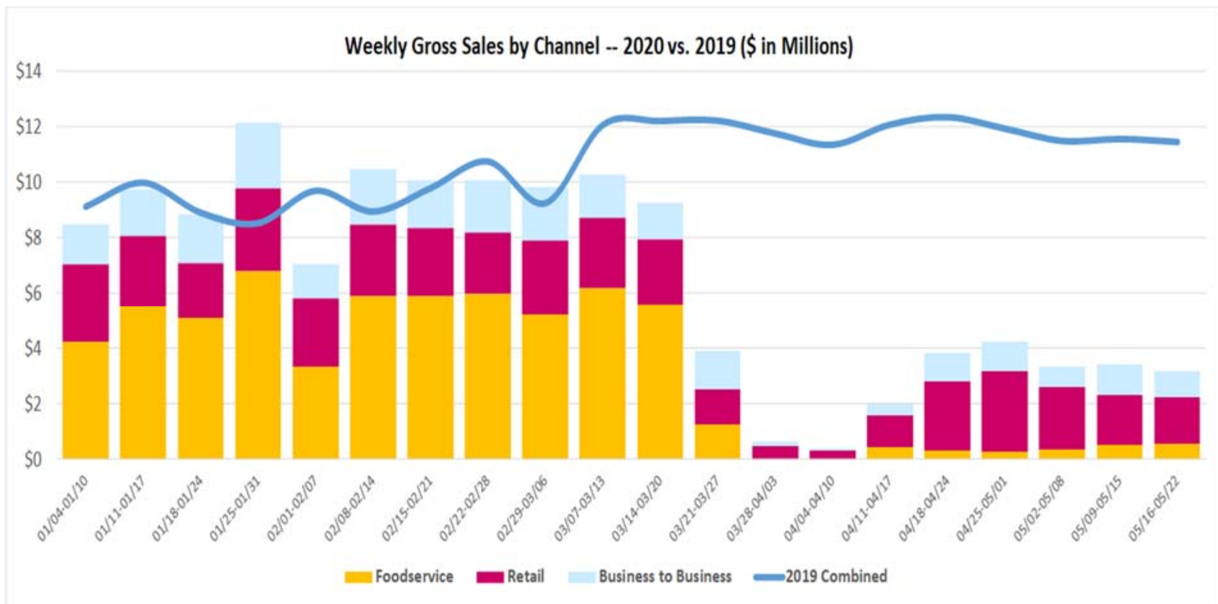
2. *Impact of COVID-19 Pandemic*

53. As COVID-19 swept from China to Europe and eventually the United States, the Company saw an abrupt and sharp decline in revenue in mid-March. In advance of this decline, on March 3, 2020, Moody's Investors Service ("**Moody's**") downgraded Libbey Glass Inc.'s corporate family rating from B3 to Caa2, downgraded the Company's senior secured first lien term loan from B3 to Caa2, and changed the Company's outlook from stable to negative. Moody's stated the downgrades and negative outlook reflected the increasing risk of constrained liquidity as the Prepetition Term Loans become current in April 2020 and heightened risk of a debt restructuring. Similar actions were also taken by Standard & Poors Financial Services LLC.

54. Due to the intensifying impact of COVID-19, the Company withdrew its previously announced 2020 guidance on March 19, 2020 citing the rapidly changing economic environment and impact on demand caused by the virus as discussed further below. On that date, the Company announced that the Company's facilities in both Toledo and Louisiana had halted production, and the Company had closed its two US retail outlet stores in response to the outbreak. Operations at the Company's distribution centers in the US were also temporarily halted and operations were limited at the Company's Mexican production facility during April 2020. Throughout this time, operations at the Company's Leerdam, Netherlands and Marinha Grande, Portugal facilities were reduced as was the case at the Company's Langfang, China facility earlier in the first quarter.

55. Due to the decreased demand and to preserve liquidity, the Debtors implemented a lay-off of virtually all if their US hourly workforce in March and furloughed approximately 280 salaried employees in two waves in April and May. In addition, the Debtors implemented temporary tiered salary reductions in mid-April and suspended the salaried 401(k) matching program. The Company also reduced salaries for certain of their Mexico employees. The Company also reduced all non-essential spending, slashed capital expenditures, and has taken advantage of various government relief programs, primarily in Europe. These efforts have provided substantial cost savings over the second and third quarters of 2020.

56. Despite these efforts, the Debtors have been unable to offset the steep decline in sales and have had to borrow heavily on their Prepetition ABL Facility and use their cash reserves.



B. Prepetition Restructuring Negotiations

57. While the efforts to restructure the balance sheet began in earnest at the start of 2020, the COVID-19 pandemic has exacerbated demand and revenue decline and in turn has had an acute impact on the Debtors' liquidity. Certain of the Prepetition Term Loan Lenders formed

an ad hoc group (the "**Lender Group**") in late 2019 and retained legal and financial advisors to evaluate restructuring alternatives. The Company engaged in discussions with the Lender Group around an amend-and-extend transaction. However, the Lender Group's concern over the impact COVID-19 would have on the Company's business ultimately prevented those discussions from resulting in a transaction. The Company also informed the Lender Group of certain inbound merger and acquisition proposals from strategic buyers. These proposals were not pursued because, among other reasons, they were insufficient to pay the Company's Prepetition Term Loans in full, thus requiring lender consent, and the Lender Group did not believe it was in the Company's best interest to pursue such a transaction.

58. The accelerating COVID-19 pandemic led the Company to evaluate its liquidity needs and like many other peers and comparably sized companies, the Debtors requested a draw of $40 million on their ABL Facility on March 19, 2020 to boost liquidity with the support of the ABL Lenders. The Company also retained A&M as its restructuring advisor on March 24, 2020, to help address liquidity issues and potential restructuring alternatives.

59. On April 9, 2020, the Company entered into an amendment of the Prepetition Term Loan to extend the due date (the "**ECF Payment Date**") for an excess cash flow payment (the "**ECF Payment**") of approximately $12 million until April 30, 2020, in order to preserve liquidity and avoid cross-defaults. Subsequent amendments further extended the payment date to May 7, May 17, May 25, and May 31, 2020, respectively, subject to certain additional conditions, including the Debtors' provision of certain financial information and the maintenance by the Debtors of a minimum level of liquidity.

60. In addition, to fulfill a condition to obtain a further extension of the ECF Payment Date, the Board of Directors voted to increase membership from eight members to ten members

on May 12, 2020 to allow for the appointment of two independent directors (Mr. Patrick Bartels, Jr. and Mr. Timothy Pohl) acceptable to the Lender Group. The Board of Directors currently consists of eight independent directors, the current Chief Executive Officer (Mr. Michael Bauer) and one former employee.

61. During the period covered by the extension of the ECF Payment Date, the Debtors and their advisors engaged in extensive negotiations with the Lender Group and the Prepetition ABL Lenders in order to obtain the necessary financing to achieve a successful chapter 11 reorganization.

62. The Debtors' management team's immediate goal is to maintain stability with their workforce, vendors, customers and distributors. To that end, on May 19, 2020, the Compensation Committee of the Board of Directors voted to adopt a prepetition retention bonus plan to demonstrate the Company's support for its employees, including certain members of the management team. Aggregate payments under this program were $3.1 million, with approximately $2.35 million in the aggregate paid to the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Human Resources Officer, and the General Counsel, with the balance of approximately $750,000 paid to 16 non-insiders.

63. The Board of Directors (including the newly-appointed additional independent directors) evaluated all options for the Company, including reviewing liquidity, the COVID-19 pandemic's impact on operations and the industry, cost cutting measures and overall restructuring strategies. The extensions of the ECF Payment Date provided the Company with the runway to negotiate constructively with the Lender Group and the Prepetition ABL Lenders, resulting in the entry into two debtor-in-possession financing facilities.

C. DIP Financing

64. The structure of the DIP Financing mirrors the prepetition debt financing with a similar intercreditor agreement. The Debtors are seeking DIP financing consisting of:

(a) DIP ABL Facility. A $100 million senior secured superpriority DIP revolving, asset-based facility with the Prepetition ABL Lenders (the "**DIP ABL Facility**"), which includes refinancing of a portion of the Prepetition ABL Facility with a "creeping roll-up" during the interim period and a complete "roll-up" of the borrowings of Libbey Glass Inc. pursuant to the final order;[4] and

(b) DIP Term Loan Facility. A new money $60 million senior secured superpriority DIP term loan facility with certain Prepetition Term Loan Lenders, with a dollar-for-dollar "roll-up" of such amounts due under the Prepetition Term Loan Credit Agreement (as defined below) for such lenders (the "**DIP Term Loan Facility**," and together with the DIP ABL Facility, the "**DIP Facilities**").

The Debtors seek authority to make an initial draw of $30 million under the DIP Term Loan Facility on an interim basis and will draw the remaining $30 million upon entry of the Final Order.

65. Pursuant to the intercreditor agreement entered into in connection with the DIP Facilities:

(a) the DIP ABL Facility has a senior lien on Prepetition ABL Priority Collateral, a priority lien on 100% of the equity of the foreign subsidiaries, a priority lien on certain foreign collateral, and a junior lien on Prepetition Term Loan Priority Collateral; and

(b) the DIP Term Loan Facility has a senior lien on the Prepetition Term Loan Priority Collateral; a junior lien on 100% of the equity in the foreign subsidiaries, a junior lien on certain foreign collateral and a junior lien on the Prepetition ABL Priority Collateral.

66. The Debtors, in consultation with their advisors, determined that the DIP Facilities represented the best postpetition DIP financing alternative available to the Debtors. The DIP Facilities were the product of extensive arm's-length, good-faith negotiations. Alternative sources of postpetition financing were not readily available to the Debtors (whether unsecured or secured) on terms better than or comparable to the DIP Facilities. The proposed DIP Facilities provide the

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[4] The borrowings of Libbey Europe under the Prepetition ABL Facility will remain outstanding and will reduce the availability under the DIP ABL Facility.

Debtors with immediate and critical access to liquidity that is necessary to ensure that the Debtors' businesses are stabilized, that chapter 11 administrative costs are paid in full, and that value is preserved during the course of the Debtors' Chapter 11 Cases.

67. The DIP Facilities contain the following milestones for these Chapter 11 Cases (the "**Milestones**"):

- Entry of the Interim DIP Order by no later than 5 days following the Petition Date;
- Plan and Disclosure Statement filed by no later than 15 days following the Petition Date;
- Motion to approve the Disclosure Statement and the related solicitation materials filed by no later than 15 days following the Petition Date;
- Entry of the Final DIP Order approving the DIP Term Facility on a final basis by no later than 35 days following the Petition Date;
- Entry of an order approving the solicitation of the Plan by no later than 55 days following the Petition Date;
- Commencement of solicitation of the Plan by no later than 57 days following the Petition Date;
- Entry of Confirmation Order by no later than 100 days following the Petition Date; and
- Consummation of Plan by no later than 105 days following the Petition Date.

68. In accordance with the DIP Term Loan Credit Agreement and the Milestones set forth therein, the Debtors are evaluating their union and retiree benefit obligations to reduce overall expenditures. The Debtors' goal is to negotiate consensual changes to their collective bargaining agreements and other retiree related programs and will begin this process within 10 days of the Petition Date. If such a resolution is not reached, the Debtors may be forced to seek relief under section 1113 and /or 1114 of the Bankruptcy Code to right size their labor obligations within 90 days from the Petition Date.

69. The DIP Facilities demonstrate the ongoing support of the Lender Group and the Prepetition ABL Lenders for the Debtors' financial and operational restructuring. These proceeds

will provide stability and sufficient liquidity for the Debtors to maintain their ordinary course of business, provide comfort to their employee, customer, and vendor constituencies, and fund the administration of these chapter 11 cases. While the Debtors' expenses have been reduced due to the COVID-19 shutdowns, the DIP Facilities are necessary to fund working capital needs as demand for the Debtors' products gradually increases as COVID-19-related restrictions are lifted globally. The unprecedented global shutdowns and distress in the financial markets led the Debtors to ultimately determine, in the exercise of the business judgment of its Board of Directors and management, to pursue an in-court restructuring and acceptable DIP Financing.

D. The Debtors' Goals

70. The immediate focus of these Chapter 11 Cases is reaching a consensual, value-maximizing transaction with the creditor constituencies, a process that began prepetition. The Debtors anticipate swift negotiations on an overall restructuring with the lenders and other constituencies on a chapter 11 plan that deleverages the balance sheet with emergence from bankruptcy in accordance with the Milestones. Preserving the Debtors' going-concern value through the chapter 11 process will ultimately benefit all of their stakeholders. Importantly, the Non-Debtor Affiliates with their operations in the Netherlands, Mexico, China, Portugal and Canada remain unaffected by these Chapter 11 Cases and will continue to operate in the ordinary course.

IV. Facts Supporting Relief Sought in First Day Pleadings[5]

71. In furtherance of the objective of preserving value for all stakeholders, the Debtors have sought approval of the First Day Pleadings and related orders (the "**Proposed Orders**"), and

[5] Unless otherwise defined herein, all capitalized terms in this Part IV shall have the meanings ascribed to them in the applicable First Day Pleadings.

respectfully request that the Court consider entering the Proposed Orders granting the First Day Pleadings. For the avoidance of doubt, the Debtors seek authority, but not direction, to pay amounts or satisfy obligations with respect to the relief requested in any of the First Day Pleadings.

72. I have reviewed each of the First Day Pleadings, Proposed Orders, and exhibits thereto (or have otherwise had their contents explained to me), and the facts set forth therein are true and correct to the best of my knowledge, information, and belief. Moreover, I believe that the relief sought in each of the First Day Pleadings (i) is vital to enabling the Debtors to make the transition to, and operate in, chapter 11 with minimal interruptions and disruptions to their businesses or loss of productivity or value and (ii) constitutes a critical element in the Debtors' ability to successfully maximize value for the benefit of their estates.

A. Administrative and Procedural Pleadings

1. *Joint Administration Motion*[6]

73. By the Joint Administration Motion, the Debtors seek entry of an order directing the joint administration of their twelve Chapter 11 Cases for procedural purposes only. Many of the motions, hearings, and other matters involved in the Chapter 11 Cases will affect the Debtors. Thus, I believe that the joint administration of the Chapter 11 Cases will avoid the unnecessary time and expense of duplicative motions, applications, orders, and other pleadings, thereby saving considerable time and expense for the Debtors and resulting in substantial savings for their estates.

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[6] "**Joint Administration Motion**" means the *Debtors' Motion for Entry of an Order Under Fed. R. Bankr. P. 1015 and Del. Bankr. L.R. 1015-1 Authorizing Joint Administration of the Chapter 11 Cases.*

B. Business Operations Motions

1. *Cash Management Motion*[7]

74. By the Cash Management Motion, the Debtors seek entry of interim and final orders (i) authorizing the Debtors to continue to maintain and use their existing cash management system, including maintenance of their existing bank accounts, checks, and business forms; (ii) granting the Debtors a waiver of certain bank account and related requirements of the U.S. Trustee to the extent that such requirements are inconsistent with the Debtors' practices under their existing cash management system or other actions described herein; (iii) authorizing the Debtors to continue to maintain and use their existing deposit practices notwithstanding the provisions of section 345(b) of the Bankruptcy Code; (iv) authorizing the Debtors to open and close bank accounts; (v) authorizing the Debtors to continue, in the ordinary course, certain intercompany arrangements, as described further below, among the Debtors and certain of their foreign non-Debtor affiliates (the "Non-Debtor Affiliates," and together with the Debtors, the "Company"); and (vi) according administrative expense status to postpetition intercompany claims arising from transactions among the Debtors. The Debtors also request that the Court authorize all banks with which the Debtors maintain their accounts to continue to maintain, service, and administer such accounts and authorize third-party payroll and benefits administrators and providers to prepare and issue checks on behalf of the Debtors.

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[7] "**Cash Management Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 345, 363, 503(b), and 507(a), Fed. R. Bankr. P. 6003 and 6004, and Del. Bankr. L.R. 2015 2 (I) Authorizing Continued Use of Existing Cash Management System, Including Maintenance of Existing Bank Accounts, Checks, and Business Forms, (II) Authorizing Continuation of Existing Deposit Practices, (III) Approving the Continuation of Intercompany Transactions, and (IV) Granting Administrative Expense Status to Certain Postpetition Intercompany Claims*.

i. The Debtors' Cash Management System and the Bank Accounts

75. The Debtors maintain a cash management system (the "**Cash Management System**") that manages the Debtors' cash inflows and outflows through a number of bank accounts. I believe that the Cash Management System is critical to the Debtors' operations as it enables the Debtors to, among other things, (i) monitor and control all of the Debtors' cash receipts and disbursements, (ii) identify the cash requirements of the Debtors and the Non-Debtor Affiliates, (iii) transfer cash as needed to respond to the cash requirements of the Debtors and the Non-Debtor Affiliates, and (iv) track all intercompany transfers.

ii. Continued Ordinary-Course Intercompany Transactions and Postpetition Intercompany Claims and Granting of Administrative Expense Status

76. In the ordinary course of business, the Debtors engage in various business relationships among themselves and with their Non-Debtor Affiliates. I believe that these intercompany relationships, as further described in the Cash Management Motion, are necessary and beneficial to the Debtors' business operations and generally provide the Debtors with material savings in respect of general administrative and corporate overhead costs (collectively, the "**Intercompany Transactions**"). As a result of the Intercompany Transactions, goods, cash and services flow between the Debtors and Non-Debtor Affiliates on a regular basis.

77. I believe the Intercompany Transactions are critical to the Debtors' operations. The Debtors rely upon the Intercompany Transactions for basic functions, like treasury and cash management, that are necessary to keep the Debtors' businesses operational and to ensure that the Debtors are able to pay their vendors and supply their products to their customers in a timely manner, as well as for goods which are produced by the Non-Debtor Affiliates to sell to their customers.

78. In addition, to ensure that each individual Debtor will not fund the operations of another entity at the expense of such Debtor's creditors, in the Cash Management Motion, the Debtors request that all postpetition Debtor Claims be accorded administrative claim status. It is my understanding that if postpetition Intercompany Claims are accorded administrative expense status, then each individual Debtor on whose behalf another Debtor has utilized funds or incurred expenses will continue to bear ultimate repayment responsibility, thereby protecting the interests of each individual Debtor's creditors.

iii. Continued Use of the Debtors' Existing Cash Management System and the Debtor Bank Accounts

79. I believe that the Cash Management System is an ordinary course, customary, and essential business practice, the continued use of which is essential to the Debtors' business operations during the Chapter 11 Cases and the Debtors' goal of maximizing value for the benefit of all parties in interest. I believe that to require the Debtors to adopt a new cash management system at this early and critical stage would be expensive, impose needless administrative burdens, and cause undue disruption. Any disruption in the collection and disbursement of funds as currently implemented would adversely (and perhaps irreparably) affect the Debtors' ability to maximize estate value and repay their creditors. Moreover, I believe that such a disruption would be wholly unnecessary because the Cash Management System provides a valuable and efficient means for the Debtors to address their cash management requirements and, to the best of the Debtors' knowledge, the Debtor Bank Accounts are held at financially stable institutions insured by the FDIC or, in the case of the non-U.S. Banks, at a highly-rated, global financial institution that is widely recognized as well-capitalized and financially stable. For the aforementioned reasons, I believe that maintaining the existing Cash Management System without disruption is in the best interests of the Debtors, their estates, and their stakeholders.

80. If the relief requested in the Cash Management Motion is granted, the Debtors will implement appropriate mechanisms to ensure that no payments will be made on any debts incurred by the Debtors prior to the Petition Date, other than those authorized by this Court. To prevent the possible inadvertent payment of prepetition claims against the Debtors, except those otherwise authorized by the Court, the Debtors will work closely with the Banks to ensure appropriate procedures are in place to prevent checks issued by the Debtors prepetition from being honored absent this Court's approval and to ensure that no third party with automatic debit capabilities is able to debit amounts attributable to the Debtors' prepetition obligations. In light of the scope and complexity of the Cash Management System, I believe it would be onerous for the Debtors to meet the U.S. Trustee Guidelines requiring them to close all existing bank accounts and open new debtor in possession accounts. I also believe that doing so would risk material operational problems, as the Debtors' business partners and own personnel transition to a wholly-new system.

iv. Continued Use of the Debtors' Existing Checks and Business Forms

81. To minimize expenses to their estates, the Debtors seek authorization to continue using all checks substantially in the forms existing immediately prior to the Petition Date, without reference to the Debtors' status as debtors in possession; provided, however, that in the event the Debtors generate new checks during the pendency of the Chapter 11 Cases other than from their existing stock of checks, such checks will include a legend referring to the Debtor as "Debtor-in-Possession." The Debtors also seek authority to use all correspondence and other business forms (including, without limitation, letterhead, purchase orders, and invoices) without reference to the Debtors' status as debtors in possession. Except as set forth above, I believe that changing the Debtors' existing checks, correspondence, and other business forms would be expensive, unnecessary, and burdensome to the Debtors' estates. Further, such changes would disrupt the

Debtors' business operations and would not confer any benefit upon parties that deal with the Debtors.

v. Waiver of Certain Requirements of the U.S. Trustee

82. I have been generally informed of the applicable requirements of the U.S. Trustee Guidelines. I believe that (i) the Debtors are able to work with their current Banks to ensure that this goal of separation between the prepetition and postpetition periods is observed and (ii) enforcing certain of the U.S. Trustee Guidelines would disrupt the Debtors' operations and impose a financial burden on the Debtors' estates.

83. In light of the complexity of the Cash Management System, it would be onerous, unnecessarily inconvenient, and would fail to produce any realizable benefits to the Debtors' estates to require the Debtors to close all of the Debtor Bank Accounts and open new debtor-in-possession accounts.

84. Further, it would be unnecessary and inefficient to require the Debtors to abide by the UST requirement to establish specific debtor-in-possession accounts for tax payments (including payroll taxes) and to deposit in such accounts sufficient funds to pay any tax liability (when incurred) associated with the Debtors' payroll and other tax obligations. I believe that the Debtors can pay their tax obligations most efficiently in accordance with their existing practices, and any diversion from the Debtors' existing practices will complicate payment of the Debtors' tax obligations. Further, I believe that the U.S. Trustee will have wide latitude to monitor the flow of funds into and out of such accounts. I also believe that the creation of new debtor-in-possession accounts designated solely for tax obligations would be unnecessarily burdensome.

vi. Continued Deposit Practices

85. As part of the Cash Management System, the Debtors routinely deposit funds into the Debtor Bank Accounts (the "**Deposit Practices**"). The Debtors request (i) authorization to continue to deposit funds in accordance with existing practices under the Cash Management System, subject to any reasonable changes the Debtors may implement to the Cash Management System, and (ii) a waiver of the deposit requirements of section 345(b) of the Bankruptcy Code, on an interim basis, to the extent that such requirements are inconsistent with the Deposit Practices. For the avoidance of doubt, to the extent the Debtor Bank Accounts may be classified as an investment account, or to the extent any of the Debtors' routine deposits into the Debtor Bank Accounts may be regarded as investment activity, the Debtors seek authorization to continue to deposit funds into such Debtor Bank Accounts in accordance with existing practices, notwithstanding the requirements of section 345(b) of the Bankruptcy Code.

2. *Employee Wages Motion*[8]

86. In the Employee Wages Motion, the Debtors request entry of the interim and final orders, (i) authorizing the Debtors, in their discretion, to (a) pay or otherwise honor various prepetition workforce-related obligations (the "**Workforce Obligations**") to or for the benefit of their current or former employees (the "**Employees**"), temporary workers (the "**Temporary Staff**"), and non-Employee directors of Debtor Libbey Inc. (the "**US Directors**" and, together with the Employees and Temporary Staff, the "**Workforce**") for compensation, expense reimbursements, and benefits under all plans, programs, policies, and agreements maintained by,

[8] "**Employee Wages Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders under 11 U.S.C. §§ 105(a), 362(d), 363(b), 507(a), 541, 553, 1107(a), and 1108 and Fed. R. Bankr. p. 6003 and 6004 (I) Authorizing (a) Payment of Prepetition Workforce Obligations and (b) Continuation of Workforce Programs on Postpetition Basis, (II) Authorizing Payment of Payroll-related Taxes, (III) Confirming the Debtors' Authority to Transmit Payroll Deductions, (IV) Authorizing Payment of Prepetition Claims Owing to Administrators, and (V) Directing Banks to Honor Prepetition Checks and Fund Transfers for Authorized Payments*.

or for the benefit of, or contributed to or entered into by, the Debtors prior to the Petition Date (collectively, and as further described the Employee Wages Motion, the "**Workforce Programs**"), and (b) continue the Workforce Programs in the ordinary course of business postpetition, as in effect immediately prior to the filing of the above Chapter 11 Cases; (ii) confirming that the Debtors are authorized to pay any and all local, state, federal, and foreign withholding and payroll-related or similar taxes relating to the prepetition Workforce Obligations; (iii) confirming that the Debtors are permitted to continue to deduct and to transmit deductions from payroll checks as authorized by Employees, or from contractual payments to Temporary Staff (or the employing agency) and US Directors as required by any Workforce-related plan, program, or policy, or as required by law; (iv) confirming that the Debtors are permitted, but not required, to pay any prepetition claims owing to vendors and third party Administrators (as defined below); and (v) authorizing and directing all banks to receive, process, honor, and pay all of the Debtors' prepetition checks and fund transfers on account of any obligations authorized to be paid pursuant to the Employee Wages Motion.

87. The Workforce Programs under which the Workforce Obligations arise are described more fully in the Employee Wages Motion and include, without limitation, plans, programs, policies, and agreements providing for: (a) wages, salaries, holiday pay, paid time off, and other accrued compensation; (b) reimbursement of business, travel, and other reimbursable expenses; and (c) benefits, with coverage as applicable for eligible spouses and dependents, in the form of (i) medical, prescription drug, dental, and vision coverage, (ii) health savings accounts and flexible spending accounts, (iii) income protection plans, (iv) participation in a 401(k) plan, (v) pension plans, (vi) retiree medical plans, (vii) deferred compensation plans, (viii) workers'

compensation, and (ix) severance benefits, and miscellaneous other benefits provided to the Workforce in the ordinary course of business, as described in the Employee Wages Motion.

i. The Debtors' Workforce

88. It is my understanding that, as of the Petition Date, inclusive of any currently furloughed Employees, the Debtors' Workforce consists of (i) approximately 1,752 Employees worldwide (excluding the US Directors), of whom approximately 1,743 Employees are located in the United States, (the "**US Employees**"), 6 are located in Canada, and one Employee each in Australia, China, and Singapore, (ii) 9 US Directors (8 of whom are independent directors), and (iii) one Employee director. The Debtors also employ approximately 45 temporary staff, all of whom are located in the United States (the "**US Temporary Staff**") (which together with the US Employees and the US Temporary Staff are referred to herein as the "**US Workforce**"). The Debtors' Workforce may fluctuate depending on the Debtors' specific needs at any given time.

89. Of the US Workforce, approximately 550 are Salaried Employees, approximately 1,193 are Hourly Employees, and approximately 45 are US Temporary Staff. Included in the Hourly Employee headcount are approximately 1,188 US Employees who are covered by collective bargaining agreements (the "**Union US Employees**"). The Union US Employees are all Hourly Employees, whereas the Debtors' US Employees not covered by collective bargaining agreements (the "**Non-Union US Employees**") include both Salaried Employees and Hourly Employees.

90. As set out in the Employee Wages Motion, the estimated outstanding interim amounts as of the Petition Date in relation to the Workforce Programs are summarized below:

US Workforce Obligations	Approximate Outstanding Prepetition Amount
US Workforce Compensation Programs	

US Workforce Obligations		Approximate Outstanding Prepetition Amount
i.	US Employee Payroll Obligations (inclusive of the Withholding Obligations)	$715,000[9]
ii.	Paid Time Off	$1,750,000[10]
iii.	US Employee Incentive Programs	$125,000
iv.	US Temporary Staffing Agencies	$510,000
TOTAL		**$3,100,000**
US Employee Benefits Programs		
i.	US Medical Benefits, US Dental Benefits, and US Vision Plan	$4,260,000
ii.	HSAs and FSAs	$0
iii.	US Income Protection Plans	$235,000
iv.	401(k) Plan	$7,000
v.	US Pension Plans	$0
vi.	US Retiree Medical and Life Plans	$131,000
vii.	US Workers' Compensation Policy	$40,000
viii.	US Severance Plans	$0
TOTAL		**$4,673,000**
US Employee Reimbursement Programs		
i.	US Business Expenses	$50,000
ii.	US Vehicle Program	$5,000
iii.	US Relocation Expenses	$40,000
iv.	US Parking Expenses	$0
v.	US Miscellaneous Reimbursement Programs	$47,000
vi.	US Director Fees and Expenses	$0
TOTAL		**$142,000**

[9] The Debtors estimate that, as of the Petition Date, Withholding Obligations aggregating approximately $130,000 have not yet been remitted, which the Debtors seek to pay to third parties in accordance with their prepetition practice.

[10] The Debtors estimate that, as of the Petition Date, aggregate accrued but unpaid PTO liability for US Employees who live in states that require PTO to be paid out upon termination of employment all US Employees totals approximately $1,750,000.

ii. US Workforce Compensation Programs

91. US Employee Payroll and Payroll Deductions. The Debtors' payroll processing services related to payment of the US Employees' wages and salaries are administered internally. The Debtors maintain two separate bank accounts for payroll processing, one each for US Salaried Employees and US Hourly Employees. US Salaried Employees are paid current on a semi-monthly basis. Typically, the average payroll for each semi-monthly pay period for US Salaried Employees is approximately $2,700,000. However, taking into account reduced annual base salaries and furloughs implemented as a result of the COVID-19 pandemic, the Debtors estimate that the average payroll for each semi-monthly pay period for US Salaried Employees is currently approximately $1,200,000. US Hourly Employees are paid weekly, one week in arrears. Typically, the average payroll for each weekly pay period for Hourly Employees is approximately $1,350,000. However, taking into account the abovementioned furloughs, the Debtors estimate that the current average payroll for each weekly pay period for US Hourly Employees is approximately $410,000. As a result, the US Employees often have a significant amount of unpaid wages and other compensation that has accrued, but is unpaid. The next upcoming payroll dates are June 5, 2020, for US Hourly Employees and June 15, 2020, for US Salaried Employees. I understand the Debtors estimate that, as of the Petition Date, they owe approximately $715,000 in wages and salaries to the US Employees. By the Employee Wages Motion, the Debtors are requesting authority, but not direction, to pay all of these amounts under the interim and final order. Subject to entry of the final order, however, no US Employees will be paid wages or salary compensation in excess of the $13,650 statutory cap pursuant to section 507(a)(4) of the Bankruptcy Code.

92. During each applicable payroll period, the Debtors routinely deduct certain amounts from US Employees' paychecks, including union dues, charitable donations, garnishments, child support, and similar deductions, as well as other pre-tax and after-tax deductions payable pursuant to certain employee benefit plans discussed in the Employee Wages Motion, such as an Employee's share of health care benefits and insurance premiums, 401(k) contributions, legally ordered deductions, and miscellaneous deductions (collectively, the "**US Deductions**"), and forward such amounts to various third-party recipients.

93. In addition to the US Deductions, certain federal and state laws require that the Debtors withhold certain amounts from US Employees' gross pay related to federal, state, and local income taxes, as well as Social Security and Medicare taxes (collectively, the "**Employee Payroll Taxes**") for remittance to the appropriate federal, state, or local taxing authorities. I understand the Debtors must then match the Employee Payroll Taxes from their own funds and pay, based upon a percentage of gross payroll, additional amounts for federal and state unemployment insurance and Social Security and Medicare taxes (together with the Employee Payroll Taxes, the "**Payroll Taxes**", and, the Payroll Taxes, together with the Deductions, the "**Withholding Obligations**"). The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, and local taxing authorities at the same time the Employees' payroll checks are disbursed. I understand the Debtors estimate the average Withholding Obligations for each semi-monthly pay period for US Employees is currently approximately $830,000.

94. As of the Petition Date, certain of the US Employees are owed prepetition amounts related to their compensation. Where US Employees are owed such amounts, the applicable Withholding Obligations have not yet been met. Additionally, the Debtors may not yet have forwarded to the various third parties noted above the payments that are attributable to the

Withholding Obligations that have been withheld from US Employees' paychecks. I am informed that the Debtors estimate that, as of the Petition Date, accrued but unpaid Withholding Obligations total approximately $130,000. By the Employee Wages Motion, the Debtors request authority, but not direction, (i) to process any unpaid or unremitted Payroll Taxes and US Deductions as of the Petition Date on an interim and final basis and (ii) to continue to honor and process Payroll Taxes and US Deductions on a postpetition basis, in the ordinary course and consistent with their prepetition practices.

95. Paid Time Off. As part of their overall compensation, US Employees are eligible, in certain circumstances, to receive paid time off ("**PTO**") for, among other things, vacation, personal days, and holidays. The specifics of the Debtors' PTO policies vary based on whether the US Employee is a US Salaried Employee, Non-Union US Hourly Employee, or Union US Employee. In addition, the rate at which US Employees earn PTO varies depending on the Employee's position and length of employment.

96. I am informed that, as of the Petition Date, the Debtors estimate that the aggregate accrued but unpaid PTO liability for US Employees who live in states that require PTO to be paid out upon termination of employment is approximately $1,750,000. This accrued amount, however, does not represent a true "cash" liability for the Debtors, as the Debtors anticipate that US Employees will use most of their PTO in the ordinary course of business, and eligible US Employees receive cash payments on account of unused earned time off upon termination or resignation, as required by law or contract. Accordingly, unless a US Employee is terminated or has resigned, PTO is not calculated for the purposes of the statutory priority cap under section 507(a)(4) of the Bankruptcy Code. Pursuant to the Employee Wages Motion, the Debtors are requesting authority, but not direction, to honor US Employees' ordinary course use of PTO under

the PTO policy in existence as of the Petition Date, whether accrued pre- or postpetition, without regard to the statutory cap imposed by section 507(a)(4) of the Bankruptcy Code.

97. US Employee Incentive Programs. In the ordinary course of business, in order to encourage and reward outstanding performance, the Debtors offer certain US Employees the opportunity to earn cash bonuses under certain programs, including, most recently, (i) the Annual Bonus Program (as defined below), (ii) the Quarterly Sales Bonus Program (as defined below), and (iii) the Performance Cash Awards and Deferred Cash Compensation Plan under the LTIPs (each as defined below, and together with the Annual Bonus Program and Quarterly Sales Bonus Program, the "**US Employee Incentive Programs**"). I am informed that, pursuant to the US Employee Incentive Programs, eligible Employees may earn awards based on individual and/or business targets. Payments with respect to the US Employee Incentive Programs are made by the Debtors directly to the applicable Employees. The US Employee Incentive Programs are not retention or severance plans as contemplated by section 503(c) of the Bankruptcy Code.

98. The Annual Bonus Program. Under the Debtors' annual bonus program (the "**Annual Bonus Program**"), eligible Employees are entitled to a single cash bonus payment, which is typically paid in March following the end of the applicable performance period. Payments under the Annual Bonus Program are determined by the Debtors' management, are entirely discretionary, and are based on the Debtors' performance. Generally, US Salaried Employees receive a certain percentage (between 5% and 100%) of their annual base salary as a cash bonus under the Annual Bonus Program and such target percentage is based on the Employee's title and/or position. In March 2020, the Debtors paid approximately $6,300,000 to US Employees in connection with the Annual Bonus Program. As of the Petition Date, I understand that the Debtors believe that no amounts are owed in connection with the Annual Bonus Program. Any future

payments pursuant to the Annual Bonus Program are entirely discretionary and, accordingly, the Debtors are not seeking authority to make any such payments pursuant to the Employee Wages Motion.

99. The Quarterly Sales Bonus Program. Under the Debtors' quarterly sales bonus program (the "**Quarterly Sales Bonus Program**"), eligible sales Employees are entitled to bonus payments based on their goal for the applicable performance period (each measurable quarter under the program). Quarterly Sales Bonus Program payouts, when achieved, are typically paid within 45 days of the end of the applicable performance period and, when necessary, any outstanding balances are trued up and paid out at the end of each calendar year. In 2019, the Debtors paid approximately $1,300,000 to US Employees pursuant to the Quarterly Sales Bonus Program. As of the Petition Date, approximately 100 US Employees are eligible to receive Quarterly Sales Bonus Program payouts and I understand that the Debtors estimate that their accrued but unpaid liability under the Quarterly Sales Bonus Program on account of US Employees is approximately $125,000.

100. The LTIPs. The Debtors also maintain three long-term incentive plans: (i) the performance cash awards (the "**Performance Cash Awards**"), (ii) the deferred cash compensation plan (the "**Deferred Cash Compensation Plan**"), and (iii) the restricted stock unit plan (the "**RSUs**") (collectively, the "**LTIPs**", which are available to both Employees who are "insiders" as defined in the Bankruptcy Code as of the Petition Date and Employees who are not insiders). Under the Performance Cash Awards, eligible Employees are entitled to a cash payment based on individual and/or business targets, in an amount determined by the Debtors' compensation committee, in its discretion. As of the Petition Date, 11 current Employees are eligible to receive payments under the Performance Cash Awards to be made in February 2021, if the performance

goals are met. As of the Petition Date, 31 current Employees are eligible to receive payments under the Deferred Cash Compensation Plan in February 2021. The RSUs are restricted stock units of Libbey Inc. which vest ratably over three years on each anniversary of the grant date. On each vesting date the RSUs are paid in the form of Libbey Inc. common stock. Accordingly, the value of the RSUs is dependent upon the value of the shares. As of the Petition Date, 87 US Employees have been granted approximately 1,965,000 RSUs that are still outstanding.

101. I understand that, as of the Petition Date, the Debtors estimate that accrued but unpaid awards outstanding under the LTIPs on account of US Employees total approximately $7,250,000. The last payments made by the Debtors in connection with the LTIPs were made in March 2020, with the next payments being due in February 2021. Accordingly, the Debtors are not seeking any relief in respect of the LTIPs.

102. As of the Petition Date, 560 US Employees are eligible to receive payouts under the US Employee Incentive Programs in the aggregate. Given the large percentage of the Employees covered by the US Employee Incentive Programs, it is my belief that any interruption in payments pursuant to the US Employee Incentive Programs could upset Employee morale or cause attrition, which could lead to severe disruptions to the Debtors' operations. The next upcoming payout dates for US Employees under the US Employee Incentive Programs are August 15, 2020, and November 15, 2020, both of which relate to the Quarterly Sales Bonus Program covering approximately 100 employees. By the Employee Wages Motion, the Debtors seek to continue providing such benefits in the ordinary course of business to eligible non-insider US Employees under the interim order. With respect to US Employees, the Debtors are requesting authority, but not direction, to pay any accrued but unpaid liability under the US Employee Incentive Programs on a final basis.

103. The US Temporary Staffing Agencies. As described above, in the ordinary course of business, the Debtors hire US Temporary Staff. The number of US Temporary Staff fluctuates based on whether the Debtors are in a peak business season and the Debtors' specific needs at any given time. The Debtors currently hire all US Temporary Staff through temporary staffing agencies (such agencies, the "**US Temporary Staffing Agencies**"). As of the Petition Date, I understand the Debtors believe that $510,000 is owed in connection with the retention of US Temporary Staff. By the Employee Wages Motion, the Debtors are requesting authority, but not direction, to pay all of this amount on an interim an final basis, and to continue honoring such obligations on a postpetition basis in the ordinary course of their operations and consistent with past practice.

iii. US Employee Benefits Programs

104. US Medical, Dental, and Vision Benefits. The Debtors offer eligible US Employees, including Union US Employees, and their eligible family members the opportunity to obtain medical, vision and prescription drug benefits (the "**US Medical Benefits**").[11] The Debtors' US Employees are provided US Medical Benefits under self-insured plans provided by Aetna Inc. ("**Aetna**") and Paramount Insurance Co. ("**Paramount**"). The Debtors' US Employees are provided prescription drug benefits under self-insured plans administered by CVS Caremark. The plans provided by Aetna include a high-deductible health plan combined with a health savings account (the "**HDHP**"), an HMO plan for Union US Employees employed at the Debtors' Shreveport Plant (the "**Shreveport HMO Plan**"), and a PPO plan (the "**PPO Plan**" and, together with the HDHP and Shreveport HMO Plan, the "**Aetna Plans**"). Coverage under the Aetna Plans

[11] Any relief sought in Employee Wages Motion in respect of the US Medical Benefits is inclusive of both the Debtors' US Employees and Canadian Employees.

is available to (i) full-time US Employees who have been employed by the Debtors for at least 31 days and (ii) part time US Salaried Employees and Non-Union Hourly Employees who work on average at least 20 hours per week. Under the US CBAs, coverage under the Aetna plans is typically available to Union US Employees on the 90th calendar day of their employment.[12] Certain Union US Employees also have access to an HMO plan provided by Paramount (the "**Paramount Plan**"). US Employee contributions partially reimburse the Debtors for costs associated with coverage under the Aetna Plans and the Paramount Plan.

105. The obligations incurred by the Debtors on account of the US Medical Benefits fluctuate based on the medical needs of the US Employees, and the administration costs to the providers. When a provider processes and approves a claim, a funding request is sent to the Debtors and paid immediately. For the twelve-month period prior to the Petition Date, the Debtors incurred approximately $1,900,000 on average per month in connection with the US Medical Benefits. As of the Petition Date, I understand the Debtors estimate that there is $80,000 owing in accrued and unpaid amounts on account of administration costs and $4,060,000 in accrued and unpaid amounts related to medical claims associated with the US Medical Benefits. By the Employee Wages Motion, the Debtors seek authority to honor their prepetition obligations on account of the US Medical Benefits and continue the US Medical Benefits on a postpetition basis in the ordinary course of business.

106. In addition, as required under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), the Debtors provide, and PayFlex Systems USA, Inc. ("**PayFlex**") administers, temporary continuation of healthcare benefits at group rates to certain former US

[12] Coverage under the Aetna plans is available on the 30th calendar day of employment for Union US Employees covered by the labor agreement between Libbey Glass Inc. and the International Association of Machinists & Aerospace Workers, A.F.L.-C.I.O. on behalf of its Local Lodge No. 105.

Employees who elect COBRA coverage after their qualifying termination of employment, retirement, or disability leave. The former US Employees bear the full cost of coverage under COBRA, plus a 2% administration fee. I understand that, while the Debtors do not expect any costs to arise associated with this benefit, the Debtors request that former US Employees and eligible dependents retain the right to coverage in accordance with COBRA requirements and request authorization to pay obligations (if any) arising under such plans, regardless of when such obligations accrued.

107. The Debtors also offer eligible US Employees, including Union US Employees, and their family members the opportunity to obtain dental coverage (the "**US Dental Benefits**"). The US Dental Benefits are self-insured by the Debtors and administered by Aetna. For the twelve-month period prior to the Petition Date, the Debtors incurred approximately $100,000 on average per month in connection with the US Dental Benefits. I understand that, as of the Petition Date, the Debtors estimate that approximately $200,000 is owed on account of the US Dental Benefits. By the Employee Wages Motion, the Debtors seek authority to honor prepetition obligations on account of the US Dental Benefits and continue the plan on a postpetition basis in the ordinary course of business.

108. The Debtors offer eligible US Employees, including Union US Employees and their family members, the opportunity to obtain vision coverage (the "**US Vision Benefits**"). The US Vision Benefits are fully insured and administered by Aetna and cover participating US Employees' routine eye exams, eyeglass frames and lenses, and contact lenses, to varying degrees depending on the service and whether the provider is within Aetna's network or is outside the network (the latter option being subject to higher costs to the US Employee). As the premiums for US Vision Benefits are bundled together into the costs associated with the US Medical Benefits

generally, the Debtors owe no additional amounts for US Vision Benefits over and above the amounts owed on account of the US Medical Benefits.

109. US Health Savings Accounts and Flexible Spending Accounts. The Debtors offer eligible US Employees, including Union US Employees, participating in the HDHP the opportunity to contribute, through pre-tax compensation deductions, to health savings accounts ("**HSAs**") administered by HealthEquity, Inc. ("**HealthEquity**") to be used for healthcare-related expenses. In January of each year, the Debtors pre-fund approximately $44,000 into the HSAs. Each participating US Employee may also contribute a portion of his or her eligible earnings each year on a pre-tax basis to his or her HSA, subject to limits imposed by applicable law. A participating US Employee may only use his or her HSA for eligible medical expenses.

110. The Debtors also offer US Employees the opportunity to contribute, through pre-tax compensation deductions, to flexible spending accounts ("**FSAs**") to be used for healthcare related expenses and dependent care expenses, subject to limits imposed by applicable law. Contributions to FSAs are 100% Employee funded and participating US Employees may only use his or her FSA for certain eligible expenses. There are currently 270 US Employees enrolled in HSAs and FSAs. I understand the Debtors are requesting the authority, but not direction, to (i) remit US Employee HSA Deductions and FSA Deductions withheld from US Employees' prepetition paychecks but not yet forwarded to PayFlex and HealthEquity and (ii) continue honoring their obligations under the HSA and FSA programs postpetition in the ordinary course and consistent with their prepetition practices.

111. US Income Protection Plans. Eligible US Employees receive, at the Debtors' cost, short-term disability ("**STD**") insurance, long-term disability ("**LTD**") insurance, accidental death and dismemberment ("**AD&D**") insurance, and basic life insurance, as well as supplemental life

insurance (for which enrolled Employees bear the cost) (such insurance plans, the "**US Income Protection Plans**"). The US Income Protection Plans are administered by The Hartford Financial Services Group, Inc. ("**Hartford**").

112. The Debtors' US STD insurance programs vary based on whether the Employee is a US Salaried Employee, Non-Union Hourly US Employee, or Union US Employee. US Salaried Employees are eligible to receive STD benefits on their 31st day of employment, beginning on the sixth day of a disability or illness. Eligible US Employees receive benefits for up to 26 weeks, receiving 100% of regular pay for eight weeks, and 70% of pay for any remaining number of weeks. The Union US Employees are eligible to receive STD benefits on their 90th day of employment, beginning on the first day of an accident, or the fourth day of a sickness, receiving between $280 to $360 per week for up to 26 weeks. Payments to Union US Employees for STD benefits are retroactive to the first day of disability, if hospitalized within the first 28 days of disability. I am informed the Debtors pay monthly administrative fees in the amount of approximately $3,000 to Hartford, as well as approximately $3,000 per week to fund current claims.

113. The Debtors' US LTD insurance programs are available to US Salaried Employees. Eligible US Employees may receive LTD benefits after exhausting their benefits under STD, with LTD benefits starting after 180 days of disability and paying 60% of regular pay up to a maximum monthly benefit of $15,000. Union US Employees under the age of 65, who have at least 10 years of service with the Debtors, and who are permanently and totally disabled may be retired on an unreduced monthly disability income calculated as if he or she were aged 65 or over, receiving $40 per month for each year of credited service.

114. The Debtors also provide Non-Union US Employees who have been employed by the Debtors for a minimum of 31 days, and Union US Employees who have been employed for a minimum of 90 days, with basic life insurance and AD&D insurance, in an amount equal to 100% of an Employee's annual base pay up to a maximum of $300,000, at no charge to the Employee. US Salaried Employees and Non-Union US Employees may also purchase additional voluntary supplemental life and AD&D insurance for themselves and their dependents at their own cost up to maximum coverage levels of between 100% and 500% of an Employee's annual base pay or $800,000 for the Employee, $20,000 for an Employee's spouse, or $10,000 for each dependent child. Union US Employees may voluntarily purchase additional supplemental life and AD&D insurance for themselves and their dependents at their own cost, receiving up to $360 per week for up to 26 weeks for the Employee, $20,000 for an Employee's spouse, or $15,000 for each dependent child. The Debtors pay the premiums for any voluntary supplemental life and AD&D insurance purchased by US Employees to Hartford, which are then deducted from the applicable US Employee's paychecks and reimbursed to the Debtors.

115. For the twelve month period prior to the Petition Date, the Debtors incurred approximately $110,000 on average per month in connection with the US Income Protection Plans. In addition, on average, for the twelve months prior to the Petition Date, the Debtors remitted approximately $25,000 of US Employee-paid premiums per month on account of the US Income Protection Plans. I am informed that, as of the Petition Date, the Debtors believe that $235,000 is owed on account of premiums under the US Income Protection Plans.

116. 401(k) Plan. The Debtors sponsor a 401(k) retirement savings plan for eligible US Employees, which is administered by Empower Retirement (the "**401(k) Plan**"). Non-Union US Employees are eligible to enroll in the 401(k) Plan immediately upon employment by the Debtors.

Union US Employees are eligible to enroll in the 401(k) Plan after they satisfy the probationary period specified in their applicable US CBA. Under the 401(k) Plan, an eligible US Employee may contribute a portion of his or her eligible earnings each year through either pre-tax contributions, or after-tax contributions, or a combination thereof, to the 401(k) Plan, subject to limits imposed by applicable law. These contributions are deducted from the paychecks of participating US Employees and held in trust on the Employees' behalf until such amounts are paid to Great West Trust Company, LLC (in such capacity, the "**401(k) Trustee**") to be held in an account maintained by the 401(k) Trustee on the Employee's behalf. In addition, the 401(k) Plan permits US Employees to take loans against their individual 401(k) account, and the Debtors deduct loan payments from such Employee's paycheck and remit such amounts to the 401(k) Trustee. The 401(k) Trustee's administrative fees are deducted from 401(k) Plan assets. Currently, approximately 1,200 US Employees participate in the 401(k) Plan.

117. As noted above, the Debtors have suspended their employee contribution matching program for US Salaried Employees participating in the 401(k) plan until September 30, 2020. For US Salaried Employees, the Debtors typically match Employee contributions up to 6% of the participating Employee's eligible compensation, which is limited to pre-tax deferrals, subject to any limits imposed by applicable law. For US Hourly Employees, including all Union US Employees, the Debtors typically match Employee contributions up to 3% of the participating Employee's eligible compensation, subject to the terms of the US CBAs and any limits imposed by applicable law. Matching contributions made on behalf of the Debtors' US Employees during the twelve months prior to the Petition Date to the 401(k) Plan totaled approximately $4,000,000. I am informed that, as of the Petition Date, the Debtors estimate that $7,000 is owing on account of prepetition matching contributions related to the 401(k) Plan. The Debtors seek authority to

continue their employee contribution matching program under the 401(k) plan from September 30, 2020, onwards.

118. US Pension Plans. In addition to the 401(k) Plan, certain US Employees are eligible to participate in either a Salaried Employee pension plan (the "**US Salaried Pension Plan**") or an Hourly Employee pension plan (the "**US Hourly Pension Plan**", together, the "**US Pension Plans**").[13] However, the US Pension Plans were closed to new participants for: (i) any US Salaried Employees hired on or after January 1, 2006; (ii) Union US Employees at the Shreveport Plant hired on or after December 16, 2008; and (iii) Union US Employees at the Toledo Plant hired on or after October 1, 2010. Future benefit accruals under the US Salaried Pension Plan were frozen effective January 1, 2013. Participants in the US Salaried Pension Plan holding cash balance pension accounts continue to receive annual interest credits in a minimum amount of 5% per annum, credited on the year-end balance at the end of each year. Union US Employees who are active participants in the US Hourly Pension Plan continue to accrue pension service.

119. Historically, US Salaried Employees automatically became participants in the US Salaried Pension Plan after one year of service. Full-time US Hourly Employees covered by a US CBA became participants in the US Hourly Pension Plan on their first day of service.[14] Part-time US Hourly Employees covered by a US CBA became participants in the US Hourly Pension Plan on their first day of active service following the completion of 1,000 hours of service. Contributions under the US Pension Plans are paid for by the Debtors. I am informed that, as of the most recently filed 10-K, the US Hourly Pension Plan was underfunded by approximately $7,705,000 and the US Salaried Pension Plan has a funding surplus of approximately $5,715,000.

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[13] The Debtors also offer their Canadian Employees a pension plan, relief for which is sought in the Cash Management Motion, filed contemporaneously herewith.

[14] A US Hourly Employee is considered full-time if they are employed for at least 30 hours per week.

By the Employee Wages Motion, the Debtors seek authority, but not direction, to continue to perform their obligations under the US Pension Plans, including, but not limited to, the payment of any employer contributions to the US Pension Plans in the ordinary course of business, whether such obligations arose before or after the Petition Date.

120. US Retiree Medical Plans. Certain of the Debtors' US Salaried Employees are eligible to receive medical benefits after retirement pursuant to retiree health care plans, which are self-insured by the Debtors and administered by Hartford, and life insurance plans insured and administered by Hartford (the "**Non-Union US Retiree Medical Plans**"). Certain of the Debtors' Union US Employees are eligible to receive medical benefits after retirement pursuant to union retiree health care and life insurance plans administered and insured by Aetna (the "**Union US Retiree Medical Plans**" and together with the Non-Union US Retiree Medical Plans, the "**US Retiree Medical Plans**").[15] For US Salaried Employees eligible to be covered under the US Retiree Medical and Life Plans, there is an annual cost-sharing cap of $4,500 on any contributions made by the Debtors towards the cost of the US Retiree Medical and Life Plans. The Debtors pay up to 80% of the costs of coverage under the cost-sharing cap depending on the retiree's length of employment, and retirees pay 100% of the costs of coverage above the cap. Due to the cost-sharing arrangement, salaried retirees typically pay between 66% - 90% of the cost of coverage under the US Retiree Medical and Life Plans.[16] However, the US Retiree Medical and Life Plans have been frozen and closed to new participants for approximately 10 years for Union US Employees employed at the Toledo Plant, 11 years for Union US Employees employed at the Shreveport Plant,

[15] Any relief sought herein in respect of the US Retiree Medical and Life Plans is inclusive of both the Debtors' US Employees and Canadian Employees.

[16] Via Benefits also administers an annual health reimbursement of $300 per year for certain US retirees aged over 65.

and 16 years for US Salaried Employees.[17] As of the Petition Date, approximately 2,200 former Employees receive benefits pursuant to the US Retiree Medical Plans for which the Debtors contribute payment. The Debtors remit administrative fees for the US Retiree Medical Plans and fund retiree medical claims immediately as they are processed. I understand that, as of the Petition Date, the Debtors estimate they owe approximately $131,000 on account of the US Retiree Medical Plans. By the Employee Wages Motion, the Debtors seek authority, but not direction, to continue to perform their obligations under the US Retiree Medical Plans on a postpetition basis in the ordinary course of business, whether such obligations arose before or after the Petition Date.

121. US Deferred Compensation Plans. The Debtors offer certain US Employees with the opportunity to participate in tax deferred savings opportunities through a director deferred compensation plan (the "**US Director Deferred Compensation Plan**") and an executive deferred compensation plan (the "**US Executive Deferred Compensation Plan**" and together with the Director Deferred Compensation Plan, the "**US Deferred Compensation Plans**"). The US Deferred Compensation Plans provide a select group of management or highly compensated employees within the meaning of sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended with the opportunity to elect to defer receipt of specified portions of compensation on a pre-tax basis. I understand that, as of the Petition Date, while the Debtors estimate that there are accrued but unpaid amounts owing on account of the US Deferred Compensation Plans, the Debtors are not seeking authority to make any payments under the US Deferred Compensation Plans. However, the Debtors seek authority to continue to allow US Employees to elect to participate in the US Deferred Compensation Plans.

[17] Historically, there were four retiree medical plans available to eligible US Employees. Two of these plans related to a now defunct plant and are no longer offered.

122. US Workers' Compensation. Under the laws of the various US states in which they operate, the Debtors are required to maintain workers' compensation policies and programs, or participate in workers' compensation programs administered by state governments, to provide their US Employees with workers' compensation coverage for certain claims arising from or related to their employment with the Debtors. In all states except Louisiana and Ohio, the Debtors' US Employees are covered under a workers' compensation policy issued and administered by Travelers Property Casualty Company of America ("**Travelers**") (such policy, the "**Travelers Policy**"). In Louisiana and Ohio, the Debtors' US Employees are covered under the Debtors' self-insurance ("**Self-Insurance**"),[18] administered by Gallagher Bassett Services, Inc. ("**Gallagher**"). The Debtors' US Employees are also insured under an excess workers' compensation policy issued by Safety National Casualty Corporation ("**Safety**") and administered by Gallagher, which covers claims that exceed the Debtors' self-insured retentions (the "**Safety Excess Policy**", together with the Travelers Policy and the Self-Insurance, the "**Workers' Compensation Policies**"). The claim costs under the Travelers Policy are covered by Travelers. The claim costs under the Self-Insurance are covered by the Debtors as a self-insured employer and administered by Gallagher. The Debtors pay premiums in the amount of approximately $46,000 per annum under the Travelers Policy and approximately $160,000 per annum under the Safety Excess Policy. Premiums under the US Workers' Compensation Policies are prepaid in full in July of each year for the applicable July 1 to June 30 coverage period.[19] Under the US Workers' Compensation Policies, upon the filing of a verified claim ("**US Workers' Compensation Claim**") by an eligible Employee, the insurer pays the US Workers' Compensation Claim amount directly to the Employee.

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[18] The Debtors were also self-insured in California and New York until July 1, 2009.

[19] In Washington state, premiums are paid quarterly directly to the state, at a cost of approximately $120 per insured Employee.

123. I believe it is critical that the Debtors be permitted to continue their workers' compensation program and to make payments in connection with outstanding prepetition claims, taxes, charges, assessments, premiums, and third party administrator fees in the ordinary course of business because alternative arrangements for workers' compensation coverage would most certainly be more costly, and the failure to provide coverage may subject the Debtors and/or their officers to severe penalties. By the Employee Wages Motion, to facilitate the ordinary course handling of US Workers' Compensation Claims, the Debtors further request authority, in their sole discretion, to lift the automatic stay of section 362 of the Bankruptcy Code to allow US Workers' Compensation Claims to proceed under the Workers' Compensation Policies and to allow the Debtors, their affiliates, their insurance providers, and/or their third party administrators to negotiate, settle, and/or litigate US Workers' Compensation Claims, and pay resulting amounts, whether such claims arose before or after the Petition Date. There are approximately 93 open claims under the Workers' Compensation Program. I understand that, as of the Petition Date, the Debtors have approximately $40,000 in current outstanding obligations on account of administrative costs for the Workers' Compensation Program. Out of an abundance of caution, the Debtors request the authority, but not direction, to continue to honor their obligations related to the US Workers' Compensation Claims in the ordinary course and consistent with their prepetition practices, whether such obligations arose before or after the Petition Date.

124. US Severance Plans. The Debtors maintain both a non-executive severance plan (the "**US Non-Executive Severance Plan**") and an executive severance plan (the "**US Executive Severance Plan**", together, the "**US Severance Plans**") with respect to full-time US Salaried Employees who are involuntarily terminated by the Debtors due to a job elimination, restructuring, merger, acquisition, divestiture, unit shutdown, departmental consolidation, technological change,

or similar business reason. US Employees covered under the US Non-Executive Severance Plan are eligible to receive severance compensation of between 4 and 24 semi-monthly base pay periods for every completed year of service, depending upon their tenure of employment with the Debtors, capped at 12 months' base pay. By the Employee Wages Motion, the Debtors are requesting authority to continue to honor and perform their postpetition obligations with respect to the US Non-Executive Severance Plan on a final basis.

125. US Employees covered under the US Executive Severance Plan are eligible to receive severance compensation including continuation of base salary for between 52 and 104 weeks depending on the Employee's position, reimbursement of amounts due under the US Employee Benefits Programs, prorated annual incentives as applicable, continuation of certain insurance benefits, and executive outplacement services. I am informed that, as of the Petition Date, the Debtors estimate that they have no accrued but unpaid liability on account of the US Executive Severance Plan.

iv. US Employee Reimbursement Programs

126. US Business Expenses. The Debtors, in the ordinary course of their business, reimburse US Employees for a variety of ordinary, necessary, and reasonable business-related expenses that US Employees incur within the scope of their job duties. These include expenses for business travel (including travel fare, meals and entertainment, transportation and mileage, automobile rental and gas, and lodging) and other general business-related expenses. US Employees are expected to use sound judgment and good business sense when incurring expenses.

127. In addition, approximately 285 US Employees are furnished with corporate credit cards maintained through American Express (the "**AmEx Credit Cards**"). These US Employees use the AmEx Credit Cards to make authorized business purchases on behalf of the Debtors. The

Debtors pay the balances of approved expense reports that accrue under the AmEx Credit Cards directly to American Express on a monthly basis. The Debtors are primarily liable for the amounts charged on the AmEx Credit Cards, however non-payment of the AmEx Credit Card balances may result in direct personal liability for the US Employees. The continued use of the AmEx Credit Cards is critical to the Debtors' business operations insofar as it is one of the mechanisms by which US Employee expenses incurred in the ordinary course of employment are efficiently paid. On average, for the twelve months prior to the Petition Date, the Debtors' US Employees incurred approximately $360,000 per month in the aggregate on account of business expenses charged to the AmEx Credit Cards. I understand that he Debtors estimate approximately $30,000 remains outstanding on account of prepetition business expenses charged to the AmEx Credit Cards as of the Petition Date. By the Employee Wages Motion he Debtors seek authority, but not direction, to pay all prepetition amounts owed on account of reimbursable expenses in the ordinary course of business and consistent with past practice, including all amounts payable with respect to the AmEx Credit Cards.

128. Typically, only business expenses charged to the AmEx Credit Cards are eligible for reimbursement. However, the Debtors may also reimburse US Employees for business expenses paid in cash or charged to a US Employee's personal credit card, if the applicable business establishment or service provider does not accept the Debtors' company issued credit card and the Employee's designated approver approves the expense reimbursement.

129. In order to be reimbursed for business expenses, a US Employee must submit his or her expense report, including original itemized receipts where applicable, to the Employee's designated approver. US Employees are reimbursed for their work-related expenses via direct deposit by the Debtors promptly after the expense report is approved by the Employee's designated

approver. To the extent practicable, US Employees are to submit expense reports within 5 business days after incurring business expenses; however, because Employees may not always promptly furnish their receipts, it is difficult for the Debtors to determine the exact amount outstanding at any particular time. Taking into account a potential lag period, I am informed that the Debtors estimate that, as of the Petition Date, their obligations to US Employees for accrued, reimbursable business-related expenses (submitted and un-submitted) aggregate to approximately $50,000, inclusive of amounts owed in connection with the AmEx Credit Cards.

130. Reimbursable expenses are incurred by the US Employees on the understanding that they will be reimbursed by the Debtors. Without continued reimbursement of the reimbursable expenses, I believe US Employees relying on these benefits would be saddled with additional costs, causing personal financial hardship. Accordingly, to avoid harming US Employees who have incurred reimbursable expenses, the Debtors are requesting authority, but not direction, to pay $50,000 on account of US Employee Reimbursement Obligations on both an interim and final basis, and to continue honoring such obligations postpetition in the ordinary course and consistent with their prepetition practices.

131. The US Vehicle Program. The Debtors offer certain Employees the ability to participate in a vehicle program (the "**US Vehicle Program**") through which eligible Employees who maintain vehicles meeting certain standards and who use such vehicles in the ordinary course of their employment with the Debtors, are provided a monthly vehicle allowance. Specifically, Employees that participate in the Vehicle Program receive an allowance of either (i) $700 on average each month, or (ii) the IRS established standard mileage rates for the use of a car (vans, pickups, or panel trucks), currently $0.575 per mile for business-related travel costs and expenses. As of the Petition Date, approximately 90 Employees participate in the Vehicle Program. For the

twelve months prior to the Petition Date, the average amount paid by the Debtors under the Vehicle Program was approximately $65,000 per month. I am informed the Debtors estimate that accrued but unpaid amounts under the Vehicle Program total approximately $5,000 as of the Petition Date. By the Employee Wages Motion, the Debtors are requesting authority, but not direction, to pay any accrued but unpaid liability under the US Vehicle Program on a postpetition basis.

132. US Relocation Expenses. In the ordinary course of business, the Debtors may cover certain relocation expenses if a US Employee relocates at the request of the Debtors (the "**US Relocation Expenses**"). As part of the US Relocation Expenses, the Debtors may also provide US Employees with a per-diem stipend when they are required to relocate in connection with their employment with the Debtors. As of the Petition date, the Debtors owe one US Employee accrued but unpaid US Relocation Expenses totaling approximately $40,000. By the Employee Wages Motion, the Debtors are requesting authority, but not direction, to honor all US Relocation Expenses in the ordinary course on a postpetition basis.

133. US Parking Expenses. The Debtors also offer to subsidize parking expenses for US Salaried Employees who work at the Debtors' headquarters in Toledo, Ohio (the "**US Parking Expenses**"). The Debtors issue the US Parking Expenses in connection with the US Salaried Employees' semi-monthly payroll. Historically, the Debtors deducted approximately $8,000 per month from US Employees' paychecks on account of the US Parking Expenses. However, due to the COVID-19 pandemic, deductions on account of the US Parking Expenses have been suspended pending US Employees' return to the office on account of government-mandated work from home orders. I am informed that, as of the Petition Date, the Debtors estimate that there are no accrued and unpaid amounts owing on account of the US Parking Expenses.

134. US Miscellaneous Reimbursement Programs. The Debtors also reimburse their US Employees for certain other miscellaneous programs and benefits (the "**US Miscellaneous Reimbursement Programs**"). For example, the Debtors may reimburse (or pay directly) certain professional expenses incurred by US Employees, such as required continuing education expenses, educational assistance, conference registrations, professional license fees or dues, and subscriptions. In addition, depending on the terms of the applicable US CBA, Union US Employees may be reimbursed, up to certain annual limits, for the purchase of safety equipment, work boots, safety prescription glasses, and work uniforms. The Debtors also provide certain US Employees with cell phones and other portable electronic devices.

135. Full-time US Employees with at least one year of service are eligible for the Debtors' educational assistance policy (the "**Educational Assistance Policy**"), under which the Debtors reimburse eligible tuition expenses for coursework from an accredited college or university that is relevant to an Employee's current occupation, to enhance performance or prepare the Employee for a reasonably obtainable job with the Debtors. The Educational Assistance Policy provides tuition reimbursements upon submitting proof of successful completion of coursework following the academic period. Employees who participate in the Educational Assistance Policy are expected to remain employed by the Debtors for 36 months after receipt of their last reimbursement or must reimburse the Debtors for reimbursements received from this program. In 2019, the Debtors paid about $28,000 on account of the Education Assistance Policy.

136. The total amount of reimbursements paid by the Debtors under the US Miscellaneous Reimbursement Programs averaged approximately $20,000 per month for the twelve months prior to the Petition Date. I am informed that, as of the Petition Date, the Debtors estimate that accrued and unpaid amounts under the US Miscellaneous Reimbursement Programs

total approximately $47,000. By the Employee Wages Motion, the Debtors are requesting authority, but not direction, to continue the US Miscellaneous Reimbursement Programs in the ordinary course on a postpetition basis, and to continue to honor its obligations related to the US Miscellaneous Reimbursement Programs on a postpetition basis in the ordinary course.

137. US Director Fees and Expenses. In the ordinary course of business, the Debtors pay fees for and reimburse expenses of 9 US Directors, 8 of whom are independent directors. Libbey Inc. is a public company that has stock listed on the New York Stock Exchange American. The US Directors are paid, in the aggregate, approximately $162,000 on a quarterly basis for services conducted during the prospective quarter, other than the two new recently appointed directors who receive $50,000 each on a monthly basis for the prospective month. The US Directors' service is necessary for the continued management of the Debtors and, accordingly, it is essential that the Debtors be authorized to pay all US Director fees and any business related expenses incurred by the US Directors that have accrued as of the Petition Date. I am informed that, as of the Petition Date, the Debtors estimate that no prepetition US Directors' fees and expenses are accrued and unpaid. Nonetheless, by the Employee Wages Motion, the Debtors request the authority to pay any prepetition expenses that may arise consistent with prepetition practices and to continue to pay the US Directors' fees and expenses in the ordinary course on a postpetition basis.

v. Honoring of Prepetition Workforce Obligations

138. In the Employee Wages Motion, the Debtors request authority to pay or provide, as they become due, all prepetition Workforce Obligations that are described in the Employee Wages Motion. I have been advised that the Debtors estimate that the aggregate amount of the prepetition Workforce Obligations described in the Employee Wages Motion is approximately $7,915,000.

139. Due to the disruption and uncertainty that typically accompanies a Chapter 11 filing, I believe that the continuity and competence of their Workforce would be jeopardized if the relief requested herein is not granted. Specifically, if the Debtors fail to honor and pay prepetition Employee Compensation Obligations, Employee Reimbursement Obligations, or Employee Benefits Obligations in the ordinary course of business, it is my belief that the Debtors' Workforce will suffer extreme personal hardship and, in some cases, may be unable to pay their basic living expenses. This hardship would have a highly negative impact on Workforce morale and productivity, thereby resulting in immediate and irreparable harm to the Debtors' continuing operations and their estates. Accordingly, I believe the payment of these amounts is vital to preventing the loss of key members of the Workforce during the pendency of the Chapter 11 Cases and to maintaining the continuity and stability of the Debtors' operations.

vi. Postpetition Continuation of Workforce Programs

140. In the Employee Wages Motion, the Debtors also request confirmation of their right to continue to honor and perform their obligations with respect to all of the Workforce Programs. I believe the Workforce Programs are essential to the Debtors' efforts to maintain Workforce morale, reward performance through certain incentives, minimize attrition, and preserve the continuity and stability of the Debtors' operations. I further believe that the expenses associated with the Workforce Programs are reasonable and cost-efficient in light of the potential attrition, loss of morale, loss of productivity, and disruption of business operations that would occur if the Workforce Programs were discontinued. Notwithstanding the foregoing, I have been informed that the Debtors reserve the right to evaluate all Workforce Programs and to make such modifications, including terminating any particular plan, program, or policy, as may be necessary or appropriate during the pendency of the Chapter 11 Cases.

3. *Tax Motion*[20]

141. By the Tax Motion, the Debtors seek entry of interim and final orders authorizing the Debtors, in their sole discretion, to pay any prepetition tax and fee obligations consisting of international taxes, income taxes, franchise taxes, property taxes, sales and use taxes, LLC taxes, and any other taxes and fees for which the Debtors' directors and officers may be liable or which may not constitute property of the Debtors' estates and any other types of taxes, fees, assessments or similar charges and any penalty, interest or similar charges in respect of such taxes and fees (collectively, the "**Taxes and Fees**") owing to those international, federal, state and local governmental entities listed on Exhibit C attached to the Tax Motion (the "**Taxing Authorities**"). The Debtors also seek authority, in their sole discretion, to amend Exhibit C to add or remove any Taxing Authorities to the extent that the Debtors subsequently identify any additional or unneeded governmental or quasi-governmental entities to which the Debtors owe Taxes and Fees. Unless further authorization is obtained from the Court, the Debtors propose to limit the aggregate amount of payments to be made on account of prepetition Taxes and Fees under the Tax Motion to (i) $1,350,900 on an interim basis and (ii) $2,500,000 on a final basis.

142. Although as of the Petition Date the Debtors were substantially current in the payment of assessed and undisputed Taxes and Fees, certain Taxes and Fees attributable to the prepetition period may not yet have become due. Certain prepetition Taxes and Fees will not be due until the applicable monthly, quarterly, or annual payment dates – in some cases immediately and in others not until next year. In 2019, the Debtors incurred approximately $4,550,000 on account of Taxes and Fees. As of the Petition Date, the Debtors estimate that they have accrued

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[20] "**Tax Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 363(b), 507(a)(8), and 541 and Fed. R. Bankr. P. 6003 and 6004 Authorizing Payment of Prepetition Taxes and Fees*.

liabilities, which are not yet due, in the approximate amount of $2,500,000 on account of Taxes and Fees.

143. If the Taxes and Fees are not timely paid, I believe that the Debtors will be required to expend time and incur attorneys' fees and other costs to resolve a multitude of issues related to such obligations, each turning on the particular terms of each Taxing Authority's applicable laws. I also understand that certain of the Taxes and Fees may be considered to be obligations as to which the Debtors' officers and directors may be held directly or personally liable in the event of nonpayment. In such events, I believe that collection efforts by the Taxing Authorities would create obvious distractions for the Debtors and their officers and directors in their efforts to bring the Chapter 11 Cases to an expeditious conclusion. Accordingly, I believe that the continued payment of the Taxes and Fees on their normal due dates will ultimately preserve the resources of the Debtors' estates, thereby promoting their prospects for a successful chapter 11 process.

4. ***Insurance and Bonding Motion***[21]

144. By the Insurance and Bonding Motion, the Debtors request entry of interim and final orders authorizing them to (i) continue to (a) administer the insurance coverage currently in effect and pay their Prepetition Insurance Obligations and (b) pay their Prepetition Bonding Obligations, to the extent the Debtors determine in their discretion that such payments are necessary or appropriate; (ii) pay their Postpetition Insurance Obligations and their Postpetition Bonding Obligations in the ordinary course, as such payments become due; and (iii) revise, extend, supplement, change, terminate and/or replace the Debtors' insurance coverage, or purchase new,

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[21] "**Insurance and Bonding Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 362(d), 363(b), and 503(b) Authorizing Debtors to (I) Pay Their Prepetition Insurance Obligations, (II) Pay Their Prepetition Bonding Obligations, (III) Maintain Their Postpetition Insurance Coverage, and (IV) Maintain Their Bonding Program*.

supplemental, or replacement surety bonds, as needed in the ordinary course of business. The Debtors seek authority under the Insurance and Bonding Motion to make payments on account of Prepetition Insurance Obligations and Prepetition Bonding Obligations in an amount not to exceed $85,000 in the aggregate upon entry of the Interim Order, and in an amount not to exceed $85,000 in the aggregate upon entry of the Final Order.

i. The Debtors' Insurance Obligations

145. In the ordinary course business, the Debtors maintain certain insurance policies that are administered by multiple third-party insurance carriers (the "**Insurance Carriers**"), which provide coverage for, among other things, general liability, business automobile liability, employment practices liability, umbrella liability, directors' and officers' liability, fiduciary liability, crime, kidnap and ransom, property, ocean cargo, cyber liability, stop loss, and excess liability (collectively, the "**Insurance Policies**"). A detailed list of the Insurance Policies that are currently held by the Debtors is attached to the Insurance and Bonding Motion as Exhibit C. I believe that the Insurance Policies are essential to the preservation of the Debtors' businesses, property, and assets, and, in some cases, such coverage is required by various federal and state laws and regulations, as well as the terms of the Debtors' various commercial contracts. It is my understanding that the Insurance Policies provide coverage that is typical in scope and amount for businesses within the Debtors' industry.

146. I understand the total amount paid on account of annual premiums and payments associated with the Insurance Policies is approximately $3.16 million. I have been informed that the Debtors' Insurance Policies renew at various times throughout each year (with some as early as July 1, 2020 and others not until April 30, 2021). I have been further informed that premiums under the general liability, foreign liability, directors' and officers' liability, fiduciary liability,

umbrella liability, crime, property, ocean cargo, cyber liability, business automobile liability, workers' compensation, and employment practices liability policies are due and were paid in full by the Debtors at the beginning of the relevant policy period or extension period, as applicable. Premiums under the stop loss policies are paid on a monthly basis.

147. Hylant and National Medical Excess serve as the Debtors' insurance brokers (Hylant, National Medical Excess, and their affiliates, in such capacities, the "Insurance Brokers") and manage the Debtors' relationships with the Insurance Carriers. Among other things, the Insurance Brokers assist the Debtors in selecting the appropriate carriers (subject to the Debtors' approval) and represent the Debtors in negotiations with the Insurance Carriers. The Insurance Brokers have allowed the Debtors to obtain the insurance coverage necessary to operate their businesses in a reasonable and prudent manner, and to realize savings in the procurement of such policies. In 2019, the Debtors paid approximately $233,000 in the aggregate to Hylant in connection with the Insurance Policies. The brokerage fee due to National Medical Excess is included in the premium payments the Debtors make in connection with the applicable Insurance Policies.

148. I believe that the maintenance of insurance coverage under the various Insurance Policies on an uninterrupted basis is essential to the continued operation of the Debtors' businesses. In addition, I have been informed that, in many cases, it is required under the United States Trustee's Operating Guidelines for Chapter 11 Cases (the "**Operating Guidelines**"), the federal laws and regulations applicable to the Debtors' businesses, the laws of the various states in which the Debtors operate, and the Debtors' various contractual commitments. Thus, I believe that the Debtors should be authorized to continue to pay premiums, taxes, charges, fees, and other

obligations owed under or with respect to the Insurance Policies as such obligations come due in the ordinary course of their businesses.

149. In the Insurance and Bonding Motion, the Debtors request authorization to pay any Prepetition Insurance Obligations to the Insurance Carriers or the Insurance Brokers, as applicable, to the extent that the Debtors determine, in their sole discretion, that such payment is necessary to avoid cancellation, default, alteration, assignment, attachment, lapse, or any form of impairment to the coverage, benefits, or proceeds provided under the Insurance Policies, and to maintain good relationships with the various Insurance Carriers and the Insurance Brokers. I believe the Debtors' maintenance of their relationships with the Insurance Carriers and the Insurance Brokers is critical to ensuring the continued availability of insurance coverage and reasonable pricing of such coverage for future policy periods. The Debtors additionally request, out of an abundance of caution, authority to renew or replace the Insurance Policies as they may expire or lapse in the ordinary course.

150. The Debtors will need to continue their insurance coverage throughout the duration of the Chapter 11 Cases. I believe that the maintenance of their existing Insurance Policies falls squarely within their ordinary course of business and that the relief sought within the Insurance and Bonding Motion is out of an abundance of caution. To reduce both the administrative burden on the Chapter 11 Cases and the expense of operating as debtors in possession, through the Insurance and Bonding Motion, the Debtors request authorization to maintain, amend, extend or renew the Insurance Policies, as necessary, in the ordinary course of business.

ii. The Debtors' Bonding Program

151. In the ordinary course of business, the Debtors are required by certain applicable statutes, rules, and regulations to purchase new, supplemental, or replacement surety bonds (such

bonds, together with the surety bonds outstanding as of the Petition Date, the "**Bonding Program**"). Under the Bonding Program, the Debtors provide surety bonds to certain third parties to secure the Debtors' payment or performance of certain obligations, often to governmental units or other public agencies. The Bonding Program generally covers reclamation, permits and taxes, and other miscellaneous items (collectively, the "**Covered Obligations**"). A detailed list of the surety bonds that are currently maintained for the benefit of the Debtors is attached to the Insurance and Bonding Motion as Exhibit D. I believe that the Bonding Program provides coverage that is typical in scope and amount for businesses within the Debtors' industry.

152. As of the Petition Date, the Debtors outstanding surety bonds were issued by three separate sureties: (a) Western Surety (four surety bonds totaling approximately $2,050,000), (b) The Guarantee Company of North America (five surety bonds totaling approximately $410,000), and (c) Capitol Indemnity Corp. (one surety bond totaling approximately $11,000) (collectively, the "**Sureties**").

153. The premiums for the surety bonds are generally determined on an annual basis and are paid when the bonds are issued and annually upon renewal. The total amount paid in annual premiums and payments associated with all of the surety bonds is approximately $9,020. I understand that as of the Petition Date, the Debtors estimate that all premium payments due and owing under the Bonding Program have been paid in full and the Debtors are not aware of any pending requests for payment by the Sureties.

154. C. A. Shea, Waddell, and Welke serve as the Debtors' surety bond brokers (in such capacity, the "**Surety Brokers**") and manage the Debtors' relationships with the Sureties. Among other things, the Surety Brokers assist the Debtors in selecting the appropriate Sureties (subject to the Debtors' approval) and represent the Debtors in negotiations with the Sureties. The Surety

Brokers have allowed the Debtors to obtain the bonding coverage necessary to operate their businesses in a reasonable and prudent manner, and to realize savings in the procurement of such policies. The Surety Brokers' Fees are included in the premium payments the Debtors make under the Bonding Program.

155. I believe that the success of the Debtors' efforts to operate effectively and efficiently will depend on the maintenance of the Bonding Program on an uninterrupted basis. To continue their business operations, the Debtors must be able to provide financial assurances to federal and state governments, regulatory agencies, and other third parties. This, in turn, requires the Debtors to maintain access to the existing Bonding Program, including by paying the Bonding Obligations as they come due, maintaining required letters of credit, and paying any indemnity obligations that may arise in connection with the Bonding Program in the ordinary course of business, as well as renewing or potentially acquiring additional bonding capacity as needed in the ordinary course of their businesses, requesting releases from obsolete bonding obligations, and executing other agreements in connection with the Bonding Program. Accordingly, I believe it is important that the Debtors be authorized to participate in the Bonding Program in the same manner as they did prepetition and to pay any prepetition or postpetition Bonding Obligations, and revise, extend, supplement, or change the Bonding Program as needed, including through the issuance of new surety bonds.

5. ***Utilities Motion***[22]

156. In the Utilities Motion, the Debtors request entry of interim and final orders, approving procedures that would provide adequate assurance of payment to their utility service

[22] "**Utilities Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a) and 366 (I) Prohibiting Utility Companies from Altering or Discontinuing Service on Account of Prepetition*

providers (the "**Utility Companies**") under section 366 of the Bankruptcy Code, while allowing the Debtors to avoid the threat of imminent termination of electricity, water and sewage, natural gas, waste services, telecommunications, internet and cable, and similar utility products and services (collectively, the "**Utility Services**") by the Utility Companies.

157. As of the Petition Date, approximately thirty-nine Utility Companies provide Utility Services to the Debtors at various locations. A non-exclusive list of the Utility Companies and the Utility Services they provide is attached as Exhibit 1 to the proposed Interim and Final Orders granting the Utilities Motion. The Utility Companies service the Debtors' operations and facilities related to the Debtors' glass production and distribution activities. Debtors Libbey Glass Inc., Syracuse China, and World Tableware Inc. pay all Utility Services on behalf of the Debtors. The success and smooth operation of the Debtors' businesses depend on the reliable delivery of electricity, water, and the other Utility Services. The Debtors require the Utility Services to operate their headquarters, run their glass production facilities, and maintain the equipment they use to service their customers. I am not currently aware of any past due amounts owed to any of the Utility Companies. Based on the timing of the filings in relation to the Utility Companies' billing cycles, however, there may be outstanding invoices reflecting prepetition utility costs that have been incurred by the Debtors but for which payment is not yet due, as well as prepetition utility costs for services provided since the end of the last billing cycle that have not yet been invoiced.

158. I understand that the Debtors intend to pay any postpetition obligations owed to the Utility Companies in a timely manner. Nevertheless, to provide additional assurance of payment for future services to the Utility Companies, the Debtors will deposit $571,000, which is an amount

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Invoices, (II) Approving Deposit as Adequate Assurance of Payment, and (III) Establishing Procedures for Resolving Requests by Utility Companies for Additional Assurance of Payment.

equal to approximately fifty percent of the estimated monthly cost of the Utility Services, less existing deposits on hand with the Utility Companies, into a segregated, non-interest-bearing account, within twenty days of the Petition Date (the "**Adequate Assurance Deposit**"). The Adequate Assurance Deposit will be maintained during the Chapter 11 Cases, which may be adjusted and/or reduced by the Debtors, with notice to the DIP Agents and the Lender Group, to account for any of the following: (i) the extent to which the Adequate Assurance Deposit includes any amount on account of a company that the Debtors subsequently determine is not a "utility" within the meaning of section 366 of the Bankruptcy Code, (ii) the termination of a Utility Service by a Debtor regardless of any Additional Adequate Assurance Request (as defined below), (iii) the closure of a utility account with a Utility Company for which funds have been contributed for the Adequate Assurance Deposit, or (iv) any other arrangements with respect to adequate assurance of payment reached by a Debtor with individual Utility Companies; provided, that, with respect to the Debtors' termination of a Utility Service or closure of a utility account with a Utility Company, the Debtors may adjust and/or amend the balance of the Adequate Assurance Deposit upon reconciliation and payment by the Debtors of such Utility Company's final invoice in accordance with applicable nonbankruptcy law, to the extent that there are no outstanding disputes related to postpetition payments due.

6. *Customer Programs Motion*[23]

159. By the Customer Programs Motion, the Debtors seek entry of interim and final orders granting them authority, in their discretion, to continue, renew, replace, implement new

[23] "**Customer Programs Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 363(b) and 363(c) and Fed. R. Bankr. P. 6003 and 6004 Authorizing the Debtors to Continue Their Customer Programs*.

and/or terminate their Customer Programs and any other customer practices as they deem appropriate, without further application to the Court.

160. In connection with the Customer Programs, the Debtors have historically provided certain incentives, coupons, discounts, and accommodations to their customers to attract and maintain positive customer relationships. In addition, the Debtors issue credits, adjustments, discounts, or other similar obligations to their customers from time to time, the vast majority of which do not entail the expenditure of cash. Each Customer Program is designed to target a different sales channel to ensure maximization of the Debtors' customer base. I understand that the Customer Programs promote customer loyalty and goodwill to the Debtors' business and the value of their brand. Maintaining the goodwill of their customers is critical to the Debtors' ongoing operations in these Chapter 11 Cases and is necessary to maximize value for the benefit of all of the Debtors' stakeholders. Accordingly, the Debtors seek authorization, but not direction, to continue the Customer Programs in a manner consistent with their past practices.

i. Growth Incentive Programs

161. The Debtors rely on a variety of growth incentive programs across their distribution channels to drive sales, which are split into three categories: foodservice incentive programs, distributor's sales representative incentive programs, and retail incentive programs. To be eligible to participate in an incentive program, the customer must be in good standing with the Debtors.

162. Foodservice Incentive Programs. Within the foodservice distribution channel, the Debtors offer certain programs to their distributors to encourage higher sales volumes. Pursuant to the Debtors' primary distributor program (the "**Primary Distributor Program**"), the Debtors pay distributors a set floor amount and then increase that payment based on the extent to which the distributors exceed sales volume targets. The Primary Distributor Program incentivizes the

Debtors' distributors to sell the Debtors' glassware, tableware, and flatware and provides financial protection to maintain sales volume. In 2019, the Debtors spent approximately $19,400,000 for calendar year based programs and $8,900,000 for program year based programs on behalf of the Primary Distributor Program. My understanding is that the Debtors anticipate expending $4,000,000 for the program year based programs in 2020, which is payable in the fourth quarter of 2020; and $7,500,000 for the calendar year based programs, which is payable in the first quarter of 2021. Without the Primary Distributor Program, I believe the Debtors risk decreased sales volumes.

163. The Debtors offer their customers certain ad hoc incentives at the end of each quarter to encourage their customers to purchase additional products (the "**Quarter End Deals**"), whereby the Debtors' salesforce is provided flexibility to tailor incentives that encourage distributors to purchase additional products in relation to the volume targets provided by the Debtors either quarterly or before a shipment. Such ad hoc Quarter End Deals allow the Debtors to increase sales volume and promote a positive relationship between the Debtors' salesforce and foodservice customers. In 2019, the Debtors spent approximately $1,000,000 on Quarter End Deals. I understand that, in 2020, the Debtors anticipate expending $500,000 on behalf of the Quarter End Deals.

164. Pursuant to the freeware promotions program (the "**Freeware Promotions Program**"), the Debtors encourage their customers to purchase particular products by agreeing to ship additional installments to new business installations at no added cost to the new businesses. The Freeware Promotions Program is a buy-one get-one program designed to increase sales volume of the Debtors' particular products to new business installations. The Freeware Promotions Program allows the Debtors to drive sales for certain products that the Debtors wish

to promote. In 2019, the Debtors expended $1,300,000 on their Freeware Promotions Program and I have been informed that they anticipate spending $500,000 on the program in 2020. I believe that the Freeware Promotions Program is essential to forming relationships with new customers and increasing product sales.

165. The Debtors offer a number of general foodservice incentive programs (the "**General Foodservice Incentive Programs**") that vary by customer. The Debtors rely on General Foodservice Incentive Programs to tailor growth opportunity contracts to their foodservice customers. In 2019, the Debtors expended approximately $600,000 on General Foodservice Incentive Programs. I understand that the Debtors may have to make some small payouts in the third or fourth quarter of the year, but at this time the Debtors do not anticipate having to make payouts on account of the General Foodservice Incentive Programs in 2020.

166. Distributor's Sales Representative Incentive Programs. The Debtors utilize the SPIFFS promotions for distributor's sales representatives (the, "**SPIFFS Promotions for Distributor's Sales Representatives**") to entice third-party sales representatives to drive sales growth. The SPIFFS Promotions for Distributor's Sales Representatives are akin to spot bonuses, whereby the Debtors pay sales bonuses to distributor's sales representatives who generate sales of a particular product to new businesses. The SPIFFS Promotions for Distributor's Sales Representatives allow the Debtors to increase sales for new installations that will generate replenished sales in the future and expand the Debtors' product portfolio. In 2019, the Debtors spent approximately $750,000 on SPIFFS Promotions for Distributor's Sales Representatives, and in 2020, my understanding is that the Debtors anticipate spending approximately $500,000. I believe that continuing the SPIFFS Promotions for Distributor's Sales Representatives is essential to sustaining a relationship with distributors and the distributor's sales representatives.

167. Retail Incentive Programs. The Debtors offer retailers and business to business customers tiered rebate incentives based on the degree to which retailers and business to business customers exceed sales targets (the "**Retail Growth Incentive Program**"). Depending on the particular retail or business to business sales channel, the Debtors tailor their Retail Growth Incentive Program to drive sales for that particular channel. In 2019, the Debtors expended approximately $900,000 on the Retail Growth Incentive Program. I understand that, in 2020, the Debtors anticipate spending approximately $900,000 on the Retail Growth Incentive Program. I believe that the Retail Growth Incentive Program is essential to encouraging retailers' continued promotion of the Debtors' products.

ii. Non-Incentive Based Foodservice Customer Programs

168. In the ordinary course of business, the Debtors maintain various non-incentive based programs. Historically, the Debtors have reimbursed their distributors for certain advertising costs (the "**Foodservice Advantage Program**") incurred throughout the year in connection with certain eligible advertising expenses. The Debtors then reimburse distributors upon submission of these advertising expenses up to an allowance tied to the previous year's spend on the Debtor's products. In 2019, the Debtors spent approximately $3,000,000 on the Foodservice Advantage Program, and I have been informed that, in 2020, the Debtors anticipate spending approximately $3,500,000. I believe that continuing the Foodservice Advantage Program is necessary to maintain visibility in the industry and maintain their relationship with distributors who advertise on their behalf.

169. The Debtors also offer their distributors and other customers fixed-percentage or tiered rebates (the "**Rebate Program**"). Continuing the Rebate Program is essential to the Debtors maintaining their relationship with distributors who centralize orders and redistribute and

distribute the Debtors' products. In 2019, the Debtors expended $1,500,000 on the Rebate Program, and I am informed that they anticipate spending $1,000,000 on the program in 2020.

170. The Debtors engage in deviated pricing (the "**Deviated Pricing Program**"), whereby the Debtors provide a price-break to distributors when distributors sell the Debtors' products to foodservice customers at a lower price due to an established price agreement between the Debtors and the foodservice customers. In 2019, the Debtors processed approximately $32,600,000 in distributors' short pay on account of the Deviated Pricing Program, and I have been informed that they anticipate processing $23,000,000 in distributors' short pay in 2020. I believe that the Deviated Pricing Program is necessary to promote the Debtors' products to foodservice customers.

iii. Third-Party Sales Representative Agreements

171. The Debtors routinely engage third-party sales representatives to target specific customers or regions that the Debtors cannot easily access. The Debtors have a commission system (the "**Commission System**") in place to compensate those third-party sales representatives. Pursuant to the agreed upon Commission System, the Debtors provide allowances to third-party representatives that sell their goods. In 2019, the Debtors spent approximately $2,375,000 on The Commission System. I understand that in 2020, the Debtors anticipate spending approximately $1,800,000 on the Commission System. I believe he Commission System is necessary to promote the Debtors' products and generate sales revenue.

iv. Retail Customer Programs

172. In the ordinary course of business, the Debtors provide customers with certain contract allowances, whereby the Debtors reduce customer invoices by a certain percentage for specific allowances (the "**Contract Allowances Program**"). The Debtors generally make

allowances for marketing, breakage, freight, merchandise, commissions and other related expenses. As part of the Contract Allowances Program, the Debtors maintain additional reserves for contract penalties including routing violations, excess breakage, and other related expenses. The Debtors anticipate continuing the Contract Allowances Program, notwithstanding the fact that particular customer contracts have yet to be negotiated or signed. I have been informed that, in 2019, the Debtors spent approximately $15,000,000 on account of the Contract Allowances Program, and they anticipate spending approximately $10,000,000 on the program in 2020.

173. The Debtors additionally offer a number of incentives to encourage end-user consumers to purchase glassware, tableware, or flatware directly from the Debtors (the "**Direct to Consumer Offerings**"), including through promotional pricing and coupons offered via the Debtors' online platform.

174. The Drummond Glass Company maintains a gift card program (the "**Gift Card Program**") pursuant to which their customers can purchase physical, pre-paid, non-expiring gift cards in various denominations for use in the outlet stores. Aside from the typical credit card fee applied to any credit card purchase, the Debtors do not pay any fees in relation to their Gift Card Program. I understand that as of the Petition Date, there are approximately $3,500 in issued gift cards outstanding.

175. The Debtors offer a warranty program (the "**Warranty Program**") designed to instill customer confidence in their product. The Warranty Program covers chippage and allows the Debtors to ship replacement products at no cost to the customer, upon proof of damage. In 2019, the Debtors spent $10,000 on the Warranty Program and have spent approximately $1,000 on the program since the beginning of 2020. I believe that maintaining the Warranty Program is necessary to instill customers' confidence in the Debtors and their products.

176. The Debtors have a recall program (the "**Recall Program**") in place whereby they collect and destroy recalled products. Though the Debtors only have a single recall outstanding as of the Petition Date, out of an abundance of caution, the Debtors recognize that they may have future recalls that may be issued. The costs associated with recalling the Debtors' products varies, but I understand that the Debtors anticipate expending $10,000 on the Recall Program in 2020. I believe that the Recall Program is essential to instilling end-user confidence in the Debtors and their products.

v. Royalties Program

177. In the ordinary course of business, the Debtors pay royalties to third-parties for use of the third-parties' brand, name, or product shape design (the "**Royalties Program**"). The royalties are paid either on a monthly or quarterly basis. In 2019, the Debtors paid $150,000 to maintain the Royalties Program. I have been informed that the Debtors anticipate expending $110,000 to maintain the program in 2020. I believe that authorization, but not direction, to the Debtors to continue the Royalties Program in a manner consistent with the Debtors' past practices is necessary in order to maintain the Debtors' relationships with these third parties.

C. Continuing Vendor Motions

1. *Foreign Vendors Motion*[24]

178. By the Foreign Vendors Motion, the Debtors seek entry of interim and final orders authorizing, but not directing, the Debtors to pay the prepetition fixed, liquidated, and undisputed claims (the "**Foreign Vendor Claims**") owing to certain foreign suppliers of goods and services with whom the Debtors continue to do business (the "**Foreign Vendors**") in an amount not to

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[24] "**Foreign Vendors Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 363(b), 503(b)(9), 541 and 1107(a), and Fed. R. Bankr. P. 6003 and 6004 (I) Authorizing Payment of Prepetition Claims of Foreign Vendors, and (II) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers*.

exceed $3.0 million on an interim basis and $8.5 million on a final basis (the "**Foreign Vendor Caps**").

179. The Debtors' ability to operate their business without interruptions is dependent upon certain of the Debtors' foreign vendors, each of which provides the Debtors with goods or services such as externally produced merchandise sold by the Debtors. As with many of their domestic vendors, the Debtors often do not engage with the Foreign Vendors pursuant to long-term contracts. Rather, purchases are typically undertaken on a purchase order-by-purchase order basis. Thus, I do not believe that the Debtors have the ability to compel contractual performance across the broad base of their vendors. Even if such rights generally existed, I believe they may be of limited utility in this regard. My understanding is that many of the Foreign Vendors may not be (or may assert that they are not) subject to the jurisdiction of this Court, disregard the automatic stay provisions of the Bankruptcy Code, and engage in conduct that would disrupt the Debtors' operations. I believe that the efforts by the Debtors to enforce this Court's orders and the applicable provisions of the Bankruptcy Code against the Foreign Vendors could be cost-prohibitive, time-consuming, and, possibly, of little practical value as these Foreign Vendors are located primarily or exclusively in jurisdictions outside of the United States. In order to continue the operation of their business uninterrupted postpetition and to protect the Debtors' assets and operations and preserve value for the Debtors' estates and creditors, the Debtors seek authority to pay prepetition amounts owed to their Foreign Vendors, including any applicable customs duties or similar charges, in an amount not to exceed the applicable Foreign Vendor Caps absent further order of the Court.

2. *Critical Vendors Motion*[25]

180. By the Critical Vendors Motion, the Debtors request entry of interim and final orders authorizing the Debtors to pay (i) the prepetition fixed, liquidated, and undisputed claims (the "**Critical Vendor Claims**") owing to certain suppliers of goods and services, with whom the Debtors continue to do business and whose goods and services are critical and essential to the Debtors' operations (the "**Critical Vendors**"), and (ii) the prepetition fixed, liquidated, and undisputed claims arising from the value of goods actually received by the Debtors within twenty (20) days prior to the Petition Date (the "**503(b)(9) Claims**" and the holders of such claims, the "**503(b)(9) Claimants**"), in an amount not to exceed $1.0 million on an interim basis (the "**Interim Critical Vendor and 503(b)(9) Claims Cap**") and $3.0 million (inclusive of any amounts paid under the Interim Critical Vendor Cap) on a final basis (the "**Final Critical Vendor and 503(b)(9) Claims Cap**")absent further order of the Court, as more particularly described and on the terms set forth in the Critical Vendors Motion.

181. The Debtors' ability to operate their business without interruptions is dependent upon the Debtors' Critical Vendors, which include (i) suppliers of raw materials and other manufacturing inputs, (ii) providers of machinery, equipment, and component parts used in manufacturing and production and of related maintenance and other services, (iii) suppliers of third party-produced merchandise, (iv) providers whose services are necessary to create finished products for merchandising by the Debtors, such as etching or painting, (v) suppliers of packing materials and other non-merchandise goods, and (vi) non-merchandise service providers that

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[25] "**Critical Vendors Motion**" means the *Motion of Debtors for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105(a), 363(b), 503(b)(9), 1107(a), and 1108 and Fed. R. Bankr. P. 6003 and 6004 (I) Authorizing Payment of Prepetition Claims of the Critical Vendors, (II) Authorizing the Payment of Certain Prepetition Claims of 503(b)(9) Claimants, (III) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers, and (IV) Granting Related Relief.*

provide technical support for maintenance of the Debtors' facilities and other essential services. These goods and services are critical for several reasons. Certain Critical Vendors represent one of a few vendors within a particular area that can provide the goods and services that the Debtors require to operate their businesses in the amounts needed by the Debtors and within the tight timeframes required in order for Debtors to maintain market responsivity. Other Critical Vendors are among only a handful of vendors—if not the only such vendor—reasonably accessible to the Debtors that have the means or skillset to provide certain specialized supplies, materials, services, or equipment required by the Debtors. Still other Critical Vendors were chosen based on their offering the most advantageous pricing with respect to their particular product or service. I believe that if these existing Critical Vendors were to stop doing business with the Debtors, it would be difficult and potentially cost-prohibitive for the Debtors to locate acceptable alternative vendors and suppliers. Additionally, were the supply of certain inputs to be interrupted, the Debtors' manufacturing facilities could suffer severe damage due to the nature of the glassmaking equipment and related processes.

182. In addition to goods supplied by Critical Vendors, the Debtors have received certain goods within the twenty (20) days prior to the Petition Date from 503(b)(9) Claimants with whom the Debtors typically place orders on a purchase-order by purchase-order basis. I believe that the 503(b)(9) Claimants may refuse to supply new orders without payment of their prepetition claims, which may inhibit the Debtors' ability to operate their business without interruptions.

183. In order to continue the operation of their business uninterrupted postpetition and to protect the Debtors' assets and operations and preserve value for the Debtors' estates and creditors, the Debtors seek authority to pay prepetition amounts owed to their Critical Vendors and

to the 503(b)(9) Claimants, in amounts not to exceed the Critical Vendor Claims and 503(b)(9) Claims Caps, absent further order of the Court.

3. *Shippers/Warehouseman Motion*[26]

184. By the Shippers/Warehouseman Motion, the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors to pay prepetition claims held by Shippers and Lien Claimants in an amount not to exceed $3.0 million on an interim basis (the "**Interim Shipping and Lien Claims Cap**") and $8.5 million (inclusive of the Interim Shipping and Lien Claims Cap) on a final basis (the "**Final Shipping and Lien Claims Cap**"), absent further order of the Court; (ii) confirming the administrative expense priority status of Outstanding Orders and authorizing, but not directing, the Debtors to pay prepetition amounts related to the Outstanding Orders; and (iii) granting related relief.

185. I believe that the Debtors' ability to operate their business without interruptions is dependent upon the Debtors' vendors, suppliers, shippers and warehousemen, each of which provides the Debtors with the services or supplies necessary to ensure the uninterrupted flow of inventory, inputs and other goods through the Debtors' supply chain and distribution network at every stage, from manufacture to end sale. The Debtors utilize the services of a number of service providers who, by the nature of their business and the work that they perform for the Debtors, may be able to assert that prepetition amounts owed to them are secured by statutory liens on property of the Debtors, and in some cases their customers' property, that is either in the possession of the service provider or that has been improved upon by the provider. In addition, the claims of certain

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[26] "**Shippers/Warehouseman Motion**" means the *Motion of Debtors for Entry of Orders Under 11 U.S.C. §§ 105(a), 363(b), 506(b), 541, 1107(a), and 1108 and Fed. R. Bankr. P. 6003 and 6004 (I) Authorizing Debtors to Pay Certain Prepetition Claims of Shippers and Lien Claimants, (II) Confirming Administrative Expense Priority of Undisputed and Outstanding Prepetition Orders, and (III) Granting Related Relief.*

providers of goods to the Debtors may be entitled to priority under section 503 of the Bankruptcy Code because such goods were delivered to the Debtors within twenty days prior to the Petition Date. In order to continue the operation of their business uninterrupted postpetition, the Debtors seek authority to pay the prepetition claims of these claimants, each of which may be entitled to priority over general unsecured creditors.

D. Other Motions

1. *NOL, Trading, and Worthlessness of Common Stock Motion*[27]

186. By the NOL, Trading, and Worthlessness of Common Stock Motion, the Debtors seek entry of interim and final orders: (i) approving certain notification and hearing procedures related to certain transfers of, or declarations of worthlessness with respect to, equity interests in Libbey, as detailed in the Equity Transfer Procedures and Worthless Stock Deduction Procedures (collectively, the "**Procedures**"); (ii) directing that any purchase, sale, or other transfer of, or the taking of any worthlessness deduction with respect to, equity interests in Libbey in violation of the Procedures be null and void *ab initio*; and (iii) granting related relief.

187. The Debtors have incurred, and are expecting to incur, net operating losses ("**NOLs**"), disallowed business interest expense under Section 163(j) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") ("**Excess Interest Expense**") and certain other tax attributes (collectively, "**Tax Attributes**"). The Debtors believe that, as of December 31, 2019, they have Excess Interest Expense totaling approximately $17.1 million, and additional Excess Interest Expense may be generated prior to the Petition Date. Additionally, the Debtors believe that, as of December 31, 2019, they have state NOLs of approximately $2.7 million (tax-effective),

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[27] "**NOL, Trading, and Worthlessness of Common Stock Motion**" means the *Motion of Debtors for an Order Under 11 U.S.C. §§ 105(a), 362(a)(3), and 541 Establishing Certain Notice and Hearing Procedures for Transfers of, or Worthlessness Deductions with Respect to, Certain Equity Interests of Libbey Inc.*

and as a result of the COVID-19 pandemic, the Debtors are experiencing significant operational losses that may well generate consolidated federal and additional state NOLs in 2020. My understanding is that the Debtors' Excess Interest Expense and NOLs could translate into significant potential future tax savings for the Debtors. The value of the Tax Attributes therefore will inure to the benefit of all the Debtors' future stakeholders. As a result, I believe that it is in the best interests of the Debtors and their estates to preserve the Tax Attributes by restricting certain acquisitions of Libbey equity interests and the taking of worthless stock deductions by certain shareholders that could result in a detrimental "ownership change" (within the meaning of Section 382 of the Tax Code) occurring before the effective date of a chapter 11 plan or other disposition of the Debtors' assets. Preventing such an ownership change would protect the Debtors' ability to use the Tax Attributes during the pendency of the chapter 11 cases or, potentially, in the event of a future transaction, to offset gain or other income recognized in connection with the Debtors' sale of their assets, which may be significant in amount.

188. To that end, the Debtors seek to establish the Procedures to monitor certain transfers of Libbey equity interests and certain worthless stock deductions with respect to Libbey equity interests so as to be in a position to act expeditiously to prevent such transfers or worthlessness deductions, if necessary, to preserve the Tax Attributes.

189. For purposes of the Procedures, a "**Substantial Shareholder**" is any person or entity that beneficially owns in excess of 1,076,723 shares (representing approximately 4.75% of all issued and outstanding shares) of Libbey common stock.

190. Equity Transfer Procedures. Under the Equity Transfer Procedures, Substantial Shareholders and potential Substantial Shareholders are required to file declarations with the court and provide notice to certain parties as follows:

191. Any Substantial Shareholder must file with the court, and serve upon the Debtors and counsel for the Debtors, a notice of such status, in substantially the form of Exhibit C attached to the NOL, Trading, and Worthlessness of Common Stock Motion, on or before the later of (i) twenty (20) calendar days after entry of the interim order or (ii) ten (10) days after becoming a Substantial Shareholder.

192. At least thirty (30) calendar days prior to effectuating any transfer of equity interests that would result in an increase in the amount of Libbey common stock beneficially owned by a Substantial Shareholder, or would result in a person or entity becoming a Substantial Shareholder, such Substantial Shareholder, person or entity must file with the court, and serve upon the Debtors and counsel for the Debtors, an advance written notice of the intended transfer of equity interests, in substantially the form of Exhibit D attached to the NOL, Trading, and Worthlessness of Common Stock Motion.

193. At least thirty (30) calendar days prior to effectuating any transfer of equity interests (including options to acquire stock) that would result in a decrease in the amount of Libbey common stock beneficially owned by a Substantial Shareholder, or would result in a person or entity ceasing to be a Substantial Shareholder, such Substantial Shareholder, person or entity must file with the court, and serve upon the Debtors and counsel for the Debtors, an advance written notice of the intended transfer of equity interests, in substantially the form of Exhibit E attached to the NOL, Trading, and Worthlessness of Common Stock Motion.

194. Worthless Stock Deduction Procedures. Under the Worthless Stock Deduction Procedures, a 50-percent Shareholder[28] is required to file declarations with the court and provide notice to certain parties as follows:

195. Any 50-percent Shareholder must file with the court, and serve upon the Debtors and counsel for the Debtors, a notice of such status, in substantially the form of Exhibit F attached to the NOL, Trading, and Worthlessness of Common Stock Motion, on or before the later of (i) twenty (20) calendar days after entry of the interim order or (ii) ten (10) days after becoming a 50-percent Shareholder.

196. At least thirty (30) calendar days prior to filing any federal or state income tax return, or any amendment to such a return, taking any worthlessness deduction with respect to Libbey common stock for a tax year ending before the Debtors' emergence from chapter 11 protection, such 50-percent Shareholder must file with the court, and serve upon the Debtors and counsel for the Debtors, an advance written notice of the intended worthlessness deduction, in substantially the form of Exhibit G attached to the NOL, Trading, and Worthlessness of Common Stock Motion.

197. Equity Transfer Objection Procedures. The Debtors will have thirty (30) calendar days after receipt of any declaration described above in the Equity Transfer Procedures to file with the court and serve on such Substantial Shareholder an objection to any proposed transfer of Libbey common stock described in the declaration. If the Debtors file an objection, such transfer

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[28] A "**50-percent Shareholder**" is any person or entity that at any time during the three-year period ending on the Petition Date has had beneficial ownership of 50% or more of Libbey common stock or is otherwise considered a 50-percent shareholder of Libbey within the meaning of Section 382(g)(4)(D) of the Tax Code. Beneficial ownership of 50% or more of Libbey common stock currently is equivalent to owning 11,333,934 or more shares, based on 22,667,869 shares of Libbey common stock outstanding as of the Petition Date.

will remain ineffective unless such transfer is approved by the court. If the Debtors do not timely object, such transfer can proceed solely as set forth in the declaration.

198. Worthless Stock Deduction Objection Procedures. The Debtors will have thirty (30) calendar days after receipt of any declaration described above in the Worthless Stock Deduction Procedures to file with the court and serve on such 50-percent Shareholder an objection to any proposed worthlessness deduction described in the declaration. If the Debtors file an objection, the filing of the income tax return with such deduction will not be permitted or ineffective unless such deduction is approved by the court. If the Debtors do not timely object, such deduction will be permitted solely as set forth in the declaration.

2. *Automatic Stay Comfort Motion for Foreign Entities*[29]

199. By the Comfort Motion, the Debtors seek entry of an order confirming, restating, and enforcing the worldwide automatic stay, anti-discrimination, and ipso facto protections set forth in sections 362, 365, 525, and 541(c) of the Bankruptcy Code. Given the Company's expansive global footprint, the Company routinely operates, purchases materials and records sales in numerous countries with different legal systems across the globe. The Company's business necessitates daily interaction with a variety of foreign customers, suppliers, and other vendors, as well as foreign regulators and other governmental units. Moreover, many of the Debtors' key contracts are governed by the laws of foreign jurisdictions. Although the provisions set forth in sections 362, 365, 525, and 541(c) of the Bankruptcy Code are self-executing, it is possible, if not likely, that many foreign creditors and governmental units will not be familiar with the protections afforded to debtors under the Bankruptcy Code. As such, these parties may attempt to proceed

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[29] "**Automatic Stay Comfort Motion for Foreign Entities**" means the *Motion of Debtors for Entry of an Order (I) Restating and Enforcing Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c) and (II) Granting Related Relief.*

against the Debtors' or their property outside the United States in violation of the Bankruptcy Code. Such unilateral self-help, litigation, or collection actions could adversely impact the Debtors' ordinary course operations. Therefore, I believe it is prudent to obtain an order of the Court restating and enforcing the relevant provisions of the aforementioned sections of the Bankruptcy Code. Such an order of the Court will provide the Debtors with a powerful tool that does not exist by simply citing the Bankruptcy Code and will ensure that foreign creditors and/or governmental units unfamiliar with the Bankruptcy Code do not take adverse actions against the Debtors in violation thereof.

200. I believe that the relief requested in the Comfort Motion is particularly appropriate because of the size and global breadth of the Company's business. Absent an order of the Court confirming and restating sections 362, 365, 525, and 541(c) of the Bankruptcy Code, I believe there is a material risk that foreign creditors and governmental entities may unknowingly take adverse actions against the Debtors in violation of the Bankruptcy Code. Accordingly, I believe that granting the relief requested in the Comfort Motion will assist the Debtors in preventing such adverse actions and is in the best interests of the Debtors, their estates and creditors.

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

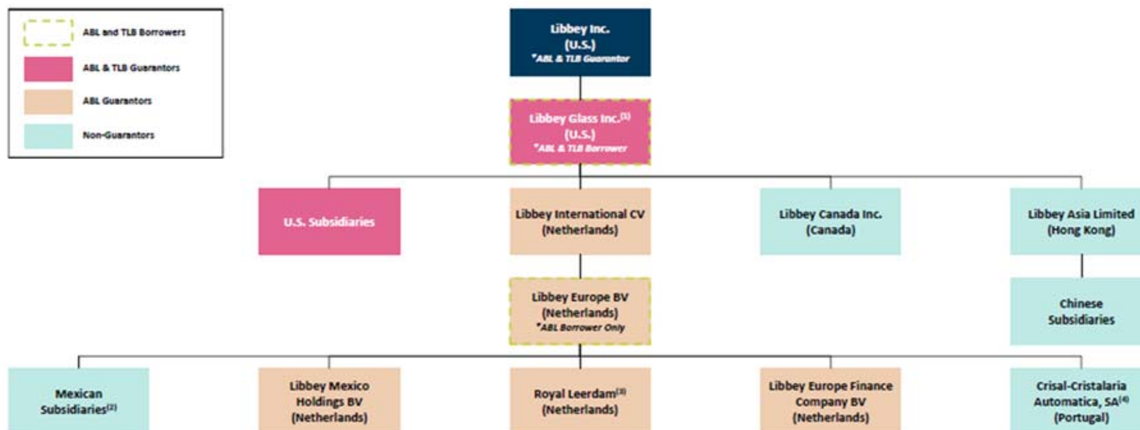
Executed this 1st day of June 2020.

/s/ Brian Whittman
Brian Whittman
Managing Director
Alvarez & Marsal North America, LLC

Exhibit A

Simplified Organizational Structure

Below is a simplified organization chart for Libbey Inc.



1. Owns factories in Ohio and Louisiana and distribution center in Texas.
2. Owns factory in Mexico. Mexican subsidiaries owned by a combination of Netherlands subsidiaries.
3. Owns factory in Netherlands.
4. Owns factory in Portugal.