IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	Chapter 11
LifeScan Global Corporation, *et al.*,[1]	)	Case No. 25-90259 (ARP)
	)	(Jointly Administered)
Debtors.	)	

DECLARATION OF VALERIE ASBURY IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Valerie Asbury, declare under penalty of perjury as follows:

1. I am the President and Chief Executive Officer ("CEO") of LifeScan Global Corporation, a company incorporated under the laws of Delaware (together with its debtor subsidiaries and debtors DUV Holding Corporation, DUV Intermediate Holding Corporation, and DUV Intermediate Holding II Corporation, the "Debtors" and together with their non-Debtor subsidiaries, "LifeScan" or the "Company"). I have served as President and CEO since October 2018.

2. I have more than 40 years of experience in the healthcare industry, including more than 20 years at Johnson & Johnson. At Johnson & Johnson, I served in various leadership roles across five different medical device and pharmaceutical businesses, including Global President of

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: LifeScan Global Corporation (1872); DUV Holding Corp. (2522); DUV Intermediate Holding Corp. (2645); LifeScan Texas LLC (1307); DUV Intermediate Holding II Corp. (4829); LifeScan Inc. (8188); LifeScan IP Holdings, LLC (7450); LifeScan China, LLC (N/A) and LifeScan Institute LLC (8188). The location of Debtor LifeScan Global Corporation's principal place of business and the Debtors' service address in these Chapter 11 Cases is 75 Valley Stream Parkway, Suite 201, Malvern, PA 19355.

Diabetes Solutions from 2013 to 2018. My experience includes 16 years in the diabetes consumer medical device space. I hold a Bachelor of Science degree in Nursing from Vanderbilt University.

3. On July 15, 2025 (the "Petition Date"), the Debtors commenced their respective bankruptcy cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under chapter 11 of title 11 of the United States Code (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Court"). During my time with the Company, I have become personally knowledgeable about its business and operations. I am also knowledgeable about the Debtors' restructuring efforts and I understand that the Debtors intend to request certain types of relief in "first day" motions and applications as described herein (collectively, the "First Day Motions"). I am familiar with the contents of the First Day Motions, including their exhibits, and I believe that the relief sought in those motions is critically important for facilitating a smooth transition into these Chapter 11 Cases and minimizing disruptions to the Debtors' business operations. Furthermore, I believe that the relief sought in the First Day Motions is narrowly tailored to achieving those goals and, accordingly, serves the interests of all of the Debtors' stakeholders.

4. I submit this declaration (this "Declaration") to provide an overview of the Debtors, their history, and the reasons for their filing the chapter 11 petitions, as well as to support the relief sought in the First Day Motions. Except as otherwise indicated, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of the Company's senior management and personnel, my review of records maintained by the Company in the regular course of business, and my opinions based on my experience and knowledge. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

I. OVERVIEW

5. LifeScan has commenced these Chapter 11 Cases with a clear path to consummate a value-maximizing transaction that eliminates approximately $1.4 billion in liabilities pursuant to a chapter 11 plan (the "Plan"). The Plan is supported by approximately ***97%*** of secured creditors and LifeScan's equity sponsor, each of whom are party to a revised restructuring support agreement (the "Revised RSA") setting forth the terms of the restructuring. For the past ten months, LifeScan has engaged in negotiations with stakeholders at every level of its capital structure and has determined that efficient confirmation of the Plan is the best outcome for all stakeholders. Specifically, emerging from chapter 11 quickly will best position LifeScan to minimize disruptions to its business, to maximize tax efficiency, and to explore opportunities for growth, including into the continuous glucose monitoring ("CGM") market. But, recognizing the fact that all stakeholders may not support the Plan, LifeScan will also dual-track a sale process inside of chapter 11 to market test the Plan and determine if a superior transaction may be available. After ten months of extensive stakeholder negotiations, the time has come to execute the restructuring and position LifeScan for its next chapter of growth.

6. LifeScan is a leader in delivering personalized health, wellness, and digital solutions to individuals living with diabetes. Since 1981, LifeScan has advanced glucose care and diabetes management with pioneering technologies and new products, and is actively engaged in designing, developing, manufacturing, and marketing devices, software, and applications. Its comprehensive portfolio of diabetes-related products and services includes blood glucose monitoring ("BGM") devices, blood glucose test strips, lancing devices, and digital applications.

7. The Company has a presence in more than 50 countries across the globe and has approximately 1,300 employees. While its biggest market and headquarters is in the United States, the Company also has a significant presence throughout Europe and Asia.

8. LifeScan has a longstanding commitment to creating a life without limits for people living with diabetes. The principal activity of the Company is the production and sale of BGM products, which it markets for home and hospital use under the global brand OneTouch® ("OneTouch"). The OneTouch products are defined by simplicity, accuracy, and trust. More than 20 million people globally depend on LifeScan's OneTouch products to help them manage their blood sugar levels and diabetes.

9. LifeScan's BGM products and offerings have historically been significantly successful. LifeScan consistently generated more than $1 billion in revenue annually prior to 2021 and ended 2022 with more than $909 million in revenue. The Company has consistently delivered strong year-over-year volume share performance and attractive margins. This is due in part to its capital-efficient business model, which features low maintenance capital expenditures, a highly efficient and well-invested blood glucose test strip manufacturing facility in Inverness, Scotland, and its strategic selection of contract manufacturers for other products.

10. LifeScan's financial position, however, has deteriorated in the past few years due to significant changes in the diabetes management market, predominantly driven by the growing adoption of CGM products, stemming from the 2017 launch of Abbott's FreeStyle system. LifeScan ended 2023, for example, with approximately $750 million in revenue—a marked decline from previous years. While a BGM device provides a single snapshot of blood glucose at a given time and requires a finger prick, a CGM device provides a continuous stream of glucose data, typically measured every five to fifteen minutes, without the need for finger pricks. CGM technology thus eliminates finger pricking and offers a more comprehensive view of glucose data, including identification of trends and patterns over time, which can lead to better diabetes management. Expanded reimbursement for CGM products globally since 2019, including

Medicare's expansion of coverage in 2023, led to an increase in patients switching from BGM products to CGM products, and resulting volume and pricing declines across the BGM category and in LifeScan's core BGM business. While LifeScan has for many years worked with a strategic partner on the development and future sale of certain CGM products, LifeScan has not yet entered the CGM market, as further described below.

11. In early 2023, because of these declines in revenue, LifeScan was faced with the significant risk of not being able to address its upcoming debt maturities, including approximately $75 million in super priority revolving loans set to mature in July 2024, more than $1 billion in first lien term loans set to mature in September 2024, and approximately $275 million in second lien term loans set to mature in September 2025. LifeScan's Board of Directors (which sits at DUV Intermediate Holding II Corporation, as described herein) (the "Board") recognized that such inability to repay LifeScan's debt maturities in 2024 and beyond was jeopardizing the future health of the Company and believed that an extension on the Company's maturities would allow it to focus on launching its own CGM products, which in turn would provide the Company with significant revenue.

12. To help address those challenges, in early 2023, the Board initiated negotiations with LifeScan's lenders and the Company ultimately underwent a significant amendment of its credit facilities (the "2023 Transaction"). The 2023 Transaction involved exchanging first lien and second lien term loans into new facilities with extended maturities. It also extended the maturity of the Company's revolving credit facility. All consenting lenders received a 50 basis points consent fee, and the revolver and first lien term loan holders received an increased interest rate and partial repayment through a $50 million contribution from existing equity.

13. The 2023 Transaction was intended to provide the Company with time to launch its CGM products. Indeed, LifeScan was optimistic that it could launch its first CGM product in late 2023 or early 2024, and that such products would position the Company to remain competitive in the industry in the long term.

14. Unfortunately, LifeScan's CGM partner experienced CGM development delays, significantly delaying launch timing. While LifeScan has considered additional potential CGM partners, LifeScan understands that potential partners may be reluctant to rely on LifeScan due to the market perceptions that LifeScan's overleveraged capital structure would preclude the necessary capital expenditure to bring a new CGM product to market.

15. LifeScan believes that the BGM market will continue to decline; indeed, based on a market study conducted by LifeScan and FTI Consulting in 2024, LifeScan estimates an annual decline of approximately 9% year-over-year through 2030 and beyond. In April of 2024, the Company experienced downgrades from Moody's and S&P.

16. The Company's financial challenges have also been exacerbated by burdensome contracts (the "Rebate Agreements") with U.S. pharmacy benefit managers ("PBMs"),[2] state Medicaid entities, and other managed care organizations (together, the "Rebate Counterparties"). As described further below, in the United States, the distribution and sale of LifeScan's BGM products is dictated by a complex network of PBMs, insurance companies, state Medicaid entities, and other managed care organizations, through which such entities facilitate patient access to or insurance coverage for LifeScan's products. The Rebate Counterparties negotiate on behalf of their clients as to which products to put on formulary—*i.e.*, which drugs and products will be covered

[2] As described herein, PBMs are third-party administrators of prescription drug benefits for health insurance plans. PBMs negotiate drug pricing, process prescription claims, and provide rebates to insurance companies and healthcare providers.

by the respective insurance company or plan—and which to exclude. The Rebate Counterparties negotiate directly with LifeScan concerning such drug formularies, as well as concerning rebates, billing, and reimbursement.

17. At a simplified level, and as further illustrated in paragraph 47 herein, LifeScan sells its product to a wholesaler at a Wholesale Acquisition Cost ("WAC") (*i.e.*, a list or gross price), which wholesaler then sells the product to a pharmacy. A patient then pays a copayment for the product, and the PBM reimburses the pharmacy for the remainder of an agreed-upon reimbursement on behalf of the patient's insurer or group health plan. The PBM bills the patient's insurer or group health plan for the amount reimbursed to the pharmacy and invoices LifeScan for a contracted rebate amount, as that PBM has facilitated the patient's access to LifeScan's product by maintaining LifeScan on the formulary for that insurer or group health plan. In turn, that PBM commonly will pass most of the reimbursed payment from the insurer or group health plan back to the pharmacy, with a small difference in spread or as an administrative fee that the PBM retains as a profit. LifeScan's role in this rebate process is to pay a rebate plus an administrative fee to the PBM.[3]

18. The rebates LifeScan pays are negotiated with each Rebate Counterparty on a per-claim basis as a percentage of WAC. Under this arrangement, a WAC is essentially a list price for LifeScan's products. To secure coverage by insurance plans and placement on formulary, LifeScan

[3] LifeScan also participates in rebate programs involving state Medicaid entities. These are typically negotiated by a PBM on behalf of states, though some states negotiate independently. Generally, under these arrangements, LifeScan provides rebates to states, which pass through to pharmacy benefit administrators, who then in turn provide reimbursements to pharmacies based on agreed-upon fee-for-service amounts. LifeScan also separately participates in a state-funded program known as the Medicare/Medicaid Acquisition Program. A key difference between the Company's business with PBMs and state Medicaid entities, on one hand, and its participation in the Medicare/Medicaid Acquisition Program, on the other, is that under the latter, LifeScan directly reimburses the pharmacy through rebates. The pharmacy is also reimbursed separately by a claims processor, which is in turn reimbursed by the state.

provides rebates to PBMs calculated as a percentage of the WAC. For example, if a box of blood glucose test strips has a WAC of $160, and LifeScan has agreed to a 90% rebate (inclusive of rebate and administrative fees) for a particular PBM, LifeScan might owe that PBM $144 for each box sold. The PBM might then pass a portion of this payment to the health plan to help offset the list price of the product.

19. LifeScan is party to numerous Rebate Agreements, which generally set the schedules of covered medical products and the amounts of rebates LifeScan must pay each Rebate Counterparty for purposes of providing competitive terms (in terms of net cost) to insurers or group health plans for the utilization of LifeScan's products by qualifying individuals. In general, the Rebate Agreements are onerous for LifeScan; LifeScan generally pays its Rebate Counterparties rebates and other fees in excess of 91% of the WAC of each LifeScan product. In other words, because of the burdensome Rebate Agreements, LifeScan retains less than 9% of its established WAC on products sold pursuant to the Rebate Agreements. Once production and overhead costs are taken into consideration, LifeScan earns an approximate 3% EBITDA margin on gross sales of these products in the United States. At the end of 2024, the Company owed approximately $572 million to the Rebate Counterparties pursuant to the Rebate Agreements.

20. The Company's financial challenges, stemming from substantial rebate obligations, the deteriorating BGM market, the delays in entering the CGM market, and LifeScan's heavy debt service burden, led the Company in September of 2024 to engage restructuring advisors and commence discussions regarding upcoming maturities with an ad hoc group of lenders holding a majority of its first and second lien term loan debt (the "Ad Hoc Group"). In September of 2024, to preserve liquidity, the Company did not make a $27.4 million maturity payment on its third lien term loan, which constituted a default under the third lien term loan credit agreement. Upon that

missed payment, rating agencies further downgraded LifeScan's credit ratings. The Company entered into a forbearance agreement (the "Forbearance Agreement") with its lenders under its first and second lien credit agreements; among other things, such lenders agreed to temporarily forbear from exercising remedies for certain defaults under the credit agreements, including any defaults on account of non-payment of the third lien term loan principal and interest. The Forbearance Agreement was extended multiple times and was in effect as of the Petition Date.

21. Following execution of the initial Forbearance Agreement, the Company engaged in several months of negotiations with its stakeholders, and in January of 2025 began outreach to certain Rebate Counterparties in an attempt to renegotiate the terms of burdensome Rebate Agreements. The Forbearance Agreement required the Company to stop making rebate payments to the Rebate Counterparties, in an effort to preserve liquidity while those negotiations were conducted.

22. On February 17, 2025, the Company entered into a restructuring support agreement (the "Original RSA") with its equity sponsor Platinum Equity (the "Sponsor") and members of the Ad Hoc Group consisting of approximately 84% and 73% of lenders under the first lien term loans and second lien term loans, respectively; the Original RSA was subsequently opened to all of the Company's secured lenders, including lenders of its revolving loans, first lien term loans, second lien term loans, and third lien term loans. Nearly 100% of holders of first and second lien term loans eventually joined the Original RSA.

23. Pursuant to the terms of the Original RSA—which contained an implementation toggle—the Company initially pursued an out-of-court restructuring premised on the Company's ability to satisfy certain contingent conditions relating to improving arrangements with the Rebate Counterparties. Therefore, in accordance with the Original RSA, the Company engaged in

numerous rounds of negotiations with significant Rebate Counterparties in the months that followed and exchanged a number of proposals with such Rebate Counterparties.

24. Despite LifeScan's efforts through months of outreach and good faith negotiations, it became apparent that certain Rebate Counterparties would not agree to a restructuring of their Rebate Agreements on terms that would be acceptable to LifeScan and its secured lenders as set forth in the Original RSA. Specifically, the majority of the Rebate Counterparties refused to make material concessions with respect to outstanding rebate liabilities under the Rebate Agreements or to provide LifeScan with a meaningful commitment on long-term pricing. The result was that the terms of the Original RSA could no longer be implemented.

25. In addition, as the Company and the Original RSA parties worked to effectuate a restructuring, the Company and its tax advisors quantified a significant income tax liability for the 2024 tax year and a significant potential projected tax liability for the 2025 tax year, each resulting from the Company's halting of the payment of rebate obligations pursuant to the Forbearance Agreement and Original RSA. Specifically, the Company historically deducted rebate liabilities accruing in a taxable year against income for such year for federal income tax purposes as long as those amounts were paid by September 15 of the subsequent year. Under this practice, a significant amount of the Company's rebate related tax deductions for the 2024 taxable year were expected to be paid during 2025. When the Company halted rebate payments, however, the absence of such deduction resulted in a significant amount of income without offsetting tax deductions, resulting in meaningful income tax liability that had not been accounted for in the Company's forecasts.

26. In light of these developments, the Company and the Original RSA parties promptly recommenced negotiations on the terms of the RSA, which, through intense efforts on all sides, yielded the Revised RSA with a new restructuring framework that could be successfully

implemented and still preserved value across stakeholders. Among other things, the Revised RSA, which was effectuated on July 15, 2025, allows for the prepetition payment of all outstanding 2024 taxes—thereby eliminating a potential significant priority claim—and allows for the payment of any 2025 taxes[4] or remaining 2024 taxes, subject to Bankruptcy Court approval. Based on the terms of the Revised RSA, a similar circumstance is expected in 2025, with revenues that are not substantially offset by rebate-related deductions, potentially giving rise to significant 2025 cash income taxes.

27. In connection with the Original RSA and the Revised RSA, beginning in March 2025, the Company launched three offers to repurchase first lien term loans, in each case at a substantial discount to face value. Those offers led to the elimination of $576 million of first lien debt and captured approximately $139 million of discount in the process.

28. The Revised RSA, to which nearly all first and second lien term loan lenders are still joined, contemplates a full restructuring (the "Restructuring") of the Company's financial obligations, including a substantial reduction in its debt burden and contractual commitments, and is intended to result in a sustainable capital structure and sufficient go-forward liquidity.

29. I believe that consummation of the proposed Restructuring will provide the reorganized Debtors with the capital structure and liquidity necessary to continue operating and to continue serving their more than 20 million patients. I further believe that the Restructuring will not only help stabilize the reorganized Debtors' business in the near term but will position them to operate successfully and be competitive within their industry in the long term, including by positioning the Company to explore different avenues of growth, including the CGM market, with

[4] After further work with the Company's tax advisors, the Company now anticipates that it will be able to mitigate all or nearly all of its 2025 federal income tax liability by concluding the restructuring process by December 31, 2025.

a deleveraged balance sheet and an enhanced liquidity profile. I believe that the Company's operations throughout Europe and Japan will remain profitable as LifeScan will continue to operate uninterrupted in those regions,[5] providing its best-in-class services which will serve as the focal point of the Company's go-forward operations. I further believe that the Company's operations in the United States—after rejection of certain Rebate Agreements—will be smaller but *more* profitable on an EBITDA margin basis. I believe that the Company's United States offerings will be more competitive in the direct-to-consumer and cash-pay channels (retail and e-commerce). Overall, as a result of the Restructuring, I believe the Debtors will emerge from these Chapter 11 Cases as a stronger enterprise, with a sustainable capital structure that is better aligned with the Debtors' present and future operating prospects.

30. This Declaration is organized into four sections to familiarize the Court with the Company. These sections describe: (a) the Company and its history, corporate structure, and business, (b) the Company's prepetition capital structure, (c) the circumstances and events that led to the commencement of the Chapter 11 Cases, and (d) the First Day Motions.

II. THE DEBTORS' HISTORY, BUSINESS, AND CORPORATE STRUCTURE

A. Corporate History

31. The LifeScan business was established in 1981 with the goal of creating a world without limits for people with diabetes. In 1986, LifeScan was acquired by Johnson & Johnson ("J&J"). LifeScan was a central feature of J&J's diabetes device business for more than 30 years.

[5] Certain of the Company's other non-U.S. operations require additional considerations, specifically China—from which market LifeScan will take steps to exit in the near- to medium-term—as well as Russia and India—where the Company has identified certain risks, which LifeScan is continuing to monitor and manage.

32. Diabetes is one of the fastest-growing global epidemics, and by the late 1980s approximately 6.5 million Americans were living with diabetes. In 1987, LifeScan released its OneTouch meters and strip systems, which revolutionized blood glucose monitoring. The OneTouch meter and strip systems provided simpler, faster, and more user-friendly approaches to self-testing as compared to other products on the market. The meter and strip systems offered automatic algorithmic testing when blood was applied to a test strip and thus reduced the need for manual blood blotting and user-initiated timing. They also provided faster, more accurate results, testing blood sugar levels in less than a minute. The introduction of the OneTouch systems significantly improved the blood glucose monitoring experience for individuals with diabetes.

33. Subsequent updates to the OneTouch systems further revolutionized diabetes management by providing connected digital platforms for tracking, analyzing, and sharing blood sugar data. For example, in 1998, LifeScan launched its FastTake Compact BGM System, which was designed to assist active individuals who wanted to test their blood glucose anytime, anywhere. In 2001, the OneTouch Ultra launched, featuring a fast, five-second test time, a smaller blood sample, and a test memory with automatic averaging. In 2011, LifeScan launched the OneTouch Select Simple Meter, the first OneTouch meter with no setup, no coding, and no buttons, simplifying the testing process. In 2014, the OneTouch Verio Sync and OneTouch Reveal launched, featuring automatic sharing of blood glucose results wirelessly to an iPhone or iPad using a mobile application. LifeScan has consistently worked to improve the lives of people with diabetes by making self-monitoring easier, more accurate, and more informative.

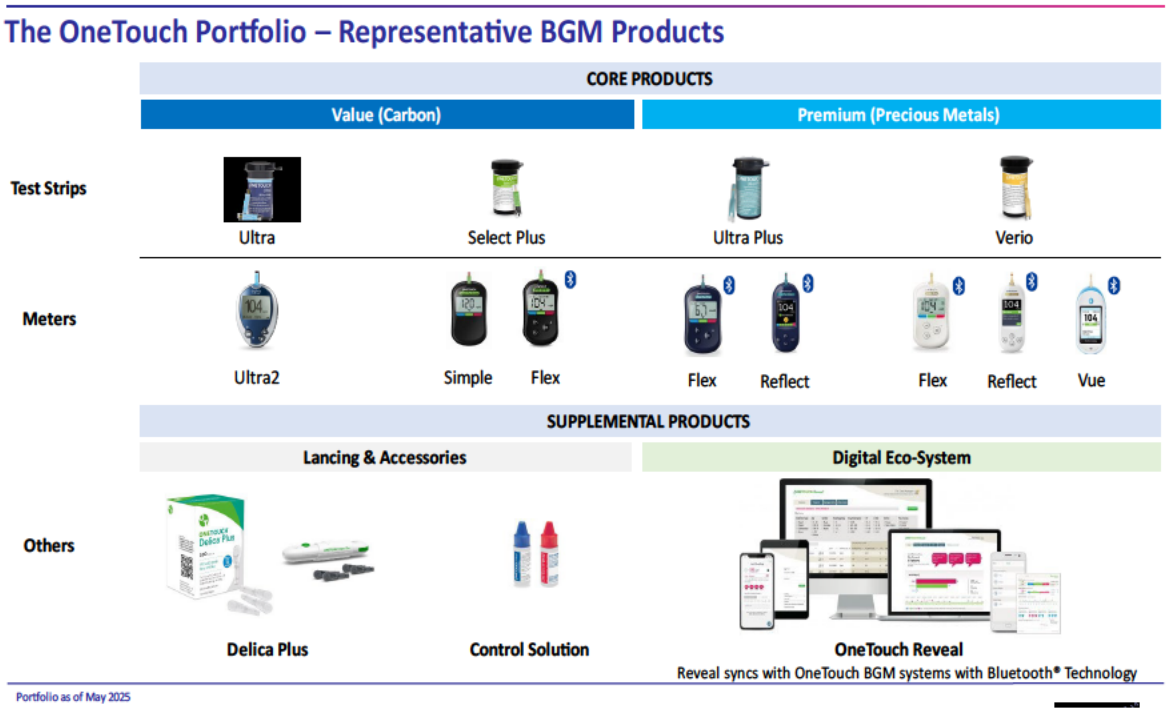
34. Today, an estimated half billion people worldwide are living with diabetes, and that every nine seconds an individual dies from diabetes complications. LifeScan continues to seek to improve the quality of life for the millions of individuals living with diabetes.

35. In 2018, J&J divested the LifeScan business to private investment firm Platinum Equity for approximately $2.1 billion. Platinum Equity remains the Company's equity sponsor as of the Petition Date.

36. LifeScan is currently headquartered at 75 Valley Stream Parkway, Malvern, Pennsylvania 19355.

B. Business and Global Presence

37. The principal activity of the Company is the production and sale of OneTouch BGM products. The BGM products are marketed for both home and hospital use, and are widely recognized and preferred in the market, as demonstrated by LifeScan's global volume share of approximately 30.6% as of April 2025. LifeScan's BGM products include blood glucose testing strips, meters, lancets (small medical tools used to prick the skin), a range of point-of-care devices, and integrated, connected patient engagement solutions such as mobile and web applications. LifeScan's mobile and web applications allow patients to automatically log, track, and share results as well as obtain real-time guidance.

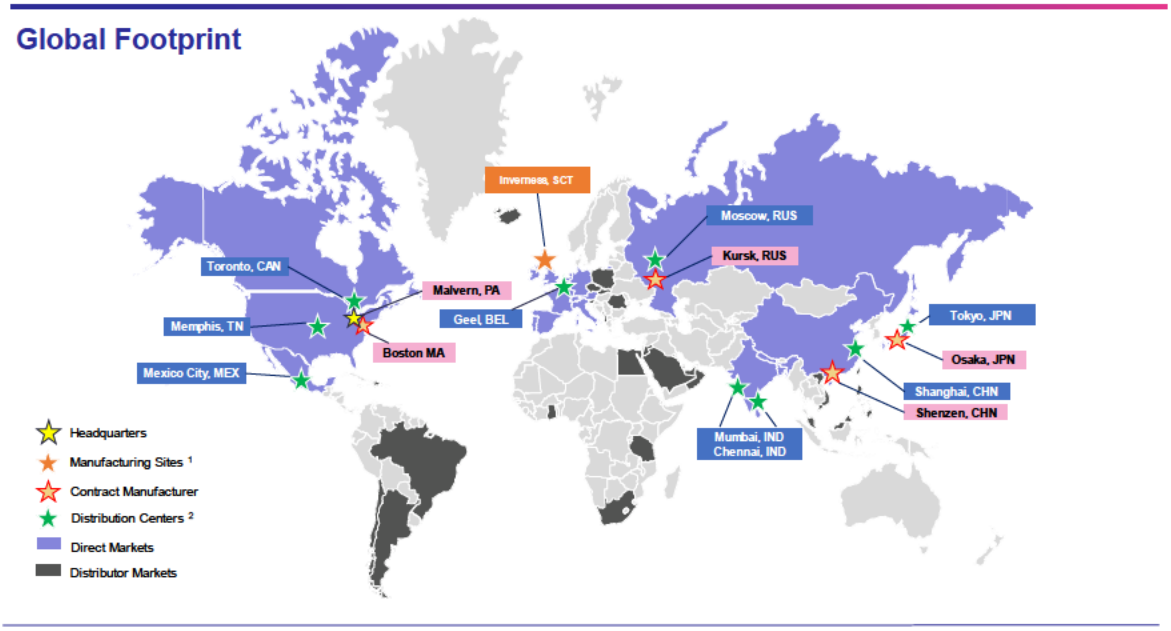


38. LifeScan's BGM products have been recognized as a top-choice BGM device of pharmacists for 21 consecutive years. Over the past three years, patients have utilized approximately 18 billion units of LifeScan products, including 12.5 billion test strips and 5.5 billion lancets. LifeScan maintains a global physical presence and an equally broad network of employees to coordinate with its numerous customers and manufacturing facilities.

39. In 1995, LifeScan established its manufacturing facility in Inverness, Scotland (the "Inverness Facility"). It is one of the largest diabetes test strip manufacturing sites in the world and is a standalone facility with no co-mingled products. It is also one of the largest private employers in the Scottish Highlands, with approximately 600 highly skilled employees dedicated to the Inverness Facility. The Inverness Facility manufactures billions of test strips annually and offers a superior, reliable supply of key products to LifeScan's customers. It also houses quality assurance labs and coordinates a U.K.-based clinical site.

40. In addition to the Inverness Facility, LifeScan has relationships with five major external manufacturers globally, each of which produces certain components of LifeScan's products. LifeScan also utilizes nine distribution centers for regional distribution; those distribution centers are located in Memphis, Tennessee; Toronto, Canada; Mexico City, Mexico; Geel, Belgium; Moscow, Russia; Mumbai, India; Chennai, India; Tokyo, Japan; and Shanghai, China.

41. Today, LifeScan has a presence in more than 50 countries across the globe and employs approximately 1,300 individuals. As of the Petition Date, LifeScan employs approximately 90 individuals across the United States, approximately 45 individuals across Canada, approximately 20 individuals across Mexico, approximately 950 individuals across the United Kingdom and Europe, and approximately 250 individuals across the Middle East and Asia.



42. To effectively deliver optimal products to patients, the Debtors also rely on strong relationships with their global network of third-party vendors, as well as with various types of

distributors, PBMs, retail pharmacies, and healthcare systems with whom LifeScan works pursuant to complex distribution and reimbursement arrangements.

i. United States Business

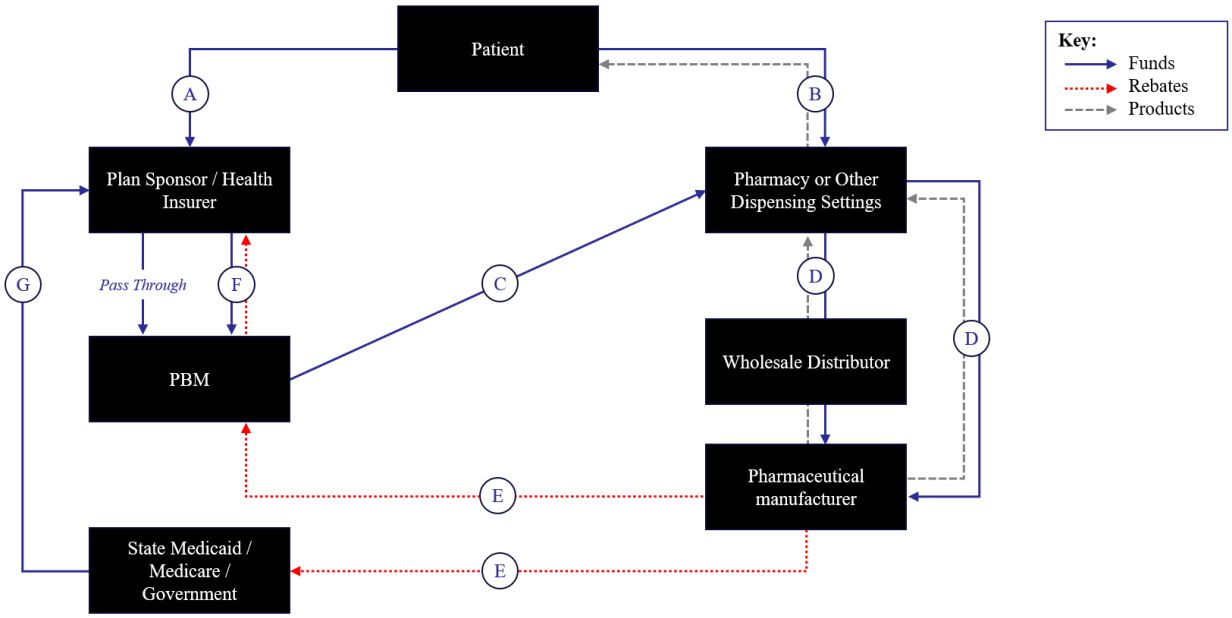
43. In the United States, healthcare products and services are provided through three primary channels: (i) reimbursed managed care, through which clients obtain services pursuant to their private individual health insurance plans (*i.e.*, through health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), or other plans); (ii) fee-for-service Medicaid or Medicare coverage, through which states pay providers directly for each covered service delivered to a Medicaid or Medicare beneficiary; and (iii) direct-to-consumer through retail pharmacies and e-commerce. United States health insurance coverage includes a system of benefits divided into medical care and prescription drug benefits. PBMs operate to facilitate the prescription drug portion of healthcare benefits on behalf of health insurance companies, third party administrators, or directly on behalf of employers. In addition to prescription drugs, PBMs also facilitate other related products often referred to as durable medical equipment. These products include LifeScan's products: BGM meters, corresponding test strips, and lancets.

44. PBMs support the adjudication of BGM meter, test strip, and lancet claims and act as part of the distribution chain for these products, operating mail-order pharmacies. In their role facilitating the benefits plans that include BGM products, PBMs (a) develop and maintain formularies (*i.e.*, lists of drugs and products covered by a health plan) on behalf of health plans, influencing which products health plan members use and determining the out-of-pocket costs health plan members must pay for covered products; (b) use their purchasing power to negotiate rebates and discounts from manufacturers; and (c) contract directly with individual pharmacies to reimburse them for products dispensed to health plan members.

45. In the managed care industry, rebates—*i.e.*, negotiated per-claim payments from a manufacturer to a PBM as a retrospective discount on the cost the PBM pays pharmacies to cover drugs dispensed to the PBM's client's members—are generally negotiated between PBMs or other similar counterparties and manufacturers as part of contractual agreements governing patient access to insurance coverage for the manufacturer's products. These agreements are critical to a manufacturer's ability to provide their products to as wide of a patient base as possible: without the agreements, a manufacturer's products would be unlikely to be covered by major insurance plans, and thus patients would have to pay out of pocket for such manufacturer's products.

46. This is the case for LifeScan, which is party to various contracts with PBMs, state Medicaid entities, or other similar counterparties. Those contracts govern rebates and discounts, manage lists of covered drugs, and process claims for LifeScan's diabetes products.

47. A model of LifeScan's U.S. reimbursement programs to PBMs, insurance companies, and state entities is as follows:[6]



[6] The transactions between the entities, represented by the respective circled letters in the chart, can be summarized as follows:

A: The patient or member pays insurance premiums, typically through an employer to the plan sponsor.

B: The patient pays a co-payment to the pharmacy and receives the product.

C: The PBM pays the dispensing entity.

D: The pharmacy or other applicable provider purchases and receives drugs directly from the manufacturer or through a wholesale distributor.

E: Manufacturers pay contracted rebates to various parties in exchange for plan design features that drive market share of brand drugs. These include:

1. PBMs, which rebates are typically passed on to plan sponsors; and

2. State Medicaid or Medicare programs that carve out rebates from the PBM contracts.

F: The plan sponsor is billed by and pays the PBM a negotiated cost less any patient co-payment, plus a pharmacy dispensing fee or claims adjudication fees. The PBM also passes a rebate to the plan sponsor to offset a portion of billed pharmacy costs.

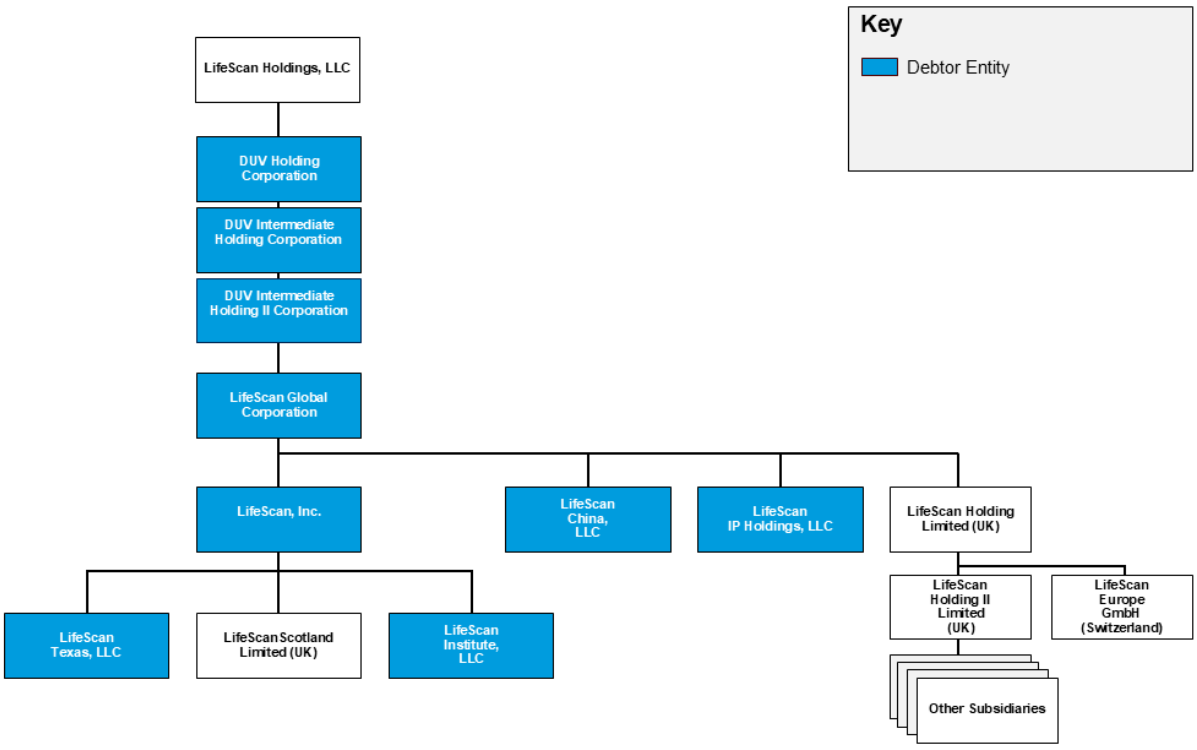
G: If the patient is covered by a government program such as Medicaid, a pharmacy bills the plan sponsor or health insurer for the balance of the cost, and the state pays the plan sponsor or health insurer, which is then passed on to the PBM.

ii. International Business

48. While LifeScan's biggest market and headquarters are in the United States, the Company has a global presence, most significantly throughout Europe and Asia. LifeScan has operations in France, Germany, Spain, Russia, Japan, China, and India, among other nations. Elsewhere, including in Colombia, Brazil, Argentina, South Africa, Poland, Vietnam, and Malaysia, for example, LifeScan's products are distributed pursuant to contractual arrangements with distributors to hospitals, pharmacies, and other healthcare facilities.

C. LifeScan's Corporate Structure

49. LifeScan's operations are divided across several operating entities due to the global nature of those operations. The operating entities include LifeScan Inc., LifeScan China, LLC, and LifeScan IP Holdings, LLC, each of which is a guarantor of LifeScan's funded debt. Each of the aforementioned Debtors, as well as Debtor LifeScan Texas LLC—which is incorporated in Texas—is directly or indirectly owned by LifeScan Global Corporation, which is the borrower for the Company's funded debt. LifeScan Global Corporation is in turn owned by Debtor DUV Intermediate Holding II Corporation. LifeScan Global Corporation also has several foreign-based non-Debtor direct and indirect subsidiaries. A simplified corporate organization chart is illustrated below.



50. LifeScan's Board of Directors sits at DUV Intermediate Holding II Corporation and consists of Brandon Crawley, Michael Fabiano, John Holland, Jacob Kotzubei, Matt Louie, Mary Ann Sigler, and Kevin Smith.

III. THE DEBTORS' PREPETITION CAPITAL STRUCTURE

51. On October 1, 2018, the Company entered into a first lien credit agreement (the "Initial First Lien Credit Agreement") and a second lien credit agreement (the "Initial Second Lien Credit Agreement," and together with the Initial First Lien Credit Agreement, the "Initial Credit Facilities") with Bank of America, N.A. and various lenders. The Initial Credit Facilities provided $1.9 billion of financing, consisting of $125 million of revolving loans, $1.475 billion of first lien term loans, and $275 million of second lien term loans.

52. On May 19, 2023, the Company entered into the 2023 Transaction to extend the maturities of the Initial Credit Facilities. That transaction included execution of (i) a new first lien

credit agreement (the "First Lien Credit Agreement") whereby the vast majority of the outstanding term loans under the Initial First Lien Credit agreement were exchanged into new term loans under the First Lien Credit Agreement; (ii) a new second lien credit agreement (the "Second Lien Credit Agreement") whereby 100% of the outstanding term loans under the Initial Second Lien Credit Agreement were exchanged into new term loans under the Second Lien Credit Agreement; and (iii) a new intercreditor agreement (the "Intercreditor Agreement") and an amendment to the Initial First Lien Credit Agreement (as amended, the "Third Lien Credit Agreement," and together with the First Lien Credit Agreement and the Second Lien Credit Agreement, the "Credit Agreements") whereby loans issued under the Initial First Lien Credit Agreement held by entities that voluntarily elected not to participate in the 2023 Transaction became third-priority loans (*i.e.,* third lien term loans).

53. The aggregate principal indebtedness under the Credit Agreements and other liabilities as of the Petition Date is as follows:

Facility	Principal Balance Outstanding as of Petition Date[7]
First Lien Term Loan	$364.727 million
Second Lien Term Loan	$275 million
Third Lien Term Loan	$27.388 million
Outstanding Claims Under Rebate Agreements	$1.030 billion
Total	**$1.697 billion**

A. The First Lien Credit Agreement

54. LifeScan Global Corporation, as borrower, Bank of America, N.A., as administrative agent and collateral agent, and various lenders are party to the First Lien Credit

[7] These figures represent the approximate principal balance outstanding, excluding accrued and unpaid interest and other amounts.

Agreement dated as of May 19, 2023, which provides first lien term loans maturing on December 31, 2026 (the "First Lien Term Loans"), and two sets of revolving loans, maturing on July 2, 2025 and October 1, 2026, respectively (the "Revolving Loans"). As of the Petition Date, there is approximately $364.727 million in principal outstanding under the First Lien Term Loans, plus accrued and unpaid interest, fees, and other charges and expenses outstanding under the First Lien Credit Agreement.

B. The Second Lien Credit Agreement

55. LifeScan Global Corporation, as borrower, Bank of America, N.A., as administrative agent and collateral agent, and various lenders are party to the Second Lien Credit Agreement dated as of May 19, 2023, which provides second lien term loans maturing on March 31, 2027 (the "Second Lien Term Loans"). As of the Petition Date, there is approximately $275 million in principal outstanding under the Second Lien Term Loans, plus accrued and unpaid interest, fees, and other charges and expenses outstanding under the Second Lien Credit Agreement.

C. The Third Lien Credit Agreement

56. LifeScan Global Corporation, as borrower, Bank of America, N.A., as administrative agent and collateral agent, and various lenders are party to the Third Lien Credit Agreement initially dated as of October 1, 2018 and amended on May 19, 2023, which provides the third lien term loans that matured on September 30, 2024 (the "Third Lien Term Loans"). As of the Petition Date, there is approximately $27.388 million in principal outstanding under the Third Lien Term Loans, plus accrued and unpaid interest, fees, and other charges and expenses outstanding under the Third Lien Credit Agreement.

D. Guarantees and Collateral

57. LifeScan Global Corporation is the borrower under all of the credit facilities, and Debtors LifeScan, Inc., Lifescan China, LLC, LifeScan IP Holdings, LLC, and LifeScan Institute, LLC are guarantors. Obligations under the credit facilities are secured by a pledge by DUV Intermediate Holding II Corporation of its equity interests in LifeScan Global Corporation and substantially all assets of the other Debtor subsidiaries (other than excluded collateral as defined therein).

E. The Intercreditor Agreement

58. The Intercreditor Agreement dated as of May 19, 2023 defines the relative rights of creditors under the foregoing facilities to the Debtors' collateral. Under the Intercreditor Agreement, the collateral agent is prohibited from taking any action with respect to the collateral securing the Third Lien Term Loans until all obligations under the First Lien Term Loans and Second Lien Term Loans are satisfied (or requisite senior lenders otherwise consent).

IV. EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

A. BGM Market Deterioration

59. The Company has been negatively affected by the broad, consistent deterioration of the BGM market, caused primarily by the shift by consumers from BGM products to CGM products. Unlike BGMs, which provide a snapshot of blood glucose at a specific time with the prick of a finger, CGMs offer continuous, real-time glucose readings, and can send immediate alerts to patients to make adjustments to their diet, exercise, or medication. Moreover, CGMs eliminate user error in missing or forgetting to test glucose levels at any given time and provide patients with information about trends and patterns in blood glucose levels over time. While many patients still use BGM products, CGM products and other newer technologies are taking over the

market. Indeed, LifeScan worked with FTI Consulting to conduct market studies and, based on those studies, believes that the BGM market will continue to decline approximately 9% year-over-year through 2030 and beyond.

60. Reimbursement for CGM products has consistently expanded globally since 2019. For example, in 2023, Medicare expanded coverage for CGMs to a broader group of individuals. That expanded coverage included all individuals with diabetes who use insulin or who have hypoglycemia and meet at least one of two specifications. Previously, Medicare required a beneficiary to be insulin-treated with multiple (three or more) daily administrations of insulin, or a continuous subcutaneous insulin infusion pump. The expansion of coverage and reimbursement for CGM products led to the accelerated adoption of CGMs; indeed, LifeScan believes many of its patients switched from LifeScan's BGM products to CGM products.

61. Those shifts have caused LifeScan's revenues in its core BGM business to steadily decline. That steady decline has, combined with higher debt burden, led to LifeScan's inability to address its debt maturities.

B. Rebate Agreements

62. In the United States, LifeScan's Rebate Agreements were key to placing LifeScan's products on formularies and thus facilitating the sale of LifeScan's products to the millions of customers who are covered by insurance and are not inclined to pay out-of-pocket for such products. Absent its agreement to offer highly competitive rebates, LifeScan would risk exclusion from formularies, replacement on formularies by other manufacturers, or assignment of higher co-pays than its competitors in its patients' benefit plans.

63. These Rebate Agreements have proved to be burdensome and have contributed in large part to the Company's overleveraging. While the Rebate Agreements provide certain benefits to LifeScan, the rebate obligations thereunder have proved unsustainable. The practice of the

majority of PBMs to require improvement in rebate terms on an annual basis as a prerequisite for annual bid submission has only further rendered the Rebate Agreements a burden to LifeScan; indeed, as described above, because of the rebate obligations, LifeScan generally retains less than 9% of its established WAC on products sold pursuant to the Rebate Agreements, and as of the date of this Declaration, owed approximately $1.03 billion to the Rebate Counterparties.

C. Efforts to Mitigate Negative Financial Impact

64. The Company has undertaken numerous efforts to mitigate the negative impacts of the BGM market deterioration and Rebate Agreements, and to strengthen its financial position.

65. One such effort was LifeScan's attempts to move into the CGM market. In 2019, LifeScan successfully negotiated a global, exclusive partnership for a CGM device. Under this agreement, LifeScan's partner is responsible for development, testing, and manufacturing of the CGM product; LifeScan would be responsible for launching and selling the product. Original timelines projected by the partner had LifeScan initially launching the CGM product in the United States in late 2023 or early 2024. Unfortunately, LifeScan's partner has encountered numerous obstacles and delays including regulatory delays.

66. LifeScan has also been reshaping its organization and go-to-market strategies to match the shrinking BGM market. As a result, over the last seven years, more than $400 million in cost have been taken out of the organization. Beginning in 2019, LifeScan introduced various internal cost reduction initiatives through a focus on organizational effectiveness. This included optimizing marketing sales costs and supply chain costs (including costs related to sourcing, manufacturing, and distribution) and simplifying and redesigning its information technology. LifeScan also undertook efforts to right-size its organization and sales force, and to reduce selling, general, and administrative expenses. From 2019 to 2024, savings stemming from those initiatives

exceeded LifeScan's expectations, but they did not fully make up for the continued decline of the BGM market.

67. LifeScan's leadership recognized in early 2023 that it would not be able to address its upcoming debt maturities, including approximately $75 million in super priority revolving loans set to mature in July 2024 and more than $1 billion in first lien term loans set to mature in September 2024. Recognizing that such debt was jeopardizing the future health of the Company, and acknowledging that an extension on its debt maturities would allow the Company to focus on developing a CGM to revitalize its business, LifeScan's Board initiated negotiations with its lenders concerning certain amendments to its existing credit agreements and extensions of the maturities thereunder. In May of 2023, the Company executed the 2023 Transaction. The 2023 Transaction exchanged first lien term loans and second lien term loans into new facilities and extended the maturities of each by two years. It also extended the maturity of the Company's revolving credit facility by two years. All consenting lenders received a 50 basis points consent fee, and the revolver and first lien term loan holders received an increased interest rate and partial repayment through a $50 million contribution from existing equity. The second lien term loan did not receive incremental interest, its principal remained, and a payment-in-kind ("PIK") component was added such that the second lien term loan's interest rate can convert to a PIK.

68. LifeScan's significant debt burden, coupled with its entry into the 2023 Transaction, resulted in ratings downgrades for the Company. But LifeScan's leadership believed the 2023 Transaction would provide the Company more time and funding to launch a CGM product. LifeScan's leadership was optimistic, based on the information they received from their CGM partner, that the Company could launch its first CGM product in late 2023 or early 2024. LifeScan's

leadership believed, and continues to believe, that entry into the CGM market would position the Company to operate successfully and competitively over the long term.

69. The LifeScan CGM product, however, did not launch in 2023 or 2024 due to delays in project development. LifeScan has come to learn, for example, that based on progress estimates from its partner, U.S. Food and Drug Administration approval may not be received until the first half of 2027 at the earliest. LifeScan has considered additional potential CGM partners in certain regions, but no definitive agreement has yet been reached due to what LifeScan understands to be concerns over LifeScan's current capital structure. LifeScan remains optimistic, however, and expects to continue working toward entering the CGM market and pursuing growth in other areas after emergence from chapter 11.

70. The Company's ability to service its debt has continued to deteriorate over time, notwithstanding the Company's efforts to significantly cut costs in light of its declining revenue profile. The Company's liquidity concerns continued in 2024; while its 2024 EBITDA was approximately $325 million, LifeScan did not generate enough cash to sustain investment into CGM or to address its working capital drag from the declining business. The Company's constrained cash flow was not sufficient to make its mandatory debt service payments in 2024 (including approximately $82.4 million of annual debt amortization as well as the anticipated maturity of the $27.4 million Third Lien Term Loan in September 2024). Considering the insufficient cash flow to service its debt, the Company began to consider restructuring options, both in and out of court, and to engage with its senior secured lenders in restructuring discussions.

D. Forbearance, Restructuring Support Agreement, and Filing of Chapter 11 Petitions

71. As a result of its significant liquidity issues, in September of 2024, the Company did not make its $27.4 million principal and interest payment on its third lien term loan, which

constituted a default under the Third Lien Credit Agreement. Upon that missed payment, ratings agencies further downgraded LifeScan's credit ratings. The Company and the Ad Hoc Group entered into the Forbearance Agreement, under which the First Lien Term Loan and Second Lien Term Loan lenders agreed to temporarily forebear from exercising remedies for certain defaults under their respective credit agreements. As noted, holders of Third Lien Term Loans are not permitted to enforce against collateral without the support of senior lenders. The breathing room created by the Forbearance Agreement allowed the Company to continue to focus on negotiations with all of its stakeholders, including the Ad Hoc Group, the Revolving Loan lenders, and the Third Lien Term Loan lenders.

72. Negotiations with LifeScan's lenders continued for several months and the Forbearance Agreement was extended several times. The Forbearance Agreement required the Company to stop making rebate payments to the Rebate Counterparties, in an effort to preserve liquidity while those negotiations were conducted. Then, on February 17, 2025, the Company entered into the Original RSA (which was subsequently opened to all of the Company's secured lenders).

73. The Original RSA required that the Company commence an auction pursuant to which it offered to repurchase on a *pro rata* basis up to approximately $167 million of face value First Lien Term Loans at a purchase price of 60% of face value. This initial auction was fully subscribed and closed on March 5, 2025. Following the closing of that initial auction, the Company, in discussion with the Ad Hoc Group, commenced a subsequent auction pursuant to which it offered to repurchase on a *pro rata* basis up to approximately $136 million of face value First Lien Term Loans at a purchase price of 55% of face value. This subsequent auction was subscribed for approximately $114 million of face value and closed on March 11, 2025.

74. A core feature of the Original RSA and the Company's restructuring in general is the material restructuring of the Company's obligations under the Rebate Agreements. The Original RSA included a "toggle" feature that allowed for an out-of-court restructuring (rather than chapter 11) upon certain contingencies, in particular whether LifeScan was able to meet certain lender-mandated targets coming out of the renegotiation campaign with the Rebate Counterparties. Therefore, immediately after execution of the Original RSA, LifeScan, as required by lenders pursuant to the Original RSA, initiated a months-long multilateral campaign to renegotiate each significant Rebate Agreement on more sustainable terms. The Company and its advisors engaged in numerous negotiations concerning the terms of the Rebate Agreements and exchanged numerous proposals.

75. Negotiations with the identified Rebate Counterparties were conducted in good faith for several months, but ultimately the Company was not able to reach adequate renegotiated terms with the majority of its Rebate Counterparties. Specifically, the majority of the Rebate Counterparties refused to make material concessions with respect to outstanding rebate liabilities under the Rebate Agreements or to provide LifeScan with a meaningful commitment on long-term pricing. The result of these negotiations was that the terms of the Original RSA could no longer be implemented.

76. In addition, as the Company and the Original RSA parties worked to effectuate a restructuring, the Company and its tax advisors quantified a significant income tax liability for the 2024 tax year and a significant potential projected tax liability for the 2025 tax year, each resulting from the Company's halting of the payment of rebate obligations pursuant to the Forbearance Agreement and Original RSA. Specifically, the Company historically deducted rebate liabilities accruing in a taxable year against income for such year for federal income tax purposes as long as

those amounts were paid by September 15 of the subsequent year. Under this practice, a significant amount of the Company's rebate related tax deductions for the 2024 taxable year were expected to be paid during 2025. When the Company halted rebate payments, however, the absence of such deduction resulted in a significant amount of income without offsetting tax deductions, resulting in meaningful income tax liability that had not been accounted for in the Company's forecasts.

77. In light of these developments, the Company and the Original RSA parties promptly recommenced negotiations on restructuring terms with respect to an in-court transaction. Through intense efforts on all sides, the Company reached an agreement with its lenders on a Revised RSA with a new restructuring framework that could be successfully implemented and still preserved value across stakeholders. Among other things, the Revised RSA, which was executed on July 15, 2025, allowed for the prepetition payment of all outstanding 2024 taxes—thereby eliminating a potential significant priority claim—and allows for the payment of any 2025 taxes or remaining 2024 taxes, subject to Bankruptcy Court approval. The outstanding 2024 tax liability was satisfied prior to these Chapter 11 Cases. Based on the terms of the Revised RSA, a similar circumstance is expected in 2025, with revenues that are not substantially offset with rebate related deductions, potentially giving rise to significant 2025 cash income taxes.

78. The Revised RSA also contemplated a third First Lien Term Loan repurchase auction, in this case of approximately $140 million of face-value principal for a cash purchase price of $119 million. This third repurchase closed on July 15, 2025.

79. As of the date of this Declaration, 99% of lenders of First Lien Term Loans and Second Lien Term Loans are party to the Revised RSA. The Revised RSA contemplates a restructuring of the Company's financial obligations, including a reduction in its debt burden, and is intended to result in a sustainable capital structure and sufficient go-forward liquidity.

80. The Revised RSA contemplates a chapter 11 plan and section 363 sale toggle. In the chapter 11 scenario, the Revised RSA contemplates the following outcome for the reorganized Debtors: (i) existing First Lien Term Loan lenders would receive new first lien term loan debt at a principal amount determined by the amount of cash available at emergence and the option to participate in a potential 20% equity allocation; (ii) existing Second Lien Term Loan lenders would receive 95% of the direct or indirect equity of the Company (subject to dilution by the potential equity allocation to First Lien Term Loan lenders); and (iii) a $10 million cash pool for unsecured creditors (including all Third Lien Term Loan claims and Second Lien Term Loan deficiency claims). In the section 363 sale scenario, requisite first and second lien creditors would submit a stalking horse credit bid for substantially all of the Company's assets in an open sale process.

81. Accordingly, the Debtors are pursuing their restructuring in chapter 11 in line with the significant support of their lenders, to maximize value by minimizing both the costs of restructuring and the impact on the Debtors' businesses.

V. THE FIRST DAY MOTIONS

82. Contemporaneously herewith, the Debtors have filed the following First Day Motions, seeking orders granting various forms of relief intended to minimize disruptions to their business operations and to facilitate the efficient administration of these Chapter 11 Cases:

- Debtors' Emergency Motion for Entry of an Order Directing (I) Joint Administration of Chapter 11 Cases and (II) Granting Related Relief (the "Joint Administration Motion")
- Debtors' Emergency *Ex Parte* Application for Entry of an Order Authorizing the Employment and Retention of Epiq Corporate Restructuring, LLC as Claims, Noticing, and Solicitation Agent (the "Claims and Noticing Agent Application")
- Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) File a Consolidated Creditor Matrix and Top 30 Creditors List and (B) Redact Certain Personal Identification Information, (II) Authorizing Service of Parties in Interest by Email, (III) Approving Form and Manner of Notifying Creditors of

Commencement of Chapter 11 Case, and (IV) Granting Related Relief (the "Creditor Matrix Motion")

- Debtors' Emergency Motion for Entry of an Order (I) Extending Deadline for Filing Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, Statements of Financial Affairs and Rule 2015.3 Reports and (II) Granting Related Relief (the "Schedules and Statements Motion")

- Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Existing Cash Management System and Maintain Existing Bank Accounts, (B) Pay Related Fees, (C) Utilize Existing Business Forms, and (D) Engage in Intercompany Transactions, (II) Granting Administrative Expense Status to Postpetition Intercompany Claims, (III) Extending the Deadline to Comply with Section 345(b) of the Bankruptcy Code and Waiving Certain of the U.S. Trustee's Operating Guidelines, and (IV) Granting Related Relief (the "Cash Management Motion")

- Debtors' Emergency Motion for Entry of an Order (I) Authorizing Payment of Certain Taxes and Fees and (II) Granting Related Relief (the "Taxes Motion")

- Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Amounts Owed in Connection With Compensation and Benefits, (B) Maintain Employee Benefits, and (C) Continue to Pay Compensation and Benefits on a Postpetition Basis; and (II) Granting Related Relief (the "Wages Motion")

- Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing Them to Pay Prepetition Claims Incurred Under the Customer Programs (the "Customer Programs Motion")

- Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing The Payment of (A) 503(b)(9) Claims, (B) Lien Claims, (C) Critical Vendor Claims, (D) Foreign Vendor Claims, and (E) Other International Claims, (II) Confirming Administrative Expense Priority of Outstanding Order Claims, and (III) Granting Related Relief (the "Vendors Motion")

- Debtors' Emergency Motion for Entry of an Order Setting Certain Hearings and Dates With Respect to the Debtors' Disclosure Statement and Plan Confirmation (the "Scheduling Motion")

83. I have reviewed each of these First Day Motions or have had their contents explained to me, and I believe that the Debtors would suffer immediate and irreparable harm if they could not continue their business operations as proposed in the First Day Motions. In my opinion, approval of the relief sought in each First Day Motion will be critical to maintaining the

stability of the Debtors' business operations, preserving value, and facilitating a smooth transition into these Chapter 11 Cases.

84. Several of the First Day Motions request authority to pay certain prepetition claims. I am told by the Debtors' counsel that Rule 6003 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") provides, in relevant part, that the Court may not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition "except to the extent relief is necessary to avoid immediate and irreparable harm." In light of this requirement, the Debtors have limited their request for immediate authority to pay prepetition claims to those circumstances where, in the Debtors' judgment, the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates.

85. Below is a brief discussion of the First Day Motions and an explanation of why, in my opinion, the relief sought in each is critical to the successful administration of these Chapter 11 Cases. More detailed descriptions of the relevant facts and the bases for the relief requested can be found in each First Day Motion.[8]

A. Joint Administration Motion

86. In the Joint Administration Motion, the Debtors request entry of an order directing joint administration of these Chapter 11 Cases for procedural purposes only. The Debtors are affiliates. I believe joint administration of the Chapter 11 Cases will save the Debtors' estates substantial time and expense by removing the need to prepare, file, and serve duplicative notices, applications, and orders. The Debtors, the parties in interest in these cases, and the United States

[8] Capitalized terms used but not defined in the following paragraphs have the meanings ascribed to them in the applicable First Day Motions.

Trustee for the Southern District of Texas (the "U.S. Trustee") will similarly benefit from joint administration of these cases, sparing them the time and effort of reviewing duplicative pleadings.

87. I believe that joint administration will not adversely affect any creditor's rights because the Debtors request the joint administration of these cases for procedural purposes only. All parties in interest will benefit from the cost reductions associated with joint administration. Parties in interest will still receive notices. Accordingly, I believe that joint administration of these Chapter 11 Cases is in the best interests of the Debtors, their estates, and all other parties in interest and should be granted.

B. Claims and Noticing Agent Application

88. In the Claims and Noticing Agent Application, the Debtors request entry of an order appointing Epiq Corporate Restructuring, LLC ("Epiq") as the claims, noticing, and solicitation agent (the "Claims and Noticing Agent") in these Chapter 11 Cases, effective as of the Petition Date.

89. The Debtors' counsel has informed me that the Debtors will be required to provide notices to numerous persons and entities during the pendency of these Chapter 11 Cases. The appointment of Epiq as the Claims and Noticing Agent will provide the most effective and efficient means of providing those notices, as well as soliciting and tabulating votes on the Debtors' chapter 11 plan, thereby relieving the Debtors of the administrative burden associated with these necessary administrative tasks. In addition, Epiq's appointment as Claims and Noticing Agent will relieve the staff of this Court from numerous duties assumed by Epiq.

90. Epiq's rates are competitive and reasonable. Further, Epiq has the expertise required in a complex chapter 11 case. Accordingly, I believe the Claims and Noticing Agent Application should be approved.

C. Creditor Matrix Motion

91. Through the Creditor Matrix Motion, the Debtors seek entry of an order (a) confirming the Debtors' authority to file one consolidated creditor matrix, (b) confirming the Debtors' authority to file one consolidated list of the 30 largest unsecured creditors, (c) authorizing the Debtors to redact certain personally identifiable information, (d) authorizing the Debtors to serve parties in interest by email, (e) approving the form and manner of notifying creditors of the commencement of these Chapter 11 Cases, and (f) granting related relief.

92. The Debtors respectfully seek to file one consolidated list of creditors and one list of the 30 largest general unsecured creditors, which counsel has informed me is consistent with the relevant procedures in a complex chapter 11 proceeding in this Court.

93. Through the Creditor Matrix Motion the Debtors seek authority to redact certain personally identifiable information from documents filed or to be filed with the Court. The Debtors seek such authority in connection with privacy and data protection regulations that have been enacted in key jurisdictions in which the Company does business, which regulations impose significant constraints on the processing, transferring, or disclosing of information related to identified or identifiable individuals, with certain exceptions.

94. Further, I believe cause exists to authorize the Debtors to serve their creditors by email, where an email account is available to the Debtors. Although I am told that the Bankruptcy Rules generally require notices to be served on creditors at their addresses, it is my understanding that bankruptcy courts are given significant latitude to modify the general rule, and bankruptcy courts have explicit authority to modify the manner in which notice is given. Not only is email service likely the most efficient and cost-effective manner by which service of all interested parties can be completed, I believe it is also more likely to facilitate creditor responses. In addition, I

believe this method of service will help alleviate administrative burdens and costs on the Debtors' estates.

95. Finally, I am advised that, in compliance with the requirements of Bankruptcy Rule 2002(a), the Debtors, through their proposed claims and noticing agent, propose to serve the Notice of Commencement on all parties entitled to notice of commencement of these Chapter 11 Cases, to advise them of commencement of these Chapter 11 Cases and the section 341 meeting of creditors. I believe service of the Notice of Commencement on the Consolidated Creditors Matrix will not only prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the Debtors' Consolidated Creditors Matrix, but will also preserve judicial resources and prevent creditor confusion through the efficient service of critical information.

96. For these reasons and the reasons described in the Creditor Matrix Motion, I believe that the relief requested in the Creditor Matrix Motion is necessary and appropriate.

D. Schedules and Statements Motion

97. Through the Schedules and Statements Motion, the Debtors request the authority to extend the deadline by which the Debtors must file their (a) schedules of assets and liabilities, (b) schedules of executory contracts and unexpired leases, and (c) statements of financial affairs by 45 days from the Petition Date, without prejudice to the Debtors' ability to request additional extensions for cause shown.

98. I am advised that Bankruptcy Code section 521 and Bankruptcy Rule 1007(c) generally require debtors to file Schedules and Statements within 14 days after their petition date. I am also advised that under Bankruptcy Rule 1007(c), the Court has the authority to extend the time required for filing the Schedules and Statements "for cause." I believe cause exists for granting the extensions requested in the Schedules and Statements Motion because of the

voluminous information the Debtors must compile to complete the Schedules and Statements. Collecting the necessary information requires a significant expenditure of time and effort on the part of the Debtors, their employees, and their professional advisors in the near term, when these resources would be best used to stabilize the Debtors' business operations at the outset of these cases.

99. Additionally, pursuant to the Schedules and Statements Motion, the Debtors request that the Court grant an extension of 45 days from the Petition Date for the Debtors to file their initial reports of financial information with respect to entities in which their chapter 11 estates hold a controlling or substantial interest, as set forth in Bankruptcy Rule 2015.3, or to file a motion with the Court seeking a modification of such reporting requirements for cause.

100. I have been advised that Bankruptcy Rule 2015.3 requires a debtor, by no later than seven days prior before the date set for the 341 Meeting and no less than every six months thereafter, to file periodic financial reports of the value, operations and profitability of each entity that is not a publicly traded corporation or a debtor in the chapter 11 cases, and in which the estate holds a substantial or controlling interest. I am also advised that pursuant to Bankruptcy Rule 9006(b)(1), the Court has the authority to enlarge the period of time to file the 2015.3 Reports "for cause" and that under Bankruptcy Rule 2015.3(d), the Court can modify the reporting requirements for cause, including that the debtor is "not able, after a good faith effort, to comply with those reporting requirements, or that the information . . . is publicly available."

101. The Debtors have 26 non-debtor subsidiaries incorporated in 20 countries, in which there is a presumption that the Debtors hold a "substantial or controlling" equity interest, and none of which are publicly traded corporations. Thus, I believe cause exists to extend the deadline for filing the Rule 2015.3 Reports based on (i) the size and complexity of the Debtors' business; and

(ii) the substantial burdens imposed by compliance with Bankruptcy Rule 2015.3 in the early days of these chapter 11 cases. Extending the deadline for the initial 2015.3 Reports also will enable the Debtors to work with their financial advisors and the U.S. Trustee to determine the appropriate nature and scope of the 2015.3 Reports and any proposed modifications to the reporting requirements established by Bankruptcy Rule 2015.3.

102. Accordingly, based on the foregoing, I believe that the relief requested in the Schedules and Statements Motion is in the best interest of the Debtors, their estates, and all other parties in interest and should be approved.

E. Cash Management Motion

103. In the Cash Management Motion, the Debtors seek entry of an order: (i) authorizing them to (a) continue using their existing Cash Management System and maintain existing Bank Accounts, (b) pay related fees, (c) use existing Business Forms, and (d) continue engaging in Intercompany Transactions, (ii) granting administrative expense status to postpetition Intercompany Claims, (iii) extending the time to comply with section 345(b) of the Bankruptcy Code and waiving certain of the U.S. Trustee's Operating Guidelines, and (iv) granting certain related relief.

104. In the ordinary course of business, LifeScan uses a complex centralized cash management system (the "Cash Management System") to collect receipts, pay invoices, make payroll, and fund its global operations. The main components of the Cash Management System consist of collections from the sale of LifeScan's products and other receivables, transfers between LifeScan entities, and disbursements to fund the daily operations of the business. The Cash Management System is similar in scope, structure, and complexity to centralized cash management systems used by comparable companies to manage cash flow. It allows LifeScan to efficiently collect and transfer cash generated by its businesses and pay its obligations. It also enables

LifeScan to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, allocate working capital across its global operations, and maintain control over its bank accounts. In all respects, under the Cash Management System, the accounting for each Debtor is separately maintained and tracked in accordance with generally accepted accounting procedures and requirements.

105. As of the Petition Date, the Cash Management System comprises 121 bank accounts (the "Bank Accounts") maintained at various branches of 10 banks (such banks, collectively, the "Banks"). Of those Bank Accounts, 31 are owned and controlled by the Debtors (the "Debtor Bank Accounts"), and 90 are owned by non-Debtor affiliates (the "Non-Debtor Bank Accounts"). More specifically, the Cash Management System is comprised of the following:

Bank	Number of Bank Accounts
Debtor Bank Accounts	
Bank of America	26
Comerica Bank	4
HSBC	1
Non-Debtor Bank Accounts	
Bank of America	57
Banorte	3
CITEC Beijing	1
Comerica Bank	2
Deutsche Bank	15
HSBC	1
ICBC Guangzhou	1
ICBC Shanghai	1
MUFG	1
Raiffeisen	7
Santander Bank	3

106. The Debtors' treasury department maintains daily oversight over the Cash Management System and implements controls for depositing, processing, and releasing funds. Additionally, the Debtors' corporate accounting and treasury departments regularly reconcile their books and records to ensure that all transfers are properly accounted for.

107. As described herein and in the Cash Management Motion, given the economic and operational scale of the Debtors' business, any disruption to the Cash Management System would have an immediate adverse effect on the Debtors' operations to the detriment of their estates and stakeholders. To minimize the disruption caused by the filing of these Chapter 11 Cases and to maximize the value of the Debtors' estates, the Debtors request authority to continue utilizing the Cash Management System, subject to the terms described in the Cash Management Motion.

108. Attached to the Cash Management Motion as Exhibit A thereto is a diagram that illustrates the structure of the Cash Management System and the flow of funds through the same. A list of the Debtors' Bank Accounts, including the last four digits of each Bank Account number, the name of the entity that holds the account, the Bank at which the account is held, and the balance outstanding as of the Petition Date, is attached as Exhibit B to the Cash Management Motion.

109. ***Description of the Funds Flow***. As a complex global enterprise, LifeScan depends on the efficient collection, transfer, and disbursement of funds. The Cash Management System is tailored to meet LifeScan's operating needs, enabling it to control and monitor company funds, ensure cash availability and liquidity, exchange cash into numerous currencies, comply with requirements in its financing arrangements, and reduce administrative expenses incurred in connection with the movement of funds and the reporting of accurate account balances. Every month, approximately $180 million in cash collected from LifeScan's operations flows through the Cash Management System. The cash receipts (consisting of wires, automated clearing house ("ACH") transfers, and checks) mainly come from LifeScan's customers and are deposited into Bank Accounts controlled by both the Debtors and by certain of their non-Debtor subsidiaries. The Cash Management System spans several countries and holds funds in at least 16 different currencies. Cash moves through the Cash Management System as described below.

110. ***Debtor Bank Accounts***. Twenty-six of the Debtor Bank Accounts are maintained at Bank of America, N.A. ("Bank of America") and are used to both facilitate the Debtors' U.S.-based operations and to facilitate the disbursement and collection of funds to and from LifeScan's non-Debtor subsidiaries in foreign jurisdictions. Certain of the Debtor Bank Accounts are subject to deposit account control agreements in favor of Bank of America in its capacity as Administrative Agent under the First Lien Credit Agreement (the "First Lien Agent"). In the United States, receivables from the Debtors' operations are deposited into a lockbox account (the "Lockbox Account"). From time to time, the Debtors also collect receivables on account of dispute reimbursements in a separate account (the "Dispute Reimbursement Account" and together with the Lockbox Account, the "Deposit Accounts"). The Deposit Accounts are maintained at Bank of America by Debtor LifeScan, Inc.

111. Funds from the Deposit Accounts are swept daily into a concentration account maintained by LifeScan, Inc. (the "LFS Concentration Account") at Bank of America.[9] The LFS Concentration Account is used to fund the Debtors' direct operating expenses in the United States, including freight costs, rebates, payroll for LifeScan, Inc. employees, certain employee benefit programs, taxes, and other U.S.-specific expenses. When cash is needed to fund such operating expenses, it is transferred from the LFS Concentration Account automatically into one of three zero balance operating accounts owed by LifeScan, Inc. (each, a "LFS Disbursement Account"). Any funds remaining in the LFS Disbursement Accounts after satisfying the applicable accounts payable are swept back into the LFS Concentration Account.

[9] On an annual basis, approximately $1,300,000 of receipts on account of refunds for adjudicated rebate claims and other customer collections are also deposited directly into the LFS Concentration Account.

112. Additionally, the Debtors manually transfer funds from the LFS Concentration Account into a global concentration account maintained at Bank of America (the "Global Concentration Account") owned by Debtor LifeScan Global Corporation ("LifeScan Global") from time to time. When cash is needed to fund LifeScan's centralized obligations, including most direct supplier costs, payroll for LifeScan Global employees, certain employee benefit programs, international freight, insurance, IT, and other expenses, it is transferred from the Global Concentration Account automatically into one of three zero balance operating accounts owed by LifeScan Global (each, a "Global Disbursement Account"). The Global Concentration Account is also used to pay outstanding amounts under the Prepetition Revolving Facility and interest on the Debtors' term loan facilities.

113. LifeScan Global also maintains eleven currency-denominated accounts (the "Currency Accounts") that are used to collect and disburse funds in ten foreign currencies, including, among others, Euros, Great British Pounds, Canadian Dollars, and Mexican Pesos. To the extent that funds from the Currency Accounts are swept into and out of the Global Concentration Account, such transfers are performed manually.

114. In connection with and as collateral for the Credit Card Program (as defined below), the Debtors maintain a Bank Account at Bank of America (the "Credit Card Program Collateral Account"). Funds deposited in the Credit Card Program Collateral Account serve as collateral (the "Credit Card Program Collateral") securing the Debtors' obligations to Bank of America in connection with the Credit Card Program.

115. The Debtors maintain an additional Bank Account (the "Bilateral Trade Instruments Collateral Account") subject to a security agreement (the "Bilateral Trade Instruments Collateral Agreement") at Bank of America as collateral for bilateral trade instruments (including bilateral

letters of credit) (the "Bilateral Trade Instruments"). In order for LifeScan to bid on new business in the European Union, the Debtors are required to provide financial guarantees in connection with the bidding process. Bank of America issues letters of credit, bid bonds or bank guarantees in accordance with the Bilateral Trade Instruments Collateral Agreement and, in exchange, the Debtors cash collateralize the financial support provided by Bank of America at 109% of the face amount of such obligations (the "Bilateral Trade Instruments Collateral"). The Bilateral Trade Instruments Collateral is held in the Bilateral Trade Instruments Collateral Account.

116. Finally, the Debtors maintain seven additional accounts in the United States (the "Standalone Accounts"). The Standalone Accounts were used in connection with the formation of certain LifeScan subsidiaries in order to support those entities. Two of the Standalone Accounts are collateral accounts for LifeScan Global. The remaining Standalone Accounts are not active.

117. ***Non-Debtor Bank Accounts***. LifeScan's non-Debtor foreign affiliates each maintain one or more Bank Accounts used to collect deposits and fund disbursements necessary to support their ordinary course operations. In most cases, the non-Debtor affiliates' operations are self-funding,[10] with LifeScan's treasury periodically transferring surplus cash from those operations to the Global Concentration Account. At times, however, cash held by the Debtors is transferred to non-Debtor affiliates in order to satisfy outstanding accounts payable. Additionally, warranty claims owed by LifeScan Global are fulfilled by non-Debtor affiliates, resulting in

[10] LifeScan's operations in Argentina, Czechia, Scotland, Switzerland, and the United Arab Emirates are not self-funding. Notably, although production of LifeScan's test strips occurs in Scotland, LifeScan Scotland Ltd does not collect material receipts. As a result, the Debtors typically fund a net amount of approximately $76,000,000 annually to support LifeScan Scotland Ltd's operations. In contrast, the annual net balance between the Debtors and their Argentinian, Czech, Swiss, and Emirati affiliates averages approximately $2,000,000 for each country. Notwithstanding these historical balances, the Debtors do not anticipate funding operations for the Argentinian affiliate during the Chapter 11 Cases.

intercompany payables.[11] The flow of funds from Debtor Bank Accounts to non-Debtor affiliates through the Cash Management System is described below. In the twelve-month period before the Petition Date, the Debtors netted approximately $142,000,000 as a result of transfers to and from the Debtors and their non-Debtor affiliates. Also described below are certain jurisdiction-specific features of the Cash Management System, which facilitate LifeScan's operations in China, India, and Russia.

118. ***International Funds Flow***. When a non-Debtor affiliate requires cash to fund payments to foreign employees, vendors, taxing authorities, and other foreign entities, funds are transferred from the Global Concentration Account to the applicable LifeScan Global account. Funds are then transferred from the applicable Currency Account to one of at least sixteen country-specific disbursement accounts (each, an "International Disbursement Account") owned by one of LifeScan's non-Debtor subsidiaries.[12] In most instances, each International Disbursement Account sits above a zero balance receipt and zero balance payroll account. A non-Debtor subsidiary's payables are satisfied through the zero balance payroll account or directly via the International Disbursement Account. Receivables are deposited into the applicable zero balance receipts account, then automatically swept to the International Disbursement Account.

119. In the case of LifeScan's affiliates in Belgium, France, Ireland, Italy, and certain accounts in the United Kingdom, each International Disbursement Account is subject to an automatic daily cash sweep into a Euro-denominated Currency Account, such that those

[11] LifeScan provides warranties to its customers that LifeScan products work as intended. LifeScan Global recognizes a warranty reserve an accrued liability. Warranty claims are generally placed at the applicable LifeScan subsidiary but charged back to LifeScan Global on a quarterly basis.

[12] In the case of LifeScan's non-Debtor affiliates in China and LifeScan India (as defined below), funds are transferred directly from the Global Concentration account to and from the applicable International Disbursement Account.

International Disbursement Accounts do not hold any funds at the end of each day. Conversely, funds are automatically drawn into those International Disbursement Accounts from the same Euro-denominated Currency Account as needed to fund operational disbursements.

120. In contrast, in respect of LifeScan's affiliates in Argentina, Austria, Canada, Czech Republic, Germany, Japan, Mexico, Portugal, Switzerland, and certain accounts in the United Kingdom, the Debtors' treasury makes a periodic determination as to how much cash to transfer to or from a given International Disbursement Account. The Debtors will fund each applicable International Disbursement Account as necessary to meet the applicable non-Debtor affiliate's obligations. Conversely, when a given International Disbursement Account holds funds in excess of the applicable non-Debtor affiliate's upcoming payables, the Debtors' treasury may make a determination to sweep the excess funds to the LifeScan Global account.

121. ***LifeScan's Non-Debtor Affiliates in China***. The Debtors routinely engage in intercompany transactions with LifeScan's non-Debtor affiliates located in China. Those non-Debtor affiliates in China typically maintain sufficient cash to fund operational requirements. When those non-Debtor affiliates in China receive payables in excess of operational requirements, such amounts are manually transferred to the Global Concentration Account in satisfaction of intercompany claims that are owed by such affiliates to the Debtors.

122. ***LifeScan India***. In the ordinary course of business, LifeScan Global receives funds from LifeScan's non-Debtor affiliates located in India ("LifeScan India") on account of bills of entry (each, a "BoE"). Upon confirmation from LifeScan's supply chain team of the authenticity of any BoE it receives, LifeScan India submits the BoE to Bank of America—as required by the Reserve Bank of India—and initiates a transfer from LifeScan India to a USD-nominated

Concentration Account maintained by LifeScan Global. Generally, Bank of America completes its review process after completion of its internal due diligence, after which the transfer is approved.

123. ***LifeScan Russia***. When LifeScan's non-Debtor affiliates located in Russia ("LifeScan Russia") collect operational receipts, LifeScan Russia satisfies certain intercompany claims owed to the Debtors in cash. Specifically, receipts are converted from local currency to Euros at a set exchange rate specified in the distribution agreement between LifeScan Global and LifeScan Russia. Payments from LifeScan Russia to LifeScan Global are flagged by Bank of America's sanctions team and held until Bank of America confirms that such payments do not violate any sanctions against Russia. The review process typically lasts between one to three business days.

124. ***Bank Fees & Programs***. Maintenance of the Cash Management involves a number of ancillary details relevant to the Debtors' operations in chapter 11. In particular, the Debtors incur regular monthly fees and periodic service charges owed to the Banks on account of the Cash Management System. The Debtors also provide a corporate credit card program for certain of their employees, allowing such employees to directly pay for authorized business and travel expenses, which the Debtors subsequently repay. Finally, the Debtors routinely use preprinted letterhead, invoice forms, and deposit slips in the ordinary course of business. As described below, the Debtors seek authorization to satisfy the aforementioned postpetition obligations and continue to maintain the credit card program and utilize their business forms.

125. ***Bank Fees***. In the ordinary course of business, the Debtors incur and pay, honor, or allow to be deducted from the appropriate Bank Accounts periodic service charges and other fees in connection with maintaining the Cash Management System (collectively, the "Bank Fees").

126. To maintain the integrity of their Cash Management System, through the Cash Management Motion the Debtors respectfully request authority, but not direction, to continue paying the Bank Fees, including making all requisite payments as they come due, regardless of whether such Bank Fees accrued pre- or post-petition, in the ordinary course, consistent with historical practice.

127. ***Corporate Card Program***. The Debtors provide credit cards issued by American Express (the "Credit Card Program") enabling certain employees to directly pay for approved travel and expenses. The Debtors are responsible for paying the charges incurred through the Credit Card Program. The combined average monthly spend for the Credit Card Program is approximately $50,000. An individual employee's eligibility for the Credit Card Program is determined by the Debtors' human resources or finance teams, based on business requirements. The Debtors estimate that, as of the Petition Date, they owe approximately $22,000 on account of the Credit Card Program. Through the Cash Management Motion the Debtors request authority, but not direction, to continue paying any amounts on account of the Credit Card Program, including those amounts that will be charged postpetition on account of prepetition transactions, as well as to continue to pay all amounts associated with the use of the Credit Card Program in the ordinary course of business postpetition.

128. ***Business Forms***. As part of the Cash Management System, the Debtors use a number of preprinted business forms in the ordinary course of their business, including letterhead, invoice forms, and deposit slips (collectively, the "Business Forms").[13] Pursuant to the Operating Guidelines for Chapter 11 Cases, U.S. Department of Justice, United States Trustee Program,

[13] The Debtors do not maintain a stock of preprinted checks. Rather, when a need arises for the Debtors to issue a check, the Debtors submit a request to Bank of America, who then issues a check directly to the recipient on the Debtors' behalf.

Region 7 (the "U.S. Trustee Guidelines"), I understand that the U.S. Trustee requires that the Cash Management Banks print "Debtor in Possession" and the bankruptcy case number on checks issued after the Petition Date.

129. This requirement would cause the Debtors to incur significant unwarranted expenses and disrupt their operations. Through the Cash Management Motion, the Debtors request that they be authorized to continue using their existing Business Forms without a reference to their status as debtors in possession. The Debtors submit that changing the Business Forms would be unduly burdensome and unnecessary because employees, customers, vendors, and suppliers doing business with the Debtors will likely be aware of their status as debtors in possession and, therefore, will not be prejudiced if the requested relief is granted. Moreover, the Debtors have prepared communication materials for use with the various parties with which they conduct business that will, among other things, inform such parties of the commencement of these Chapter 11 Cases. However, to the extent the Debtors request the issuance of any checks, they will request that such checks include the designation "Debtor-in-Possession" and the jointly administered bankruptcy case number.

130. ***Intercompany Transactions***. As described above, the Debtors routinely engage in intercompany financial transactions among themselves and with certain of their non-Debtor affiliates (the "Intercompany Transactions"). The Debtors realize a material portion of their collections through non-Debtor local contracts with customers. LifeScan Scotland Ltd, a non-Debtor affiliate, manufactures most of the strips, and then sells the inventory to LifeScan Global through an Intercompany Transaction. This inventory accounts for nearly all of LifeScan's strips sold globally. LifeScan Global then sells the strips to LifeScan, Inc. and non-Debtor affiliates, also

through Intercompany Transactions. LifeScan Global also sells directly to its distributors for indirect markets.

131. Excess cash from these non-Debtor local contracts is swept into LifeScan Global Accounts. These receipts collected by non-Debtor affiliates are considered the revenue of the collecting non-Debtor affiliate and are used to pay the non-Debtor affiliates' expenses. If such receipts have been swept into the LifeScan Global Currency Accounts, they will be disbursed to the non-Debtor affiliate to make such payments. Funds transferred between the Debtors and non-Debtor affiliates are recorded as Intercompany Transactions, including as payment to LifeScan Global for intercompany sales of inventory to the non-Debtor affiliates. The Intercompany Transactions are integral to maintaining LifeScan's global supply chain. Failure to continue the Intercompany Transactions would be highly disruptive to the Debtors' businesses and could jeopardize the Debtors' ability to service their global customer and vendor base, thereby negatively impacting the Debtors' estates to the detriment of all stakeholders.

132. Intercompany Transactions are necessary to the operation of LifeScan's businesses, and the Debtors intend to continue to record postpetition Intercompany Transactions in the ordinary course of their business. As such, the Debtors seek the authority to continue engaging in the Intercompany Transactions both among themselves and with their non-Debtor affiliates, in each case, in the ordinary course of business, in a manner consistent with prepetition practices.

133. At any given time, as a result of the Intercompany Transactions, there may be claims (the "Intercompany Claims") owing by or to one Debtor or non-Debtor affiliate to another Debtor or non-Debtor affiliate. Intercompany Claims are generally reflected as journal entry receivables and payables and are balanced on a regular basis. LifeScan closely tracks all fund transfers through its accounting system and can ascertain, trace, and account for all Intercompany

Transactions at any given time. Certain Intercompany Claims were historically documented as loans from LifeScan Global to other LifeScan entities pursuant to intercompany promissory notes. These intercompany promissory notes were made to fund specific international businesses, and they accrue interest until repaid.

134. However, to ensure that each Debtor will not, at the expense of its own creditors, fund operations of any of its affiliates, the Debtors request that all postpetition Intercompany Claims of one Debtor against any other Debtor be accorded administrative expense status pursuant to section 503(b)(1) of the Bankruptcy Code, thereby reducing the risk that recoveries available to one Debtor's creditors may be negatively impacted by the Intercompany Transactions.

135. ***Compliance with Section 345 of the Bankruptcy Code and the U.S. Trustee Guidelines***. The Bank Accounts substantially comply with the requirements of section 345 of the Bankruptcy Code. With the exception of a single Bank Account, all of the Bank Accounts owned by Debtor-entities are maintained at Banks designated as authorized depositories by the U.S. Trustee. The sole Debtor Bank Account that is not held at a U.S. Trustee authorized depository (the "HSBC Account") is held at HSBC, a highly rated, well-capitalized, and financially stable institution subject to oversight by federal banking regulators. Moreover, the Debtors do not make any payments from or receive any collections to this account. Rather, maintenance of the HSBC Account is required to provide administrative support to the maintenance of a non-Debtor Bank Account with HSBC.

136. Cause exists to extend the Debtors' time to comply with section 345(b). Aside from the HSBC Account, each Debtor Bank Account is maintained at a Bank that has executed a Uniform Depository Agreement ("UDA") with, and is designated as an authorized depository by,

the U.S. Trustee. Further, all of the Debtor Bank Accounts are in the United States and are insured by the Federal Deposit Insurance Corporation ("FDIC").

137. Moreover, as explained further in the Cash Management Motion, the Debtors seek a suspension of certain of the U.S. Trustee Guidelines requiring the Debtors to close all of their prepetition bank accounts, open new accounts designated as debtor in possession accounts, and obtain new business forms and statements. Although the Debtors are requesting a suspension of the requirement to close all Bank Accounts, the Debtors may determine, in their business judgment, that opening new bank accounts and/or closing existing Bank Accounts in the ordinary course of business is in the best interests of their estates. While the Debtors do not currently have plans to open a new bank account, nothing contained herein should prevent the Debtors from opening any additional bank accounts or closing any existing Bank Accounts as they may deem necessary and appropriate in their sole discretion. In the event the Debtors open new accounts, any new bank account opened by the Debtors shall be established at an institution that is a party to a UDA with the U.S. Trustee or is willing to immediately execute a UDA.

F. Taxes Motion

138. In the Taxes Motion, the Debtors seek entry of an order: (a) authorizing the Debtors to negotiate, pay, and remit (or use tax credits to offset), or otherwise satisfy, Taxes and Fees that arise or accrue, whether pre- or post-petition, in the ordinary course of their business; (b) authorizing them to remit and pay any Audit Amounts that may become payable in the ordinary course of the Debtors' business; and (c) granting certain related relief.

139. In the ordinary course of business, the Debtors collect, withhold, and incur Taxes and Fees. I understand that from time to time, the Debtors may receive tax credits or refunds for overpayment of Taxes and Fees, which they may use to offset against future Taxes and Fees or cause the amount of such credits to be refunded.

140. ***Sales and Use Taxes***. The Debtors incur, collect, and remit sales and use taxes in connection with the sale, purchase, and use of goods and services. The Debtors generally pay Sales and Use Taxes on a monthly, quarterly, semi-annual, or annual basis. In the twelve-month period preceding the Petition Date, the Debtors paid approximately $146,000 in aggregate Sales and Use Taxes to the Authorities. As of the Petition Date, the Debtors estimate that they owe approximately $30,000 in Sales and Use Taxes.

141. ***Real and Personal Property Taxes***. I understand that the state and local governments in the jurisdictions in which the Debtors operate generally levy property taxes against the Debtors' real and personal property. Therefore, to avoid the imposition of statutory liens on their real and personal property, the Debtors generally pay the Property Taxes in the ordinary course of business on an annual or semi-annual basis. The Debtors own no real property and historically have paid zero or de minimis Property Taxes on account of owned personal property. Nonetheless, I am advised that certain Property Taxes may become due during these Chapter 11 Cases and are seeking authority to pay such amounts in the ordinary course of business.

142. ***Income and Franchise Taxes***. In the ordinary course of business, the Debtors are required to pay income taxes in the jurisdictions in which they operate, including corporate income taxes in certain jurisdictions. In the twelve-month period preceding the Petition Date, the Debtors remitted (or had remitted on their behalf) approximately $84,000,000 in Income and Franchise Taxes to the applicable Authorities.[14] The Debtors estimate that, as of the Petition Date, they owe

[14] As discussed above, in the operation of their business the Debtors accrue significant rebate liabilities owing to PBMs and various state agencies. Historically, the Debtors have deducted rebate liabilities that accrued in a taxable year against income for such taxable year, even if the liabilities were not paid until the succeeding taxable year. To manage liquidity and as a condition to entering into forbearance agreements with their secured lenders, the Debtors halted the majority of rebate payments at the end of 2024. As a result, per federal tax regulations, the Debtors were unable to deduct unpaid rebate liabilities against income and therefore determined they owe a significantly higher amount of federal income

approximately $710,000 to the applicable Authorities on account of prepetition Income and Franchise Taxes, which amount is based on certain assumptions and the expectation that the Debtors will be able to take certain actions during 2025 that should reduce projected 2025 operating income. If the Debtors' tax mitigation strategy for 2025 is unsuccessful, the Debtors could incur up to $128,000,000 in Income and Franchise Taxes for 2025, well in excess of the foregoing estimate. The Debtors request authority, but not direction, to satisfy any amounts owed on account of the Income and Franchise Taxes that may become due and owing in the ordinary course of business during their Chapter 11 Cases, including in the event the Debtors' tax mitigation strategy is unsuccessful or is anticipated to be unsuccessful.

143. ***Regulatory Fees***. In the ordinary course of business, the Debtors pay certain fees in connection with regulatory requirements, including those related to licensing, reporting, manufacturing, and other similar fees, which are generally paid to the relevant Authorities on an annual basis. In the twelve-month period preceding the Petition Date, the Debtors paid approximately $728,000 on account of Regulatory Fees. As of the Petition Date, the Debtors estimate that they owe approximately $786,000 to the applicable Authorities on account of prepetition Regulatory Fees.

144. ***Import Charges***. The Debtors incur customs duties, import-related taxes, entry fees, and other incidental import and related expenses in connection with the importation or transportation of goods sold by the Debtors. I am advised that customs authorities have the right to detain the Debtors' goods pending the payment of Import Charges. I am also advised that if the Import Charges are not timely paid, customs authorities may demand liquidated damages, assess

taxes for tax year 2024 than for previous years. 2024 Income and Franchise Taxes have been paid based on estimated amounts owing.

interest, charge the Debtors for the storage of detained goods, or impose other penalties and sanctions. I also understand that the U.S. customs service may assert a lien on the imported goods and non-U.S. customs authorities may assert similar liens in their respective jurisdictions. In the twelve-month period preceding the Petition Date, the Debtors paid in the ordinary course of business approximately $309,000 on account of the Import Charges. The Debtors estimate that, as of the Petition Date, approximately $60,000 is outstanding on account of the Import Charges.

145. I believe that the Debtor's ability to continue to pay Taxes and Fees in the ordinary course of business, including outstanding prepetition amounts, is critical to preserving the going concern of the Debtors' businesses and facilitating their continued operations. The outstanding prepetition amounts are relatively small compared to the size of the Debtors' estates, and any amount saved in the short-term by not timely paying Taxes and Fees would not translate into higher recoveries for creditors in the long run because, I am advised, the Taxing Authorities would be entitled to full payment of their claims under any plan or reorganization. Furthermore, addressing a delinquency in payment of any Taxes and Fees would impose unnecessary costs on the estates by diverting resources and increasing administrative costs. I believe that continuing to pay Taxes and Fees consistent with prepetition practices is within the ordinary course of the Debtors' business and reflects a sound exercise of the Debtors' business judgment.

146. Moreover, I believe that any failure to pay the Taxes and Fees, including both pre- and post-petition Taxes and Fees, could materially disrupt the Debtors' business operations in several ways, including that the Tax Authorities may initiate audits of the Debtors, which would unnecessarily divert the Debtors' attention from the restructuring process, or the Tax Authorities may attempt to suspend the Debtors' operations, file liens, seek to lift the automatic stay, and pursue other remedies that would harm the estates. Moreover, unpaid Taxes and Fees may result in

penalties, the accrual of interest, or both. In addition, counsel informs me that the nonpayment of the Taxes and Fees may give rise to priority claims under section 507(a)(8) of the Bankruptcy Code. Thus, the payment of many, if not all, of the prepetition Taxes and Fees would only affect the timing, and not the amount, of payment. Accordingly, permitting their payment now should not prejudice recoveries of other creditors and the Court should authorize the Debtors to pay the Taxes and Fees in the ordinary course of business.

147. For these reasons, and for reasons described more fully in the Taxes Motion, I believe that the relief requested in the Taxes Motion is necessary and appropriate to avoid serious consequences for the Debtors' operations and ability to reorganize.

G. Wages Motion

148. In the Wages Motion, the Debtors seek entry of an order (i) authorizing them to (a) pay prepetition amounts owed in connection with compensation and benefits, (b) maintain employee benefits and continue to pay compensation and benefits in the ordinary course of business on a postpetition basis; and (ii) granting related relief.

149. As of the Petition Date, the Debtors employ 90 individuals (the "Employees"), seven independent contractors (the "Independent Contractors"), and approximately 50 agency workers (the "Agency Workers," and together with the Employees and Independent Contractors, the "Workforce").

150. The Workforce is critical to the Debtors' operations, including, among other things, functions related to research and development, marketing, finance, accounting, regulatory compliance, information technology, and sales that facilitate the manufacture, distribution, and sales of blood glucose meters at the core of the Debtors' business. In many instances, they possess unique skills, experience, and expertise necessary for the Debtors' core business activities, and are intimately familiar with the Debtors' business, processes, and systems. The Workforce's skills,

knowledge, and understanding of the Debtors' operations are essential to preserving operational stability and efficiency. I believe that, without the continued, uninterrupted services of the Workforce, the Debtors' ability to efficiently conduct their business operations during the pendency of these Chapter 11 Cases would be materially impaired.

151. As I understand, many of the Employees, Independent Contractors, and Agency Workers rely on their Compensation and Benefits to pay their daily living expenses and support their families. I believe they will be exposed to significant financial hardship if the Debtors are not permitted to continue compensating them and maintaining certain benefit programs during their employ with the Debtors.

152. ***Employee Compensation***. In the ordinary course of business, the Debtors incur obligations to their Employees for wages, salaries, and other compensation (collectively, the "Employee Compensation"). Employee Compensation is paid every two weeks and, because the Employees are generally paid in arrears, certain Employees will be owed accrued but unpaid Employee Compensation as of the Petition Date. In the twelve months prior to the Petition Date, the Debtors have paid approximately $900,000 per month on Employee Compensation. As of the Petition Date, the Debtors estimate that they owe approximately $510,000 on account of accrued but unpaid Employee Compensation.

153. ***Independent Contractor Obligations***. In the ordinary course of business, Independent Contractors work side-by-side with the Debtors to provide operational support, including with respect to information technology, finance, procurement, customer service, and legal functions. The Debtors generally compensate the Independent Contractors pursuant to consulting agreements and statements of work between the Independent Contractors and the Debtors; all Independent Contractors are paid on a monthly basis, except for one Independent

Contractor which is paid six months in advance (such payments, the "Independent Contractor Obligations"). In the twelve months prior to the Petition Date, the Debtors have paid approximately $150,000 per month on Independent Contractor Obligations. As of the Petition Date, the Debtors estimate that they owe $38,000 on account of accrued but unpaid Independent Contractor Obligations.

154. ***Employment Agency Obligations***. To further supplement their staffing, the Debtors obtain the services of various skilled supplemental and temporary Agency Workers through a variety of staffing agencies (the "Employment Agencies"). These Agency Workers primarily provide staff augmentation, including with respect to information technology, infrastructure operations, and research and development functions. The Employment Agencies invoice the Debtors based upon the number of hours worked by the Agency Workers and, in turn, the Employment Agencies pay the Agency Workers' wages and other amounts to which the Agency Workers are entitled (the "Employment Agency Obligations"). In the twelve months prior to the Petition Date, the Debtors have paid approximately $300,000 per month on Employment Agency Obligations. As of the Petition Date, the Debtors estimate that they owe approximately $660,000 on account of accrued but unpaid Employment Agency Obligations.

155. ***Deductions***. During each applicable payroll period, the Debtors deduct certain amounts from Employee Compensation, including, without limitation, garnishments, child support, and similar deductions, as well as other pre-tax and after-tax deductions payable pursuant to certain employee benefit plans discussed herein, such as an applicable share of healthcare benefits and insurance premiums, 401(k) plan deferrals, legally-ordered deductions, and miscellaneous deductions (collectively, the "Deductions"). In the twelve months before the Petition Date, the Debtors have withheld and remitted approximately $220,000 per month on

account of the Deductions. As of the Petition Date, the Debtors estimate that they owe approximately $90,000 on account of the Deductions.

156. ***Payroll Taxes***. Certain federal, state, and local laws require that the Debtors withhold certain amounts from 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, as applicable. The Debtors must then (i) match the Employee Payroll Taxes from their own funds, and (ii) pay additional amounts based upon a percentage of gross payroll for federal and state unemployment insurance and Social Security and Medicare taxes (collectively, the "Company Payroll Taxes," and together with the Employee Payroll Taxes, the "Payroll Taxes"). The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, and local taxing authorities in accordance with each of the authorities' guidelines, rules, schedules, or regulations, as applicable. In the twelve months before the Petition Date, the Debtors have paid or withheld and remitted, as applicable, approximately $1.4 million per month on account of the Payroll Taxes. As of the Petition Date, the Debtors estimate that they owe approximately $330,000 on account of Payroll Taxes.

157. ***Payroll Processing***. The Debtors utilize payroll processing programs provided by Automatic Data Processing, Inc. ("ADP") to process and administer certain Deductions and Payroll Taxes. In the twelve months before the Petition Date, the Debtors have paid approximately $14,000 per month on account of costs owed to ADP (the "Payroll Processing Costs"). As of the Petition Date, the Debtors estimate that they do not owe amounts on account of Payroll Processing Costs.

158. ***Reimbursable Expenses***. The Debtors (i) reimburse Employees for certain reasonable and necessary expenses incurred and paid by Employees on the Debtors' behalf in the

scope of the Employees' employment, including, but not limited to, expenses for meals, hotels, flights, car rentals, parking, fuel, office supplies, continuing educations costs, and other qualifying expenses (the "Work Expenses"); (ii) reimburse Employees for expenses related to fitness memberships and the purchase of exercise equipment (the "Fitness Expenses"); (iii) provide 58 Employees with a company card provided by American Express to pay for authorized business or travel expenses (the "Corporate Card Expenses"); and (iv) provide seven Employees with a stipend every pay period to pay for costs related to vehicle ownership (the "Vehicle Stipends," and together with the Work Expenses, Fitness Expenses, and Corporate Card Expenses, the "Reimbursable Expenses"). In the twelve months prior to the Petition Date, the Debtors have paid approximately $50,000 per month on account of the Reimbursable Expenses. As of the Petition Date, the Debtors estimate that they owe $22,000 of unpaid but accrued Reimbursable Expenses.

159. ***Severance Payments***. In the ordinary course of business, the Debtors provide severance benefits to non-insider Employees in the event of a qualifying termination, which benefits are based on length of service (the "Non-Insider Employee Severance Payments"). The Debtors typically pay such Employees one weeks' salary per every year of service. In the twelve months prior to the Petition Date, the Debtors have paid approximately $31,000 per month on account of Non-Insider Employee Severance Payments. As of the Petition Date, the Debtors estimate that they do not owe amounts on account of Non-Insider Employee Severance Payments.

160. ***Health and Welfare Plans***. In the ordinary course of business, the Debtors offer several health and welfare plans to provide benefits to their Employees, including Health Benefit Plans, FSA Plans, a HSA Plan, Life Insurance Plans, Disability Benefits, and Additional Benefits Programs (each as defined below, and collectively, the "Health and Welfare Plans") AssuredPartners is the benefits broker for the Health and Welfare Plans, and premium payments

and administrative fees under several Health and Welfare Plans are consolidated and paid through Assured Partners. In the twelve months prior to the Petition Date, the Debtors have paid approximately $186,700 per month and withheld from Employees' paychecks $65,000 per month, on account of obligations related to Health and Welfare Plans (the "Health and Welfare Plan Obligations"). As of the Petition Date, the Debtors estimate that they owe approximately $173,000 in the aggregate on account of accrued but unpaid Health and Welfare Plan Obligations.

- Medical Plans. The Debtors offer eligible Employees medical plans through Meritain Health (the "Medical Plans"). All of the Medical Plans are self-insured. In accordance with the Medical Plans, the Debtors pay self-insured claims to Meritain Health on a weekly basis and stop loss premiums to AssuredPartners on a monthly basis. In the twelve months prior to the Petition Date, the Debtors have paid approximately $140,000 per month on account of the Medical Plans. As of the Petition Date, the Debtors estimate that they owe approximately $100,000 on account of the Medical Plans.

- Prescription Plan. The Debtors offer eligible Employees a prescription drug plan through Express Scripts (the "Prescription Plan"). The Prescription Plan is self-insured. In accordance with the Prescription Plan, the Debtors pay administrative fees to AssuredPartners on a monthly basis and self-insured claims to Express Scripts on a weekly basis. In the twelve months prior to the Petition Date, the Debtors have paid approximately $32,000 per month on account of the Prescription Plan. As of the Petition Date, the Debtors estimate that they owe approximately $60,000 on account of the Prescription Plan.

- Dental Plan. The Debtors offer eligible Employees a dental plan through Delta Dental (the "Dental Plan"). In accordance with the Dental Plan, the Debtors pay employer premium contributions on a monthly basis to AssuredPartners. In the twelve months prior to the Petition Date, the Debtors have paid approximately $6,000 per month on account of the Dental Plan. As of the Petition Date, the Debtors estimate that they do not owe amounts on account of the Dental Plan.

- Vision Plan. The Debtors offer eligible Employees a vision plan through EyeMed (the "Vision Plan"). In accordance with the Vision Plan, the Debtors pay employer premium contributions on a monthly basis to AssuredPartners. In the twelve months prior to the Petition Date, the Debtors have paid approximately $300 per month on account of the Vision Plan. As of the Petition Date, the Debtors estimate that they do not owe amounts on account of the Vision Plan.

- COBRA. As of the Petition Date, one former Employee receives benefits provided under the Consolidated Budget Reconciliation Act of 1985 ("COBRA") following his termination, retirement, or disability leave. In the ordinary course of business,

the Debtors pay administrative fees and premiums on account of COBRA. In the twelve months prior to the Petition Date, the Debtors have paid approximately $600 per month on account of COBRA to AssuredPartners. As of the Petition Date, the Debtors estimate that they do not owe amounts on account of COBRA.

- Flexible Spending and Health Savings Accounts Plan. The Debtors offer Employees the opportunity to contribute a portion of their pre-tax compensation to pay for health care expenses or dependent care expenses through a healthcare flexible spending account, limited purpose flexible spending account, or a dependent care flexible spending account (the "FSA Plans"), each administered through AssuredPartners. In addition, the Debtors offer eligible Employees who select the HSA Medical Plan an option to enroll in a Health Savings Account Program (the "HSA Plan"), which is administered by Bend. Pursuant to the FSA Plans and HSA Plan, the Debtors withhold funds from the program participants' pre-tax payroll. As of the Petition Date, 29 Employees participate in the FSA Plans, and 37 Employees participate in the HSA Plan. In the twelve months prior to the Petition Date, the Debtors withheld from Employee paychecks approximately $23,000 per month, and paid approximately $4,000 per month in employer premium contributions and administrative fees in connection with the FSA Plans and HSA Plan. As of the Petition Date, the Debtors estimate that approximately $13,000 remains due and owing on account of payments related to the FSA Plans and HSA Plan.

- Life Insurance Plans. In the ordinary course of business, the Debtors provide eligible Employees basic, life, accidental death, and dismemberment insurance through Prudential (the "Basic Life Insurance Plan"). In addition, eligible Employees have the option to purchase voluntary life, accidental death, dismemberment, and long-term care insurance, also through Prudential (the "Voluntary Life and AD&D Insurance Plan," and together with the Basic Life Insurance Plan, the "Life Insurance Plans"). In accordance with the Basic Life Insurance Plan, the Debtors deduct from Employees' paychecks Employee premium contributions, and pay employer premium contributions on a monthly basis to AssuredPartners. The Voluntary Life and AD&D Insurance Plan premiums are fully funded by the Employees, and the Debtors' obligations with respect to thereto are limited to paying monthly Employee contributions in advance to AssuredPartners and recouping those amounts from Employee paychecks. In the twelve months prior to the Petition Date, the Debtors paid approximately $4,000 per month in connection with the Life Insurance Plans. As of the Petition Date, the Debtors do not believe they owe any amounts on account of the Life Insurance Plans.

- Disability Benefits. In the ordinary course of business, the Debtors provide eligible Employees certain short-term and long-term disability benefits, each administered by Prudential. Under the short-term disability benefits program, if an Employee is unable to work due to a disability that extends more than seven consecutive days, such Employee is entitled to up to 180 days of pay as follows: (i) 100% of her wages for the first 90 days following a disabling accident or sickness; and (2) 75%

of her wages for the next ninety (90) days following a disabling accident or sickness (the "Short-Term Disability Benefits"). Under the long-term disability benefits program, if an Employee is disabled for more than 180 days and unable to earn more than 80% of such Employee's pre-disability earnings, such Employee is entitled to 66.6% of his wages, up to a monthly limit of $15,000, in the event of a disabling accident or sickness (the "Long-Term Disability Benefits," and together with the Short-Term Disability Benefits, the "Disability Benefits"). Under the Short-Term Disability Benefits, the Debtors pay employer contribution premiums on a monthly basis to AssuredPartners. The Long-Term Disability Benefits are fully funded by the Employees, and the Debtors therefore do not have any payment obligations in connection with the Long-Term Disability Benefits. In the twelve months prior to the Petition Date, the Debtors paid approximately $300 per month in connection with the Disability Benefits. As of the Petition Date, the Debtors do not believe they owe any amounts on account of Disability Benefits.

- Additional Benefits Programs. In the ordinary course of business, the Debtors offer their eligible Employees the option to participate in additional benefits programs, including, but not limited to, an employee assistance program, legal service plans that provide access to lawyers administered by MetLife, identity theft protection services administered by IdentityForce, financial wellness programs administered by Prudential, pet insurance administered by Pets Best, and a nutrition program administered by Husk (collectively, the "Additional Benefits Programs"). All Additional Benefits Programs are fully funded by the Employees, and the Debtors therefore do not have any payment obligations in connection with the Additional Benefits Programs.

161. ***Workers' Compensation Program***. In the ordinary course of business, the Debtors (i) maintain workers' compensation insurance for their Employees at the statutorily required level for each jurisdiction in which the Debtors have Employees (collectively, the "Private Workers' Compensation Insurance"); and (ii) pay the Ohio Bureau of Workers' Compensation ("OBWC") insurance premiums for its state-run workers' compensation program (the "Ohio Workers' Compensation Insurance," and together with the Private Workers' Compensation Insurance, the "Workers' Compensation Insurance"). The Private Workers' Compensation Insurance is administered by Chubb, and all claims thereunder are paid by Chubb as they are incurred. The Debtors pay (i) the approximately $40,000 annual premium (approximately $3,333 per month) owed to Chubb on account of the Private Workers' Compensation Insurance in monthly installments to Aon Risk Insurance Services West, Inc. ("Aon") pursuant to a financing

arrangement with Aon; and (ii) $250 annually to OBWC on account of insurance premiums for the Ohio Workers' Compensation Insurance. As of the Petition Date, the Debtors do not believe that they owe Chubb, Aon, or OBWC any amounts.

162. ***401(k) Plan***. In the ordinary course of business, the Debtors offer eligible Employees the opportunity to participate in the LifeScan Global Corporation 401(k) Plan, administered by Voya (the "401(k) Plan"). The 401(k) Plan generally provides for pre-tax salary deductions of compensation up to limits set by the Internal Revenue Code. The Debtors match 100% of the first 3%, and 50% of the next 3%, of an Employee's eligible pay that she elects to contribute on a pre-tax or Roth basis (collectively, the "401(k) Contributions"). If an Employee has not received the full 401(k) Contribution she was entitled to under the terms of the 401(k) Plan at the end of the year, the Debtors make an additional 401(k) Contribution to the Employee's account to bring the aggregate amount of 401(k) Contributions into compliance with the terms of the 401(k) Plan. Each pay period, the Debtors (i) deposit the 401(k) Contributions into Employees' 401(k) Plan accounts; and (ii) deduct the Employees' 401(k) contributions (the "401(k) Deductions") from the Employees' paychecks and hold such amounts in trust until they are forwarded to Voya Financial. In the twelve months prior to the Petition Date, the Debtors (i) paid approximately $60,000 per month in connection with the Employer 401(k) Contributions; and (ii) deducted approximately $160,000 per month from Employee paychecks on account of 401(k) Deductions. As of the Petition Date, the Debtors estimate that they owe approximately $30,000 on account of 401(k) Contributions and hold $80,000 of withheld but not yet remitted 401(k) Deductions in trust.

163. ***Employee Leave Benefits***. In the ordinary course of business, the Debtors provide paid time off to their eligible Employees, including, without limitation, sick pay, personal leaves

of absence, bereavement leave, military leave of absence, jury and witness duty leave, holiday leave, leave under the Family and Medical Leave Act, and other paid and unpaid leaves of absence for personal reasons, including those required by law (collectively, the "Employee Leave Benefits"). The Debtors incur Employee Leave Benefits as Employees accrue them or when an Employee's employment with the Debtors ends, at which point the accrual of Employee Leave Benefits is determined by the duration of an Employee's employment.[15] In the twelve months prior to the Petition Date, the Debtors paid approximately $25,000 per month in connection with Employee Leave Benefits. As of the Petition Date, the Debtors estimate they have accrued approximately $980,000 on account of the Employee Leave Benefits, the entirety of which is not a current cash obligation (*i.e.* amounts owed on account of Employees who have cashed out their accrued vacation benefits).

164. ***Employee Bonus Programs***. In the ordinary course of business, to encourage Employees to maximize their efforts and performance, the Debtors maintain certain bonus and incentive programs for their Employees to bring value to the Debtors' estates by encouraging Employees to achieve stated goals and targets, including the Sales Incentive Plans, Short-Term Incentive Plan, Long-Term Incentive Plan, and Other Bonus Programs (collectively, the "Employee Bonus Programs").

- Sales Incentive Program. In the ordinary course of business, the Debtors maintain sales incentive plans (each a "Sales Incentive Plan") for 11 of their sales Employees. The terms of each Sales Incentive Plan document govern the timing and compensation of payment for such Sales Incentive Plan, but incentive plan payments are typically calculated in accordance with performance goals, baselines, current-year targets, other criteria, or a combination of the foregoing, and paid on a quarterly basis. Sales Incentive Plan payments can make up a meaningful portion of eligible Employees' salaries. For example, the Debtors' target compensation breakdown for field representatives in 2024 was 70% salary and 30% Sales

[15] Employees are entitled to cash out their accrued vacation benefits upon termination, and the amounts Employees are entitled to cash out are commensurate with their rate of pay.

Incentive Plan payments. In the twelve months prior to the Petition Date, the Debtors paid approximately $50,000 per month in connection with Sales Incentive Plans. Because the Debtors do not owe payments in connection with the Sales Incentive Plans unless the eligible Employee is employed by the Debtors through the evaluation period, the Debtors do not owe any prepetition amounts in connection with the Sales Incentive Plan.

- Short-Term Incentive Plan. In the ordinary course of business, the Debtors maintain a short-term incentive plan (the "Short-Term Incentive Plan") for full-time Employees who do not participate in a Sales Incentive Plan. The amount an eligible Employee receives under the Short-Term Incentive Plan is calculated as a percentage of such Employee's salary and is based on the achievement of certain EBITDAR, sales, and cash flow thresholds during the plan year. Short-Term Incentive Plan awards are made on or before April 30th following the end of the plan year. In the twelve months prior to the Petition Date, the Debtors paid approximately $670,000 per month in connection with the Short-Term Incentive Plan. Because the Debtors do not owe payments in connection with the Short-Term Incentive Plan unless the eligible Employee is employed by the Debtors on the date such payment is made, the Debtors do not owe any prepetition amounts in connection with the Short-Term Incentive Plan.

- Long-Term Incentive Plan. In the ordinary course of business, the Debtors maintain a long-term incentive plan (the "Long-Term Incentive Plan") for employees identified by the Debtors' management and human resources department as high-performing, marketable, and integral to the Debtors' operations, among other criteria. The amount an eligible Employee receives under her Long-Term Incentive Plan is based on a review of these criteria by a compensation committee. Long-Term Incentive Plan awards, which are typically disbursed over a three-year period, are made once or twice a year. In the twelve months prior to the Petition Date, the Debtors paid approximately $36,000 per month in connection with the Long-Term Incentive Plan. Because the Debtors do not owe payments in connection with the Long-Term Incentive Plan unless the eligible Employee is employed by the Debtors on the date such payment is made, the Debtors do not owe any prepetition amounts in connection with the Long-Term Incentive Plan.

- Other Bonus Programs. In the ordinary course of business, the Debtors award (i) sign-on bonuses to certain non-insider Employees at the commencement of their employment, which may be due and payable upon commencement of employment, or at some later date after such Employee reaches an employment period threshold (the "Sign-On Bonuses"), (ii) referral bonuses to certain non-insider Employees who refer a candidate for employment with the Debtors who later becomes and Employee of the Debtors (the "Referral Bonuses"), (iii) retention bonuses to certain non-insider, non-executive Employees, which are earned and paid after such Employees maintain employment with the Debtors for a period of time (the "Retention Bonuses"), (iv) one-time achievement bonuses ranging from $250-$500 for non-insider Employees who have made key contributions to the Debtors (the "Achievement Bonuses"), and (v) leadership bonuses ranging from 3-10% of

an Employee's salary for non-insider Employees who have demonstrated leadership and excellence (the "Leadership Bonuses," and together with the Sign-On Bonuses, Referral Bonuses, Retention Bonuses, and Achievement Bonuses, the "Other Bonus Programs"). In the twelve months prior to the Petition Date, the Debtors paid approximately $19,000 per month in connection with Other Bonus Programs. As of the Petition Date, the Debtors owe (i) no Sign-On Bonuses, (ii) no Referral Bonuses, (iii) no Retention Bonuses, (iv) Achievement Bonuses to three Employees totaling approximately $1,500 in the aggregate (*i.e.* an average of $500 per Employee), and (v) Leadership Bonuses to three Employees totaling approximately $11,000 in the aggregate (*i.e.* an average of $3,667 per Employee).

165. I believe the relief requested in the Wages Motion represents a sound exercise of the Debtors' business judgment and is necessary to avoid immediate and irreparable harm to the Debtors' estates. I believe that, without the relief requested in the Wages Motion, Employees and Independent Contractors may seek alternative employment opportunities (perhaps with the Debtors' competitors or customers), and Employment Agencies may elect to no longer provide services to the Debtors, which would deplete the Workforce and hinder the Debtors' ability to operate their businesses.

H. Customer Programs Motion

166. In the Customer Programs Motion, the Debtors seek entry of an order authorizing the Debtors to pay prepetition claims incurred under the Customer Programs, which are fundamental to the Debtors' ability to sell and distribute their BGM products to patients throughout the United States.

167. In the ordinary course of business, the Debtors maintain various Customer Programs that facilitate the distribution and sale of BGM devices through a complex network of distributors, PBMs, retail pharmacies, and government healthcare programs across the United States. These programs encompass rebate arrangements, distribution incentives, pharmacy vouchers, marketing programs, returns and exchanges, warranty programs, and payment discounts.

However, the Debtors will seek to reject substantially all PBM contracts and most state Medicaid rebate contracts.

168. As of the Petition Date, the aggregate amount outstanding under the Customer Programs is approximately $1.030 billion, consisting of $824.5 million in PBM rebates, $137.1 million in Medicaid rebates, $16.5 million in California Medicaid rebates, $39.5 million in MAP program rebates, and $12.6 million in Independent Managed Care Organization rebates. However, after accounting for the rejections the Debtors will seek during the course of these Chapter 11 Cases, the Debtors seek authority to pay only approximately $56 million in rebate obligations related to the contracts they intend to maintain. These include the California Medicaid rebate program and the MAP program.

169. While the Debtors' Rebate Program has historically been a primary means of facilitating patient access to and insurance coverage for the Debtors' products, the Debtors are rejecting contracts with major PBMs including Caremark, Express Scripts, and OptumRx, as well as Medicaid rebate contracts with 22 states, including some through the PBM Prime Therapeutics, which negotiates rebates collectively for participating states.

170. The MAP program, which involves direct relationships with 1,628 pharmacies, is critical to the Debtors' business strategy, as it not only generates significant revenue and EBITDA but also enables the Debtors' forthcoming direct-to-consumer platform. These customers purchase more than $1 billion of LifeScan products annually.

171. The Debtors also maintain relationships with certain Independent Managed Care Organizations that do not process rebates through PBMs. Though the Debtors intend to reject their contracts with most Independent Managed Care Organizations, the relationship with Kaiser Permanente remains strategically important to the Debtors' business.

172. The Pharmacy Voucher Program allows new patients to receive blood glucose meters at participating pharmacies free of charge. The Debtors contract exclusively with IQVIA, a third-party administrator, which maintains participation agreements with approximately 60,000 pharmacies covering over 90% of pharmacies in the United States, including all major chains. As of the Petition Date, the Debtors estimate that approximately $2 million in obligations remain outstanding under the Pharmacy Voucher Program.

173. In addition to the Pharmacy Voucher Program, the Debtors maintain a Partner Voucher Program through GoodRx and RelayHealth. This program allows cash-paying patients to purchase OneTouch Ultra test strips at discounted prices and provides free-of-charge electronic meters to patients denied coverage by insurance providers. As of the Petition Date, the Debtors estimate approximately $3.7 million in obligations remain outstanding under this program, which remains important for serving patients without insurance coverage.

174. The Debtors sell their products to major distributors like Cardinal Health, McKesson, and AmerisourceBergen at wholesale prices. The Debtors incentivize these distributors through "Supply Chain Excellence" incentives based on factors including data sharing and demand forecasting. The Debtors estimate that, as of the Petition Date, there was approximately $4.7 million outstanding in unpaid Distribution Incentives.

175. The Debtors also maintain Marketing Programs with major retailers, paying for premium shelf space, promotional displays, loyalty programs, online promotions, and other marketing advantages that increase product visibility and sales performance.

176. The Debtors maintain Payment Discount Programs that encourage efficient payment cycles by typically providing 2% off the invoice amount when payment is received within

30 days. The Debtors estimate that, as of the Petition Date, they owe approximately $2.7 million under the Payment Discount Programs.

177. The Customer Programs that the Debtors intend to maintain represent a key element of their go-forward business strategy. Any disruption to these specific programs would likely result in significant harm to LifeScan's operations and patient access to essential medical devices in markets where the Debtors intend to continue operating. After accounting for the contract rejections that will be sought during the course of these Chapter 11 Cases, the Debtors seek authority to pay up to $71.5 million in Customer Programs obligations.

I. Vendors Motion

178. In the Vendors Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors to pay, in the ordinary course, prepetition 503(b)(9) Claims, Lien Claims, Critical Vendor Claims, Foreign Vendor Claims, and Other International Claims (b) confirming the administrative expense priority of Outstanding Order Claims, (c) granting certain related relief, and (d) scheduling a Final Hearing to consider entering the Final Order, authorizing the foregoing relief on a final basis.

179. Because LifeScan's business relies on continuing access to, and relationships with, their network of vendors, payment of prepetition claims held by the essential vendors is critical to maintain the integrity of LifeScan's service to its customers and ensure uninterrupted service. Any disruption in the Debtors' access to such products and services would have a far-reaching and adverse economic and operational impact on the Debtors' operations.

180. The Debtors' core business is producing and delivering highly specialized BGM products, including monitoring strips, blood glucose meters, lancing devices and related products and services (collectively, the "Products") that are critical to their customers' ability to ensure successful health outcomes. Any disruption to the Debtors' vendor relationships could have a

catastrophic effect on their reputation among customers, their market share, and ultimately their ability to emerge from chapter 11 as a going concern.

181. The Products are vital to the Debtors' over 20 million customers who rely on them to manage and monitor their healthcare. To effectively deliver an optimal product to their customers, the Debtors rely on strong relationships with their global network of third-party vendors. Any disruption in the provision of the critical goods and services the Debtors source from their vendors would have devastating operational consequences on the Debtors and their business, and would severely and adversely affect the Debtors' customers.

182. The Debtors rely on the Trade Claimants (as defined below) for key inputs in the manufacture, distribution, and sale of their Products. Production of the Debtors' blood glucose meters, test strips, and lancing devices is highly specialized and regulated. In most cases, the ability to find replacement vendors or distributors for these Products would be difficult if not impossible due both to the highly regulated nature of the Debtors' business and the limited number of qualified vendors available in the market. Even where alternative vendors may exist, the time and costs associated with switching from one vendor to another could irreparably damage the Debtors' business and ultimately harm the Debtors' customers. Furthermore, unless the Debtors pay some or all of the prepetition Trade Claims, their holders may reduce the Debtors' existing trade credit or refuse to ship postpetition. Given the extremely competitive marketplace in which the Debtors operate, any interruption in the flow of the Products would be highly disruptive to the Debtors' operations, value-destructive for the Debtors' businesses, and potentially harmful for the Debtors' customers.

183. ***503(b)(9) Claims***. In the 20 days immediately preceding the Petition Date the Debtors may have received certain goods and/or materials from various vendors (the "503(b)(9)

Claimants"), thereby giving rise to administrative priority claims under section 503(b)(9) of the Bankruptcy Code (the "503(b)(9) Claims").

184. The 503(b)(9) Claims must be satisfied under any confirmed chapter 11 plan, so satisfying such claims now merely impacts the timing of payment. As such, payment of certain 503(b)(9) Claims outside of a chapter 11 plan is necessary to avoid disruptions to their operations.

185. As of the Petition Date, approximately $9.8 million is outstanding on account of the 503(b)(9) Claims, and the Debtors are seeking authority to pay approximately $9.8 million of that amount before the Final Order has been entered (the "Interim Period").

186. Through the Vendors Motion, the Debtors request authorization, but not direction, to pay outstanding prepetition 503(b)(9) Claims subject to the limitations set forth in the proposed Interim and Final Orders. For the avoidance of doubt, the Debtors propose to pay 503(b)(9) Claims only to the extent necessary and on such terms and conditions as are appropriate, in the Debtors' business judgement, to avoid disruptions to their business.

187. ***Lien Claims***. To maintain their operations and efficiently transport materials and Products, the Debtors employ an extensive distribution network that uses the services of shippers, warehousemen, maintenance workers, and other service providers. Under the laws of most states, unless timely paid, these service providers may, in certain circumstances, have or assert a lien on the Debtors' property in their possession to secures the charges and/or expenses incurred in connection with the handling of such property.

188. If the claims (the "Lien Claims") of these service providers (the "Lien Claimants") are not satisfied, the Lien Claimants may refuse to release the Debtors' property, thereby disrupting the Debtors' supply chain and distribution network. The cost of such disruption to the Debtors' estates would likely be greater than the aggregate Lien Claims the Debtors are seeking to pay. As

secured claims, the Lien Claims would, in all likelihood, need to be satisfied under any confirmed chapter 11 plan, so satisfying such claims now merely impacts the timing of payment. Further, pursuant to section 363(e) of the Bankruptcy Code, the Lien Claimants may be entitled to adequate protection of any valid possessory liens, which would drain estate assets.

189. For the twelve months before the Petition Date, on average, the Debtors paid the Lien Claimants approximately $2.2 million per month. As of the Petition Date, approximately $3.2 million is outstanding on account of the Lien Claims, and the Debtors are seeking authority to pay approximately $2.7 million in the Interim Period.

190. The Debtors request authorization, but not direction, to pay outstanding prepetition Lien Claims subject to the limitations set forth in the proposed Interim and Final Orders. For the avoidance of doubt, the Debtors propose to pay Lien Claims only to the extent necessary and on such terms and conditions as are appropriate, in the Debtors' business judgement, to avoid disruptions to their business.

191. ***Critical Vendor Claims***. The Debtors' ability to continue generating revenue and operating their business in the ordinary course, and thus the success of these cases, fundamentally depends on the Debtors' ability to effectively manage the complex process by which they produce the Products upon which their customers depend. For that, the Debtors rely heavily on certain vendors and service providers based in the United States (the "Critical Vendors") to continue delivery of key inputs necessary to produce the Products and, in certain instances, to manufacture the Products.

192. The Critical Vendors do not have a statutory right to payment of their prepetition claims, but the Debtors' ongoing relationship with them is vital to the success of these cases. Many of the Critical Vendors are the sole providers of certain goods or services or have the requisite

knowledge and experience with the Debtors' business or specific locations, and attempting to replace the Critical Vendors on short notice may prove catastrophic to the Debtors' value maximization efforts. This is especially true with respect to certain vendors responsible for manufacturing the Debtors' blood glucose meters, strips, and lancing devices. Other Critical Vendors provide key services related to the Debtors' systems and operations which are vital to ensuring the Debtors' business runs smoothly. In addition, the inability to procure materials necessary for production—many of which are scarce and challenging to source—would significantly impair the Debtors' ability to reorganize. It is therefore essential to the success of the Debtors' restructuring efforts that relationships with the Critical Vendors be maintained, unimpeded by the filing of these cases. If the Debtors are unable to honor prepetition claims owing to the Critical Vendors (the "Critical Vendor Claims"), the Debtors will face a very real possibility that the Critical Vendors will refuse to continue delivering goods or providing services that are essential to maximizing value of the estates—reducing the Debtors' operational effectiveness and ability to produce revenue.

193. Paying the Critical Vendor Claims is the most effective way to ensure that the Critical Vendors continue providing critical goods and services during these cases. To the extent that a Critical Vendor is party to an executory contract, such contract is highly likely to be assumed during these cases. As a Critical Vendor Claim associated with any such executory contract would need to be paid as part of the cure, satisfying such claims now merely affects the timing of payment.

194. To ensure that estate resources are only used where necessary to serve critical interests of the Debtors' estates, the Debtors' management and personnel responsible for operations and purchasing, together with the Debtors' advisors, have spent considerable time reviewing and analyzing the Debtors' books and records, reviewing contracts and supply agreements, and

analyzing applicable laws, regulations, and historical practice to identify truly critical business relationships and/or suppliers of critical goods and services. To identify Critical Vendors, the Debtors have considered a variety of factors, including:

- whether a vendor is a sole—or limited—source supplier or service provider;
- whether certain specifications or contract requirements prevent, directly or indirectly, the Debtors from obtaining relevant goods or services from alternative sources;
- whether alternative vendors are available that can provide similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operating while transitioning vendors;
- the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales or future revenue) exceed the amount of a vendor's prepetition claim;
- whether an agreement exists which could compel a vendor to continue performing on prepetition terms;
- whether failure to pay all or part of a particular vendor's claim could cause the vendor to refuse to ship goods or provide critical services postpetition; and
- whether failure to pay a particular vendor could result in contraction of trade terms as a matter of applicable non-bankruptcy law or regulation.

195. In addition to these factors, the Debtors and their advisors examined the strength of each vendor relationship, the vendor's familiarity with the chapter 11 process, and the extent to which each vendor's prepetition claims could be satisfied under authority obtained elsewhere in the chapter 11 process. In summary, the Debtors' selection process balanced the need to preserve the Debtors' relationships with the vendors essential to the business and the need to limit the expenditure of estate resources.

196. Jeopardizing the Debtors' relationships with any of the entities identified as Critical Vendors would impose a severe strain on the Debtors' business operations and would likely result in significant revenue loss. Even a temporary interruption of the provision of the Critical Vendors'

goods and services would impede the Debtors' operations and could have a catastrophic adverse effect on the Debtors' business and their ability to maximize value. The harm to the Debtors' estates of not receiving the goods or services provided by the Critical Vendors would far outweigh the cost of paying the Critical Vendor Claims.

197. For the twelve months before the Petition Date, on average, the Debtors paid Critical Vendors approximately $6.2 million per month. As of the Petition Date, approximately $16 million is outstanding on account of the Critical Vendor Claims, and the Debtors are seeking authority to pay approximately $8.5 million during the Interim Period.

198. ***Foreign Claims***. The Debtors also transact business with a diverse group of vendors located outside the United States (the "Foreign Vendors") who provide goods and services to enable the Debtors to maintain their global operations and supply chain. Many of the Foreign Vendors hold claims against the Debtors for goods delivered or services provided prepetition (the "Foreign Vendor Claims"). If left unpaid, the Foreign Vendors may take legal or other forms of action against the Debtors based upon an erroneous belief that the automatic stay under section 362(a) of the Bankruptcy Code does not apply to them.

199. The resources required to seek enforcement of the automatic stay in foreign jurisdictions (both in terms of monetary costs and the time and attention of the Debtors' personnel), and the risk that such jurisdictions would ultimately fail to enforce the stay, likely outweigh the costs associated with satisfying the Foreign Claims. Indeed, as with the Critical Vendors, the executory contracts with those Foreign Vendors who are party to them and whose continued services will be critical to the continued success of the Debtors' business will likely have to be assumed. Thus, paying Foreign Claims at this time merely impacts the timing of payment of those Foreign Claims.

200. For the twelve months before the Petition Date, on average, the Debtors paid Foreign Vendors approximately $13 million per month. As of the Petition Date, approximately $19.6 million is outstanding on account of the Foreign Claims, and the Debtors are seeking authority to pay approximately $13.8 million during the Interim Period.

201. ***Other Distribution Relationships***. LifeScan also maintains relationships with international distributors (the "Other International Distributors," and together with the 503(b)(9) Claimants, the Lien Claimants, the Critical Vendors, and the Foreign Vendors, the "Trade Claimants") in markets where LifeScan lacks geographical presence, including 31 markets across South America, Europe, the Middle East, Africa, and the Asia-Pacific region.

202. Under these arrangements, the Other International Distributors purchase products directly from LifeScan and handle marketing and sales on its behalf. These distributor relationships generate approximately $83 million in yearly revenue. The total prepetition obligations owed to the Other International Distributors under these relationships amount to approximately $3.4 million (the "Other International Claims," and together with the 503(b)(9) Claims, the Lien Claims, the Critical Vendor Claims, and the Foreign Vendor Claims, the "Trade Claims").

203. Although the automatic stay prevents the immediate termination of these relationships, their maintenance is important because they facilitate LifeScan's ability to sell in a variety of markets where it lacks a traditional presence. Although each individual relationship represents a relatively small component of LifeScan's revenue, in aggregate, they are significant drivers of its business.

204. For the twelve months before the Petition Date, on average, the Debtors paid the Other International Distributors approximately $0.8 million per month. The Debtors estimate that, as of the Petition Date, approximately $3.4 million is outstanding on account of the Other

International Claims, and the Debtors are seeking authority to pay approximately $2 million during the Interim Period.

205. ***Condition to Payment of Trade Claims***. The Debtors propose that they may, in their sole discretion, condition payment of any Trade Claim upon an agreement of its holder to continue, during the pendency of these cases, providing its goods or services, as applicable, to the Debtors on the most favorable terms, taken as a whole, that were in effect between such holder and the Debtors in the one-year period prior to the Petition Date (the "Customary Trade Terms"). To the extent a Trade Claimant refuses to provide postpetition goods or services to the Debtors on the Customary Trade Terms, the Debtors seek authority to enter into other agreements with any such Trade Claimant in their reasonable discretion.

206. In an effort to ensure that vendors comply with the Customary Trade Terms, the Debtors propose the following procedures, to be implemented in the Debtors' sole discretion, as a condition to paying Trade Claims: (a) the Debtors may require a written agreement from the vendor, which may be in the form of an email, obligating such vendor to continue to supply goods or services to the Debtors during the pendency of these cases on the applicable Customary Trade Terms (a "Vendor Agreement"); (b) by accepting payment on account of its Trade Claim, the vendor will be deemed to have agreed to continue supplying its goods or services, as applicable, to the Debtors during the pendency of these cases on the Customary Trade Terms, whether or not such holder has executed a Vendor Agreement; (c) to the extent applicable, as a further condition of receiving payment on account of its Trade Claim, the applicable vendor will (i) take whatever action is necessary, at its sole cost, to remove any existing lien on the Debtors' property, and (ii) waive any right to assert a lien on the Debtors' property on account of such Trade Claim; and (d) if a vendor accepts payment on account of its Trade Claim and, thereafter, refuses to continue to

supply goods or services to the Debtors on the Customary Trade Terms (or on such terms as were individually agreed to between the Debtors and such vendor, if applicable), the Debtors may, in their sole discretion, and without further order of the Court, (i) terminate the applicable Vendor Agreement, (ii) declare that the payment of the relevant Trade Claim was a postpetition transfer voidable pursuant to section 549(a) of the Bankruptcy Code, and (iii) either demand that the applicable vendor immediately return such payment(s) or recoup such payment(s), including through crediting such payment(s) against postpetition invoices. Upon recovery by the Debtors, such vendor's Trade Claim will be reinstated to the extent necessary to restore the Debtors and such vendor to their original positions, as if the Vendor Agreement had never been entered into and the payment had not been made.

207. Notwithstanding anything to the contrary in the foregoing, the Debtors' inability to enter into a Vendor Agreement will not preclude them from paying a Trade Claim when, in their reasonable discretion, such payment is necessary to avoid disruption to their business or otherwise maximize value of their estates.

208. ***Payment of Outstanding Orders***. The Debtors may have ordered goods in the ordinary course of their business before the Petition Date that will not be delivered until after the Petition Date (the "Outstanding Orders"). To avoid the risk of becoming general unsecured creditors with respect to such goods, certain holders of claim on account of Outstanding Orders (the "Outstanding Order Claims") may refuse to ship or transport the goods subject to the Outstanding Orders (or may recall shipments) unless the Debtors issue substitute purchase orders postpetition. To prevent any disruption to the Debtors' business operations, and given that claims on account of certain goods delivered after the Petition Date are afforded administrative expense priority status under section 503(b) of the Bankruptcy Code, the Debtors request that the Court (a)

grant administrative expense priority status under section 503(b) of the Bankruptcy Code to all undisputed Outstanding Order Claims and (b) authorize the Debtors to satisfy such claims in the ordinary course of business.

J. Scheduling Motion

209. Through the Scheduling Motion, the Debtors seek an order setting certain hearing dates in connection with the Debtors' *Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of LifeScan Global Corporation and Its Debtor Affiliates* (the "Disclosure Statement") and Plan, each filed contemporaneously herewith. Specifically, the Debtors are requesting that the Court schedule a hearing on the Disclosure Statement for August 18, 2025, and a hearing on confirmation of the Plan for September 30, 2025.

210. The Debtors' requested hearing dates will allow these Chapter 11 Cases to move in an expeditious manner. Indeed, it is critical that the Debtors obtain confirmation and emerge from these Chapter 11 Cases as soon as reasonably practicable, in order to minimize disruptions to LifeScan's business, to maximize tax efficiency, and to explore opportunities for growth, including into the CGM market. The Debtors believe that consummation of the Plan will ensure the reorganized Debtors have the liquidity necessary to continue operating and to continue serving LifeScan's more than 20 million patients and will position the Company to operate successfully and be competitive within its industry in the long-term.

* * *

VI. CONCLUSION

211. This Declaration describes the Debtors' business and capital structure, the factors that precipitated the commencement of these Chapter 11 Cases, and the critical need for the relief sought in the First Day Motions. For the reasons stated herein and in each of the First Day Motions, I respectfully request that each First Day Motion be granted in its entirety, along with such other and further relief as the Court deems just and proper.

I certify under penalty of perjury that, based on upon my knowledge, information, and belief as set forth herein, the foregoing is true and correct.

Dated: July 15, 2025
Park City, UT

/s/ Valerie Asbury

Valerie Asbury
President and Chief Executive Officer
LifeScan Global Corporation