

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS HOUSTON
DIVISION**

United States Courts
Southern District of Texas
FILED

MAY 19 2026

**In re: QVC GROUP, INC., et al., Debtors.
Chapter 11 Case No. 26-90447 (ARP) Jointly
Administered**

Nathan Ochsner, Clerk of Court

**OBJECTION OF GUOWEI ZHANG TO
CONFIRMATION OF THE DEBTORS' CHAPTER
11 PLAN AND REQUEST FOR CONTINUANCE,
ADDITIONAL DISCLOSURE, AND
PRESERVATION OF RIGHTS**

Guowei Zhang respectfully objects to confirmation of the Debtors' proposed Chapter 11 plan. I ask the Court to deny confirmation or, at minimum, to continue the confirmation hearing until the Debtors have provided a real evidentiary record on their tax position, the \$400 million QVC-QVCG Settlement Claim, and the basis for cancelling QVC Group equity with no recovery.

PRELIMINARY STATEMENT

1. This is not a conventional debt restructuring. Based on the Debtors' own public disclosures and my analysis, this case appears to be organized around a specific tax problem: what happens to a very large deferred tax liability tied to the LINTA exchangeable debentures when those instruments are cancelled or restructured in bankruptcy.
2. Here is what the numbers look like from publicly available information. The LINTA exchangeable debentures have a face amount of roughly \$777 million, but an adjusted issue price - the tax basis built up over years of CPDI accruals - of approximately \$5.6 billion. The company has recorded an associated deferred tax liability of approximately \$850 million. That gap between face value and adjusted issue price is the core of the tax

3. The Debtors have disclosed, in substance, that they do not expect certain deferred tax liabilities recorded as of December 31, 2025 to become current tax liabilities because of rules applicable to companies in bankruptcy. That disclosure is not routine. It tells me, and should tell the Court, that the bankruptcy filing itself is at least partly a response to those tax liabilities, not just to the funded debt.
4. The specific concern is this: the CPDI rules required the company to accrue deductions over many years based on a projected yield, causing the adjusted issue price to grow far above face value. When actual payments fall well short of projected payments, the CPDI rules can require net negative adjustments that produce ordinary income to the issuer. That is not the same thing as cancellation-of-debt income. The Debtors may be trying to characterize the income from restructuring the exchangeables as COD income excludable under Section 108 in a Title 11 case. But if a significant portion of that income is really the reversal of prior CPDI tax benefits, ordinary income by a different name, then that characterization is wrong, and the plan could eliminate a very substantial federal tax liability without adequate review.
5. Layered on top of that is the \$400 million QVC-QVCG Settlement Claim. As I understand the Plan, that claim is fixed at \$400 million, insulated from any challenge, and used to move QVC Group's cash up to QVC. After that transfer, QVC Group preferred equity and common equity are cancelled and get nothing.
6. The combination troubles me. The Plan uses a fixed, unchallengeable intercompany claim to drain the parent of cash, cancels equity at the parent level, and then winds the parent down, all while the Debtors assert that the bankruptcy filing itself excuses them from what might otherwise be a very large current tax liability. I am not in a position to prove at this moment that the Debtors' tax position is wrong, or that the \$400 million claim is inflated.

- That is precisely the problem. No one outside the Debtors has seen the tax analysis, the intercompany account history, or the valuation work that would allow those questions to be tested.
7. The Debtors had approximately \$1.9 billion of consolidated cash and roughly \$800 million of EBITDA going into this case. Leverage at the main operating entity appears to have been under 4x. This does not look like a company that filed for Chapter 11 because it ran out of options on the funded debt. It looks like a company that had a specific tax problem it wanted to solve in bankruptcy.
 8. I am not asking the Court to rule on the federal tax question at confirmation. I am asking the Court not to confirm a plan that may lock in an aggressive tax structure, drain the parent entity of cash through an unexamined intercompany claim, cancel equity with no recovery, and dissolve the parent — all before the IRS, equity holders, or anyone else has had a real chance to examine what is actually happening here.
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BACKGROUND

9. QVC Group and its affiliates operate through multiple distinct legal entities. QVC, Inc. holds the operating business and funded debt. Liberty Interactive LLC (LINTA) sits at an intermediate level and holds the exchangeable debentures. QVC Group, Inc. is the parent. Cornerstone-related assets appear at the parent level as well. These entities are not the same, and the Plan cannot be evaluated only on a consolidated basis.
10. The LINTA exchangeable debentures are contingent payment debt instruments under the tax code. The CPDI rules required the issuer to accrue interest deductions each year based on a projected payment schedule, even when actual cash payments were far lower. Over time, this caused the adjusted issue price, the tax basis of the instruments, to grow from the original issue price to approximately \$5.6 billion, against a face value of only \$777 million. Every year of those deductions reduced the company's taxes. The flip side is that those

11. When CPDI instruments are cancelled, retired, or restructured and actual payments have been far less than projected, the tax code requires a net negative adjustment. That adjustment produces ordinary income to the issuer. The issuer cannot simply treat the entire difference between adjusted issue price and face amount as cancellation-of-debt income and claim the Section 108 bankruptcy exclusion. Some or all of it may be ordinary income from the reversal of prior tax benefits, which is a meaningfully different thing.
 12. The Debtors' own public disclosures suggest they are aware of this. They have stated, in so many words, that certain deferred tax liabilities will not materialize into current liabilities because of bankruptcy tax rules. That is a significant statement. It is not a footnote. It is a disclosure that the bankruptcy proceeding is doing important work in managing the tax consequence of the LINTA debentures.
 13. Meanwhile, the \$400 million QVC-QVCG Settlement Claim is being approved without any real examination of where it comes from. The Plan treats it as allowed, fixed, and immune from challenge. It is used to transfer QVC Group's distributable cash to QVC before equity holders receive anything. If that claim is unsupported, overstated, or legally vulnerable, it functions as a mechanism to manufacture a zero-recovery outcome for equity without actually proving that equity is out of the money.
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OBJECTION

I. The Court Should Not Confirm the Plan Without Requiring Full Disclosure of the Debtors' Tax Analysis.

14. An \$850 million deferred tax liability does not get resolved in a footnote. If the Debtors' tax position is correct, they should be able to say so on a full evidentiary record. If it is not, the confirmation order could effectively bless a structure that eliminates a massive federal tax liability before the IRS or anyone else has had a meaningful

15. Before confirmation, the Debtors should be required to disclose the expected tax treatment of the exchangeable debentures under the Plan; whether they intend to treat income from restructuring those instruments as COD income excludable under Section 108; whether they analyzed the CPDI net negative adjustment rules and the possibility that part of the gain is ordinary income rather than COD income; how any resulting tax liability is allocated among the debtor entities under tax-sharing agreements; and whether the IRS has been informed of the intended treatment.

16. Without that disclosure, neither the Court nor equity holders can evaluate whether cancellation of QVC Group equity is economically justified, or whether parent-level value is being stripped through a tax-driven structure that hasn't been examined.

II. The \$400 Million QVC-QVCG Settlement Claim Should Not Be Approved on the Current Record.

17. The Plan treats the \$400 million claim as settled, allowed, and protected from any challenge. But I have not been able to find a clear public explanation of what conduct, transfer, or legal theory gives rise to that claim; when it arose; or why it is worth exactly \$400 million. A claim that large, which has the effect of moving all of the parent's distributable cash to a subsidiary and leaving equity with nothing, needs more than a label.

18. At minimum, the Debtors should be required to establish what the claim is based on; whether any portion of it is avoidable, subordinated, or subject to recharacterization; whether it relates to tax-sharing arrangements connected to the exchangeable debentures; and why it should be insulated from any form of challenge. If the Debtors cannot put on that kind of evidentiary record, the Court should not approve the settlement as a basis for wiping out equity.

III. The Plan Raises Legitimate Good-Faith Concerns That Should Be Addressed Before Confirmation.

19. Chapter 11 is not supposed to be a mechanism for converting prior tax deferrals into permanent tax

benefits. If the Debtors received decades of ordinary deductions through the CPDI structure, and if those deductions must be reversed upon cancellation of the exchangeables, then treating the reversal as bankruptcy COD income and claiming the Section 108 exclusion could convert a temporary deferral into a permanent tax break. That is a serious policy concern, not a technicality.

20. The structure here, file in bankruptcy, use a fixed intercompany claim to drain the parent, cancel equity, dissolve the parent, also conveniently removes the entity-level assets and stakeholders that might otherwise participate in challenging the tax treatment after the fact. That sequence deserves scrutiny before, not after, confirmation.

IV. QVC Group Equity Cannot Be Cancelled Without Entity-Level Valuation.

21. A consolidated enterprise valuation is not enough to justify cancelling QVC Group equity. QVC Group held its own assets - cash, Cornerstone-related interests, intercompany claims, and potentially tax assets. LINTA held different assets. QVC, Inc. held different assets still. The question for equity purposes is what value exists at the QVC Group level after accounting for valid claims against that entity, not what the enterprise is worth on a consolidated basis.

22. If the \$400 million intercompany claim is not valid, or is overstated, or is subject to avoidance or recharacterization, there may be value at the parent level to which equity is entitled before being cancelled. The Debtors have not shown otherwise on a record that would survive scrutiny. The absolute priority rule, the best-interests test, and basic fairness all require more than what is currently on the record.

V. Confirmation Should Be Continued to Allow Targeted Discovery.

23. None of the issues above can be resolved without access to documents the Debtors have not disclosed. I am asking for confirmation to be continued long enough to allow review of the Debtors' tax memoranda and advisor analyses on the LINTA

exchangeables; any tax opinions on CPDI treatment, Section 108, net negative adjustments, and attribute reduction; all tax-sharing agreements among the debtor entities; the factual and legal basis for the \$400 million claim and the intercompany account records that would support or undermine it; board materials and restructuring-step plans relating to the parent cash transfer; entity-level valuation work; and any communications with the IRS about the intended tax treatment.

24. Confirmation without that record would permanently eliminate equityholder rights and alter the IRS's collection position based on disclosures that are insufficient to evaluate what is actually happening.

VI. If the Court Confirms the Plan, the Confirmation Order Should Expressly Preserve Certain Rights.

25. If the Court is inclined to confirm despite this objection, I ask that the confirmation order include express language making clear that confirmation does not constitute a finding that the exchangeable-related deferred tax liability is not a current tax liability; does not constitute a finding that the Debtors' intended tax treatment is binding on the IRS; does not validate the \$400 million settlement claim beyond what is necessary to make distributions under the Plan; and does not bar the IRS, the U.S. Trustee, equity holders, or other parties from investigating or challenging the tax treatment, the intercompany settlement, or related transactions.
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RESERVATION OF RIGHTS

26. I reserve all rights to supplement this objection, to join objections filed by other parties in interest, to appear at the confirmation hearing, to seek discovery, to request a continuance, to support or request appointment of an equity committee, and to seek any other appropriate relief. I further reserve all rights arising from any additional disclosures, plan supplements, or evidence submitted before or at confirmation.
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RELIEF REQUESTED

For these reasons, I respectfully request that the Court:

- A. deny confirmation of the Plan;
- B. alternatively, continue the confirmation hearing and require additional disclosure and targeted discovery on the tax issues, the \$400 million settlement claim, the parent-level cash transfer, entity-level valuation, and the basis for cancelling QVC Group equity;
- C. require the Debtors to disclose their tax analysis of the LINTA exchangeable debentures, including their CPDI analysis, their Section 108 analysis, and any IRS communications;
- D. require the Debtors to establish the factual and legal basis for the \$400 million QVC-QVCG Settlement Claim;
- E. require the Debtors to produce relevant tax-sharing agreements, restructuring-step plans, board materials, tax opinions, and advisor analyses;
- F. preserve all rights of the IRS, the U.S. Trustee, and QVC Group holders to challenge the Plan's tax treatment, intercompany settlements, value transfers, releases, and entity dissolutions;
- G. decline to make any good-faith finding or finding that the Plan satisfies confirmation requirements until the issues described above have been properly disclosed and tested; and
- H. grant any other relief the Court deems appropriate.

Dated: May 18, 2026

Respectfully submitted,



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