

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

TGI Friday's Inc., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 24-80069-sgj11

(Jointly Administered)

**DISCLOSURE STATEMENT REGARDING  
DEBTORS' JOINT CHAPTER 11 PLAN OF LIQUIDATION**

**ROPES & GRAY LLP**

Chris L. Dickerson (admitted *pro hac vice*)  
Rahmon J. Brown (admitted *pro hac vice*)  
191 North Wacker Drive, 32nd Floor  
Chicago, Illinois 60606  
Telephone: (312) 845-1200  
Facsimile: (312) 845-5500  
chris.dickerson@ropesgray.com  
rahmon.brown@ropesgray.com

*Counsel for the Debtors*

**FOLEY & LARDNER LLP**

Holland N. O'Neil (TX 14864700)  
Mark C. Moore (TX 24074751)  
Stephen A. Jones (TX 24101270)  
Zachary C. Zahn (TX 24137675)  
2021 McKinney Avenue, Suite 1600  
Dallas, Texas 75201  
Telephone: (214) 999-3000  
Facsimile: (214) 999-4667  
honeil@foley.com  
mmoore@foley.com  
sajones@foley.com  
zzahn@foley.com

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: TGI Friday's Inc. (7117); TGI Friday's NY, LLC (2281); TGIF Holdings, LLC (7999); TGIF Midco, Inc. (7296); TGIF Parent, Inc. (1781); Burlington Towne Crossing, Inc. (7501); T G I Friday's of Greenbelt, Inc. (5617); T G I Friday's of Towson, Inc. (5450); T G I Friday's of Wisconsin, Inc. (7600); T.G.I. Friday's Marketing Advisory Council (6527); T.G.I. Friday's of Charles County, Inc. (3516); T.G.I. Friday's of Frederick County, Inc. (2547); T.G.I. Friday's of Harford County, Inc. (0072); T.G.I. Friday's of Washington County, Inc. (6174); TGI Friday's of Annapolis, Inc. (8315); TGI Friday's of Howard County, Inc. (0119); TGI Friday's of Rockville, Inc. (2004); TGI Friday's of Texas LLC (3931); TGI Friday's of the Rockies, Inc. (7885); TGIF/DFW Manager, LLC (N/A); TGIF/DFW Partner, LLC (N/A); TGIF/JDC Restaurant Development, LLC (N/A); WEBCO Products Incorporated (3014). The Debtors' service address is 19111 North Dallas Parkway, Suite 200, Dallas, TX 75287.

**THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO BUY OR SELL ANY SECURITIES.**

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN AS A DESCRIPTION OF THE PLAN AND THE CHAPTER 11 CASES, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE LEGAL EFFECT OF THE PLAN ON HOLDERS OF CLAIMS OR INTERESTS. CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY ITS NATURE, FORWARD LOOKING, AND CONTAINS ESTIMATES, FORECASTS, AND ASSUMPTIONS WHICH MAY PROVE TO BE MATERIALLY DIFFERENT FROM ACTUAL RESULTS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT OR THE DATE ON WHICH THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT OR INDEPENDENT VERIFICATION. THE INFORMATION CONTAINED HEREIN AND THE RECORDS KEPT BY THE DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO, INCORPORATED BY REFERENCE OR REFERRED TO HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON OTHER THAN THOSE CONTAINED HEREIN SHOULD NOT BE RELIED UPON. ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL TO THE DEBTORS.

THE SECURITIES AND EXCHANGE COMMISSION HAS NEITHER APPROVED NOR DISAPPROVED THIS DISCLOSURE STATEMENT, NOR HAS IT PASSED UPON THE ADEQUACY OR ACCURACY OF THE STATEMENTS CONTAINED HEREIN.

## TABLE OF CONTENTS

|                                                                                                                  |    |
|------------------------------------------------------------------------------------------------------------------|----|
| I. INTRODUCTION .....                                                                                            | 4  |
| II. GENERAL INFORMATION .....                                                                                    | 4  |
| A. What is chapter 11?.....                                                                                      | 4  |
| B. Why are the Debtors sending me this Disclosure Statement?.....                                                | 5  |
| C. Am I entitled to vote on the Plan?.....                                                                       | 5  |
| D. How does Confirmation of the Plan work?.....                                                                  | 6  |
| E. What is the Best Interests Test? .....                                                                        | 7  |
| F. What is the deadline to vote on the Plan? .....                                                               | 8  |
| G. How do I vote for or against the Plan?.....                                                                   | 8  |
| H. What is the Confirmation Hearing, and why is the Bankruptcy Court holding a Confirmation Hearing?.....        | 8  |
| I. What is the effect of Confirmation and Consummation of the Plan? .....                                        | 9  |
| J. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan? .....  | 9  |
| K. Do the Debtors recommend voting in favor of the Plan?.....                                                    | 9  |
| III. BACKGROUND AND EVENTS LEADING UP TO CHAPTER 11 .....                                                        | 9  |
| A. The Debtors' Corporate History and Business Operations. ....                                                  | 9  |
| B. Prepetition Corporate and Capital Structure. ....                                                             | 10 |
| C. Circumstances Leading to the Commencement of the Chapter 11 Cases. ....                                       | 12 |
| IV. THE DEBTORS' CHAPTER 11 CASES .....                                                                          | 15 |
| A. First Day Motions and DIP Order.....                                                                          | 15 |
| B. Retention of Professionals.....                                                                               | 16 |
| C. The Sale Orders.....                                                                                          | 16 |
| D. The WARN Act Adversary Proceeding.....                                                                        | 17 |
| E. Bar Dates.....                                                                                                | 18 |
| V. THE PLAN .....                                                                                                | 18 |
| A. Index of Key Plan Provisions.....                                                                             | 18 |
| B. Treatment of Administrative Claims, Professional Fee Claims, Priority Tax Claims, and U.S. Trustee Fees. .... | 19 |
| C. Classification and Voting of Claims and Equity Interests. ....                                                | 21 |
| D. Treatment of Classes of Claims and Equity Interests. ....                                                     | 22 |
| E. Means for Implementation. ....                                                                                | 23 |
| F. Distributions.....                                                                                            | 31 |
| G. Procedures For Resolving and Treating Disputed Claims. ....                                                   | 33 |

|              |                                                                   |    |
|--------------|-------------------------------------------------------------------|----|
| <b>H.</b>    | Treatment of Executory Contracts and Unexpired Leases.....        | 33 |
| <b>I.</b>    | Release, Exculpation, and Injunction Provisions. ....             | 34 |
| <b>VI.</b>   | <b>RISK FACTORS</b> .....                                         | 36 |
| <b>A.</b>    | Bankruptcy Law Considerations. ....                               | 36 |
| <b>B.</b>    | Miscellaneous Risk Factors and Disclaimers.....                   | 39 |
| <b>VII.</b>  | <b>CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN</b> .....    | 40 |
| <b>A.</b>    | Introduction.....                                                 | 40 |
| <b>B.</b>    | Certain U.S. Federal Income Tax Consequences to the Debtors. .... | 41 |
| <b>C.</b>    | Withholding and Information Reporting.....                        | 42 |
| <b>VIII.</b> | <b>CONCLUSION AND RECOMMENDATION</b> .....                        | 42 |

**EXHIBITS**

**Exhibit A** Debtors' Joint Chapter 11 Plan of Liquidation<sup>2</sup>

**Exhibit B** Liquidation Analysis<sup>3</sup>

---

<sup>2</sup> See Docket No. 787.

<sup>3</sup> To be filed.

## **I.**

### **INTRODUCTION**

TGI Friday's Inc. ("TGIF") and certain of its affiliates, as debtors and debtors in possession (each a "Debtor" and collectively, the "Debtors" or the "Company"), in the above-captioned chapter 11 cases (collectively, the "Chapter 11 Cases") pending in the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court"), submit this disclosure statement (including all exhibits hereto and as may be supplemented or amended from time to time, the "Disclosure Statement") to certain Holders of Claims against the Debtors in connection with the solicitation of votes for acceptance of the *Debtors' Joint Chapter 11 Plan of Liquidation* (as may be amended, supplemented, or modified from time to time, the "Plan"),<sup>1</sup> a copy of which is annexed to this Disclosure Statement as **Exhibit A**. **The Plan constitutes a separate chapter 11 plan for each Debtor.**

The purpose of this Disclosure Statement is to set forth information that (1) summarizes the Plan, (2) advises Holders of Claims and Equity Interests of their rights under the Plan, (3) assists parties entitled to vote on the Plan in making informed decisions as to whether they should vote to accept or reject the Plan, and (4) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and should be confirmed.

## **II.**

### **GENERAL INFORMATION**

#### **A. What is chapter 11?**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor in possession attempts to reorganize, or liquidate, its business for the benefit of itself, its creditors, and Equity Interest Holders.

The commencement of a chapter 11 case creates an estate, comprised of all legal and equitable interests of the debtor in property as of the date the petition is filed, wherever located and by whomever held. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362(a) of the Bankruptcy Code provides for, among other things, an automatic stay of all attempts to collect prepetition debts against the debtor or to otherwise interfere with the debtor's property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the time a plan is confirmed.

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or Equity Interest Holder of the debtor, and any other person or entity, as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

---

<sup>1</sup> All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

**B. Why are the Debtors sending me this Disclosure Statement?**

The Debtors are seeking approval of their Plan by the Bankruptcy Court. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to (i) prepare a disclosure statement containing adequate information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and (ii) share such Disclosure Statement with all Holders of Claims whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements. Specifically, the Debtors have prepared this Disclosure Statement to provide information that enables Holders of Claims and Equity Interests who are entitled to vote on the Plan to make an informed judgment about the Plan. Confirmation of the Plan pursuant to Chapter 11 of the Bankruptcy Code depends, in part, upon the receipt of a sufficient number of votes in favor of the Plan.

On [●], 2026, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Approving the Disclosure Statement; (II) Scheduling a Confirmation Hearing; (III) Establishing a Plan Objection Deadline and Related Procedures; (IV) Approving the Solicitation and Notice Procedures; and (V) Granting Related Relief* [Docket No. ●] (the "Disclosure Statement Motion"), seeking, among other things, approval of this Disclosure Statement as containing adequate information in accordance with section 1125 of the Bankruptcy Code.

On [●], 2026, the Bankruptcy Court entered granted the Disclosure Statement Motion, approved the Disclosure Statement, and entered the *Order (I) Approving the Disclosure Statement; (II) Scheduling a Confirmation Hearing; (III) Establishing a Plan Objection Deadline and Related Procedures; (IV) Approving the Solicitation and Notice Procedures; and (V) Granting Related Relief* [Docket No. ●] (the "Disclosure Statement Order")

The Bankruptcy Court will hold a hearing to determine whether the Debtors' Plan should be confirmed on [●], 2026, at [●]:00 [a.m./p.m.] (prevailing Central Time) (the "Confirmation Hearing").

**C. Am I entitled to vote on the Plan?**

A chapter 11 plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. After a chapter 11 plan has been filed, certain holders of claims against or equity interests in a debtor are permitted to vote to accept or reject the plan.

Section 1123 of the Bankruptcy Code provides that the Plan must classify the Claims and Equity Interest. In compliance therewith, the Plan divides Claims and Equity Interests into Classes and sets forth the treatment for each Class. The Debtors are also required, under section 1122 of the Bankruptcy Code, to classify substantially similar Claims and Equity Interests together. The Debtors believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of Bankruptcy Code sections 1122 and 1123.

The table below summarizes the classification, description, and treatment of Claims and Equity Interests under the Plan. This information is provided for illustrative purposes only and is qualified in its entirety by reference to the provisions of the Plan.

| Class | Claim or Interest        | Impairment | Entitled to Vote                           |
|-------|--------------------------|------------|--------------------------------------------|
| 1     | Other Secured Claims     | Unimpaired | Not Entitled to Vote<br>(Deemed to Accept) |
| 2     | Prepetition Notes Claims | Impaired   | Entitled to Vote                           |
| 3     | Other Priority Claims    | Unimpaired | Not Entitled to Vote<br>(Deemed to Accept) |
| 4     | General Unsecured Claims | Impaired   | Entitled to Vote                           |
| 5     | Subordinated Claims      | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |
| 6     | Intercompany Claims      | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |
| 7     | Equity Interests         | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |

Only classes of impaired claims or equity interests may vote to accept or reject a plan. A class is impaired if the legal, equitable, or contractual rights relating to the claims or equity interests in that class are modified by the plan. Modification for purposes of determining impairment, however, does not include curing defaults or reinstating maturity. Classes of claims or equity interests that are not impaired under a plan of reorganization, and each member of such class, are conclusively deemed to have accepted the plan and thus are not entitled to vote. Similarly, classes of claims or equity interests that will neither receive nor retain any property under a plan are deemed not to have accepted the plan and are thus not entitled to vote.

All Holders of Claims in Classes 1 and 3 are Unimpaired, as they will be paid in full or, if applicable, entitled to retain their collateral or their Claims or Interests, as applicable. As a result, all Holders of Claims in Classes 1 and 3 are conclusively deemed to have accepted the Plan. The Holders of Claims in Classes 2 and 4 are Impaired and are entitled to vote to accept or reject the Plan. The Holders of Claims and Equity Interests in 5, 6, and 7 are Impaired and are conclusively deemed to reject the Plan and are therefore not entitled to vote to accept or reject the Plan. **In sum, only Holders of Claims in Classes 2 and 4 are entitled to vote, and Holders of Claims in Classes 1, 3, 5, 6, and 7 are not eligible to vote.**

#### **D. How does Confirmation of the Plan work?**

There are two methods by which a plan may be confirmed: (i) the “acceptance” method, pursuant to which all impaired classes of claims and equity interests have voted in the requisite amounts to accept the plan and the plan otherwise complies with section 1129(a) of the Bankruptcy Code; and (ii) the “cram-down” method under section 1129(b) of the Bankruptcy Code, which is available even if classes of claims vote against the plan.

A plan is accepted by an impaired class of claims if the holders of at least two-thirds ( $\frac{2}{3}$ ) in amount and more than one-half ( $\frac{1}{2}$ ) in number of the allowed claims in such class actually voting vote to accept the plan. A plan is accepted by an impaired class of equity interests if holders of at least two-thirds ( $\frac{2}{3}$ ) in amount of allowed equity interests in such class actually voting vote to accept the plan. In addition to this class voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or equity interest in an impaired class entitled to vote or that the plan otherwise be found by the bankruptcy court to be in the best interests of each holder of a claim or equity interest in such class (see discussion of “Best Interests Test” below).

**BALLOTS THAT ARE SIGNED BUT THAT DO NOT EXPRESSLY INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATE BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL BE DISREGARDED.**

Under section 1129 of the Bankruptcy Code, the Debtors have the right to seek Confirmation of the Plan notwithstanding the “deemed rejection” of the Plan by a Class of Claims.

A plan may be confirmed notwithstanding its rejection by one or more classes of claims or equity interests if, in addition to satisfying the applicable requirements of section 1129(a) of the Bankruptcy Code, the plan (1) is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan and (2) does not “discriminate unfairly.”

A plan is “fair and equitable” under the Bankruptcy Code with respect to a dissenting class of unsecured claims if, with respect to such dissenting class either (a) the plan provides that each holder of a claim of such class receive or retain property of a value equal to the allowed amount of such claim, or (b) no holders of junior claims or equity interests receive or retain any property under the plan on account of such junior claims or equity interests.

This fair and equitable standard, also known as the “absolute priority rule,” requires, among other things, that unless a dissenting unsecured class of claims or equity interests receives full compensation for its allowed claims or allowed equity interests, no holder of claims or equity interests in any junior class may receive or retain any property under the plan on account of such claims or equity interests. **The Debtors believe that the requirements for non-consensual Confirmation will be met and the Plan will be confirmed despite its rejection by Impaired dissenting Classes of Claims.**

The requirement that a plan not “discriminate unfairly” means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. **The Debtors believe that the Plan meets this requirement with respect to the Classes of Claims that are deemed to reject the Plan, because Classes of equal rank are treated equally under the Plan.**

**E. What is the Best Interests Test?**

Notwithstanding acceptance of the Plan by each Impaired Class, in order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is in the best interests of each Holder of a Claim or Equity Interest in an Impaired Class who has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan or is deemed to reject the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides for each Holder of a Claim or Equity Interest in such Class to receive or retain on account of such Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount each such Holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

In the Chapter 11 Cases, the Debtors have sold substantially all of their assets to third parties, and the Debtors’ remaining assets will be liquidated by the Creditor Trustee for the benefit of Holders of Allowed Claims in accordance with the terms of the Plan and the Creditor Trust Agreement. On the Effective Date, the Creditor Trust will be established and funded with the Creditor Trust Assets, and the Creditor Trustee—acting as a representative of the Estates—will administer, monetize, and distribute the proceeds from those assets for the benefit of Holders of Allowed Claims in accordance with the Plan and the Creditor Trust Agreement. The Debtors believe this structure maximizes value and provides Holders of Allowed Claims with recoveries equal to or greater than those they would receive in a hypothetical chapter 7 liquidation, particularly given the expense, delay, and erosion of value associated with a chapter 7 process. To demonstrate compliance with the best interests test, the Debtors, with the assistance of their advisors,

prepared the Liquidation Analysis attached hereto as **Exhibit B**. The Liquidation Analysis shows that the value of the distributions to holders of Allowed Claims under the Plan would be the same or greater than the value received under a hypothetical chapter 7 liquidation. Accordingly, the Debtors believe that the Plan is in the best interests of creditors.<sup>2</sup>

**F. What is the deadline to vote on the Plan?**

**The deadline to submit votes to accept or reject the Plan (the “Voting Deadline”) is [●], 2026, at 5:00 p.m. (prevailing Central Time).**

**G. How do I vote for or against the Plan?**

Detailed instructions regarding how to vote on the Plan are included with the ballot distributed to Holders of Claims entitled to vote on the Plan (the “Ballot”). For your vote to be counted, the Ballot containing your vote must be properly completed and executed as directed, and delivered as directed, so that it is actually received by the Debtors’ Claims and Noticing Agent, Stretto, Inc. (“Stretto,” or the “Claims and Noticing Agent”) on or before the Voting Deadline of **[●], 2026, at 5:00 p.m. (prevailing Central Time)**.

Certain procedures approved by the Bankruptcy Court in the Disclosure Statement Order will be used to collect and tabulate votes on the Plan. **Readers should carefully read the voting instructions included with their Ballot.**

**H. What is the Confirmation Hearing, and why is the Bankruptcy Court holding a Confirmation Hearing?**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on Confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan. All parties in interest will be served notice of the time, date, and location of the Confirmation Hearing once scheduled.

The purpose of the Confirmation Hearing is to seek Confirmation of the Plan. The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the bankruptcy code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

The Bankruptcy Court will hold the Confirmation Hearing on **[●], 2026, at [●]:00 [a.m./p.m.] (prevailing Central Time)**. The Confirmation Hearing may be adjourned from time to time without further notice. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. Subject to section 1127 of the Bankruptcy Code, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by **[●], 2026, at 5:00 p.m. (prevailing Central Time)**.

---

<sup>2</sup> To be filed prior to the hearing on this Disclosure Statement.

**I. What is the effect of Confirmation and Consummation of the Plan?**

Following Confirmation, and subject to satisfaction of each condition precedent in the Plan, the Plan will be consummated on the Effective Date. Among other things, on the Effective Date, certain release, injunction, exculpation, and other provisions set forth in Article XI of the Plan will become effective. **Accordingly, it is important to read the provisions contained in Article I and Article XI of the Plan very carefully so that you understand how Confirmation and Consummation of the Plan—which effectuates such release, injunction, exculpation, and other provisions—will affect you and any Claim or Equity Interest you may hold with respect to the Debtors so that you may cast your vote accordingly.** These provisions are described in this Disclosure Statement.

**J. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?**

The Debtors' Claims and Noticing Agent, Stretto, by: (a) emailing [TeamTGIFridays@stretto.com](mailto:TeamTGIFridays@stretto.com) (with "TGIF Solicitation Inquiry" in the subject line); or (b) calling the Debtors' restructuring hotline at 833.505.4418 (U.S./Canada toll-free) or 714.886.6213 (international toll). The Claims and Noticing Agent cannot and will not provide legal advice.

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Claims and Noticing Agent at the email address above or by downloading the exhibits and documents from the website of the Claims and Noticing Agent at <https://cases.stretto.com/tgifridays/> (free of charge) or the Bankruptcy Court's website at <https://ecf.deb.uscourts.gov> (for a fee).

**K. Do the Debtors recommend voting in favor of the Plan?**

Yes. The Debtors believe that the Plan provides for better distributions and results to the Debtors' stakeholders than would otherwise result from any other available alternative. The Debtors believe that the Plan is in the best interest of the Debtors' stakeholders, and that any alternatives (to the extent they exist) would fail to realize or provide the value inherent under the Plan.

**III.**

**BACKGROUND AND EVENTS LEADING UP TO CHAPTER 11<sup>3</sup>**

**A. The Debtors' Corporate History and Business Operations.**

Opening its first restaurant in 1965, the Company TGIF develops, operates, and franchises restaurants under an iconic American casual-dining bar-and-grill concept. The Company's restaurants are full-service locations with regionally tailored menus and full bar offerings where "People of All Stripes" can connect over handcrafted food and drink, offering classic American food and beverages, with 39 restaurant locations being owned and operated by the Company. The Company is known for bringing people together to socialize and celebrate the liberating spirit of "Friday." The Company has historically generated revenue primarily from sales of food and beverage items through its company-owned restaurants and from royalties and fees from its franchising operations. The Company is known for its all-American hospitality, offering an accessible, social experience with craveable menu offerings, distinctive beverages, and a welcoming, fun atmosphere. In addition to its strong U.S. presence, the Company has built a vast international store

---

<sup>3</sup> The descriptions below are derived from the *Declaration of Kyle Richter, Chief Restructuring Officer of the Debtors, in Support of the Debtors' Chapter 11 Petitions and First Day Motions* [Docket No. 28] (the "First Day Declaration").

operating structure, known for its strong brand equity and iconic, all-American dining experience. Historically, the Company entered into franchise agreements with its U.S. and non-U.S. franchisees. The Company provided support and services to its franchisees to promote quality and consistency across its restaurant system, and to improve the customer experience.

In 1986, the Company became the first U.S. casual dining concept to expand internationally. As of the Petition Date, the Company's global restaurant system consists of more than 461 locations across the U.S. and 40 countries. Of those, 39 restaurants are Company-owned and approximately 122 are franchised within the U.S., and approximately 316 are franchised internationally. For the 52 weeks ending on December 25, 2023, the Company generated global restaurant sales of \$1.4 billion. At the same time, the Company generated \$62 million in revenue from its asset-light operations in the U.S. and internationally.

## **B. Prepetition Corporate and Capital Structure.**

As of the Petition Date, the Debtors had approximately \$46.75 million of funded principal debt and interest obligations, consisting of the: (i) BofSA OpCo Loan; (ii) Yadav Kids Note, (iii) Table Turn Note, (iv) Freebird Note, (v) Gold Coast Notes, and (vi) SRG Notes. The following sections describe the Debtors' prepetition capital structure, as of the Petition Date, with respect to funded debt, inclusive of accrued but unpaid interest and fees.

### **1. BofSA OpCo Loan.**

On March 3, 2022, the Company entered into that certain loan agreement dated March 3, 2022 (as amended, restated, supplemented, amended and restated, extended or otherwise modified from time to time prior to the Petition Date, the "BofSA OpCo Loan Agreement"), between the Company and Texas Partners Bank (d/b/a The Bank of San Antonio, "BofSA") as the lender, pursuant to which BofSA agreed to provide the Company with (i) a term loan facility in an aggregate principal amount equal to \$17.5 million (as amended, restated, supplemented, amended and restated or otherwise modified from time to time prior to the Petition Date, the "BofSA OpCo Term Loan") and bears interest at a floating rate equal to the "prime rate" published in the Wall Street Journal from time to time minus a rate spread of 0.25%, and (ii) a revolving line of credit in an aggregate principal amount equal to \$1 million (the "BofSA OpCo RLOC") and, together with the BofSA OpCo Term Loan, the "BofSA OpCo Loan") and bears interest at a floating rate equal to the "prime rate" published in the Wall Street Journal from time to time minus a rate spread of 0.25%. The BofSA OpCo Loan has a maturity of the earlier of (x) October 13, 2024 and the consummation of the sale of any of the Company's TGI Friday's restaurants at the Dallas Fort Worth International Airport (the "DFW Airport"), or of any of the membership interests in any of the Company's subsidiaries holding an interest (directly or indirectly) in such restaurants, including without limitation the membership interests in TGIF/DFW Partner, LLC, a Texas limited liability company. As of the Petition Date, there was approximately \$17.5 million outstanding on the BofSA OpCo Term Loan and approximately \$500,000 in letters of credit outstanding on the BofSA OpCo RLOC. The obligations of the Company under the BofSA OpCo Loan Agreement are secured by substantially all assets relating to the Company's TGI Friday's restaurants, subject to exceptions as defined in the Commercial Security Agreement, dated as of March 3, 2022 (as amended, restated, amended and restated, supplemented, extended or otherwise modified the "BofSA Security Agreement"), subject to customary exclusions as set forth in the BofSA Security Agreement.

### **2. Yadav Kids Note.**

On December 20, 2023, the Company entered into that certain loan agreement dated December 20, 2023 (as amended, restated, supplemented, amended and restated, extended or otherwise modified from time to time prior to the Petition Date, the "Subordinated Loan Agreement"), between the Company and Yadav Kids LLC ("Yadav Kids") as the lender, pursuant to which Yadav Kids agreed to provide the Company

with a term loan facility in an aggregate principal amount equal to \$2.5 million (as amended, restated, supplemented, amended and restated or otherwise modified from time to time prior to the Petition Date, the “Yadav Kids Note”) and bears interest at a fixed rate equal to 15.00% until June 30, 2024 and 18.00% thereafter. As of the Petition Date, approximately \$2.50 million was outstanding on the Yadav Kids Note. The obligations of the Company under the Subordinated Loan Agreement are secured by substantially all assets relating to the Company’s TGI Friday’s restaurants, subject to exceptions as defined in the Commercial Security Agreement, dated as of December 20, 2023 (as amended, restated, amended and restated, supplemented, extended or otherwise modified the “Subordinated Security Agreement”), subject to customary exclusions as set forth in the Subordinated Security Agreement. The rights of Yadav Kids to receive payments under the Subordinated Loan Agreement are subordinated in favor of BofSA pursuant to the terms of the Subordination Agreement, dated as of December 20, 2023 (as amended, restated, amended and restated, supplemented, extended, or otherwise modified, the “Subordination Agreement”).

### **3. Table Turn Note.**

On February 14, 2024, Mr. Anil Yadav and Mr. Rohit Manocha entered into that certain loan agreement (as amended, restated, supplemented, amended and restated, extended or otherwise modified from time to time prior to the Petition Date, the “YM Loan Agreement”), among, Mr. Anil Yadav and Mr. Rohit Manocha, as borrowers, the Company, as guarantor, and BofSA, as lender, pursuant to which BofSA agreed to provide Mr. Anil Yadav and Mr. Rohit Manocha a revolving credit facility in an aggregate principal amount of \$10 million (the “BofSA RLOC”). The obligations of Mr. Anil Yadav, Mr. Rohit Manocha, and the Company under the BofSA RLOC are secured by substantially all assets relating to the Company’s TGI Friday’s restaurants, subject to customary exclusions as set forth in the BofSA Security Agreement. In connection with, and with the proceeds of, the BofSA RLOC, Mr. Anil Yadav and Mr. Rohit Manocha, through Table Turn LLC (“Table Turn”), agreed to provide the Company with a term loan facility in an aggregate principal amount equal to \$10 million (as amended, restated, supplemented, amended and restated or otherwise modified from time to time prior to the Petition Date, the “Table Turn Note”) and bears interest at a fixed rate equal to 15.00% until June 30, 2024 and 18.00% thereafter. The Company modified the Subordinated Loan Agreement and the Subordinated Security Agreement to provide for the Table Turn Note as an additional tranche of term loans and to appoint Yadav Kids as the administrative and collateral agent on behalf of each of Yadav Kids, as lender under the Yadav Kids Note, and Table Turn LLC as lender under the Table Turn Note. As of the Petition Date, approximately \$10 million was outstanding on the Table Turn Note.

### **4. Freebird Note.**

On July 8, 2024, the Company modified the Subordinated Loan Agreement and the Subordinated Security Agreement to provide for an additional tranche of term loans and to appoint Yadav Kids as the administrative and collateral agent of Freebird SPV, LLC (“Freebird”) in addition to Yadav Kids and Table Turn. Under the further modified Subordinated Loan Agreement, Freebird agreed to provide the Company with a term loan facility in an aggregate principal amount equal to \$10 million (as amended, restated, supplemented, amended and restated or otherwise modified from time to time prior to the Petition Date, the “Freebird Note”) and bears interest at a fixed rate equal to 15.00% until November 22, 2024 and 18.00% thereafter. As of the Petition Date, approximately \$2.734 million was outstanding under the Freebird Note.

### **5. Gold Coast Notes.**

On November 13, 2018, the Company entered into an asset purchase agreement with (i) GC Fridays Florida, LLC, GC Fridays Rhode Island, LLC, GC Fridays Boston, LLC, GC Fridays NJ-PA, LLC, GC Fridays NY, LLC (together, the “GC Sellers”), (ii) RMET Holdings, Inc. and GC Restaurants, LLC (together, the “GC Guarantors”), (iii) Manny Kadre and Stephen Levit (the “GC Principals”), and (iv) Republic of Texas, Inc.

as escrow agent, which has been subsequently amended further to a number of amendment agreements (the “GC APA”), wherein the Company acquired 61 restaurants and associated assets from the GC Sellers. Pursuant to the terms of the GC APA and further to a separate letter dated March 27, 2024, between the Company and ERAN Holdings, Inc. (to whom the rights of the GC Sellers concerning the monthly consideration payments was assigned by way of a separate agreement), it was agreed that the Company would pay to ERAN Holdings, Inc. (on behalf of the GC Sellers), \$1 million, which would fully discharge the outstanding payment obligations and liabilities of the Company under the GC APA. As of the Petition Date, approximately \$880,710 was outstanding under the Gold Coast Notes.

#### **6. SRG Notes.**

On March 9, 2022, the Company entered into an asset purchase agreement with Southeast Restaurant Group – Main, LLC and Southeast Restaurant Group – Harvey, LLC (together, “SRG”) and Ms. Elie V. Khoury as guarantor (the “SRG APA”), wherein the Company acquired five restaurants and associated assets from SRG. Pursuant to the SRG APA, the Company agreed to pay the remaining consideration due to SRG under the SRG APA, in monthly instalments, having subtracted unpaid franchise royalties, marketing fees, and other amounts due to the Company, plus interest at a rate of 4% per annum (the documentation evidencing such payment obligation, the “SRG Notes”). The SRG Notes are due to mature on May 10, 2026, and, as of the Petition Date, approximately \$2.755 million was outstanding.

#### **7. Subordination Agreement.**

On December 20, 2023, BofSA, acting in its capacity as lender under the BofSA OpCo Loan Agreement and Yadav Kids, acting in its capacity as lender under the Subordinated Loan Agreement, entered into that certain subordination agreement (as amended, restated, supplemented, amended and restated or otherwise modified from time to time, the “Subordination Agreement”). On February 14, 2024, and then again on August 23, 2024, the existing Subordination Agreement was modified to add Mr. Anil Yadav, Mr. Rohit Manocha, Table Turn, and Freebird as additional parties party thereto. The Subordination Agreement, among other things, governs the relative contractual rights of (i) BofSA under the BofSA OpCo Loan and the BofSA RLOC, in each case where BofSA is a ‘senior creditor’, and (ii) each of Mr. Anil Yadav, Mr. Rohit Manocha, Yadav Kids, Table Turn, and Freebird under the Yadav Kids Note, Table Turn Note, and Freebird Note, in each case as ‘junior creditors’. The Subordination Agreement governs the rights and obligations of holders of obligations outstanding under the BofSA OpCo Loan Agreement, the BofSA RLOC, the Yadav Kids Note, the Table Turn Note, and the Freebird Note, with respect to, among other things, priority, the use of cash collateral, and adequate protection.

#### **8. General Unsecured Claims.**

In the ordinary course of business, the Debtors incur obligations to vendors, suppliers, and trade counterparties. As of the Petition Date, the Debtors owed approximately \$2.5 million to employees on account of payroll, \$49.7 million attributable to customer programs (not included in accounts payable), and \$51.8 million in accounts payable outstanding before application of any setoffs, credits, or deductions that may be available to the Debtors.

#### **C. Circumstances Leading to the Commencement of the Chapter 11 Cases.**

The Company experienced difficulties weathering the COVID-19 pandemic and a volatile macroeconomic environment. In response to these developments, the Company reengineered its operations to increase off-premises sales from 8% pre-COVID to approximately 25% of total sales prepetition.<sup>4</sup> The Company

---

<sup>4</sup> Off-premises sales figures do not include DFW Airport restaurants.

accomplished this by accelerating diversification into online and mobile ordering, pickup, and white-label delivery. The Company also acquired locations from underperforming or retiring franchisees, which the Company either continued to operate, closed, or assigned to third parties.

The Company also reconsidered its business strategy to reduce its exposure to the volatility associated with operating a hospitality business directly and to ensure predictable, consistent revenue streams in the future. The Company ultimately determined in its business judgment that chapter 11 was the best option to maximize value for all stakeholders.

## **1. The Debtors' Prepetition Initiatives.**

The Company focused on several strategic actions to increase liquidity and operational efficiency. This included refranchising company-owned restaurants, growing same-store sales, accelerating new franchise restaurant openings internationally, expanding its presence in airports, testing entry into U.S. hotels, capitalizing on digital platforms, increasing third-party delivery sales, revitalizing the Company's brand, and amending license agreements to pay down existing debt.

*Re-franchising Company-Owned Restaurants.* As of the Petition Date, the Company had approximately 39 company-owned restaurants. The Company sought to focus on an asset-light strategy, potentially enabling it to become nimbler and more strategic in its capital deployment, with a more predictable income stream from franchisees.

*Increased Same-Store Sales and Presence.* The Company focused on growing its restaurant sales across its global system. The decision to focus on growing same-store sales was to improve restaurant profitability for the restaurants, which in turn would drive new restaurant openings. To drive this growth, the Company innovated and elevated its menu, created product promotions and marketing messages, focused on guest experience, enhanced its digital capabilities, reorganized its U.S. store operations, and provided expert training and support.

At the same time, the Company continued to grow its global restaurant base through targeted expansion of its franchise network. The Company identified several markets to drive global restaurant openings, including Southeast Asia, Mexico, Brazil, Canada, India, and continental Europe. The Company focused on its non-U.S. franchises due to their attractive return on investment. To further this goal, one of the Company's non-Debtor subsidiaries, TGI Fridays Franchisor, LLC, entered into development agreements with franchisees to open approximately 156 additional international restaurants through the end of 2034.

In the U.S., the Company focused on adding more sites to its airport portfolio. This decision was based, in part, on the success of the Company's locations at Dallas Fort Worth International Airport, which generated sales of \$44.5 million in the 52 weeks ending on December 25, 2023. Given the operational expertise the Company gained from running these units and additional airport locations, the Company decided to test its entry into a capital-light hotel strategy. Accordingly, the Company opened its first unit in Hollywood, California, on May 21, 2024.

*Capitalize on Digital Platforms and Increase Third-Party Delivery Sales.* In the years leading up to the Petition Date, the Company invested capital to modernize its information technology capabilities, including online and mobile ordering, delivery, and loyalty. In the U.S., the Company partnered with leading third-party delivery service providers to promote off-premises sales. For the 2024 calendar year through November 1, 2024, total off-premises sales (online, mobile, and delivery) accounted for approximately 25% of total sales, up from 8% pre-COVID. Additionally, the Company amassed over 2 million members of its reward and email club. Through strong engagement and special offers, the brand increased visit frequency among these guests.

In 2024, the Company launched a new menu featuring new appetizers, burgers, salads, bowls, desserts, kids' menu items, and cocktails. Guest response to the new menu was quite positive, resulting in improved sales trends following the launch. A new bar menu was also introduced, featuring new cocktails, selected appetizers, and a "happy hour" offering. The Company also launched several initiatives that have improved its value proposition for guests. These included a new value menu comprised of 10 full meals starting at \$9.99, a "happy hour" program, direct mail offers, and new, compelling loyalty offers. Independent, third-party data indicated that the Company's price net sentiment scores improved drastically from the first to the second quarter of 2024, with quarter-over-quarter results improving by over 15 percentage points.

Finally, the Company developed an events calendar designed to delight guests throughout the calendar year with compelling in-restaurant activities and promotions. Successful examples include "National Teachers Day," "National BBQ Day," and others.

Kraft Heinz License. On April 25, 2024, the Company and Kraft Foods Group Brands LLC ("Kraft Heinz") executed an amended and restated license agreement (the "Kraft Heinz License"). Kraft Heinz paid the Company \$140 million in cash consideration for the Kraft Heinz License, and no ongoing royalties will be due to the Company.

Under the Kraft Heinz License, the Company granted Kraft Heinz a perpetual, irrevocable, and exclusive license under certain of the Company's trademarks for use by Kraft Heinz in manufacturing, distributing, marketing, and selling frozen starters and frozen snacks in certain retail distribution channels in the United States, Canada, Mexico, the Caribbean, and Central and South America. The Company used the proceeds from the Kraft Heinz License, along with similar license agreements, to pay down \$145 million of existing debt.

## **2. Prepetition Headwinds and Liquidity Pressures.**

The Company and its franchisees operate in the branded casual dining space in the U.S., the Americas, Asia, Australasia, and the Middle East. All of these geographies have experienced recent turbulence, significantly impacting the casual dining market. Conflicts in the Middle East and Ukraine disrupted supply chains, particularly for ingredients and food products. Global inflation increased, leading to significant increases in interest rates on the Company's debt and making additional financing more difficult. In addition, these pressures led to universal pressure on individuals' finances, resulting in generally less disposable income and, therefore, less ability to dine out at casual dining establishments.

With lingering volatility and inflation, customers in 2023 and 2024 continued to feel the effects of inflation and increasingly became cost-conscious for out-of-home dining and sought out value. Compared to U.S. publicly traded competitors with large advertising budgets, the Company's resources for national-scale marketing were limited, resulting in lost market share. Into 2024, the Company's strategy shifted to providing value, without significantly impairing margin, and focusing its marketing strategy on local, store-level advertising, programming, and events to drive traffic.

Like its peers, the Company struggled with rising costs in the years leading up to the Petition Date, particularly as consumers shifted toward limited-service options. In addition, decreased sales led to tightened liquidity. For example, the Company's U.S. sales declined by 15% in the year prior to the Petition Date, due to unit closures and lower average unit volumes.

On March 2, 2017, the Company and Citibank, N.A., as trustee (the "Trustee"), entered into a base indenture (the "Indenture") and management agreement (the "Management Agreement"). The transaction was a whole business securitization, where the Company issued two series of notes. The notes were collateralized by the Company's existing and future franchise agreements, existing and future company-operated

restaurant royalties, license agreements, existing and future intellectual property, and related revenues. Under the Management Agreement, TGIF Fundings, LLC, TGI Fridays Franchisor, LLC, and TGIF SPV Guarantor, LLC (collectively, the “Securitization Entities”) engaged TGI Friday’s, Inc. as manager (the “Manager”) to enforce their rights and powers and perform their duties. Pursuant to the Indenture, the Manager was required to furnish a report by independent auditors or the back-up manager summarizing the findings of certain agreed-upon procedures within a set time period (the “Manager Report”).

On September 3, 2024, the Trustee declared a manager termination event, which terminated TGI Friday’s Inc. as Manager. The termination was purportedly due to several reasons, including, among other things, the Manager’s failure to furnish the Manager Report. As of the Petition Date, TGI Friday’s Inc. continued to provide management services under the terms of a TSA (defined below), with FTI Consulting, Inc. (“FTI”) serving as the back-up Manager. FTI’s responsibilities included exercising inspection and audit rights over the securitization entities, restructuring and renegotiating the transaction documents that those entities entered into, implementing personnel decisions, and liquidating collateral if reasonably necessary.

Subsequently, TGIF and the Securitization Entities entered into that certain Transition Services Agreement (the “TSA”) dated as of October 29, 2024, pursuant to which the Debtors continued to provide certain corporate and support services for the benefit of the domestic and international franchisees, including, among other things, services related to marketing, menu and product offerings, vendor management, IT support, intellectual property, and accounting (the “Continued Services”). The TSA provided that the Debtors shall provide the Continued Services through November 15, 2024, which may be (i) upon written notice to TGIF, extended by additional seven-day periods until December 31, 2024, and (ii) upon written agreement between TGIF and the Securitization Entities, extended by additional seven-day periods until March 31, 2025.

As a result of TGI Friday’s Inc.’s termination as Manager, the Company lost a significant portion of its revenue stream, as it would no longer receive the benefit of restaurant royalty payments.

In response to these aforementioned events, the Debtors engaged Ropes & Gray LLP and Berkeley Research Group, LLC in October 2024 to assist with prepetition initiatives and engagement with the existing lenders under the Company’s capital structure.

#### **IV. THE DEBTORS’ CHAPTER 11 CASES**

The Debtors commenced these Chapter 11 Cases by filing voluntary chapter 11 petitions on November 2, 2024 (the “Petition Date”). The Chapter 11 Cases are pending before the Honorable Stacey G.C. Jernigan in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. The United States Trustee formed the Official Committee of Unsecured Creditors on November 14, 2024, as set forth in the *Appointment of the Official Unsecured Creditors’ Committee* (the “Committee”).<sup>5</sup> The members of the Committee are (1) PFG Customized Distribution; (2) Brookfield Properties Retail Inc.; (3) Woodbury Centre Partners, LLC; (4) Zaliv, LLC; (5) Simon Property Group, Inc.; (6) Active Media Services, Inc.; (7) Benjamin Schick; (8) Alexandria Modugno on behalf of the WARN Act Plaintiffs; and (9) PREIT Services, LLC.

##### **A. First Day Motions and DIP Order.**

The Debtors filed a number of motions on and after the Petition Date. A complete list of such first-day matters can be found on the website maintained by Stretto, the Debtor’s Claims and Notice Agent. *See*

---

<sup>5</sup> Docket No. 148.

<https://cases.stretto.com/TGIFridays/>. Such relief included motions to pay taxes, maintain wages and benefits for employees, maintain insurance programs, maintain cash management systems, and similar typical relief.

In addition to these motions, the Debtors also obtained entry of several DIP orders,<sup>6</sup> which, among other things, authorized the Debtors to (i) obtain post-petition financing (“DIP Financing”) from Texas Partners Bank, a Texas state bank doing business as The Bank of San Antonio (the “DIP Lender”), (ii) granting to the DIP Lender allowed superpriority administrative expense Claims pursuant to section 364(c)(1) of the Bankruptcy Code in respect of all DIP Obligations, (iii) granting to the DIP Lender valid, enforceable, nonavoidable and automatically perfected liens pursuant to section 364(c)(2) and 364(c)(3) of the Bankruptcy Code and priming liens pursuant to section 364(d) of the Bankruptcy Code on all pre-petition and post-petition property of the Debtors’ Estates (other than certain excluded property as provided in the DIP Documents) and all proceeds thereof, and (iv) authorizing the Debtors to use the Prepetition Collateral, including the Cash Collateral of the Prepetition Lender under each of the Prepetition Loan Documents and the Yadav/Manocha Loan Documents, and providing adequate protection to the Prepetition Lender for, among other things, any diminution in the value of the Prepetition Collateral.

## **B. Retention of Professionals.**

During these Chapter 11 Cases, the Bankruptcy Court authorized the Debtors’ retention of Ropes and Gray LLP and Foley & Lardner LLP, as bankruptcy counsel; Hilco Corporate Finance, LLC, to provide investment banking services; Berkeley Research Group, LLC, to provide a chief restructuring officer and additional personnel; Lain, Faulkner & Co., P.C., as Liquidating Consultant; Pachulski Stang Ziehl & Jones LLP, as counsel to the Committee; Province, LLC as financial advisor to the Committee; and several other ordinary course professionals.<sup>7</sup>

## **C. The Sale Orders.**

On November 20, 2024, and December 6, 2024, respectively, the Bankruptcy Court entered its *Order Approving (I) Bidding Procedures, the Sale Timeline, the Form and Manner of Notice Thereof; (II) Assumption and Assignment Procedures; and (III) Granting Related Relief* (the “Bidding Procedures Order”)<sup>8</sup> and the *Supplemental Order Approving (I) Bidding Procedures, the Sale Timeline, and the Form and Manner of Notice Thereof; (II) the Debtors’ Entry into and Performance Under the Stalking Horse APA; (III) Assumption and Assignment Procedures; and (IV) Granting Related Relief* (the “Supplemental Bidding Procedures Order” and together with the Initial Bidding Procedures Order, the “Bidding Procedures Orders”),<sup>9</sup> authorizing the sale of substantially all of the Debtors’ assets, including certain liquor licenses, via auction.

Pursuant to the Supplemental Bidding Procedures Order, the Debtors designated Sugarloaf Concessions, LLC as a stalking horse bidder (“Sugarloaf”). The Debtors conducted an auction on December 27, 2024 (the “Auction”). At the conclusion thereof, (i) Mera Global, LLC (“Mera”) was designated as the winning bidder for certain of the Debtors’ assets and restaurant locations, with the stalking horse bidder, Sugarloaf,

---

<sup>6</sup> See Docket Nos. 61, 291.

<sup>7</sup> See Docket Nos. 400, 401, 402, 419, 457, 477, and 647.

<sup>8</sup> See Docket No. 197.

<sup>9</sup> See Docket No. 308.

being designated the back-up bidder, and (ii) Liquor License Auctioneers Inc. (the “Auctioneers”) was declared the winning bidder for certain liquor licenses (the “License Sales”).<sup>10</sup>

The Bankruptcy Court conducted a hearing (the “Sale Hearing”) on January 2, 2025, to consider, among other things, the sale of assets to Mera (the “Mera Sale”) and License Sales and subsequently approved and authorized the Mera Sale and the License Sales and entered the *Order (I) Approving the Sale of Certain Assets of the Debtors Outside the Ordinary Course of Business; (II) Authorizing the Sale of Assets Free and Clear of All, Lien, Claims, Interests, and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith, and (IV) Granting Related Relief* on January 8, 2025.<sup>11</sup> The Mera Sale closed on February 18, 2025. The total purchase price under the Mera Sale was approximately \$34,500,000.

On January 31, 2025 the Bankruptcy Court entered its *Order (I) Approving the Sale of Certain Assets of the Debtors Outside the Ordinary Course of Business; (II) Authorizing the Sale of Assets Free and Clear of All, Lien, Claims, Interests, and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith, and (IV) Granting Related Relief* (the “Yadav Sale Order”).<sup>12</sup> Pursuant to the Yadav Sale Order, the Bankruptcy Court approved the sale of 15 restaurant locations to Yadav Enterprises Inc. (“Yadav”) for a credit bid purchase price of \$3,000,000 and payment of all associated cure amounts (the “Yadav Sale”) and the sale of three additional restaurants to Sugarloaf for a purchase price of \$100,000 and payment of all lease and sales tax associated cure amount (the “Sugarloaf Sale”). The Sugarloaf Sale successfully closed on February 12, 2025, and the Yadav Sale successfully closed on February 18, 2025.

Additionally, on February 20, 2025, the Bankruptcy Court entered its *Order Approving (I) Establishing Procedures for Sales and Transfers of Liquor Licenses; and (II) Granting Related Relief* (the “Liquor License Sale Order”).<sup>13</sup> Pursuant to the Liquor License Sale Order, the Bankruptcy Court approved certain procedures (the “License Sale Procedures”) for the sale of one or more of the Debtors’ liquor licenses (the “Licenses”) free and clear of liens, Claims, Equity Interests, and encumbrances. Following the entry of the Liquor License Sale Order and approval of the License Sale Procedures, the Debtors have sought and obtained authorization to sell fifteen liquor licenses, totaling approximately \$3.7 million.<sup>14</sup>

#### **D. The WARN Act Adversary Proceeding.**

On November 11, 2024, Jamie Cramer and Alexandra Modugno, on behalf of themselves and all others similarly situated (the “Plaintiffs”),<sup>15</sup> filed the *Class Action Adversary Proceeding Complaint for Violation of the WARN Act and Declaratory Judgment against Debtor TGI Friday’s Inc.* (the “Adversary Proceeding”),<sup>16</sup> seeking to certify federal and state Classes and recover for an alleged violation of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. (the “WARN Act”), and the New York Worker Adjustment and Retraining Act, New York Labor Law, § 860 et seq. (the “New York WARN Act”). Following two amended complaints, the Plaintiffs also brought a breach of contract Claim

---

<sup>10</sup> See Docket No. 389.

<sup>11</sup> See Docket No. 451

<sup>12</sup> See Docket No. 501.

<sup>13</sup> See Docket No. 552.

<sup>14</sup> See Docket Nos. 524, 563, 588, 594, 614, 651, 689.

<sup>15</sup> Andrew Dunkes was later named a Plaintiff in the Adversary Proceeding.

<sup>16</sup> See *Cramer et al. v. TGI Friday’s Inc.*, AP No. 24-08004 (SGJ) [Docket No. 1].

against TGI Friday’s Inc. for an alleged failure to pay certain employees severance pursuant to severance agreements. On May 28, 2025, the Bankruptcy Court dismissed the Adversary Proceeding, and on June 11, 2025, the Plaintiffs filed their notice of appeal to the Northern District Court of Texas (the “Appeal”). The Appeal remains ongoing.

#### **E. Bar Dates.**

The general Bar Date for all creditors, other than Governmental Units, to file proofs of claim against the Debtors was March 12, 2025.<sup>17</sup> The Bar Date for Governmental Units was May 1, 2025. Any references in the Plan or Disclosure Statement to any Claims or Equity Interests shall not constitute an admission of the existence, nature, extent, or enforceability thereof.

### **V. THE PLAN**

The Debtors’ Plan is a liquidating plan under which all of the Debtors’ remaining assets will be transferred on the Effective Date to the Creditor Trust and administered by the Creditor Trustee for the benefit of Holders of Allowed Claims. Article V of this Disclosure Statement only provides a summary of the key terms, structure, classification, treatment, and implementation of the Plan. **Although the statements contained in this Disclosure Statement include summaries of the provisions of the Plan and in documents referred to therein, this Disclosure Statement does not purport to be a complete statement of all related terms and provisions and should not be relied upon for a comprehensive discussion of the Plan.** Instead, the inclusion herein is qualified in its entirety by the terms and provisions of the Plan, the Plan Supplement, and any attachments to the Plan. The Plan itself, in addition to the Plan Supplement and any attachments to the Plan, will control in all respects. To the extent there are any inconsistencies between the Disclosure Statement and the Plan, including the Plan Supplement and any attachments to the Plan, the Plan and Plan Supplement, as applicable, shall govern.

#### **A. Index of Key Plan Provisions.**

| <b>Article</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>I</b>       | <b>Introduction.</b> This Article contains the customary chapter 11 plan introduction and important disclosures.                                                                                                                                                                                                                                                                                                                                           |
| <b>II</b>      | <b>Defined Terms, Rules of Interpretation, Computation of Time, Governing Law, and Other References.</b> This Article contains the definitions used throughout the Plan, as well as conventions for computing time and determining the governing law applicable to various                                                                                                                                                                                 |
| <b>III</b>     | <b>Administrative Claims, Professional Fee Claims, and Priority Tax Claims.</b> This Article details the treatment of certain Priority and Administrative Claims, including state and federal taxes, and Professional Fee Claims. These types of Claims are afforded higher payment priority under the Bankruptcy Code and, thus, the Debtors must ensure that they are paid or otherwise dealt with before the Plan can provide payments to other Claims. |
| <b>IV</b>      | <b>Classification and Voting of Claims and Equity Interests.</b> This Article summarizes the different categories of Claims and explains which Classes are entitled to accept or reject the Plan. Creditors who disagree with the classification may seek an order from the Bankruptcy Court allowing Claims for voting purposes.                                                                                                                          |

---

<sup>17</sup> See Docket No. 144.

| Article     | Summary                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>V</b>    | <b>Treatment of Claims and Equity Interests.</b> This Article details the treatments for each Class of Claims. A more detailed description of the Plan treatment is set forth immediately below in this Disclosure Statement.                                                                                                                                                                         |
| <b>VI</b>   | <b>Means of Implementation.</b> This Article contains the various provisions critical to the implementation of the Plan, including limited substantive consolidation for distribution purposes and details regarding the Creditor Trust, among others.                                                                                                                                                |
| <b>VII</b>  | <b>Distributions.</b> This Article sets forth the procedures for distributions under the Plan.                                                                                                                                                                                                                                                                                                        |
| <b>VIII</b> | <b>Procedures for Resolving and Treating Disputed Claims.</b> This Article sets forth the procedures for resolving and treating Disputed Claims.                                                                                                                                                                                                                                                      |
| <b>IX</b>   | <b>Treatment of Executory Contracts and Unexpired Leases.</b> This provides information regarding the rejection of contracts and leases.                                                                                                                                                                                                                                                              |
| <b>X</b>    | <b>Conditions Precedent to Confirmation and Effectiveness of the Plan.</b> This Article lists the various conditions precedent to the Effective Date of the Plan. As set forth in the Plan, any of these conditions may be waived.                                                                                                                                                                    |
| <b>XI</b>   | <b>Effect of Consummation.</b> This Article details the effect Confirmation and Consummation of the Plan will have on creditors. As summarized further in this Disclosure Statement, <u>Article XI</u> of the Plan contains certain releases ( <u>Article XI.C</u> ), exculpations ( <u>Article XI.B</u> ), injunctions ( <u>Article XI.D</u> ), and gate keeping provisions ( <u>Article XI.E</u> ). |
| <b>XII</b>  | <b>Retention of Jurisdiction.</b> This Article enumerates a list of matters over which the Bankruptcy Court shall retain jurisdiction to decide following the Effect Date, should they become issues in the future.                                                                                                                                                                                   |
| <b>XIII</b> | <b>Miscellaneous.</b> This Article contains miscellaneous provisions, including, among other things, the interpretation of the Plan and where to send notice.                                                                                                                                                                                                                                         |

**B. Treatment of Administrative Claims, Professional Fee Claims, Priority Tax Claims, and U.S. Trustee Fees.**

**1. Administrative Claims.**

All Holders of Administrative Claims shall file with the Bankruptcy Court a request for payment of such Claims on or before the Administrative Claim Bar Date. Any such request must be served on the Debtors and their counsel, and must, at a minimum, set forth (i) the name of the Holder of the Administrative Claim; (ii) the amount of the Administrative Claim; and (iii) the legal and factual bases for the Administrative Claim. A failure to file any such request in a timely fashion will result in the Administrative Claim in question being discharged and its Holder forever barred from asserting such Administrative Claim against the Debtors or any other Person.

Except to the extent that a Holder of an Allowed Administrative Claim agrees to a different treatment of such Claim or objects in writing to its treatment hereunder, each Holder of an Allowed Administrative Claim shall receive, on account of and in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Administrative Claim, an amount equal to the Allowed amount of such Administrative Claim on (or as soon as reasonably practicable after) the later of (A) the Effective Date or (B) the date that entry of an order by the Bankruptcy Court allowing such Administrative Claim becomes a Final Order. For the avoidance of doubt, the Creditor Trustee shall be tasked with making distributions to Holders of Allowed Administrative Claims in accordance with the terms of the Plan and Creditor Trust Agreement from Creditor Trust Net Assets.

## **2. Professional Fee Claims.**

Every Professional holding a Professional Fee Claim that has not previously been the subject of a final fee application shall file a final application for payment of fees and reimbursement of expenses no later than forty-five (45) days after the Effective Date. Any such final fee application shall conform to and comply with all applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Professional Fee Claims covered by the Professional Fee Funding Amount shall be paid by the Creditor Trustee from the Professional Fee Escrow Account. To the extent there are insufficient funds on hand in the Professional Fee Escrow Account to pay in full all of the Professional Fee Claims covered by the Professional Fee Funding Amount, such Professional Fee Claims shall be paid in full in Cash by the Creditor Trust from Creditor Trust Net Assets.

Prior to the funding of the Creditor Trust as provided in the Plan, the Debtors shall establish the Professional Fee Escrow Account, which shall be funded by the Debtors in the Professional Fee Funding Amount from available Cash on or prior to the Effective Date, in accordance with the Wind-Down Budget. Following the Effective Date, the Creditor Trustee shall pay Allowed Professional Fee Claims covered by the Professional Fee Funding Amount from the Professional Fee Escrow Account as such Professional Fee Claims are Allowed, up to the amounts available in the Professional Fee Escrow Account, after application of any retainers.

The Creditor Trustee shall distribute Pro Rata to all Professionals with Allowed Professional Fee Claims all available Creditor Trust Net Assets, and any other Cash designated for satisfying the Professional Fee Remaining Balance in the Plan or Plan Supplement, until all such Allowed Professional Fee Claims have been paid in full on a Pro Rata basis with Allowed Administrative Claims, which shall be paid ahead of Priority Tax Claims.

## **3. Priority Tax Claims.**

Except to the extent that a Holder of an Allowed Priority Tax Claim has agreed or agrees to a different treatment of such Claim, each Holder of an Allowed Priority Tax Claim shall receive on (or as soon as reasonably practicable after) the Effective Date, at the Creditor Trustee's option and upon the payment in full of Allowed Administrative Claims: (i) Cash in an amount equal to the Allowed amount of such Allowed Priority Tax Claim; (ii) a lesser amount in one Cash payment as may be agreed in writing by such Holder; or (iii) regular installment payments of Cash (a) having a total value, as of the Effective Date, equal to the Allowed amount of the Allowed Priority Tax Claim, (b) over a period ending not later than five (5) years after the Petition Date and (c) in a manner not less favorable than the most favored nonpriority Allowed General Unsecured Claims provided for by the Plan.

To the extent interest is required to be paid on any Allowed Priority Tax Claim, the rate of such interest shall be the rate determined under applicable non-bankruptcy law, as set forth in section 511 of the Bankruptcy Code. Notwithstanding the foregoing, any penalty arising with respect to or in connection with an Allowed Priority Tax Claim shall be treated as a General Unsecured Claim. The Debtors and the Creditor Trustee, as applicable, reserve the right to setoff against or recoup from any Allowed Priority Tax Claim any right to payment that any of the Debtors may have against the Holder of an Allowed Priority Tax Claim due to levies assessed against the Debtors, the Estates, or otherwise.

#### 4. U.S. Trustee Fees.

All U.S. Trustee Fees shall be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Cases shall be paid by the Creditor Trustee, *provided, however*, that the Creditor Trust shall not be required to pay U.S. Trustee Fees on account of the disbursement of Creditor Trust Assets on which U.S. Trustee Fees were already paid in connection with their transfer to the Creditor Trust.

#### C. Classification and Voting of Claims and Equity Interests.

Except for the Claims and Equity Interests addressed elsewhere in the Plan, all Claims and Equity Interests are classified in the Classes set forth below in accordance with section 1122 of the Bankruptcy Code. A Claim or an Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest qualifies within the description of such other Classes. A Claim or an Equity Interest is also classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or Equity Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The classification of Claims and Equity Interests against each Debtor (as applicable) pursuant to the Plan is as set forth below. The Plan shall apply as a separate Plan for each of the Debtors, and the classification of Claims and Equity Interests set forth in the Plan shall apply separately to each of the Debtors, each as applicable. All of the potential Classes for the Debtors are set forth in the Plan. Such groupings shall not affect any Debtor's status as a separate legal Entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal Entities, or cause the transfer of any assets, and all Debtors will continue to exist as separate legal Entities after the Effective Date.

| Class | Claim or Interest        | Impairment | Entitled to Vote                           |
|-------|--------------------------|------------|--------------------------------------------|
| 1     | Other Secured Claims     | Unimpaired | Not Entitled to Vote<br>(Deemed to Accept) |
| 2     | Prepetition Notes Claims | Impaired   | Entitled to Vote                           |
| 3     | Other Priority Claims    | Unimpaired | Not Entitled to Vote<br>(Deemed to Accept) |
| 4     | General Unsecured Claims | Impaired   | Entitled to Vote                           |
| 5     | Subordinated Claims      | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |
| 6     | Intercompany Claims      | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |
| 7     | Equity Interests         | Impaired   | Not Entitled to Vote<br>(Deemed to Reject) |

The Holders of Claims in Classes 1 and 3 are Unimpaired, as they will be paid in full or, if applicable, entitled to retain their Collateral. As a result, all Holders of Claims in Classes 1 and 3 are conclusively deemed to have accepted the Plan. The Holders of Claims in Classes 2 and 4 are Impaired and are entitled to vote to accept or reject the Plan. The Holders of Claims and Equity Interests in Classes 5, 6, and 7 are

Impaired and are conclusively deemed to reject the Plan and are therefore not entitled to vote to accept or reject the Plan.

**D. Treatment of Classes of Claims and Equity Interests.**

Under the Plan, other than the Professional Fee Claims, Administrative Claims, and Priority Tax Claims, all other Claims and Equity Interests shall be treated as follows:

**1. Class 1—Other Secured Claims.**

Except to the extent a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive: (i) Cash payment in full of its Allowed Other Secured Claims; (ii) the Collateral securing such Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (iii) such other treatment that renders such Allowed Other Secured Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code. Class 1 is Unimpaired under the Plan, and the Holders of Claims in Class 1 are therefore deemed to accept the Plan. The Debtors will not solicit votes from Holders of Class 1 Other Secured Claims.

**2. Class 2—Prepetition Notes Claims.**

Except to the extent a Holder of an Allowed Prepetition Notes Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Prepetition Notes Claim, each Holder of an Allowed Prepetition Notes Claim shall receive the amount of such Prepetition Notes Claim as an Allowed General Unsecured Claim to be paid Pro Rata with the other General Unsecured Claims from the Creditor Trust Net Assets. Class 2 is Impaired under the Plan. The Debtors will solicit votes from Holders of Class 2 Prepetition Claims.

**3. Class 3—Other Priority Claims.**

Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive (a) Cash on (or as soon as reasonably practicable after) the Effective Date in an amount equal to such Allowed Other Priority Claim or (b) such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code. Class 3 is Unimpaired under the Plan, and the Holders of Claims in Class 4 are therefore deemed to accept the Plan. The Debtors will not solicit votes from Holders of Class 4 Other Priority Claims.

**4. Class 4—General Unsecured Claims.**

Except to the extent that a Holder of an Allowed General Unsecured Claim against a Debtor agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, and only to the extent that any such Allowed General Unsecured Claim has not been paid by the Debtors prior to the Effective Date, each Holder of an Allowed General Unsecured Claim shall receive such Holder's Pro Rata share of the Creditor Trust Net Assets remaining after payment in full of all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Secured Claims, Allowed Other Priority Claims, and Allowed Professional Fee Claims. Class 4 is Impaired under the Plan. The Debtors will solicit votes from Holders of Class 5 General Unsecured Claims.

**5. Class 5—Subordinated Claims.**

On the Effective Date, all Holders of Allowed Subordinated Claims shall be entitled to no recovery under the Plan. Class 5 Claim Holders are Impaired and will neither receive nor retain any property under the Plan on account of such Claims. As such, Holders of Class 5 Subordinated Claims are deemed to reject the Plan and will not receive ballots.

**6. Class 6—Intercompany Claims.**

On the Effective Date, all Intercompany Claims shall be settled, cancelled, released, and discharged without payment or distribution of any Cash or other property. Class 6 Claim Holders are Impaired and will neither receive nor retain any property under the Plan on account of such Claims. As such, Holders of Class 6 Intercompany Claims are deemed to reject the Plan and will not receive ballots.

**7. Class 7—Equity Interests.**

On the Effective Date, all Equity Interests, other than Equity Interests in TGI SPV Guarantor, LLC, shall be cancelled, released, and extinguished and shall be of no further force and effect, and Holders of Equity Interests shall not receive any distribution on account thereof and no recovery under the Plan. Class 7 Claim Holders are Impaired and will neither receive nor retain any property under the Plan on account of such Claims. As such, Holders of Class 7 Equity Interests are deemed to reject the Plan and will not receive ballots.

**E. Means for Implementation.**

**1. General Settlement of Claims and Equity Interests.**

Pursuant to Bankruptcy Code sections 363 and 1123 and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Equity Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Equity Interests and is fair, equitable, and is within the range of reasonableness. Subject to the terms of the Plan, all distributions made to Holders of Allowed Claims and Allowed Equity Interests in any Class are intended to be and shall be final.

**2. Limited Substantive Consolidation.**

The Plan provides for potential recoveries on account of Allowed Claims, regardless of the Debtor entity against which such Allowed Claims are asserted. For purposes of voting, distributions, and all other purposes under the Plan, all assets and liabilities of the Debtors shall be treated as if they were substantively consolidated, and all Claims against any Debtor or Debtors based upon any guarantee, joint and several liability, co-obligation, or other similar theory shall be treated as a single Claim against the consolidated Estates, and any duplicative Claims shall be disallowed. The Debtors shall not be consolidated for any other purpose. To the extent necessary, the Plan shall serve as a motion seeking, and entry of the Confirmation Order shall constitute, the approval, pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, effective as of the Effective Date, of such limited substantive consolidation for voting and distribution on account of Allowed Claims. The limited substantive consolidation provided for in the Plan

shall not (a) affect the legal or corporate structure of any of the Debtors, (b) cause the merger or consolidation of any legal entities, or (c) affect the mutuality requirement for purposes of setoff under section 553 of the Bankruptcy Code.

**3. The Creditor Trust.**

**(a) Establishment of the Creditor Trust.**

The Creditor Trust shall be established on the Effective Date pursuant to the terms of the Creditor Trust Agreement and the Plan, and shall initially be funded with the Creditor Trust Assets.

**(b) Purpose of the Creditor Trust.**

The Creditor Trust shall be established for the primary purpose of (a) liquidating, holding, managing, and distributing the Creditor Trust Assets in accordance with the terms of the Plan and the Creditor Trust Agreement, (b) winding down and administering the Debtors' Estates, including, without limitation, objecting to, resolving, reconciling, and paying or otherwise treating Claims against the Debtors in the order of priority set forth in the Plan, and (c) prosecuting, settling, abandoning, or otherwise resolving the Retained Causes of Action and distributing the Litigation Proceeds thereof in accordance with the Plan. For the avoidance of doubt, distributions of Creditor Trust Assets shall be made by the Creditor Trustee to Holders of Allowed Claims in accordance with the priorities and other terms set forth in the Plan and the Creditor Trust Agreement.

**(c) The Creditor Trustee.**

The Creditor Trustee shall be selected by the Committee, in consultation with the Debtors, subject only to Bankruptcy Court approval at the Confirmation Hearing. The Creditor Trust, acting by and through the Creditor Trustee, shall be a representative of the Estates pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. The Creditor Trustee may prosecute, settle, liquidate, and otherwise administer the Creditor Trust Assets on behalf of the Creditor Trust, without the need for Bankruptcy Court approval or any other notice or approval, except as set forth in the Creditor Trust Agreement, and shall also be responsible for, among other things, objecting to and otherwise resolving Claims. The Creditor Trust and the Creditor Trustee shall be exempt from giving any bond or other security in any jurisdiction.

**(d) Execution of Creditor Trust Agreement.**

On the Effective Date, the Creditor Trust Agreement shall be executed, and all other necessary steps shall be taken to establish the Creditor Trust and the Creditor Trust Interests with respect thereto. The form of the Creditor Trust Agreement and related ancillary documents shall be mutually acceptable to the Debtors and the Committee, subject only to Bankruptcy Court approval at the Confirmation Hearing.

**(e) Creditor Trust Assets.**

The Creditor Trust shall consist of the Creditor Trust Assets. On the Effective Date, the Debtors shall, and shall be deemed to, irrevocably grant, assign, transfer, and convey to the Creditor Trust all rights, title, and interests in and to all of the Creditor Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, the Creditor Trust Assets shall automatically vest in the Creditor Trust, free and clear of all Liens, Claims, and encumbrances, except with respect to any proceeds to the extent that any valid prepetition liens attach to such proceeds or as otherwise provided in the Plan. The Creditor Trust, acting by and through the Creditor Trustee, may abandon or otherwise not accept any Creditor Trust Assets that the Creditor Trust believes, in good faith, to have no value to, or will be unduly burdensome to, the Creditor Trust. Any

Creditor Trust Assets that the Creditor Trust abandons or otherwise does not accept shall not be property of the Creditor Trust.

**(f) Governance and Powers and Duties of the Creditor Trust.**

The Creditor Trust shall be governed by the Creditor Trustee in accordance with the Creditor Trust Agreement and in a manner consistent with the Plan. The Creditor Trustee shall have the power and authority to perform the acts described in the Creditor Trust Agreement. The powers, rights, and responsibilities of the Creditor Trustee shall be specified in the Creditor Trust Agreement and shall include, among other things, the authority, power, and responsibility to cause the Creditor Trust to: (a) receive, manage, invest, supervise, and protect Creditor Trust Assets; (b) pay taxes or other obligations incurred by the Creditor Trust and issue to employees or other Persons, and/or file with the appropriate Governmental Units, applicable tax and wage returns and forms; (c) retain and compensate, without further order of the Bankruptcy Court, the services of employees, independent contractors, professionals, and consultants to advise and assist in the administration, prosecution and distribution of Creditor Trust Assets; (d) calculate and implement distributions of Creditor Trust Assets; (e) investigate, prosecute, compromise, and settle, in accordance with the specific terms of the Creditor Trust Agreement and without further order of the Bankruptcy Court, except as otherwise provided therein, Retained Causes of Action; (f) resolve issues involving Claims in accordance with the Plan, including the power to object to, or settle, resolve, or compromise objections or disputes with respect to, Claims, and to subordinate and recharacterize Claims by objection, motion, or adversary proceeding; (g) undertake all administrative functions of the Chapter 11 Cases, including the payment of statutory fees and the ultimate closing of the Chapter 11 Cases; (h) enter into contingency fee agreements or litigation funding agreements as may be necessary in order to pursue the Creditor Trust's interests in the prosecution of Retained Causes of Action; and (i) take action pursuant to such other powers as may be vested in or assumed by the Creditor Trustee pursuant to the Plan, the Creditor Trust Agreement, Bankruptcy Court order, or as may be necessary and proper to carry out the provisions of the Plan.

**(g) Books and Records.**

The Creditor Trust shall: (a) take possession of all copies of books, records, and files of the Debtors and the Estates that were not sold and transferred in connection with any sale(s) during the pendency of the Chapter 11 Cases; and (b) provide for the retention and storage of such books, records, and files until such time as the Creditor Trust determines, in accordance with the Creditor Trust Agreement, that retention of same is no longer necessary or beneficial to the Creditor Trust. No further Order of the Court shall be required prior to destroying or abandoning such books and records. The Creditor Trust through the Creditor Trustee shall be deemed to stand in the shoes of the Debtors for purposes of accessing any books and records or information sold to any third-party buyer.

**(h) Cash.**

The Creditor Trustee may invest Creditor Trust Assets only in Cash, money market funds, and government securities (as defined in section 2(a)(16) of the Investment Company Act of 1940, as amended); *provided, however*, that such investments are investments permitted to be made by a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.

**(i) Costs and Expenses of the Creditor Trustee.**

The Creditor Trust Fees and Expenses shall be paid only out of the Creditor Trust Assets (or from proceeds of Creditor Trust Assets as set forth herein and in the Creditor Trust Agreement). All such costs and

expenses must be satisfied or reserved for in full before distributions may be made to Creditor Trust Beneficiaries.

**(j) Compensation of the Trustee.**

The Creditor Trustee shall be entitled to reasonable compensation paid exclusively from the Creditor Trust Assets.

**(k) Retention of Professionals by the Creditor Trust.**

The Creditor Trust, acting by and through the Creditor Trustee, may retain and reasonably compensate counsel and other professionals out of the Creditor Trust Assets or proceeds of litigation recoveries to assist in its duties on such terms as the Creditor Trust deems appropriate without Bankruptcy Court approval. The Creditor Trust may retain any professional who represented parties in interest (including the Debtors or the Committee) in the Chapter 11 Cases.

**(l) Distribution of Creditor Trust Assets.**

The Creditor Trust shall distribute Cash to the Creditor Trust Beneficiaries in accordance with the Plan and the Creditor Trust Agreement. The Creditor Trust shall not make any distributions to Holders of Disputed Claims unless and until such Claims are Allowed. The Creditor Trust shall ensure that sufficient funds are reserved, as determined by the Creditor Trust in its sole discretion, to pay Disputed Claims upon Allowance. The Creditor Trust shall be permitted to reserve and satisfy amounts that (i) are reasonably necessary to meet contingent liabilities and to maintain the value of the Creditor Trust Assets, (ii) are necessary to pay reasonable expenses, including, but not limited to, any taxes imposed on the Creditor Trust or in respect of the Creditor Trust Assets, and (iii) are required to satisfy other liabilities incurred by the Creditor Trust in accordance with the Plan or the Creditor Trust Agreement.

**(m) Creditor Trust Interests.**

Creditor Trust Interests in the Creditor Trust shall not be represented by certificates, receipts, or in any other form or manner, except as maintained in the books and records of the Creditor Trust by the Creditor Trustee, as set forth in the Creditor Trust Agreement. All of the Creditor Trust Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. All Creditor Trust Interests to be issued shall be deemed issued as of the Effective Date. For the avoidance of doubt, ownership of a Creditor Trust Interest will not be evidenced by any certificate, security, or receipt or in any other form or manner whatsoever, except the book entry system maintained by the Creditor Trust. The Creditor Trust Interests shall be non-transferable and non-assignable during the term of the Creditor Trust Agreement except by operation of law. An assignment by operation of law shall not be effective until appropriate notification and proof thereof are submitted to the Creditor Trust, and the Creditor Trust may continue to pay all amounts to or for the benefit of the assigning Creditor Trust Beneficiaries until receipt of proper notification and proof of assignment by operation of law. The Creditor Trust may rely upon such proof without the requirement of any further investigation.

**(n) Federal Income Tax Treatment of the Creditor Trust.**

For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Creditor Trustee, and the Holders of Creditor Trust Interests in the Creditor Trust) shall treat the transfer of the Creditor Trust Assets to the Creditor Trust Beneficiaries, whether Allowed on or after the Effective Date, as (A) a transfer of the Creditor Trust Assets directly to the Holders in satisfaction of General Unsecured Claims, followed by (B) the transfer by such Holders to the Creditor Trust of the Creditor Trust Assets in

exchange for, Creditor Trust Interests in the Creditor Trust. Accordingly, the Holders of such Creditor Trust Interests in the Creditor Trust shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Creditor Trust Assets.

**(o) Tax Reporting.**

The Creditor Trust, acting by and through the Creditor Trustee, shall file income tax returns for the Creditor Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with this section of the Plan. To the extent required, or if desired by the Creditor Trust, the Creditor Trust shall annually send to each record holder of a Creditor Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns or to forward the appropriate information to the beneficial holders with instructions to report such items on their federal income tax returns. The Creditor Trust's taxable income, gain, loss, deduction, or credit will be allocated among the beneficial holders of a Creditor Trust Interest in accordance with each holder's relative beneficial Creditor Trust Interest.

The Creditor Trust, acting by and through the Creditor Trustee, shall have the authority, in its sole discretion, to determine and implement the appropriate method for reporting the Creditor Trust Claims Reserve for United States federal, state, and local income tax purposes, including whether to make a DOF Election. Any such determination, including any DOF Election, shall be binding on the Debtors, the Creditor Trust Beneficiaries, and all Holders of Claims for all tax purposes, and such parties shall cooperate with the Creditor Trustee and shall not take any position inconsistent therewith, except as may be required by a Final Order or other applicable law. All taxes, costs, and expenses associated with the establishment, administration, and tax reporting of the Creditor Trust Claims Reserve, including any DOF established pursuant to a DOF Election, shall be paid from the Creditor Trust Claims Reserve (or, to the extent insufficient, from other Creditor Trust Assets), and the Creditor Trustee shall have no personal liability for any tax consequences to any party in interest arising from the implementation of this section of the Plan. If a DOF Election is made, the Creditor Trust shall comply with all federal and state tax reporting and tax compliance requirements of the DOF or other separate entity, including, but not limited to, the filing of a separate federal tax return for the DOF or other separate entity and the payment of federal and/or state income tax due.

The Creditor Trust shall be responsible for payments, out of the Creditor Trust Assets, of any taxes imposed on the Creditor Trust or the Creditor Trust Assets, including the Creditor Trust Claims Reserve. In the event, and to the extent, any Cash retained on account of Disputed Claims in the Creditor Trust Claims Reserve is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed Claims, such taxes shall be (i) reimbursed from any subsequent Cash amounts retained on account of Disputed Claims, or (ii) to the extent such Disputed Claims have subsequently been resolved, deducted from any amounts distributable by the Trustee as a result of the resolutions of such Disputed Claims.

The Creditor Trust may request an expedited determination of taxes of the Creditor Trust, including the Creditor Trust Claims Reserve, under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Creditor Trust for all taxable periods through the dissolution of the Creditor Trust.

**(p) Dissolution.**

The Creditor Trust shall be dissolved and the Creditor Trustee shall be discharged no later than the fifth (5th) anniversary of the Effective Date; *provided, however*, that, the Bankruptcy Court, upon motion by a party in interest, including the Creditor Trust, may extend the term of the Creditor Trust if it is necessary to the liquidation and/or distribution of the Creditor Trust Assets, without prejudice to further extensions,

so long as Bankruptcy Court approval of such extension is obtained in conformity with IRS Revenue Procedure 94-45, 1994-2 C.B. 684; *provided, further*, that in no event shall the term of the Creditor Trust extend past the tenth (10th) anniversary of the Effective Date; *provided, further* that neither the Creditor Trust Agreement nor the continued existence of the Creditor Trust shall prevent the Debtors or the Creditor Trustee from closing the Chapter 11 Cases pursuant to section 350 of the Bankruptcy Code and obtaining a Final Decree pursuant to Bankruptcy Rule 3022. The Creditor Trust may be terminated earlier than its scheduled termination if (i) the Bankruptcy Court has entered a Final Order closing all of or the last of the Chapter 11 Cases pursuant to section 350(a) of the Bankruptcy Code and (ii) the Creditor Trustee has administered all Creditor Trust Assets and performed all other duties required by the Plan, the Confirmation Order, the Creditor Trust Agreement and the Creditor Trust. The Creditor Trustee shall not unduly prolong the duration of the Creditor Trust and shall at all times endeavor to resolve, settle, or otherwise dispose of all Creditor Trust Assets and to affect the distribution of the Creditor Trust Assets to the Creditor Trust Beneficiaries in accordance with the terms of the Plan and Creditor Trust Agreement and terminate the Creditor Trust as soon as practicable. Prior to and upon termination of the Creditor Trust, the Creditor Trust Assets will be distributed to the Creditor Trust Beneficiaries, pursuant to the provisions set forth in the Plan and Creditor Trust Agreement.

If at any time the Creditor Trustee determines that the expense of administering the Creditor Trust is likely to exceed the value of the Creditor Trust Assets, the Creditor Trustee shall have the authority to (i) distribute to the Creditor Trust Beneficiaries any Cash remaining with the Creditor Trust in excess of necessary costs to pay outstanding expenses of the Creditor Trust, including any fees and expenses of the Creditor Trustee and his/her professionals, (ii) donate any Creditor Trust Assets remaining in the Creditor Trust to a non-religious charitable organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code that is unrelated to the Debtors and any Insider of the Debtors and (iii) dissolve the Creditor Trust.

**(q) Preservation of Privileges.**

The actions taken by the Debtors or the Committee shall not be (or be deemed to be) a waiver of any privilege, including any attorney-client privilege or work-product privilege attaching to any document or communications (whether written or oral). Notwithstanding the Debtors or the Committee providing any privileged information to the Creditor Trust, Creditor Trustee, or any party or person associated with the Creditor Trust, such privileged information shall be without waiver of any privilege of the Debtors or the Committee, including any attorney-client privilege or work-product privilege. The transfer to and vesting in the Creditor Trust of the Creditor Trust Assets on the Effective Date shall not affect a waiver of any privilege of the Debtors or the Committee, and upon such transfer, the Creditor Trust, acting by and through the Creditor Trustee, shall hold all rights with respect to such privileges, including the right to waive such privileges in its discretion.

**(r) Indemnification.**

The Creditor Trust shall indemnify the Creditor Trustee and professionals retained by the Creditor Trust (the “Indemnified Parties”) from Creditor Trust Assets for, and shall hold them harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost, or expense (including the reasonable fees and expenses of their respective professionals) incurred without fraud, gross negligence or willful misconduct on the part of the Indemnified Parties (which fraud, gross negligence or willful misconduct, if any, must be determined by a Final Order of a court of competent jurisdiction) for any action taken, suffered, or omitted to be taken by the Indemnified Parties in connection with the acceptance, administration, exercise, and performance of the Creditor Trust’s duties under the Plan, Confirmation Order, or the Creditor Trust Agreement, as applicable. An act or omission taken with the approval of the Bankruptcy Court, and not inconsistent therewith, will be conclusively deemed not to constitute fraud, gross

negligence, or willful misconduct. In addition, the Creditor Trust shall, to the fullest extent permitted by law, indemnify and hold harmless the Indemnified Parties, from and against and with respect to any and all liabilities, losses, damages, claims, costs, and expenses, including attorneys' fees arising out of or due to their actions or omissions, or consequences of such actions or omissions, with respect to the Creditor Trust or the implementation or administration of the Plan, if the Indemnified Parties acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interest of the Creditor Trust.

**4. Dissolution of Committee and Cessation of Fee and Expense Payments.**

The Committee shall be dissolved on the Effective Date and the members of the Committee (solely in their capacities as such) and the Committee's Professionals (solely in their capacity as such) shall be released from all their duties relating to the Chapter 11 Cases, except with respect to (a) any applications for Professional Fee Claims or expense reimbursements for members of the Committee, including preparing same, objecting to same, defending same and attending any hearing with respect to same; and (b) any motions or other actions seeking enforcement or implementation of (i) the Plan or (ii) the Confirmation Order or (iii) appeal thereof. The Debtors shall not be responsible for paying any fees or expenses incurred by the Committee (or any other committee that may be appointed in these Chapter 11 Cases) after the Effective Date except if incurred in furtherance of the functions of the Committee set forth in (a) or (b) or (c) of this paragraph, subject to the rights of parties in interest to object thereto.

**5. Section 1145 Exemption.**

Section 1145 of the Bankruptcy Code shall be applicable to the issuance of the Creditor Trust Interests, if any. To the maximum extent permitted by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, if appropriate, the Creditor Trust Interests, issued pursuant to the Plan and their transfer, will be exempt from registration under the Securities Act and all rules and regulations promulgated thereunder, and any and all applicable state and local laws, rules, and regulations.

**6. Cancellation of Existing Securities.**

On the Effective Date, except as otherwise provided for in the Plan or any other document incorporated in the Plan, all Equity Interests, including, but not limited to, any other certificate, security, share, note, bond, indenture, purchase right, option, warrant, certificates of designation or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Equity Interest, to the extent not already cancelled, shall be deemed cancelled and of no further force or effect, without the requirement for any further action on the part of the Bankruptcy Court or any other Person.

**7. Corporate Action.**

Upon the Effective Date, all actions contemplated under the Plan shall be deemed authorized and approved in all respects. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by or in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by any Equity Interest Holders, or directors or officers of the Debtors. The authorizations and approvals contemplated by this section shall be effective notwithstanding any requirements under non-bankruptcy law.

**8. Directors and Executive Officers.**

On the Effective Date, the term of each member of each Debtor's current board of directors or board of managers, as applicable, shall automatically expire, and all officers of each Debtor shall be deemed to have

resigned from their respective positions without any further action or order of the Bankruptcy Court being required. From and after the Effective Date, the Creditor Trustee may exercise all power and authority that may be exercised by any officer, director, or manager of, or Holder of an Equity Interest in, the Debtors with like effect as if authorized, exercised and taken by unanimous consent of such officers, directors, managers or Holders of Equity Interests; *provided, however*, the Creditor Trustee shall have no duties other than as expressly set forth in the Confirmation Order, the Plan, and the Creditor Trust Agreement.

#### **9. Retained Causes of Action.**

Except as otherwise provided in the Plan, an agreement or document entered into in connection with the Plan, or in a Final Order of the Bankruptcy Court, pursuant to sections 363(b) and 1123(b)(3) of the Bankruptcy Code, the Debtors reserve and, as of the Effective Date, grant, release, assign, transfer, and convey to the Creditor Trust the Retained Causes of Action. The Creditor Trust, acting by and through the Creditor Trustee, shall be the exclusive representative of the Estates pursuant to section 1123(b)(3) of the Bankruptcy Code on account of such Retained Causes of Action. On and after the Effective Date, the Creditor Trustee, on behalf of the Creditor Trust, may pursue Retained Causes of Action for the benefit of the Holders of Creditor Trust Interests.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Retained Cause of Action against it as any indication that the Creditor Trustee will not pursue any and all available Retained Causes of Action. Unless any Retained Cause of Action against an Entity is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Final Order of the Bankruptcy Court, the Debtors expressly reserve all Retained Causes of Action for later adjudication by the Creditor Trust, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Retained Causes of Action upon, after, or as a consequence of Plan Confirmation or occurrence of the Effective Date.

#### **10. Effectuating Documents; Further Transactions.**

On and after the Effective Date, the Creditor Trust, acting by and through the Creditor Trustee, shall be authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

#### **11. Exemption from Certain Transfer Taxes.**

Pursuant to section 1146(a) of the Bankruptcy Code, the following will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, sales or use tax, mortgage tax, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment: (a) the creation of any mortgage, deed of trust, lien or other security interest under or pursuant to the Plan; (b) the release or assignment of liens; (c) the transfer of any assets of the Debtors' Estates to the Creditor Trust or the issuance of Creditor Trust Interests; or (d) the making or delivery of any deed or other instrument of transfer under, in furtherance of, in connection with or pursuant to the Plan, including any restructuring, disposition, liquidation or dissolution, deeds, bills of sale or assignments executed in connection with any of the foregoing.

**F. Distributions.**

**1. Date of Distributions.**

Distributions under the Plan shall be made as set forth in the Plan. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act shall be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

**2. Sources of Cash for Plan Distributions.**

Except as otherwise provided in the Plan or the Confirmation Order, all Cash required for the payments to be made under the Plan shall come from the Creditor Trust Assets.

**3. Manner of Distributions.**

All distributions under the Plan shall be made by the Debtors, their designee, or by the Creditor Trustee. Neither the Debtors, their designee, the Creditor Trust, nor the Creditor Trustee shall be required to post any bond, surety, or other security for the performance of its duties hereunder unless otherwise ordered by the Bankruptcy Court.

**4. Record Date for Distributions.**

At the close of business on the Distribution Record Date, the transfer ledgers or registers for Claims against the Debtors shall be closed, and there shall be no further changes in the record Holders of such Claims. Neither the Debtors nor the Creditor Trust shall have any obligation to recognize any transfer of any of the foregoing occurring after the Distribution Record Date and shall be entitled instead to recognize for all purposes hereunder, including to effect distributions hereunder, only those record Holders stated on the transfer ledgers or registers maintained by the Debtors as of the close of business on the Distribution Record Date. All distributions to Holders of Allowed Claims under the Plan shall be made to the Holder of the Allowed Claim as of the Distribution Record Date.

**5. Delivery of Distributions; Unclaimed Property.**

Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made at the address of each Holder of an Allowed Claim (1) at the address set forth in the underlying proof of claim, if filed, (2) at the address set forth on the Debtors' Schedules, if no proof of claim is filed, or (3) pursuant to a written change of address filed with the Bankruptcy Court and delivered to the Creditor Trust. If any distribution to the Holder of an Allowed Claim is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Debtors or the Creditor Trust, as applicable, are notified of such Holder's then-current address, at which time all missed distributions shall be made to such Holder without interest. All such distributions, as well as any distributions by check or other means that have not been negotiated, shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of sixty (60) days after the date of the distribution in question. After such 60th day, and notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary (i) all unclaimed property or interest in property in respect of the distribution in question shall revert to the Creditor Trust, and (ii) the Claim of any Holder with respect to such unclaimed property or interest in property shall be discharged and forever barred.

**6. Means of Payment.**

All distributions made pursuant to the Plan shall be in Cash.

**7. Distributions After Effective Date.**

The Creditor Trust, by and through the Creditor Trustee, shall make interim distributions to Holders of Allowed Claims in accordance with the priority set forth in the Plan and at such time as the Creditor Trust may deem appropriate, in accordance with the terms of the Plan and Creditor Trust Agreement.

**8. Withholding and Reporting Requirements.**

Any party issuing any instrument or making any distribution under the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is entitled to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any applicable tax obligations, including income, withholding, and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan to any Holder of any Allowed Claim has the right, but not the obligation, to not issue such instrument or make a distribution until such Holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

The Creditor Trust shall be authorized to require each Holder of a Claim to provide it with an executed Form W-9, Form W-8, or any other tax form, documentation, or certification as may be requested by the Creditor Trust as a condition precedent to being sent a distribution under the Plan. If a Holder of a Claim does not provide the Creditor Trust with an executed Form W-9, Form W-8 or other requested tax form within sixty (60) days after the date of the initial request, the Creditor Trust may, in its sole discretion: (1) make such distribution under the Plan net of applicable withholding; (2) reserve such distribution under the Plan, in which case (i) such Holder shall be deemed to have forfeited the right to receive any current, reserved or future distribution under the Plan, (ii) any such distribution under the Plan shall revert to the Creditor Trust for all purposes, including but not limited to, for distribution to other Allowed Claims, and (iii) the Claim of the Holder originally entitled to such distribution under the Plan shall be irrevocably waived and forever barred without further order of the Bankruptcy Court, all notwithstanding any federal, state or provincial escheat, unclaimed or abandoned property law to the contrary; or (3) establish any other mechanisms it believes are reasonable and appropriate. The Creditor Trust reserves the right to allocate and distribute all distributions under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, Liens, and similar encumbrances.

**9. No Postpetition Interest.**

Unless otherwise specifically provided for in the Plan or in the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claim, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date.

**10. Time Bar to Payments.**

Checks issued under the Plan shall be null and void if not negotiated within sixty (60) days after the date of issuance. Requests for reissuance of any check shall be made in writing directly to the Creditor Trust by the Person to whom such check was originally issued. Any request for re-issuance of a voided check must be made on or before the end of the 60-day period referenced in this section. After such 60-day period, if

no request for re-issuance of a voided check was timely made, such amounts shall constitute unclaimed property and be treated in accordance with the Plan, and all Claims in respect of such void checks shall be discharged and forever barred.

**11. De Minimis Distributions.**

Neither the Debtors nor the Creditor Trust shall have any obligation to make a distribution that is less than One Hundred Dollars (\$100) in Cash in the aggregate to any holder of an Allowed Claim. If an interim distribution to the Holder of an Allowed Claim is less than \$100, such distribution shall be held for future distributions. If the final distribution to any Holder of an Allowed Claim is less than \$100, such amount shall become and constitute unclaimed property and be treated in accordance with the Plan.

**G. Procedures For Resolving and Treating Disputed Claims.**

**1. Objections to Claims.**

Except insofar as a Claim is Allowed under the Plan or pursuant to a Final Order of the Bankruptcy Court, only the Debtors prior to the Effective Date and the Creditor Trust after the Effective Date shall be entitled to object to Claims. Any objections to Claims shall be served and filed by the Objection Deadline. Any Claim to which an objection is timely filed shall be a Disputed Claim.

**2. No Distributions Pending Allowance.**

If a timely objection is made with respect to any Claim, no payment or distribution under the Plan shall be made on account of such Claim unless and until such Disputed Claim Interest becomes Allowed.

**3. Distributions After Allowance.**

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Debtors shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest.

**4. Automatic Disallowance of Duplicate, Amended, and Late Filed Claims.**

Unless otherwise provided in a Final Order of the Bankruptcy Court, any Claim for which a proof of claim is (i) filed after the applicable Bar Date; (ii) duplicative of another Claim filed by the same creditor against the same or multiple Debtors, or (iii) amended and superseded by a subsequent filed Claim, shall be deemed automatically Disallowed. The Holder of a Claim that is Disallowed pursuant to this section shall not receive any distribution on account of such Claim, and neither the Debtors nor the Creditor Trust shall have any obligation to take any affirmative action for such Claim to be deemed Disallowed.

**H. Treatment of Executory Contracts and Unexpired Leases.**

**1. Rejection of Contracts and Leases.**

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each executory contract and unexpired lease to which it is a party, unless such

contract or lease (i) was previously assumed, assumed and assigned, or rejected by the Debtors, (ii) previously expired or terminated pursuant to its own terms, or (iii) is the subject of a motion to assume, assume and assign, or reject filed by the Debtors on or before the Effective Date. The Confirmation Order shall constitute an order of the Bankruptcy Court pursuant to sections 365 and 1123(b) of the Bankruptcy Code approving the contract and lease rejections described above, as of the Effective Date. The rejections set forth in this section shall include rejecting any obligations of the Debtors pursuant to their corporate charters, by-laws, limited liability company agreements, or other organizational documents and agreements to indemnify any officers or directors of the Debtors for any prepetition actions or failures to act.

Notwithstanding anything to the contrary contained in the Plan, neither the Plan nor entry of the Confirmation Order shall reject, discharge, impair or otherwise modify (a) any insurance policies maintained by the Debtors as of the Confirmation Date or (b) any obligations owed to the Debtors or any other parties, including any additional insureds, by non-Debtor parties to any insurance policies maintained by the Debtors as of the Confirmation Date. For the avoidance of doubt, the Debtors reserve all rights, claims, offsets, setoffs, defenses, counterclaims, and all other interests relating to any and all of their insurance policies.

## **2. Inclusiveness.**

Unless otherwise specified, each executory contract and unexpired lease shall include any and all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease.

## **I. Release, Exculpation, and Injunction Provisions.**

Article XI of the Plan provides for standard releases, exculpations, and injunctions to ensure the enforceability of the Plan and prior orders of the Bankruptcy Court. The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate and in accordance with applicable law because, among other things, the releases are narrowly tailored to the Debtors and the Chapter 11 Cases. The Debtors further believe that such releases, exculpations, and injunctions are a necessary part of the Plan. At the Confirmation Hearing, the Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each of the relevant parties.

### **1. Exculpatory Provisions.**

Article II.A of the Plan limits the Exculpated Parties to the following: **in each case solely in their capacity as such: (a) the Debtors, (b) any independent director or manager of the Debtors, and (c) the Committee and its members, each in their capacities as such.**

Article XI.B of the Plan proposes to exculpate the Exculpated Parties from liabilities arising from any acts or omissions occurring during the Chapter 11 Cases. Specifically, Article XI.B provides as follows:

**Upon the Effective Date, to the fullest extent permissible under applicable law, no Exculpated Party shall have or incur, and each Exculpated Party is released and exculpated from, any liability to any Holder of a Claim or Equity Interest, or any other party in interest, for any Claim or Cause of Action arising from, relating to, or connected with the administration of the Chapter 11 Cases, the Disclosure Statement, the preparation of the Plan, the solicitation of acceptances of the Plan, the pursuit of Confirmation of the Plan, the occurrence of the Effective Date, or the administration of the Plan or property to be distributed under the Plan, except for claims related to any act or omission that is determined in a Final Order of a court of competent jurisdiction to have constituted actual fraud,**

**willful misconduct, or gross negligence. The Exculpated Parties shall be deemed to have participated in good faith in connection with the above and entitled to the protection of section 1125(e) of the Bankruptcy Code. Each Exculpated Party shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities pursuant to the Plan.**

## **2. Releases by the Debtors.**

Article XI.C of the Plan provides for releases of certain Claims and Causes of Action that the Debtors or their bankruptcy Estates may hold against the Exculpated Parties, and each of their Professional Persons. To be clear, the releases set forth in Article XI.C of the Plan do not release any Claims held by a third party. Specifically, Article XI.C provides as follows:

**On the Effective Date, unless expressly preserved by the Plan, the Debtors shall fully and forever release, acquit, discharge, and dismiss any and all Claims, obligations, suits, judgments, damages, rights, remedies, Causes of Action, and liabilities of any nature, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or non-contingent, existing or hereafter arising, in law, equity, or otherwise, including any Avoidance Actions or other applicable law which they have or may have against any of the Exculpated Parties, and each of their Professionals.**

## **3. Injunction and Gate Keeping.**

Article XI.D and Article XI.E of the Plan propose to permanently enjoin Persons from pursuing Claims or Causes of Action that are released, exculpated, or otherwise dealt with under the Plan. Any Claims or Causes of Action that a Person may wish to assert against Exculpated Parties must be the subject of a motion for authority to pursue such Claim, and filed before the Bankruptcy Court to determine whether such Claim or cause of action was released under the Plan. Specifically, Article XI.D provides as follows:

**Upon the Effective Date, and except as otherwise expressly provided in the Plan, all Persons who have held, hold, or may hold Claims against or Equity Interests in any Debtor are permanently enjoined, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Equity Interest against the Debtors, or other entity released, discharged, or exculpated hereunder, (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any of the Debtors' Estates with respect to any such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any of the Debtors, or against the property or interests in property of any of the Debtors, as applicable with respect to any such Claim or Equity Interest, (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from any of the Debtors, or against the property or interests in property of any of the Debtors with respect to any such Claim or Equity Interest, or (v) pursuing any Claim released or exculpated under the Plan.**

**Each Holder of a Claim or Equity Interest shall be bound by the injunction provisions set forth in this section. The Debtors or the Exculpated Parties shall be entitled to seek sanctions by motion for contempt or other appropriate proceeding for any violations of the Confirmation Order or the Plan, including the Exculpation, Injunction and Stay, and gate keeping provisions set forth in the Plan.**

**Unless otherwise provided, all injunctions or stays arising under or entered during the Debtors' Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect at least until the Effective Date.**

Moreover, Article XI.E contains the following gatekeeping provision:

No Person or Entity may commence or pursue a Claim or Cause of Action, as applicable, of any kind against the Debtors, the Exculpated Parties, or the Released Parties, as applicable, that relates to or is reasonably likely to relate to any act or omission in connection with, relating to, or arising out of a Claim or Cause of Action, as applicable, subject to the Plan, without the Bankruptcy Court (i) first determining, after notice and a hearing, that such Claim or Cause of Action, as applicable, represents a colorable Claim of any kind, and (ii) specifically authorizing such Person or Entity to bring such Claim or Cause of Action, as applicable, against any such Debtor, Exculpated Party, or Released Party, as applicable. At the hearing for the Bankruptcy Court to determine whether such Claim or Cause of Action represents a colorable Claim of any kind, the Bankruptcy Court may, or shall if any Debtor, Exculpated Party, Released Party, or other party in interest requests by motion (oral motion being sufficient), direct that such Person or Entity seeking to commence or pursue such Claim or Cause of Action file a proposed complaint with the Bankruptcy Court embodying such Claim or Cause of Action, such complaint satisfying the applicable Rules of Federal Procedure, including, but not limited to, Rule 8 and Rule 9 (as applicable), which the Bankruptcy Court shall assess before making a determination. For the avoidance of doubt, any party that obtains such determination and authorization and subsequently wishes to amend the authorized complaint or petition to add any Claims or Causes of Action not explicitly included in the authorized complaint or petition must obtain authorization from the Bankruptcy Court before filing any such amendment in the court where such complaint or petition is pending. The Bankruptcy Court reserves jurisdiction to adjudicate any such claims to the maximum extent provided by the law.

## **VI. RISK FACTORS**

**BEFORE TAKING ANY ACTION WITH RESPECT TO THE PLAN, HOLDERS OF CLAIMS AGAINST THE DEBTORS WHO ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PLAN SUPPLEMENT AND THE OTHER DOCUMENTS REFERRED TO, OR INCORPORATED BY REFERENCE INTO THIS DISCLOSURE STATEMENT, INCLUDING OTHER DOCUMENTS FILED WITH THE BANKRUPTCY COURT IN THE CHAPTER 11 CASES. THE RISK FACTORS SET FORTH BELOW SHOULD NOT BE REGARDED AS THE ONLY RISKS PRESENT IN CONNECTION WITH THE DEBTORS' RESTRUCTURING AND CONSUMMATION OF THE PLAN.**

### **A. Bankruptcy Law Considerations.**

#### **1. The Debtors Will Consider All Available Alternatives if the Plan Transactions are Not Implemented, and Such Alternatives May Result in Lower Recoveries for Holders of Claims Against the Debtor.**

If the Plan is not confirmed and implemented, the Debtors will consider all available alternatives, including an alternative chapter 11 plan, conversion to chapter 7, or a structured dismissal. The terms of any alternative may be less favorable to Holders of Claims against the Debtors than the terms of the Plan as described in this Disclosure Statement. Any material delay in confirming the Plan or the threat of rejection of the Plan by the Bankruptcy Court would add substantial expense and uncertainty to the process, without providing for any greater recoveries than those already proposed in the Plan.

**2. Risks Related to Confirmation and Consummation of the Plan.**

**(a) Conditions Precedent to Confirmation May Not Occur.**

As more fully set forth in Article X of the Plan, Confirmation of the Plan and the occurrence of the Effective Date are each subject to a number of conditions precedent. If each condition precedent to Confirmation is not met or waived, the Plan may not be confirmed. And if each condition precedent to the Effective Date is not met or waived, the Effective Date will not take place. In the event that the Plan is not confirmed or does not become effective, the Chapter 11 Cases may convert to a case under chapter 7 of the Bankruptcy Code or be dismissed.

**(b) Parties in Interest May Object to the Plan's Classification of Claims and Equity Interests.**

Section 1122 of the Bankruptcy Code provides that the Plan may place a Claim or an Equity Interest in a particular Class only if such Claim or Equity Interest is substantially similar to the other Claims or Equity Interests in such Class. The Debtors believe the classification of Claims and Equity Interests under the Plan complies with the requirements of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion, and the Debtors may need to modify the Plan. Such modification could require a resolicitation of votes on the Plan. The Plan may not be confirmed if the Bankruptcy Court determines that the Plan's classifications of Claims and Equity Interests are not appropriate.

**(c) The Voting Requirements May Not Be Satisfied.**

If votes are received in the number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may need to seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan. The Debtors do not believe that any such alternative exists or is likely to exist that would be more beneficial than the Plan.

**(d) The Debtors May Not Be Able to Secure Confirmation.**

Section 1129 of the Bankruptcy Code sets forth the requirements for Confirmation of the Plan, and requires, among other things, a finding by the Bankruptcy Court that: (i) the Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes; (ii) the Plan is not likely to be followed by a liquidation or a need for further financial reorganization unless liquidation or reorganization is contemplated by the Plan; and (iii) the value of distributions to non-accepting Holders of Claims and Equity Interests within a particular Class under the Plan will not be less than the value of distributions such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge whether the voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that the voting results are appropriate, the Bankruptcy Court can decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims would receive with respect to their Allowed Claims.

Subject to the limitations contained in the Plan, the Debtors reserve the right to modify the Plan and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Any modifications could result in a less favorable treatment of any Class than the treatment currently provided in the Plan, such as a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

**(e) Releases, Injunctions, and Exculpations Provisions May Not Be Approved.**

Article XI of the Plan provides for certain releases, injunctions, and exculpations. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and, therefore, may not be approved. If these provisions are not approved, certain parties may withdraw their support for the Plan. The releases and the exculpations provided under the Plan are necessary to the success of the Plan because the relevant parties have made significant contributions to the Debtors' proposed exit from chapter 11 with the expectation of receiving the full benefit of the Plan, including the release and exculpation provisions. The Plan's release and exculpation provisions are inextricable components of the Plan.

**(f) The Debtors May Not Be Able to Pursue Nonconsensual Confirmation Over Certain Impaired Non-Accepting Classes.**

In the event that any Impaired Class of Claims or Equity Interests does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtors' request if at least one Impaired Class (as defined under section 1124 of the Bankruptcy Code) has accepted the Plan (with such acceptance being determined without including the vote of any "insider" in such Class), and as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting Impaired Class(es). The Debtors believe that the Plan satisfies these requirements and may request nonconsensual Confirmation of the Plan under subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased professional fees.

**(g) The Chapter 11 Cases May Be Converted.**

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the Debtors, the Bankruptcy Court may convert the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code. In such event, one or more chapter 7 trustees would be appointed, or elected, to liquidate the Debtors' remaining assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would reduce distributions to creditors than those provided for in the Plan because significant additional administrative expenses would result from the appointment of a chapter 7 trustee.

**(h) The Chapter 11 Cases May Be Dismissed.**

If the Bankruptcy Court finds that the Debtors have incurred substantial or continuing loss or diminution to the Estates and lack the ability to effectuate substantial consummation of a confirmed plan, or otherwise determines that cause exists, the Bankruptcy Court may dismiss the Chapter 11 Cases. In such an event, the Debtors would be unable to confirm the Plan, which may ultimately result in distributions significantly lower than those provided for in the Plan.

**(i) Risk of Non-Occurrence of the Plan Effective Date.**

Although the Debtors believe the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur. As more fully set forth in Article X of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not satisfied or waived, the Effective Date will not take place.

**(j) Risks Related to Recoveries Under the Plan.**

As set forth in the Liquidation Analysis, the estimated recoveries for distributions under the Plan are based on numerous assumptions, the realization of many of which will be beyond the control of the Debtors, including: (a) the successful Confirmation of the Plan; (b) an assumed date for the occurrence of the Effective Date; (c) the final amount of Administrative Claims and Priority Tax Claims, respectively; and (d) proceeds realized by the Creditor Trustee in liquidating the Creditor Trust Assets.

**B. Miscellaneous Risk Factors and Disclaimers.**

**1. The Financial Information Is Based on the Debtor's Books and Records.**

In preparing this Disclosure Statement, the Debtors and their advisors relied on financial data derived from the Debtors' books and records. Neither the Debtors nor their advisors are unable to warrant or represent that the financial information contained in this Disclosure Statement or any information in any of the exhibits to this Disclosure Statement is without inaccuracies.

**2. No Legal or Tax Advice Is Provided by This Disclosure Statement.**

This Disclosure Statement is not legal advice to any Person. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each reader should consult its own legal and financial advisor(s) with regard to any legal, tax, and other matters concerning its Claim. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote to accept or reject the Plan or whether to object to Confirmation.

**3. No Admissions Made.**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity, including the Debtors, nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Equity Interests, or any other parties in interest.

**4. Failure to Identify Litigation Claims or Projected Objections.**

No reliance should be placed on the fact that a particular Cause of Action or projected objection to a particular Claim is, or is not, identified in this Disclosure Statement. Subject to the release provisions of the Plan, the Creditor Trustee may seek to investigate, file, and prosecute Retained Causes of Action.

**5. Information Provided by the Debtors and Relied Upon by Debtors' Advisors.**

The Debtors and their advisors have relied upon information provided to them in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain due diligence in connection with the preparation of this Disclosure Statement and

the exhibits to this Disclosure Statement, they have not independently verified the information contained in this Disclosure Statement or the information in the exhibits to this Disclosure Statement.

**6. No Representations Outside This Disclosure Statement Are Authorized.**

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision. Those who are entitled to vote to accept or reject the Plan should promptly report unauthorized representations or inducements to counsel to the Debtors and the Office of the United States Trustee for the Northern District of Texas.

**7. No Duty to Update**

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

**VII.**

**CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN**

**A. Introduction**

The following discussion summarizes certain U.S. federal income tax consequences arising from the implementation of the Plan for the Debtors and certain Holders of Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), the U.S. Treasury regulations promulgated thereunder (the “Treasury Regulations”), judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”), all as in effect on the date hereof (collectively, “Applicable Tax Law”). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority regarding the tax consequences discussed herein. The discussion below is not binding on the IRS or the courts. Additionally, no legal opinions have been requested or obtained from counsel regarding any tax aspects of the Plan, and no such opinion shall be requested or obtained. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not address non-U.S., state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Claim or Equity Interest Holder in light of such Holder’s individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to a Debtor within the meaning of the Tax Code, Persons subject to the alternative minimum tax or the “Medicare” tax on net investment income, or the base erosion and anti-abuse tax, non-U.S. taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons using a mark-to-market method of accounting, Holders of Claims who are themselves in bankruptcy, U.S. Holders whose functional currency is not the U.S. dollar, U.S. expatriates, and passive foreign investment companies). Further, this summary assumes that each Holder holds only Claims in a single Class and holds each Claim only as a “capital asset” (within the meaning of section 1221 of the Tax

Code). This summary also assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form. This summary does not discuss differences in tax consequences to Holders of Claims that act or receive consideration in a capacity other than any other Holder of a Claim of the same Class or Classes, and the tax consequences for such Holders may differ materially from those described below. This summary does not address the U.S. federal income tax consequences to (1) Holders that have Claims that are Unimpaired or otherwise entitled to payment in full in Cash under the Plan or (2) Holders that are deemed to reject the Plan.

For purposes of this discussion, a “U.S. Holder” is a Holder of a Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other Entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (a) if a court within the United States is able to exercise primary jurisdiction over the trust’s administration and one or more United States persons have authority to control all substantial decisions of the trust or (b) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person (within the meaning of section 7701(a)(30) of the Tax Code). For purposes of this discussion, a “non-U.S. Holder” is any Holder of a Claim that is not a U.S. Holder other than any partnership or other Entity treated as a partnership or other pass-through Entity for U.S. federal income tax purposes.

If a partnership or other Entity treated as a partnership or other pass-through Entity for U.S. federal income tax purposes is a Holder of a Claim, the tax treatment of a partner or other beneficial owner generally will depend upon the status of the partner or other beneficial owner and the activities of the Entity. Partners or other beneficial owners of partnerships or other pass-through entities that are Holders of Claims should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

## **B. Certain U.S. Federal Income Tax Consequences to the Debtors.**

### **1. General Tax Consequences to Debtors.**

In general, absent an exception, a debtor will realize and recognize cancellation of debt income (“CODI”), for U.S. federal income tax purposes, upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of CODI incurred is generally the amount by which the indebtedness discharged exceeds the value of any consideration given in exchange therefor. Certain statutory or judicial exceptions may apply to limit the amount of CODI incurred for U.S. federal income tax purposes.

Under section 108 of the Tax Code, a debtor is not required to include CODI in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of CODI that it excluded from gross income pursuant to the rule discussed in the preceding sentence. Such reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. In general, tax attributes will be reduced in the following order: (a) net operating losses (“NOLs”) and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with CODI may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the Tax Code. Any excess CODI over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

In the case of entities taxed for U.S. federal income tax purposes as partnerships, many provisions of section 108 of the Tax Code are applied at the partner level, including the gain exclusion and tax attribute reduction rules generally described above. As a result of the transactions contemplated by the Plan, the Debtors may realize CODI. The exact amount of any CODI that each Debtor will realize, and the amount of any tax attributes required to be reduced, cannot be known with certainty at this time.

In some cases, the IRS will treat the amount of liabilities from which a debtor is discharged as an amount realized from a sale or disposition of property instead of CODI. In such cases, a Debtor may recognize gain for the difference between the amount of liabilities discharged plus the fair market value of other consideration received in excess of the Debtor's adjusted tax basis in the property transferred. The exact amount of any sale proceeds or treatment thereof cannot be known with certainty at this time.

### **C. Withholding and Information Reporting**

Generally, information reporting requirements will apply to all payments or distributions under the Plan, unless the recipient is exempt, such as a corporation. Additionally, a Holder may be subject to backup withholding at applicable rates, unless the Holder (i) is a corporation or other person exempt from backup withholding and, when required, demonstrates this or (ii) is a United States Person (as defined by section 7701(a)(30) of the Tax Code) that provides a correct taxpayer identification number ("TIN") on Internal Revenue Service Form W-9 (or a suitable substitute form) and provides the other information and makes the representations required by such form and complies with the other requirements of the backup withholding rules. A Holder may become subject to backup withholding if, among other things, the Holder (i) fails to properly report interest and dividends for U.S. federal income tax purposes or (ii), in certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN. A Holder that does not provide a correct TIN may also be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. The U.S. federal income tax liability of a person subject to backup withholding is reduced by the amount of tax withheld as backup withholding. If backup withholding results in an overpayment of U.S. federal income tax, the Holder may obtain a refund of the overpayment by properly and timely filing a claim for refund with the IRS.

**THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR CLAIM HOLDER IN LIGHT OF SUCH CLAIM HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. HOLDERS OF ALLOWED CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

## **VIII. CONCLUSION AND RECOMMENDATION**

The Voting Deadline is **[●], 2026, at 5:00 p.m. (prevailing Central Time)**. To be counted, your Ballot must be fully completed, executed, and actually received by the Claims and Noticing Agent by the Voting Deadline.

For all of the reasons set forth in this Disclosure Statement, the Debtors believe Confirmation and Consummation of the Plan is preferable to other available alternatives. Consequently, the Debtors urge all Holders of Claims who are entitled to vote to **ACCEPT** the Plan, and to duly complete and return their Ballots in accordance with the instructions on the Ballots.

Dated: February 17, 2026

/s/ Kyle Richter

Kyle Richter

Chief Restructuring Officer