THIS SOLICITATION IS BEING CONDUCTED TO OBTAIN SUFFICIENT ACCEPTANCES OF HALLMARK FINANCIAL SERVICES, INC.'S CHAPTER 11 PLAN OF REORGANIZATION *BEFORE AND AFTER* THE FILING OF A VOLUNTARY CASE UNDER CHAPTER 11 OF TITLE 11 OF THE UNITED STATES CODE, 11 U.S.C. §§ 101–1532 (THE "BANKRUPTCY CODE"). BECAUSE THE CHAPTER 11 CASE HAS NOT YET BEEN COMMENCED, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY A BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE OR AS BEING IN COMPLIANCE WITH SECTION 1126(b) OF THE BANKRUPTCY CODE. FOLLOWING COMMENCEMENT OF THE CHAPTER 11 CASE, HALLMARK FINANCIAL SERVICES, INC. EXPECTS TO PROMPTLY SEEK ENTRY OF AN ORDER OF THE BANKRUPTCY COURT (I) APPROVING THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(a) OF THE BANKRUPTCY CODE, (II) APPROVING THE SOLICITATION OF VOTES ON THE PLAN AS HAVING BEEN IN COMPLIANCE WITH SECTION 1126(b) OF THE BANKRUPTCY CODE, AND (III) CONFIRMING THE PLAN.

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

In re:	§	Chapter 11
HALLMARK FINANCIAL SERVICES, INC.,[1]	§	Case No. 26-[XXXXX] ([●])
Debtor.	§	

DISCLOSURE STATEMENT REGARDING THE CHAPTER 11 PLAN OF REORGANIZATION FOR HALLMARK FINANCIAL SERVICES, INC.

Jason S. Brookner (Texas Bar No. 24033684)
Aaron M. Kaufman (Texas Bar No. 24060067)
Lydia R. Webb (Texas Bar No. 24083758)
Emily F. Shanks (Texas Bar No. 24110350)
GRAY REED
1601 Elm Street, Suite 4600
Dallas, TX 75201
Telephone: (214) 954-4135
Facsimile: (214) 953-1332
Email: jbrookner@grayreed.com
akaufman@grayreed.com
lwebb@grayreed.com
eshanks@grayreed.com

Proposed Counsel to the Debtor and Debtor in Possession

Dated: May 7, 2026

[1] The last four digits of the Debtor's federal tax identification number are 7375. The Debtor's mailing address is 5400 Lyndon B Johnson Fwy, Ste 400, Dallas, Texas 75240.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN AS A DESCRIPTION OF THE PLAN AND THE CHAPTER 11 CASE, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE COMPANY 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 COMPANY ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE COMPANY OR THE PLAN ARE AUTHORIZED BY THE COMPANY 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 COMPANY.

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

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

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B). THE BANKRUPTCY COURT HAS NOT YET REVIEWED THIS DISCLOSURE STATEMENT OR THE PLAN, AND THE SECURITIES TO BE ISSUED ON OR AFTER THE EFFECTIVE DATE WILL NOT HAVE BEEN THE SUBJECT OF A REGISTRATION STATEMENT FILED WITH THE SEC UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES LAW (COLLECTIVELY, THE "BLUE SKY LAWS"). THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE REGULATORY AUTHORITY AND NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE COMPANY IS RELYING ON SECTION 4(A)(2) OF THE SECURITIES ACT AND/OR REGULATION D PROMULGATED THEREUNDER, AND SIMILAR BLUE SKY LAWS PROVISIONS, TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND BLUE SKY LAWS THE OFFERING OF THE NEW COMMON EQUITY AND NEW CONVERTIBLE PREFERRED EQUITY PRIOR TO THE PETITION DATE, INCLUDING IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN (THE "SOLICITATION"). THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, UNITED STATES PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

AFTER THE PETITION DATE, THE COMPANY INTENDS TO RELY ON SECTION 1145(A) OF THE BANKRUPTCY CODE OR SECTION 4(A)(2) OF THE SECURITIES ACT AND/OR REGULATION D PROMULGATED THEREUNDER TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND BLUE SKY LAWS THE OFFER, ISSUANCE, AND DISTRIBUTION, IF APPLICABLE, OF THE NEW COMMON EQUITY AND NEW CONVERTIBLE PREFERRED EQUITY UNDER THE PLAN. NEITHER THE SOLICITATION NOR THIS DISCLOSURE STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT CONTAINS "FORWARD-LOOKING STATEMENTS." READERS ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS IN THIS DISCLOSURE STATEMENT ARE BASED ON ASSUMPTIONS THAT ARE BELIEVED TO BE REASONABLE, BUT ARE SUBJECT TO A WIDE RANGE OF RISKS, INCLUDING RISKS ASSOCIATED WITH THE FOLLOWING: (A) FUTURE FINANCIAL RESULTS AND LIQUIDITY, INCLUDING THE ABILITY TO FINANCE OPERATIONS IN THE ORDINARY COURSE OF BUSINESS; (B) THE RELATIONSHIPS WITH AND PAYMENT TERMS PROVIDED BY TRADE CREDITORS; (C) ADDITIONAL POST-RESTRUCTURING FINANCING REQUIREMENTS; (D) FUTURE DISPOSITIONS AND ACQUISITIONS; (E) THE EFFECT OF COMPETITIVE PRODUCTS, SERVICES, OR PROCURING BY COMPETITORS; (F) THE PROPOSED RESTRUCTURING AND COSTS ASSOCIATED THEREWITH; (G) THE EFFECT OF CONDITIONS IN THE LOCAL, NATIONAL, AND GLOBAL ECONOMY ON THE COMPANY; (H) THE ABILITY TO OBTAIN RELIEF FROM THE BANKRUPTCY COURT TO FACILITATE THE SMOOTH OPERATION OF THE COMPANY'S BUSINESSES UNDER CHAPTER 11; (I) THE CONFIRMATION AND CONSUMMATION OF THE PLAN; (J) THE TERMS AND CONDITIONS OF THE NEW COMMON EQUITY AND NEW CONVERTIBLE PREFERRED EQUITY TO BE ISSUED PURSUANT TO THE PLAN; AND (K) EACH OF THE OTHER RISKS IDENTIFIED IN THIS DISCLOSURE STATEMENT. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. THE COMPANY IS UNDER NO OBLIGATION TO (AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE CONFIDENTIAL AND CONTAIN MATERIAL NON-PUBLIC INFORMATION CONCERNING THE COMPANY, ITS DEBT AND OTHER SECURITIES. EACH RECIPIENT HEREBY ACKNOWLEDGES THAT IT IS AWARE THAT THE FEDERAL SECURITIES LAWS OF THE UNITED STATES PROHIBIT ANY PERSON WHO IS IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION ABOUT A COMPANY FROM PURCHASING OR SELLING ANY SECURITIES OF SUCH COMPANY OR FROM COMMUNICATING THE INFORMATION TO ANY OTHER PERSON UNDER CIRCUMSTANCES IN WHICH IT IS REASONABLY FORESEEABLE THAT SUCH PERSON IS LIKELY TO PURCHASE OR SELL ANY SUCH SECURITIES.

YOU ARE CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE, AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, FINANCIAL PROJECTIONS, AND OTHER PROJECTIONS AND FORWARD-LOOKING INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ONLY ESTIMATES, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS, AMONG OTHER THINGS, MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. ANY ANALYSES, ESTIMATES, OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

TABLE OF CONTENTS

SCHEDULES AND EXHIBITS

THE PLAN IS PROPOSED BY HALLMARK FINANCIAL SERVICES, INC. THE COMPANY STRONGLY URGES HOLDERS OF CLAIMS ENTITLED TO VOTE TO VOTE TO ACCEPT THE PLAN.

I. General Information

A. Summary of the Plan

Hallmark Financial Services, Inc., the above captioned debtor and debtor in possession ("Hallmark" or the "Company") is proposing a chapter 11 plan of reorganization, which is attached to this Disclosure Statement as **Exhibit A** (the "Plan").[1]

The Plan proposes to provide for distributions to creditors through a restructuring transaction (the "Restructuring Transaction") pursuant to that certain Restructuring Support and Forbearance Agreement dated April 3, 2026 (the "RSA") entered into between Hallmark and Hildene Capital Management, LLC and its affiliates (collectively, "Hildene"). The RSA contemplates a dual-track toggle structure whereby the Restructuring Transaction with Hildene effectively serves as the backstop, or stalking horse bidder, while Hallmark simultaneously conducts a marketing process seeking an alternative restructuring transaction that provides higher or better cash recoveries than the Restructuring Transaction (the "Alternative Restructuring Transaction"). A copy of the RSA is attached hereto as **Exhibit B**.

The principal terms of the Restructuring Transaction with Hildene are as follows:

- Holders of Senior Unsecured Notes Claims (other than Hildene) will receive New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such Holder's Allowed Senior Unsecured Notes Claim;

- Holders of General Unsecured Claims will receive payment in full in Cash in the amount of their allowed claims;

- Holders of Junior Subordinated Debt Securities Claims (other than those managed by or affiliated with Hildene) will receive 10% of the amount of such Claim in Cash.

- Holders of Senior Unsecured Notes Claims held by Hildene will receive New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such Holder's Allowed Senior Unsecured Notes Claim;

- Holders of Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene will receive non-voting membership interests in a special purpose entity that will be formed to hold 100% of the New Common Equity of the Reorganized Debtor, subject to dilution; and

[1] All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

- Holders of existing Equity Interests in the Company will receive nothing under the Plan, and such Equity Interests will be cancelled upon the Effective Date of the Plan.

The Plan contemplates the completion of a prepetition marketing process pursuant to which Hallmark will seek an Alternative Restructuring Transaction that provides higher or better cash recoveries compared to the Restructuring Transaction with Hildene. If an Alternative Restructuring Transaction is identified by Hallmark and approved by the Bankruptcy Court, the net cash proceeds from such transaction will be distributed to creditors in accordance with the priority scheme established by the Bankruptcy Code and the Plan.

Under the terms of the RSA, Hallmark and Hildene have agreed on an Initial Plan Value, which establishes the minimum bid threshold for any Alternative Restructuring Transaction. The Initial Plan Value is estimated to be approximately $47 million, calculated as (i) the amount of Senior Unsecured Notes Claims, including accrued interest (estimated to be $52.2 million as of April 30, 2026), plus (ii) 10% of Junior Subordinated Debt Claims, including accrued interest (estimated to be $8 million as of April 30, 2026), plus (iii) the estimated amount of unpaid Professional Fee Claims, Hildene Professional Fees, and other Administrative Claims as of the Effective Date (estimated to be approximately $11 million), plus (iv) to the extent applicable, any DIP claims, plus (v) the amount of general unsecured claims (estimated to be $400,000), less (vi) the estimated amount of the Company's cash, cash equivalents, and investments balance as of the projected Effective Date (estimated to be approximately $24.7 million).

In connection with the Plan, the Successful Bidder will seek Regulatory Approval for the Restructuring Transaction or Alternative Restructuring Transaction, as applicable, from all applicable Insurance Regulatory Authorities, including approval of any change-of-control applications and Form A applications required for the transaction to be consummated.

Hallmark and Hildene have agreed to work cooperatively to obtain all necessary Regulatory Approvals in an expedited manner.

The Plan provides for releases of claims against the Released Parties, which include Hallmark, the Company Released Parties, an official unsecured creditors' committee (if appointed), and the Hildene Released Parties.

B. Purpose of this Disclosure Statement

This Disclosure Statement has been prepared by Hallmark to provide details about the Plan to enable 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. Only holders of Claims in Class 3 (Senior Unsecured Notes Claims) and Class 5 (Junior Subordinated Debt Securities Claims) are entitled to vote to accept or reject the Plan. Holders of Claims in Classes 1, 2, and 4 are unimpaired and are conclusively deemed to accept the Plan. Holders of Claims in Class 6 and Equity Interests in Class 7 are impaired and are conclusively deemed to reject the Plan.

All creditors and parties in interest entitled to vote on the Plan will receive a Ballot. Holders of Claims in Classes 3 and 5 who submit a Ballot will be deemed to have consented to the Third-Party Releases unless they affirmatively check the box on the Ballot to opt out.

Parties who are not entitled to vote but who wish to opt into the Third-Party Releases may do so by returning an Opt In Form to the Solicitation Agent. More information about the Third-Party Releases and the opt-in process is provided in Section IV.C.3 below.

Upon commencement of the Chapter 11 Case, Hallmark will file its Plan, this Disclosure Statement, and a motion seeking approval of the Disclosure Statement as containing "adequate information" and a proposed solicitation process pursuant to section 1125 of the Bankruptcy Code. "Adequate information" is information of a kind, and in sufficient detail, to enable a person to make an informed judgment about the Plan.

C. General Information Concerning 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.

The formulation of a plan of reorganization or liquidation is the principal purpose of a chapter 11 case. A plan sets forth the means for satisfying the claims against and equity interests in the debtor.

D. General Information Concerning Treatment of Claims and Equity Interests

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 a plan of reorganization must classify the claims of a debtor's creditors and equity interest holders. In compliance therewith, the Plan divides claims and equity interests into classes and sets forth the treatment for each class. In accordance with section 1123(a) of the Bankruptcy Code, Administrative Claims have not been classified in the Plan. A debtor is also required, under section 1122 of the Bankruptcy Code, to

classify substantially similar claims and equity interests together. The Company believes that the Plan has classified all Claims and Equity Interests in compliance with the provisions of Bankruptcy Code section 1122.

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. For a more detailed description of the treatment of Claims and Equity Interests under the Plan and the sources of satisfaction for Claims and Equity Interests, see Section IV.B of this Disclosure Statement.

Class	Designation	Impairment	Entitled to Vote
1	Other Secured Claims	Unimpaired	No (deemed to accept)
2	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
3	***Senior Unsecured Notes Claims***	***Impaired***	***Yes***
4	General Unsecured Claims	Unimpaired	No (deemed to accept)
5	***Junior Subordinated Debt Securities Claims***	***Impaired***	***Yes***
6	Intercompany Claims	Impaired	No (deemed to reject)
7	Equity Interests	Impaired	No (deemed to reject)

E. Classes Impaired under a Plan

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 to have rejected the plan and are thus not entitled to vote.

As set forth in section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan of reorganization unless, with respect to such class, the plan: (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default: (a) cures any such default that occurred before or after the commencement of the case, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (b) reinstates the maturity of such claim or interest as it existed before such default; (c) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; (d) if the claim or interest arises from a failure to perform a non-monetary obligation (other than a default from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A)), compensates the holder (other than the debtor or an insider)

for any actual pecuniary loss incurred by the holder as a result of such failure; and (e) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

F. Voting

All holders of Claims in Classes 1, 2 and 4 are unimpaired, as they will be paid in full or otherwise receive treatment rendering their Claims unimpaired. As a result, all holders of Claims in Classes 1, 2, and 4 are conclusively deemed to have accepted the Plan.

The holders of Claims in Classes 3 and 5 are impaired and are entitled to vote to accept or reject the Plan.

The holders of Claims and Equity Interests in Class 6 and Class 7 are impaired and will receive nothing under the Plan. They are conclusively deemed to reject the Plan and are therefore not entitled to vote to accept or reject the Plan.

A Ballot casting a vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such Ballot was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

G. Requirements for Approval of the Disclosure Statement

Pursuant to sections 1125(g) and 1126(b) of the Bankruptcy Code, prepetition solicitation of votes to accept or reject a chapter 11 plan must comply with applicable federal or state securities laws and regulations (including the registration and disclosure requirements thereof) or, if such laws and regulations do not apply, provide "adequate information" under section 1125 of the Bankruptcy Code. At the Confirmation Hearing, the Company will seek a determination from the Court that the Disclosure Statement satisfies sections 1125(g) and 1126(b) of the Bankruptcy Code.

H. Confirmation and Consummation

There are two methods by which a plan may be confirmed: (i) the "acceptance" method, pursuant to which all impaired classes of claims and 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.

1. Acceptance of the Plan

A plan is accepted by an impaired class of claims if the holders of at least two-thirds (⅔) in amount and more than one-half (½) 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 (⅔) in amount of allowed equity interests in such class actually voting vote to accept the plan.

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.

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).

2. Confirmation Without Acceptance by All Impaired Classes

Under section 1129 of the Bankruptcy Code, the Company may seek confirmation of the Plan notwithstanding the 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 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 interests, no holder of claims or interests in any junior class may receive or retain any property under the plan on account of such claims or interests. The Company believes that the requirements for non-consensual confirmation will be met and the Plan will be confirmed in the event an impaired Class of Claims votes to reject the Plan.

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 Company believes that the Plan meets this requirement with respect to any Class of Claims that votes to reject the Plan because classes of equal rank are treated equally under the Plan.

3. 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 Company was liquidated under chapter 7 of the Bankruptcy Code on such date.

To demonstrate compliance with the best interests test, the Company, with the assistance of its financial advisors, prepared the liquidation analysis attached hereto as **Schedule 1**. The liquidation analysis is provided to the Court to demonstrate 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. The analysis was prepared solely to assist the Bankruptcy Court in making this determination and should not be used for any other purpose. Nothing contained in the liquidation analysis is intended to or may be asserted to constitute a concession or admission of the Company. Accordingly, the Company believes that the Plan is in the best interests of creditors.

4. Feasibility/Financial Projections

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a chapter 11 plan of reorganization is not likely to be followed by the liquidation of the reorganized debtor or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in the chapter 11 plan). For purposes of determining whether the Plan meets this requirement, the Company has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Company has prepared certain unaudited pro forma financial statements with regard to the Reorganized Debtor (the "Financial Projections"), which projections and the assumptions upon which they are based are attached hereto as **Schedule 2**. Based on these Financial Projections, the Company believes the deleveraging contemplated by the Plan meets the financial feasibility requirement. Moreover, the Company believes that sufficient funds will exist to make all payments required by the Plan. Accordingly, the Company believes that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. These Financial Projections are provided solely to assist the Bankruptcy Court in determining the Plan's feasibility and should not be relied upon by any party to assess the enterprise valuation of the Company or the Reorganized Debtor, or for any other purpose.

II. Background and Events Leading Up to Chapter 11[2]

A. About the Company

Founded in 1987 as a Nevada corporation, the Company is a diversified property and casualty insurance holding company headquartered in Dallas, Texas. Hallmark has historically engaged in the business of underwriting, marketing, and distributing property and casualty insurance products in specialty and niche markets throughout the United States through its wholly owned subsidiaries. Until January 1, 2024, the Company was a publicly listed corporation with stock trading on NASDAQ under the symbol: HALL; however, the company elected to deregister effective January 1, 2024, due to market and other factors discussed herein.

The Company's primary business is conducted through its operating subsidiaries (collectively, the "Subsidiaries"), which include both licensed insurance carriers (the "Insurance Subsidiaries") and managing general agents (the "MGA Subsidiaries"). The Company's operating Subsidiaries are: (a) licensed as admitted carriers in 49 states; (b) licensed as managing general

[2] The descriptions below are derived from the *Declaration of William Snyder, Chief Restructuring Officer, in Support of Chapter 11 Petition and First Day Motions.*

agents in 48 states; (c) eligible as excess and surplus carriers in 44 states; and (d) engaged in active business in 48 states. Through its Subsidiaries, the Company offers commercial and personal insurance solutions to businesses and individuals in specialty and niche markets on an admitted basis. The business lines include underwriting and servicing property and casualty insurance products that require specialized underwriting expertise and market knowledge.

The Company has historically marketed, distributed, underwritten, and serviced its insurance products through three different business units: (i) commercial lines, (ii) personal lines, and (iii) specialty commercial lines. Each business unit is responsible for marketing, distribution, and underwriting, while the Company provides capital management, claims management, reinsurance, actuarial, investment, financial reporting, technology, legal services, and other administrative support at the parent level. The Company generates revenue through its MGA Subsidiaries, which earn commissions and fees in exchange for their services to the Company's Insurance Subsidiaries. In recent years, the Company has discontinued certain lines of business, placing those lines into voluntary run-off, entering into reinsurance agreements with third parties, or selling pieces of the business.

As of the date of this Disclosure Statement, Hallmark maintains a staff of 224 employees, all based in its headquarters in Dallas, Texas. Chris Kenney serves as its Chief Executive Officer, President, Chief Financial Officer, Treasurer, and Secretary. Mr. Kenney reports to a board of directors comprised of the following individuals:

- Mark Schwarz, Chairman and Director
- Scott Berlin, Director
- Mark Pape, Director
- Doug Slape, Director

B. Corporate Structure

The Company is the only entity commencing a Chapter 11 Case. The Debtor's Insurance Subsidiaries and MGA Subsidiaries are not, and will not be, debtors in this Chapter 11 Case and will continue to operate in the ordinary course throughout these proceedings. The Company directly or indirectly owns all of the equity interests in its Subsidiaries. The Company's key Insurance Subsidiaries include Hallmark Insurance Company, Hallmark Specialty Insurance Company, Hallmark National Insurance Company, and American Hallmark Insurance Company of Texas, among others. The Company's key MGA Subsidiaries include American Hallmark General Agency, Inc. and Hallmark Underwriters, Inc.

C. Prepetition Capital Structured

1. Senior Unsecured Notes

On August 19, 2019, the Company issued $50,000,000 aggregate principal amount of senior unsecured notes (the "Senior Unsecured Notes") pursuant to that certain Indenture, dated as

of August 19, 2019 (the "Senior Unsecured Notes Indenture"), between the Company and The Bank of New York Mellon Trust Company, N.A., as indenture trustee. The Senior Unsecured Notes bear interest at a fixed rate of 6.25% per annum, payable semi-annually, and mature on August 19, 2029.

The terms of the Senior Unsecured Notes Indenture prohibit payments or other distributions on any security of the Company that ranks junior to the Senior Unsecured Notes when Hallmark's debt to capital ratio (as defined in the Senior Unsecured Notes Indenture) is greater than 35%. The Company's debt to capital ratio currently exceeds 100%.

As of April 30, 2026, the estimated outstanding amount of the Senior Unsecured Notes Claims, including accrued interest, is approximately $52.2 million. Hildene, through its managed funds and accounts, holds $36,030,000, or 72%, of the outstanding Senior Unsecured Notes, including $1,607,486 in accrued interest. Other noteholders represent $13,970,000, or 28%, of the outstanding Senior Unsecured Notes, including $623,275 in accrued interest. Interest on the Senior Unsecured Notes will continue to accrue until the filing of the Chapter 11 Case.

2. Junior Subordinated Debt Securities

The Company issued $30,928,000 aggregate principal amount of 2035 Junior Subordinated Debt Securities pursuant to that certain indenture dated as of June 21, 2005 (the "2035 Junior Subordinated Debt Securities Indenture"), between the Company and JPMorgan Chase Bank, National Association, as indenture trustee. The 2035 Junior Subordinated Debt Securities bear interest at a fixed rate of 7.725% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 3.25%, with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters. As of April 30, 2026, $30,928,000 of principal amount remains outstanding, together with approximately $13.4 million in accrued and unpaid interest thereon. Interest on the 2035 Junior Subordinated Debt Securities will continue to accrue until the filing of the Chapter 11 case. The 2035 Junior Subordinated Debt Securities mature on June 15, 2035.

The Company issued $25,774,000 aggregate principal amount of 2037 Junior Subordinated Debt Securities (together with the 2035 Junior Subordinated Debt Securities, the "Junior Subordinated Debt Securities") pursuant to that certain indenture dated as of August 23, 2007, between the Company and The Bank of New York Trust Company, National Association, as indenture trustee. The 2037 Junior Subordinated Debt Securities bear interest at a fixed rate of 8.28% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 2.90%, with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters under certain conditions. As of April 30, 2026, $25,774,000 of principal amount remains outstanding, together with approximately $10.5 million in accrued and unpaid interest thereon. Interest on the 2037 Junior Subordinated Debt Securities will continue to accrue until the filing of the Chapter 11 case. The 2037 Junior Subordinated Debt Securities mature on September 15, 2037.

The Company elected to defer interest payments to the Junior Subordinated Debt Securities starting in Q1 2020 and believes that deferred interest in the aggregate amount of approximately $20 million came due in Q4 of 2025. Hildene, through its managed funds and accounts, holds

66.7% of the 2035 Junior Subordinated Debt Securities and 50.1% of the 2037 Junior Subordinated Debt Securities.

3. General Unsecured Claims

General unsecured claims against the Company ("GUCs") are estimated to be approximately $400,000 as of the date of this Disclosure Statement, excluding litigation claims. GUCs include claims arising from trade payables, professional services, and other general obligations of the Company that are not secured by liens or otherwise entitled to priority under the Bankruptcy Code. The Company will pay Allowed GUCs in full, while reserving the right to review and object to disputed claims in accordance with the terms of the Plan.

4. Existing Equity

On the Effective Date, the Company's issued and outstanding shares of common stock and any other equity securities of the Company, including any outstanding options, warrants, or other rights to acquire such equity securities (collectively, the "Existing Equity") will be cancelled, released, and extinguished. Holders of Existing Equity will not receive or retain any property or distribution under the Plan on account of such interests.

D. Circumstances Leading to the Commencement of the Chapter 11 Case

1. Prior Loss Portfolio Transfer Transaction and Related Litigation

Beginning in late 2019 and early 2020, Hallmark began to experience greater losses in certain of its portfolios than in prior years. In Spring 2020, Hallmark began to solicit offers for loss portfolio transfer and other reinsurance transactions. These efforts resulted in Hallmark's Subsidiaries entering into a Loss Portfolio Transfer Reinsurance Contract (the "LPT Contract") with DARAG Bermuda Ltd. and DARAG Insurance (Guernsey) Limited (collectively, "DARAG"). The LPT Contract was consummated on July 31, 2020, but effective as of January 1, 2020.

Not long after consummating the LPT Contract, DARAG commenced an arbitration proceeding against Hallmark and its Subsidiaries based on alleged misrepresentations in the LPT Contract. On June 2, 2023, the arbitration panel rendered a final award in favor of DARAG, resulting in the termination of the LPT Contract and a significant loss to Hallmark, which is estimated to have been between $25 million and $35 million.

2. AM Best Ratings Downgrade and Withdrawal

The loss suffered by the unfavorable arbitration ruling with DARAG had consequences to Hallmark's business beyond the immediate balance sheet loss. Before the ruling, Hallmark enjoyed an A- (Excellent) financial strength rating (FSR) with A.M. Best Company, Inc. ("AM Best"), the premier credit rating service for insurance carriers like Hallmark's Subsidiaries. Hallmark believes its A- FSR was essential to its Subsidiaries' ability to write commercial insurance policies. As a result of the DARAG arbitration and unfavorable ruling, AM Best downgraded Hallmark's FSR from A- (Excellent) to ccc- (weak), and Hallmark ultimately withdrew from the ratings altogether. As disclosed in prior press releases, Hallmark has entered

into arrangements with other insurance carriers to continue underwriting its policies on the other carriers' paper. This "fronting" arrangement is common in the industry but comes with a significant cost which reduces Hallmark's profitability. Unless the company is sold as part of this chapter 11 case, Hallmark intends to reenter the commercial market following the effective date of a restructuring plan when it can demonstrate its strong financial health.

3. Sale of the Specialty Commercial Segment

While the DARAG arbitration was ongoing in 2022, Hallmark elected to exit the specialty commercial business segment altogether, due in large part to a higher than usual volume of claims exceeding the reserves for such claims. On October 7, 2022, Hallmark consummated the sale of substantially all of its excess and surplus lines operations to an affiliate of Core Specialty Insurance Holdings, Inc. The transaction was comprised of substantially all of nine business units within Hallmark's specialty commercial segment, certain related assets and liabilities, and the immediate transition to the acquirer of approximately 200 employees who produce and support these lines of business. The transaction with Core Specialty Insurance Holdings, Inc. did not result in the assumption of all claims. Thus, Hallmark placed the unassumed claims into run-off. Because the high volume of claims in the specialty commercial portfolio exceeded the amounts held in reserve for such claims, the specialty commercial business lines caused significant losses to the company's balance sheet, forcing Hallmark to fall out of compliance with its 35% debt to capital ratio covenants under the Senior Unsecured Notes Indenture.

4. Director and Officer Claims

The DARAG arbitration exposed significant misconduct by several members of the Company's former management team, including Naveen Anand ("Anand"), the Chief Executive Officer, and Kenneth Krissinger ("Krissinger"), Chief Actuary. Following the allegations made by DARAG in such arbitration, Hallmark retained outside advisors to investigate the facts and circumstances surrounding DARAG's allegations. Hallmark has since separated from certain officers and directors, including Anand, Krissinger, Jeffrey Passmore, and Charles Stauber.

While Hallmark was weighing the costs and benefits of pursuing litigation against these individuals, Anand commenced an action for declaratory judgment in the United States District Court for the Northern District of Texas on December 18, 2024, seeking advancement of legal expenses. *See Anand v. Hallmark Financial Services, Inc.*, Case No. 24-cv-03181-B (N.D. Tex.) (the "Anand Action"). The commencement of the Anand Action forced Hallmark to respond with its own compulsory counterclaims for breach of fiduciary duty and fraudulent concealment. See Anand Action, Docket No. 12. Hallmark's counterclaims allege that Anand and other members of his senior executive team engaged in a campaign to "takedown" or "suppress" claim reserves in 2018 and 2019, which they fraudulently concealed from the Company's auditors and board of directors. Compounding the misconduct was its concealment from DARAG and misrepresentations in the LPT Contract, resulting in the 2023 arbitration award.

On March 13, 2025, Anand moved for summary judgment on his advancement claim, which was denied on December 9, 2025, and his advancement claim was dismissed. Anand Action, Docket No. 44. On January 22, 2026, Anand filed a second amended complaint to assert a claim for advancement of fees incurred since Hallmark filed its counterclaim and moved for summary judgment on that claim. Docket Nos. 51, 56-58. On February 23, 2026, Anand filed a

motion to dismiss Hallmark's counterclaim. Docket No. 53. The Anand Action remains ongoing, and trial is currently scheduled for November 2026.

On October 10, 2025, Hallmark filed a petition against Krissinger in the Business Court of the State of Texas, First Division, concerning his role in the takedown scheme. See *Hallmark Financial Services, Inc., v. Krissinger*, 25-BC01A-0046 (the "Krissinger Action"). On January 7, 2026, Krissinger removed the case to the U.S. District for the Northern District of Texas, Dallas Division under Case Number 3:26-cv-00040-B (N.D. Tex.). On January 30, 2026, Krissinger answered the complaint, asserted a counterclaim for advancement, and moved to dismiss. Krissinger Action, Docket Nos. 13, 14. The Krissinger Action is in its preliminary phase and a scheduling order has not been entered.

The Plan contains Debtor Releases discussed further below. Those provisions of the Plan do not release these individuals from claims the Company is pursuing or may, in the future, pursue against these individuals. All such claims are expressly preserved under the Plan.

5. Prepetition Sale Efforts

By late 2024, it was becoming apparent that Hallmark would require a balance sheet restructuring or capital infusion to satisfy its deferred interest obligations to the Junior Subordinated Debt Securities in late 2025. Thus, in December 2024, Hallmark engaged Raymond James & Associates ("Raymond James") to provide investment banking services and explore a possible sale of some or all of its Subsidiary businesses. Raymond James went to market in the spring of 2025, reaching out to 164 total industry participants, including 80 prospective financial buyers and 84 potential strategic buyers. Approximately 52 of these targets signed NDAs, 10 submitted indications of interest, and three submitted formal letters of intent. At least one of these proposals contemplated an acquisition of Hallmark's entire enterprise. However, Hallmark concluded this "enterprise" proposal was not actionable, because the consideration offered for the entire business was insufficient.

Raymond James received three letters of intent for Aerospace Insurance Managers ("AIM"), one of Hallmark's MGA Subsidiaries. At the direction of Hallmark, Raymond James conducted a robust process to obtain the highest and best offer for AIM and ultimately, an agreement was reached with Bishop Street Underwriters to acquire Hallmark's equity interests in AIM. The transaction closed on June 30, 2025.[3] As a result of the sale of AIM to Bishop Street, Hallmark received net proceeds of approximately $30 million (the "Aviation Sale Proceeds"), after payment of fees and expenses associated with the transaction.

6. Restructuring Negotiations with Hildene and Path Forward

Following the receipt of the Aviation Sale Proceeds, Hallmark, through counsel, contacted the then-majority holders of the Senior Unsecured Notes and the Junior Subordinated Debt Securities to negotiate for the Senior Unsecured Note holders to consent to Hallmark's payment of the approximately $20 million in deferred interest due on the Junior Subordinated Debt Securities, as referenced above. Following this initial contact, Hildene acquired the majority

[3] *See* Yahoo! Finance, *Acquisition Marks Bishop Street's First Entry into the Personal Aviation Insurance Market*, *https://finance.yahoo.com/news/bishop-street-underwriters-acquires-aerospace-120000411.html* (July 1, 2025) (last visited Sept. 26, 2025).

position in the Senior Unsecured Notes. Hallmark renewed its request for consent to pay the Junior Subordinated Debt Securities from Hildene. In a letter to Hallmark dated December 9, 2025, Hildene denied Hallmark's request to pay the deferred interest.

On February 23, 2026, Hallmark received that certain Notice of Acceleration (the "Notice of Junior Acceleration") relating to the 2035 Junior Subordinated Debt Securities from Hildene. The Notice of Junior Acceleration stated that on January 15, 2026, an event of default occurred and is continuing under Section 5.01(a) of the 2035 Junior Subordinated Debt Securities Indenture, based on Hallmark's failure to make the interest payment on December 15, 2025 relating to the 2035 Junior Subordinated Debt Securities.

On March 2, 2026, Hildene delivered to Hallmark a Notice of Acceleration (the "Notice of Senior Acceleration") relating to the Senior Unsecured Notes. The Notice of Senior Acceleration stated that, based on the Notice of Junior Acceleration, an event of default occurred and is continuing under the Senior Unsecured Notes Indenture.

Following extensive arm's-length negotiations between the Company, Hildene, and their respective advisors regarding a potential restructuring of the Company's balance sheet, on March 27, 2026, the Company and Hildene executed the Restructuring Term Sheet, which set forth the essential terms of the RSA. On April 3, 2026, the Company and Hildene executed the RSA, which incorporates the Restructuring Term Sheet as Exhibit A thereto and sets forth the parties' binding commitments to support and consummate the Restructuring Transaction or, alternatively, the Alternative Restructuring Transaction pursuant to the dual-track toggle structure described herein.

The RSA contemplates a dual-track toggle structure. Under the first track, the Company's non-cash assets will be immediately marketed pursuant to a "go-shop" sale process soliciting Alternative Restructuring Transactions with a minimum purchase price of no less than the Initial Plan Value (as defined below). Under the second track, if the go-shop process does not result in an Alternative Restructuring Transaction exceeding the Initial Plan Value, the Restructuring Transaction will be consummated pursuant to a pre-negotiated Plan of reorganization consistent with the RSA.

In the event the Restructuring Transaction is consummated, the Plan contemplates the following treatment of claims and interests: (a) holders of Allowed Senior Unsecured Note Claims affiliated with Hildene shall receive New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such holder's Allowed Claim, bearing a 10% per annum PIK dividend, while non-Hildene holders of Allowed Senior Unsecured Note Claims shall receive New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such holder's Allowed Claim (with the aggregate principal amount of New Senior Unsecured Notes not to exceed approximately $14 million plus accrued and unpaid interest); (b) holders of Allowed Junior Subordinated Debt Claims shall receive 10% of the amount of such Claim in cash, with holders managed by or affiliated with Hildene electing to receive non-voting membership interests in HHH (a newly formed limited liability company managed by Brett Jefferson, the CEO of Hildene, who will receive none of the distributions under the Plan personally), which will receive 100% of the New Common Equity Interests of the Reorganized Debtor, subject to dilution; (c) General Unsecured Claims shall be paid in full in cash, subject to the terms of the Plan; and (d) all Existing Equity Interests shall be cancelled, released, and extinguished, with holders receiving no distribution under the Plan. In the event an Alternative

Restructuring Transaction is approved, net proceeds will be distributed to creditors in accordance with the priority scheme set forth in the Plan.

The RSA sets forth detailed milestones governing the timeline for the restructuring. Key prepetition milestones include: (a) launch of the marketing process and Hildene outreach to state regulators in Texas, Arizona, and Oklahoma no later than April 6, 2026; (b) delivery of the Verified Statement by Hildene no later than April 6, 2026; (c) delivery of final solicitation materials no later than May 6, 2026; (d) the prepetition voting deadline of June 4, 2026; and (e) solicitation of letters of intent through May 30, 2026.

Key postpetition milestones include: (a) filing of the Plan, Disclosure Statement, and related motions on the Petition Date; (b) approval of Bidding Procedures and solicitation procedures within 30 days after the Petition Date; (c) the Qualified Bid Deadline of 45 days after the Petition Date; (d) the auction, if necessary, within 50 days after the Petition Date; (e) the Voting Deadline of 55 days after the Petition Date; (f) entry of the Confirmation Order within 60 days after the Petition Date; and (g) Regulatory Approvals within 90 days after the Petition Date if Hildene is the Successful Bidder, or 150 days after the auction if a third party is the Successful Bidder, in each case subject to extensions as agreed by the parties.

As a key component of the RSA, Hildene agreed to forbear from exercising remedies against the Company with respect to any claims held by Hildene arising from defaults or events of default under the Senior Unsecured Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture, commencing on the RSA's effective date and continuing until the earlier of the Petition Date or the RSA's termination. The RSA further provides that Hildene shall direct the applicable indenture trustees not to exercise remedies to the extent that any other holder of notes or debt securities directs such indenture trustee to exercise such remedies.

On or around April 1, 2026, the Company, via its advisor, Raymond James, launched its marketing process to solicit offers for Alternative Restructuring Transactions. Under the terms of the RSA, the Company is required to solicit Letters of Intent related to Alternative Restructuring Transactions through and including May 30, 2026 (the "LOI Date"). The Company and its advisors are required to provide Hildene and the Hildene Advisors with bi-weekly updates on the bidding process and reasonable access to Raymond James and any materials prepared in connection with the bidding process that are shared with other prospective bidders; *provided however*, that the Company and its advisors are not obligated to share or disclose the names of any competing bidders, indications of values of their potential bids, or any other confidential information that the Company or its advisors believe, in good faith, would undermine the competitive bidding process.

III. The Company's Proposed Restructuring

The Company intends to commence its Chapter 11 Case in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, on or about June 9, 2026, in order to effectuate the Restructuring Transaction and reorganize its balance sheet.

A. The Proposed Disclosure Statement and Solicitation Process

On the date hereof, the Company, via the Solicitation Agent, commenced its prepetition solicitation of the Plan by delivering a copy of the Plan and this Disclosure Statement (including ballots) to Holders of Class 3 Senior Unsecured Notes Claims and Class 5 Junior Subordinated Debt Securities Claims. The Company has established June 4, 2026, as the deadline for the receipt of votes to accept or reject the Plan for Holders of Claims in Class 3 (Senior Unsecured Notes Claims) and Class 5 (Junior Subordinated Debt Securities Claims). Hildene has agreed in the RSA to vote the claims in Classes 3 and 5 under its control to accept the Plan.

The Company will seek Bankruptcy Court approval of the Prepetition Voting Deadline at the outset of the Chapter 11 Case. As soon as practicable after the Prepetition Voting Deadline, the Company will file with the Bankruptcy Court a report setting forth the voting results for Class 3 Senior Unsecured Notes Claims and Class 5 Junior Subordinated Debt Securities Claims. Based on the execution of the RSA by Hildene, the Company believes that the prepetition voting report likely will show that the Holders of Claims in Classes 3 and 5 have overwhelmingly voted to accept the Plan. Accordingly, on the Petition Date, the Company intends to file the Plan, this Disclosure Statement, and a motion to approve certain procedures for solicitation of the Plan (the "Solicitation Procedures") and schedule the Confirmation Hearing to consider approval of this Disclosure Statement and confirmation of the Plan.

The following table sets forth the timetable for the solicitation process and the anticipated Chapter 11 Case.

Proposed Solicitation and Confirmation Timeline	
Prepetition Voting Record Date	April 24, 2026
Prepetition Solicitation Date	May 7, 2026
Prepetition Voting Deadline	June 4, 2026
Prepetition Voting Tabulation Deadline	June 8, 2026 (no later than 2 business days after the Prepetition Voting Deadline). The Solicitation Agent shall provide the tabulation of the prepetition ballots received.
Projected Petition Date	June 9, 2026
Postpetition Voting Record Date	Date of entry of the Order granting the Company's solicitation procedures motion
Postpetition Solicitation Date	Three (3) business days after entry of the Order granting the Company's solicitation procedures motion
Plan Supplement Date	7 business days prior to the Postpetition Voting Deadline

Postpetition Voting Deadline	TBD
Objection Deadline	TBD
Combined Hearing Date	TBD

B. First Day Motions and Certain Related Relief

To minimize disruption to the Company's operations and effectuate the terms of the Plan, upon the commencement of the Chapter 11 Case, the Company intends to file motions seeking various relief, including authority to: (1) continue utilizing the Company's prepetition cash management system, including with respect to intercompany transactions; (2) pay prepetition wages and certain administrative costs related to those wages; and (3) certain other standard first-day motions for relief.

Additionally, the Company intends to file a motion seeking (1) entry of an order scheduling the Confirmation Hearing and approving the form of notices and procedures related thereto, (2) approval of the Disclosure Statement as containing adequate information under section 1125(a) of the Bankruptcy Code, and (3) approval of the Solicitation Procedures.

The Company also plans to file motions and/or applications seeking certain customary relief, including the entry of orders approving the retention of the Company's bankruptcy advisors, including Gray Reed as legal counsel, CR3 Partners, LLC as financial advisor, Raymond James as investment banker, and Stretto as Solicitation Agent.

The Company also intends to file a motion seeking approval of the Bidding Procedures in connection with the dual-track toggle structure contemplated by the RSA and the Plan. The Bidding Procedures will designate Hildene as the stalking horse bidder with the Restructuring Transaction serving as the stalking horse bid based on the Initial Plan Value. Under the Bidding Procedures, a qualified bid must be made in cash, without due diligence or financing contingencies, and other prospective bidders (excluding Hildene) must submit a 10% cash deposit. Hildene shall serve as a consultation party and a qualified bidder entitled to make one or more topping bids in any Auction, with the overbid portion of any such topping bids to be made from Hildene's own cash. Any Alternative Restructuring Transaction must be found by the Bankruptcy Court to be reasonably expected to (a) maximize the value of the Company's estate and (b) result in higher or better recoveries to holders of Claims or Interests as compared to the recoveries under the Restructuring Transaction.

C. Claims Against the Company

1. In General

The Company proposes to pay all Administrative Claims, including Professional Fee Claims, and Priority Tax Claims in full pursuant to Article II of the Plan. A summary of classified Claims is as follows:[4]

[4] *See* Liquidation Analysis, attached hereto as **Schedule 1**.

Class	Designation	Estimated Amounts	Estimated Recovery
1	Other Secured Claims	$100,000	100%
2	Priority Non-Tax Claims	$246,000	100%
3	Senior Unsecured Notes Claims	$52.2 million[5]	100%
4	General Unsecured Claims	$400,000	100%
5	Junior Subordinated Debt Securities Claims	$80.5 million[6]	10% cash
6	Intercompany Claims	Unknown	0%
7	Equity Interests	N/A	0%

Treatment of these Claims under the Plan is described in Article IV herein. Administrative Claims, Professional Fee Claims, and Priority Tax Claims are not classified for purposes of voting or receiving distributions under the Plan. Instead, all such Claims shall be treated separately as unclassified claims on the terms set forth below and in Article II of the Plan.

2. Administrative Claims (other than Professional Fee 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. Except to the extent that a Holder of an Allowed Administrative Claim agrees to a different treatment of such Claim, each Holder of an Allowed Administrative Claim shall receive, on account of and in full satisfaction of such Claim, Cash in an amount equal to the amount of such Allowed 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.

3. Professional Fee Claims

Every Professional Person holding a Professional Fee Claim shall file a final application for payment of fees and reimbursement of expenses no later than the first Business Day that is thirty (30) days after the Effective Date. Each Professional Fee Claim shall be paid by the Reorganized Debtor from the Professional Fee Reserve or, if necessary, available Cash, upon entry of a Final Order approving such Professional Fee Claim.

4. U.S. Trustee Fees

All U.S. Trustee Fees that arise before the Effective Date shall be paid from the Company's available Cash on or before the Effective Date or when such amounts are due in the ordinary course. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Case shall be paid by the Reorganized Debtor.

5. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in

[5] Estimated amount does not include additional interest that will continue to accrue through the bankruptcy filing date.

[6] Estimated amount does not include additional interest that will continue to accrue through the bankruptcy filing date.

exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

IV. The Plan

Section IV 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 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 this Section IV and the Plan, the Plan Supplement and any attachments to the Plan, the Plan, Plan Supplement, and the attachments to the Plan, as applicable, shall govern.

A. Summary of Key Plan Provisions

Article	Plan Pages	Summary
I	1–10	**Definitions and Rules of Interpretation and Construction**. This article contains the definitions used throughout the Plan, as well as conventions for computing time and determining the governing law that will apply to various provisions in the Plan.
II	10-12	**Treatment of Unclassified Claims - Administrative and Priority Claims**. This article details the treatment for certain Priority and Administrative Claims, such as state and federal taxes, and compensation of bankruptcy professionals. These types of claims are afforded higher payment priority under the Bankruptcy Code and, thus, the Company must ensure that they are paid or otherwise dealt with before the Plan can provide payments to other claims.
III	12	**Classification of Claims and Equity Interests**. This article summarizes the different categories of claims. Creditors who disagree with the classification may seek an order from the Bankruptcy Court allowing Claims for voting purposes or reclassifying their claims.
IV	12-14	**Treatment of Claims and Equity Interests**. This article details the treatments for each class of Claims. A more detailed description of the Plan treatment is set forth immediately below in Article IV.B of this Disclosure Statement.
V	14-15	**Impairment; Acceptance or Rejection of the Plan; Effect of Rejection by One or More Classes.** This article explains which classes are entitled to accept or reject the Plan.

Article	Plan Pages	Summary
VI	15-21	**Means of Implementation**. This article contains the various provisions that are critical to the implementation of the Plan, including the vesting of assets, the issuance of New Convertible Preferred Equity, New Common Equity, and New Senior Unsecured Notes, the corporate governance of the Reorganized Company, and the Management Incentive Plan.
VII	21-24	**Distributions**. This article sets forth the procedures for distributions under the Plan.
VIII	24-27	**Procedures for Resolving and Treating Disputed Claims**. This article sets forth the procedures for assumption and rejection of executory contracts and unexpired leases and for resolving and treating Disputed Claims.
IX	28-29	**Conditions Precedent**. This article lists the various conditions precedent to the Effective Date of the Plan. As set forth in Article IX.C of the Plan, certain conditions may be waived.
X	30-33	**Effect of Consummation**. This article details the effect confirmation and consummation of the Plan will have on creditors. As summarized further in Section IV.C of this Disclosure Statement, Article X of the Plan contains the Discharge (Article X.A), Exculpation (Article X.B), Plan Releases by the Company and Hildene (Article X.C), Third-Party Releases (Article X.D), and Injunction and Stay (Article X.E) and Gate Keeping provisions (Article X.F).
XI	33-34	**Retention of Jurisdiction**. All plans contain provisions regarding the items over which the Bankruptcy Court retains jurisdiction after confirmation and the Effective Date. Article XI of the Plan enumerates a list of matters over which the Bankruptcy Court shall retain jurisdiction to decide, should they become issues in the future.
XII	34-36	**Miscellaneous Provisions**. This article contains various miscellaneous provisions, such as where to send notice, how to find the Plan Supplement and other documents, and the binding effect of the Plan.

B. Treatment of Classes of Claims and Equity Interests

The classification and treatment of Allowed Claims and Equity Interests is specified below.

1. Class 1 — Other Secured Claims

On the Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, at the election of the Company or the Reorganized Debtor (with the consent of Hildene, if applicable): (i) payment

in full in Cash of the unpaid portion of such Claim (or, if not then due, payment in the ordinary course in accordance with the terms of the applicable agreement), (ii) Reinstatement of such Claim, or (iii) such other treatment as will render such Claim Unimpaired under the Plan.

Class 1 is unimpaired under the Plan, and the Holders of Claims in Class 1 are therefore conclusively deemed to accept the Plan. The Company will not solicit votes from Holders of Class 1 Other Secured Claims.

2. Class 2 — Priority Non-Tax Claims

On the Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Cash or other treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.

Class 2 is unimpaired under the Plan, and the Holders of Claims in Class 2 are therefore conclusively deemed to accept the Plan. The Company will not solicit votes from Holders of Class 2 Priority Non-Tax Claims.

3. Class 3 – Senior Unsecured Notes Claims

Alternative Restructuring Transaction. In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction pursuant to the Plan, on the Effective Date or as soon as reasonably practicable thereafter, the Company shall make pro rata distributions to the Allowed Senior Unsecured Noteholders of the net proceeds from such Alternative Restructuring Transaction (after full payment of allowed administrative, and priority tax or other priority claims), up to the aggregate amount of the Allowed Senior Unsecured Notes Claims, including any Indenture Trustee fees and expenses reimbursable under the Senior Unsecured Notes Indenture (up to the Indenture Trustee Fee and Expense Cap).

Hildene Restructuring Transaction. In the event the Bankruptcy Court does not approve the Alternative Restructuring Transaction, on the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Senior Unsecured Notes Claim held or managed by Hildene, such Allowed Senior Unsecured Noteholder shall receive, on account of such Claim, New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such Allowed Senior Unsecured Notes Claim.

Each other Allowed Senior Unsecured Noteholder shall receive, on account of such Claim, New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such Holder's Allowed Senior Unsecured Notes Claim. The terms of the New Senior Unsecured Notes are described in Article VI.C.5 of the Plan, and will contain the following key terms:

a. Issuer: The Reorganized Debtor.

b. Quantum: The aggregate principal amount of New Senior Unsecured Notes to be issued on the Plan Effective Date shall be based on the portion of Allowed Senior Unsecured Notes Claims not held by Hildene. The maximum aggregate

principal amount of New Senior Unsecured Notes issued shall not exceed the aggregate principal amount of approximately $14,000,000, plus accrued and unpaid interest.

c. Interest Rate: Six and one-quarter percent (6.25%) per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

d. Priority: Pari passu with all other unsecured obligations of the Reorganized Debtor.

e. Maturity: December 31, 2032.

f. Call Protection: None. The New Senior Unsecured Notes shall be redeemable in whole or in part, at the option of the Reorganized Debtor at any time at a redemption price of par plus accrued and unpaid interest.

Senior Unsecured Notes Claims shall be deemed Allowed in the principal amount of $50,000,000.00, plus accrued and unpaid interest as of the Petition Date to the fullest extent permitted under the Senior Unsecured Notes Indenture and applicable law.

The Company believes that the New Senior Unsecured Notes will provide a greater recovery for Class 3 Senior Unsecured Noteholders than such Holders would receive in a liquidation. Accordingly, the Company recommends that members of this Class vote to accept the Plan.

Class 3 is impaired under the Plan. The Company will solicit votes from Holders of Class 3 Senior Unsecured Notes Claims.

4. Class 4 – General Unsecured Claims

On the Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim, shall receive payment in Cash of the unpaid portion of such Claim (without interest, premium or penalty) on or about the Effective Date. For General Unsecured Claims that are not Allowed as of the Effective Date, the Reorganized Debtor shall pay the amount of such Allowed General Unsecured Claim as directed by any Final Order of the Bankruptcy Court allowing such Claim.

Class 4 is unimpaired under the Plan, and the Holders of Claims in Class 4 are therefore conclusively deemed to accept the Plan. The Company will not solicit votes from Holders of Class 4 General Unsecured Claims.

5. Class 5 – Junior Subordinated Debt Securities Claims

***Alternative Restructuring Transaction*.** In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction, on the Effective Date or as soon as reasonably practicable thereafter, the Company shall make pro rata distributions of the net proceeds from such Alternative Restructuring Transaction (after full payment of Allowed Administrative Claims, Allowed Priority Tax Claims or other Allowed Priority Non-Texas Claims, Allowed Senior Unsecured Notes Claims, and Allowed General Unsecured Claims), up to the aggregate amount of the Allowed Junior Subordinated Debt Securities Claims.

Hildene Restructuring Transaction. In the event the Bankruptcy Court does not approve an Alternative Restructuring Transaction, on the Plan Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Junior Subordinated Debt Securities Claim, each Holder of an Allowed Junior Subordinated Debt Securities Claim shall receive, on account of such Claim, 10% of the amount of such Claim in Cash.

Notwithstanding the foregoing, Holders of Allowed Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene agree to less favorable treatment such that, on the Effective Date, the Reorganized Debtor shall issue 100% of the New Common Equity Interests to HHH,[7] and the Holders of Allowed Junior Subordinated Debt Securities Claims who are managed by or affiliated with Hildene shall receive their Pro Rata share of the non-voting membership interests issued by HHH in lieu of any Cash distribution.

The New Common Equity of the Reorganized Debtor shall be subject to dilution by (i) the New Convertible Preferred Equity of the Reorganized Debtor or any securities issued in respect thereof and (ii) New Common Equity of the Reorganized Debtor issuable or reserved under the MIP and any other common equity issuances by the Reorganized Debtor to this Plan with Hildene's consent, or otherwise issued after the Effective Date.

The 2035 Junior Subordinated Debt Securities Claims shall be deemed Allowed in the principal amount of $30,928,000.00, plus accrued and unpaid interest as of the Petition Date to the fullest extent permitted under the 2035 Junior Subordinated Debt Securities Indenture and applicable law. The 2037 Junior Subordinated Debt Securities Claims shall be deemed Allowed in the principal amount of $25,774,000.00, plus accrued and unpaid interests as of the Petition Date to the fullest extent permitted under the 2037 Junior Subordinated Debt Securities Indenture and applicable law.

Class 5 is impaired under the Plan. The Company will solicit votes from Holders of Class 5 Junior Subordinated Debt Securities Claims.

6. Class 6 – Intercompany Claims

On the Effective Date or as soon as reasonably practicable thereafter, all Intercompany Claims shall be discharged and Holders of Intercompany Claims shall receive nothing on account of such Intercompany Claims.

The Holders of Intercompany Claims in Class 6 will be impaired and conclusively deemed to reject the Plan. The Company will not solicit votes from Holders of Class 6 Intercompany Claims.

[7] Under the Plan, "HHH" means Hildene Hallmark Holdings, LLC, a limited liability company organized under the laws of Delaware, (a) established for the purpose of owning up to 100% of the New Common Equity of the Reorganized Debtor in the event of a Restructuring Transaction; (b) the non-voting membership interests of which are owned 100% by Holders of Allowed Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene; and (c) which entity shall be solely managed by Brett Jefferson, who will not hold any direct equity interest in HHH and is not receiving any consideration under the Plan.

7. Class 7 – Equity Interests

On the Effective Date, all Equity Interests shall be cancelled, released, and extinguished and shall be of no further force or effect, and Holders of Equity Interests shall not receive or retain any property or distribution under the Plan on account of such Equity Interests.

Class 7 is impaired under the Plan. Holders of Equity Interests are conclusively deemed to have rejected the Plan and are not entitled to vote.

C. Release, Exculpation, and Injunction Provisions

Article X of the Plan provides for debtor releases, exculpations, and injunctions to ensure the enforceability of the Plan and prior orders of the Bankruptcy Court. The Plan also contains third-party releases.

The Company believes that the debtor releases, third-party 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 Chapter 11 Case, consistent with applicable law, and are a necessary component of the Restructuring Transaction.

The Company further believes that such releases, exculpations, and injunctions are a necessary part of the Plan. The Company will be prepared to meet its burden to establish the basis for the releases, exculpations, and injunctions for each of the relevant parties and each Exculpated Party as part of confirmation of the Plan.

1. Exculpatory Provisions

The Exculpated Parties under the Plan are limited to: (1) the Company, and (2) the members of the Committee (if appointed).

Article X.B of the Plan proposes to exculpate the Exculpated Parties from liabilities arising from any acts or omissions occurring on or after the Petition Date in connection with the Chapter 11 Case. Specifically, Article X.B of the Plan 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 on and after the Petition Date from, relating to, or connected with the administration of the Chapter 11 Case, 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 their duties and responsibilities pursuant to the Plan.

2. Plan Releases by the Company and Hildene

Article X.C of the Plan provides for two sets of releases of certain claims and Causes of Action. First, under Article X.C.1 of the Plan, the Company Releasing Parties expressly and generally release the Hildene Released Parties and the Company Released Parties. Second, under Article X.C.2 of the Plan, and the Hildene Releasing Parties expressly and generally release the Company Released Parties and the Hildene Released Parties from claims related to the Company or the negotiation, formulation, or preparation of the Restructuring Transaction.

The Company Releasing Parties include Hallmark, its Insurance Subsidiaries, and various representatives of each. The Company Released Parties include (i) the Company, (ii) the Company's predecessors, successors and assigns, Insurance Subsidiaries, affiliates, managed accounts or funds or investment vehicles, and (iii) each of such Person's respective current officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Company, and (iv) the current officers and directors of the Company and its Insurance Subsidiaries, in each case in the foregoing (i) through (iii), in their capacity as such.

The Hildene Releasing Parties include Hildene Capital Management, LLC, Hildene Collateral Management Company, LLC, certain of its affiliate(s), funds, and accounts managed and expressly listed and disclosed to the Company in writing to the Company before the Petition Date in compliance with the RSA and subsequently disclosed to the Court pursuant to a verified statement under Bankruptcy Rule 2019, as well as any predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in each case in their capacity as such.

The term Company Released Parties includes (i) the Company, (ii) the Company's predecessors, successors and assigns, Insurance Subsidiaries, affiliates, managed accounts or funds or investment vehicles, and (iii) each of such Person's respective current officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Company, and (iv) the current officers and directors of the Company and its Insurance Subsidiaries, in each case in the foregoing (i) through (iii), in their capacity as such.

Neither the Company Released Parties nor any releases set forth in the Plan or otherwise shall be construed to include the following individuals: Naveen Anand, Kenneth Krissinger, Jeffrey Passmore, and Charles Stauber. The Company does not release claims against these individuals, and any such claims and causes of action held by the Company against these individuals are expressly reserved under the Plan and may be pursued or continued by the Reorganized Debtor after the Effective Date.

The Hildene Released Parties include Hildene, its predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds, and each of such entities' respective current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in their respective capacities as such.

The Plan expressly carves out from the Hildene Releases in Article X.C.2 (x) any of the obligations of any of the Company Released Parties or of any other Person to consummate the transactions to be executed pursuant to this Plan, (y) to fully and timely perform all of the actions to be performed by any of them under or pursuant to this Plan, or under or pursuant to any document, instrument, or agreement executed to implement the Plan, or (z) the rights of Holders of Allowed Claims and Equity Interests to receive distributions under the Plan.

3. Third-Party Releases

Article X.D of the Plan proposes releases of claims by third parties (the "Third-Party Releases"). Specifically, the key Plan definitions are as follows:

> ***Released Parties*** **means collectively the following, in each case in its capacity as such with each being a "Released Party": (a) the Company Released Parties; (b) the Committee and its members (if appointed); and the (c) Hildene Released Parties.**
>
> ***Releasing Parties*** **means collectively the following, in each case in its capacity as such with each being a "Releasing Party": (a) the Company Releasing Parties; (b) the Committee (if appointed); (c) Consenting Parties; and (d) the Hildene Releasing Parties.**
>
> ***Consenting Parties*** **means all Persons who affirmatively consent to the Third-Party Releases by either: (1) submitting a Ballot to the Solicitation Agent without having checked the appropriate box to opt out of the Third-Party Releases; or (2) returning an Opt In Form to the Solicitation Agent having checked the appropriate box to opt into the Third-Party Releases.**
>
> ***Third-Party Releases*** **means those releases provided under Article X.D of the Plan.**

Article X.D of the Plan provides:

> **On the Plan Effective Date, to the extent permitted by law, all Consenting Parties shall be deemed to release, acquit, and discharge the Hildene Released Parties and the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever (except any Claim against or Equity Interest in the Debtor that is dealt with under this Plan), including any derivative claims asserted or assertable on behalf of the Debtor or its Estate, any claims asserted or assertable on behalf of any Holder of any Claim against or Equity Interest in the Debtor and any claims asserted or assertable on behalf of any other Entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the**

Consenting Parties (whether individually or collectively) ever had, now has, or may have, based on or relating to, or in any manner arising from, in whole or in part, Hildene or the Debtor (including the purchase, sale, rescission, or any other transaction relating to any security of or debt) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case, whether known or unknown, arising on or before the Effective Date. Notwithstanding the foregoing, nothing in such releases shall be construed as a release of any obligations owed under the Plan.

In exchange for such Third-Party Releases, the Hildene Released Parties shall be deemed to have expressly, conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged each Consenting Party to the fullest extent permissible under applicable law, from any and all claims, causes of action, interests, damages, remedies, demands, rights, actions, suits, debts, sums of money, obligations, judgments, liabilities, accounts, defenses, offsets, counterclaims, crossclaims, powers, privileges, licenses, liens, indemnities, guaranties, and franchises of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, now existing or hereafter arising, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, secured or unsecured, assertable, directly or derivatively, matured or unmatured, suspected or unsuspected, in contract, tort, law, equity, or otherwise, arising from, relating to, or connected with, the Debtor (or any predecessor entity) or the Chapter 11 Case or affecting property of the Debtor's Estate, the Plan or the administration and implementation of the Plan, or based upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing releases do not release (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, or (ii) the rights of Holders of Allowed Claims and Equity Interests to receive distributions under the Plan.

Each of the Consenting Parties and Hildene Released Party knowingly grants this Third-Party Release notwithstanding that each Consenting Party and Hildene Released Party may hereafter discover facts in addition to, or different from, those which either such Consenting Party or Hildene Released Party now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and each Consenting Party or Hildene Released Party expressly waives any and all rights that such Consenting Party or Hildene Released Party may have under any statute or common law principle which would limit the effect of the Third-Party Release to those claims actually known or suspected to exist as of the Effective Date.

In connection with their agreement to the foregoing Third-Party Release, the Consenting Parties knowingly and voluntarily waive and relinquish any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law, which governs or limits

a person's release of unknown claims, comparable or equivalent to California Civil Code § 1542, which provides:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

4. Injunction and Gate Keeping

Articles X.E and X.F 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 X.E of the Plan provides as follows:

> **Upon the Effective Date, and except as otherwise expressly provided in this Plan, all Persons who have held, hold, or may hold Claims against or Equity Interests in the 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 Debtor, its Estate, or the Reorganized Debtor (as applicable), (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any of the Debtor, its Estate, or the Reorganized Debtor (as applicable) with respect to any such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor, its Estate, the Reorganized Debtor, or any property or interests in property of any of the foregoing, 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 the Debtor, its Estate, the Reorganized Debtor, or any property or interests in property of any of the foregoing, with respect to any such Claim or Equity Interest, or (v) with respect to any Releasing Party, 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 Reorganized Debtor, the Released Parties, 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 this Plan, including the Exculpation, Injunction and Stay, and Gate Keeping provisions set forth in this Plan.**
>
> **Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Case 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 X.F of the Plan contains the following gatekeeping provision:

> **No Person or Entity may commence or pursue a claim or cause of action of any kind against any Exculpated Party 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 subject to Article X.B, X.C, X.D, and X.E hereof, including any claim or cause of action that was asserted or assertable on behalf of the Debtor, including any derivative, alter ego, successor liability, or similar claims and Causes of Action based on general harm to the Debtor, Holders of Claims and Equity Interests, or any other party in interest, or a theory of lack of separation between the Debtor and an Exculpated Party, without the Bankruptcy Court first determining, upon motion that attaches a copy of the proposed complaint or petition, and after notice and a hearing, that such claim or cause of action represents a direct (as opposed to derivative) and claim of any kind which has not been discharged, released, or otherwise exculpated under this Plan. At the hearing on such motion, the Bankruptcy Court shall have sole and exclusive jurisdiction to assess whether the proposed complaint or petition satisfies the applicable standard in this Plan. 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 applicable law.**

V. Risk Factors

BEFORE TAKING ANY ACTION WITH RESPECT TO THE PLAN, HOLDERS OF CLAIMS AGAINST THE COMPANY 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 CASE. THE RISK FACTORS SET FORTH BELOW SHOULD NOT BE REGARDED AS THE ONLY RISKS PRESENT IN CONNECTION WITH CONSUMMATION OF THE PLAN.

A. Bankruptcy Law Considerations

1. The Company 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 Company. If the Plan is not confirmed and implemented, the Company 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 Company than the terms of the Plan as described in this Disclosure Statement.

Any material delay in the confirmation of the Plan, the Chapter 11 Case, 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 what is 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 IX 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. Moreover, if each condition precedent to the Effective Date is not met or waived, the Effective Date may not take place.

The conditions precedent to the Effective Date include, among others: (i) the RSA has not been terminated and remains in full force and effect; (ii) the Confirmation Order has been entered and become a final order; (iii) the aggregate principal amount of New Senior Unsecured Notes to be issued shall not exceed approximately $14,000,000 plus accrued and unpaid interest; (iv) the Successful Bidder and/or the Company (in the case of an Alternative Restructuring Transaction) have obtained all necessary Regulatory Approvals with respect to all Insurance Subsidiaries, and all such approvals are in full force and effect; (v) all Plan Supplements have been finalized consistent with the RSA; (vi) the New Organizational Documents and New Senior Unsecured Notes have been duly executed or filed; (vii) all billed Hildene Professional Fees have been paid in full, with accrued but unbilled amounts escrowed; (viii) all Professional Fee Claims have been paid or amounts sufficient to pay such fees have been placed in a Professional Fee Reserve; (ix) all other agreements and instruments necessary to implement the Plan have been executed and delivered; and (x) there shall not be in effect any law or order by any Insurance Regulatory Authority restraining, enjoining, or prohibiting consummation of the transaction. Certain of these conditions may not be waived, such as the requirement items (iii)-(vi) above. All other conditions may be waived by agreement without notice or approval by the Bankruptcy Court.

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

Section 1122 of the Bankruptcy Code provides that a 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 Company believes 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 Company 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 classification of Claims and Equity Interests is not appropriate.

c. The Voting Requirements May Not Be Satisfied.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Company intends to seek, as promptly as practicable thereafter, confirmation of the Plan. In the event that sufficient votes are not received, the Company may need to seek to confirm an alternative chapter 11 plan or transaction. There can be no assurance that the terms of any such alternative chapter 11 plan or other transaction would be similar or as favorable to the holders of Allowed Claims as those proposed in the Plan.

d. The Company May Not Be Able to Secure Confirmation.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 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 debtor was 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 Company reserves 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 X 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 the releases are not approved, certain parties may

withdraw their support for the Plan, including Hildene. The releases by the Company and Hildene and the exculpation provided to the Exculpated Parties are necessary to the success of the Plan because the Exculpated Parties and Released Parties have made significant contributions to the Company's proposed reorganization with the expectation of receiving the full benefit of the Plan's release and exculpation provisions. The Plan's release and exculpation provisions are inextricable components of the Plan.

f. The Company May Not Be Able to Pursue Nonconsensual Confirmation Over Certain Impaired Non-Accepting Classes.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, the Bankruptcy Court may nevertheless confirm a plan at the proponent's 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 Company believes that the Plan satisfies these requirements, and the Company may request such nonconsensual confirmation in accordance with 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 Case May Be Converted.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert the case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed, or elected, to liquidate the Company's remaining assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Company believes that liquidation under chapter 7 would reduce distributions being made 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 Case May Be Dismissed.

If the Bankruptcy Court finds that the Company has incurred substantial or continuing loss or diminution to the Estate and lacks the ability to effectuate substantial consummation of a confirmed plan, or otherwise determines that cause exists, the Bankruptcy Court may dismiss the Chapter 11 Case. In such event, the Company would be unable to confirm the Plan, which may ultimately result in significantly decreased distributions than those provided for in the Plan.

i. Risk of Non-Occurrence of the Plan Effective Date.

Although the Company believes 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 IX of the Plan, the Effective Date is subject to a number of conditions precedent, including obtaining all necessary Regulatory Approvals. If such conditions precedent are not satisfied or waived, the Effective Date will not take place.

B. Risks Related to Recoveries Under the Plan

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 Company), including: (a) the successful confirmation of the Plan; (b) an assumed date for the occurrence of the Effective Date; (c) the receipt of all necessary Regulatory Approvals; and (d) the final amount of Administrative Claims and Priority Claims, respectively.

1. Regulatory Approval Risks

The Restructuring Transaction contemplated by the Plan requires Regulatory Approval from all applicable Insurance Regulatory Authorities with jurisdiction over the Company and its Insurance Subsidiaries. Hildene has applied for such regulatory approvals as it believes are required. Such Regulatory Approvals include, without limitation, approval of any change-of-control applications, Form A applications, or equivalent processes required by state insurance regulators. There can be no assurance that all necessary Regulatory Approvals will be obtained, with respect to either a Restructuring Transaction or Alternative Restructuring Transaction, or that such approvals will be obtained within the timeframes required by the Plan or the RSA. If Regulatory Approvals are not obtained, the Effective Date may not occur, and the Restructuring Transaction may not be consummated. In such event, the Company may pursue an Alternative Restructuring Transaction with the Backup Bidder or consider other available alternatives.

2. The Company May Not Be Able to Achieve Its Projected Financial Results

The Financial Projections represent management's best estimate of the future financial performance of the Company or the Reorganized Debtor, as applicable, based on currently known facts and assumptions about future operations of the Company or the Reorganized Debtor, as applicable, as well as the U.S. economy in general and the relevant industry in which the Company operates. There is no guarantee that the Financial Projections will be realized, and actual financial results may differ significantly from the Financial Projections. To the extent the Reorganized Debtor does not meet its projected financial results or achieve projected revenues and cash flows, the Reorganized Debtor may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service its debt obligations as they come due, or may not be able to meet their operational needs, all of which may negatively affect the value of the New Common Equity and New Convertible Preferred Equity. Further, a failure of the Reorganized Debtor to meet its projected financial results could lead to cash flow and working capital constraints, which may require the Company to seek additional working capital. The Reorganized Debtor may be unable to obtain such working capital when required, or may only be able to obtain such capital on unreasonable or cost prohibitive terms. For example, the Reorganized Debtor may be required to take on additional debt, the interest costs of which could adversely affect the results of the operations and financial condition of the Reorganized Debtor, and also have a negative effect on the value of the New Common Equity and New Convertible Preferred Equity. In addition, if any such required capital is obtained in the form of equity, the New Common Equity and New Convertible Preferred Equity to be issued under the Plan could be diluted.

3. Estimated Valuations of the Company and the New Common Equity, and Estimated Recoveries to Holders of Allowed Claims and Interests Are Not Intended to Represent Potential Market Values

The Company's estimated recoveries to Holders of Allowed Claims and Allowed Interests are not intended to represent the market value of the Company's or the Reorganized Debtor's Securities. None of the Reorganized Debtor's Securities will be listed or traded on a recognized public market. The estimated recoveries are based on numerous assumptions (the realization of many of which will be beyond the control of the Company), including: (a) the successful reorganization of the Company; (b) an assumed date for the occurrence of the Effective Date; (c) the Company's ability to achieve the operating and financial results included in the Financial Projections; (d) the Company's ability to maintain adequate liquidity to fund operations; (e) the assumption that capital and equity markets remain consistent with current conditions; and (f) the Company's ability to maintain critical customer relationships.

The Company has not obtained a formal enterprise valuation of the Company or the Reorganized Debtor in connection with the Plan and does not believe that standard valuation methodologies would yield a reliable estimate of the enterprise value of the Company or the Reorganized Debtor under the scenario in which the Restructuring Transaction is approved on the Effective Date. Because the Company is an insurance holding company whose value is derived principally from the operations, licenses, and statutory surplus of its non-debtor Insurance Subsidiaries and MGA Subsidiaries, any attempt to value the Company's enterprise on a consolidated basis is subject to significant limitations and uncertainties that are unique to the highly regulated insurance and financial services industry.

In particular, widely used valuation approaches—*i.e.*, the comparable public company analysis, precedent transaction analysis, and discounted cash flow models—present unique challenges when applied to the Company. With respect to comparable public company analysis, the Company deregistered from the NASDAQ exchange effective January 1, 2024, and there is no current public market price for the Company's equity securities. Moreover, the universe of publicly traded property and casualty insurance holding companies that are reasonably comparable to the Company in terms of size, product mix, geographic footprint, financial condition, and ratings profile is extremely limited, and the Company's current financial distress, rating withdrawal, and reliance on fronting arrangements make meaningful comparisons to rated, investment-grade peers unreliable. With respect to precedent transaction analysis, publicly available information regarding transactions involving insurance holding companies in financial distress — and, in particular, those involving a change of control subject to multi-state insurance regulatory approval — is scarce and may not reflect the specific dynamics of the Company's business. With respect to a discounted cash flow analysis, such approach requires reliable long-term cash flow projections, and the Company's projected cash flows are subject to a high degree of uncertainty given the factors described herein, including the outcome of the Restructuring Transaction, the timeline and conditions of Regulatory Approvals, the ultimate cost of run-off liabilities, and the Reorganized Debtor's ability to restore its financial strength rating and transition away from fronting arrangements.

In addition to the general limitations of standard valuation methodologies, several industry-specific factors further complicate any attempt to estimate the enterprise value of the Company or the Reorganized Debtor under the Restructuring Transaction:

- **Regulatory Capital and Solvency Requirements**. The Company's Insurance Subsidiaries are subject to extensive regulation by state insurance departments in the jurisdictions in which they are licensed. These regulations impose minimum capital and surplus requirements, risk-based capital standards, and restrictions on the payment of dividends and other distributions from the Insurance Subsidiaries to the Company. The value attributable to the Insurance Subsidiaries is therefore constrained by the amount of statutory capital that must be maintained to satisfy regulatory requirements and to support ongoing policy obligations. As a result, a significant portion of the economic value of the Insurance Subsidiaries may not be freely distributable to the Company or available to satisfy creditor claims, which limits the utility of enterprise valuation methodologies that do not account for these regulatory constraints.

- **Pending Regulatory Approvals**. Consummation of the Restructuring Transaction is conditioned upon receipt of Regulatory Approval from all applicable Insurance Regulatory Authorities with jurisdiction over the Company and its Insurance Subsidiaries, including approval of change-of-control applications and Form A applications in multiple states. The timing, conditions, and ultimate outcome of such Regulatory Approvals are inherently uncertain and are outside the control of the Company and Hildene. Insurance regulators may impose conditions on their approval—including requirements related to capital contributions, management, reinsurance, or restrictions on future transactions—that could materially affect the value of the Reorganized Debtor. This regulatory uncertainty makes it difficult to assign a reliable enterprise value as of the projected Effective Date.

- **Reserve Uncertainty and Run-Off Liabilities**. Certain of the Company's former business lines, including the specialty commercial segment, have been placed into voluntary run-off following the sale of substantially all of the Company's excess and surplus lines operations in October 2022. The ultimate cost of resolving run-off claims is subject to significant actuarial uncertainty, and actual losses may materially exceed or fall short of current reserve estimates. The DARAG arbitration, which resulted in the termination of the LPT Contract and an estimated loss of between $25 million and $35 million, illustrates the magnitude of reserve risk inherent in the Company's business. Reserve development—whether favorable or adverse—could materially affect the value of the Company's Insurance Subsidiaries and, in turn, the enterprise value of the Reorganized Debtor.

- **AM Best Rating Withdrawal and Fronting Arrangements**. As described in Section II.D.2 of this Disclosure Statement, the Company's financial strength rating from AM Best was downgraded from A- (Excellent) to ccc- (weak) following the unfavorable DARAG arbitration ruling, and the Company subsequently withdrew from the ratings altogether. As a result, the Company's Insurance Subsidiaries have been required to rely on fronting arrangements with other insurance carriers to continue writing new policies, which reduces profitability and introduces counterparty and operational risk. The Reorganized Debtor's ability to restore its financial strength rating and transition away from fronting arrangements after the Effective Date is uncertain and depends on numerous factors,

including the outcome of the Restructuring Transaction, satisfaction of regulatory requirements, and the Reorganized Debtor's post-emergence financial condition. Until such time as a financial strength rating is restored, the earning power and competitive position of the Insurance Subsidiaries—and, by extension, the enterprise value of the Reorganized Debtor—remain subject to material uncertainty.

- **Limited Market Evidence**. As described in Section II.D.5 of this Disclosure Statement, the Company engaged Raymond James to conduct comprehensive marketing processes in 2025, again in 2026. Although that process yielded interest in specific Subsidiary businesses—most notably the sale of Aerospace Insurance Managers, which the Company sold in 2025—the Company has yet to receive any proposals that are actionable or more beneficial for creditors than the Restructuring Transaction. As described more fully in the Plan, the Company and Hildene have agreed, through the RSA, on an Initial Plan Value of approximately $46 million, which serves as a floor to determine whether a higher and better alternative is available to the Company. As of the date of this Disclosure Statement, the Company has received no actionable proposals from third parties. Through the Plan, the Company intends to continue marketing its Insurance Subsidiaries through a bankruptcy sale process to determine whether a higher and better offer is attainable. The limited interest in an enterprise-level acquisition thus far underscores the difficulty of establishing a reliable enterprise valuation for the Company and reflects the challenges that prospective acquirers face in underwriting the regulatory, reserve, and ratings risks described above.

For these reasons, Holders of Claims and Equity Interests are cautioned that the estimated recoveries set forth in this Disclosure Statement are based on the treatment specified in the Plan and the assumptions described herein, and should not be interpreted as reflecting a determination of the enterprise value of the Company or the Reorganized Debtor. As discussed in this Disclosure Statement, the recovery ranges for Holders of Claims and Equity Interests will be greater than the hypothetical liquidation scenario discussed in the Liquidation Analysis attached hereto as Schedule 1, and within the range of the Initial Plan Value discussed herein. The actual value of the Reorganized Debtor following the Effective Date will depend on a wide range of factors, many of which are beyond the control of the Company, including the factors described in this Section V and elsewhere in this Disclosure Statement.

The Company believes Hildene's agreement under the RSA and the Plan to accept New Preferred Equity Interests and New Common Equity Interests in satisfaction of the Class 3 Senior Unsecured Notes Claims and Class 5 Junior Subordinated Debt Securities Claims it holds or manages is likely to result in the creditors managed or affiliated with Hildene receiving less favorable treatment under the Plan than other non-Hildene creditors in those Classes 3 and 5, respectively.

4. Certain Tax Implications of the Plan.

Holders of Allowed Claims should carefully review Article [VII] of this Disclosure Statement, entitled "Certain U.S. Federal Income Tax Consequences of the Plan," to determine how the tax implications of the Plan and the Chapter 11 Case may adversely affect the Reorganized Debtor and Holders of certain Claims.

C. Miscellaneous Risk Factors and Disclaimers

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

In preparing this Disclosure Statement, the Company relied on financial data derived from the Company's books and records. While the Company believes that such financial information fairly reflects the Company's financial condition, the Company is 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 Company) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Company, 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 litigation claim 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 Company may seek to investigate, file, and prosecute Causes of Action.

5. Information Provided by the Company and Relied Upon by Company's Advisors

The Company and its professionals 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 Company 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 all 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 Company, the Chapter 11 Case, 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 Company 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 Company 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 Company has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

VI. Important Securities Laws Disclosures

A. Plan Consideration.

The Plan provides for the Reorganized Debtor to distribute 100% of the New Convertible Preferred Equity in the Reorganized Debtor to Hildene in respect of its Allowed Senior Unsecured Notes Claims. The Plan provides for the Reorganized Debtor to distribute 100% of the New Common Equity in the Reorganized Debtor to HHH, whose membership interests will be distributed to and held by the Holders of Allowed Class 5 Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene, subject to dilution by (i) the New Convertible Preferred Equity of the Reorganized Debtor or any securities issued in respect thereof and (ii) New Common Equity of the Reorganized Debtor issuable or reserved under the MIP and any other equity issuances contemplated by the Plan or otherwise consented to by Hildene. The Company believes that shares of New Common Equity and New Convertible Preferred Equity may constitute "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and all applicable state Blue Sky Laws.

B. Exemption from Registration Requirements; Issuance and Resale of New Common Equity and New Convertible Preferred Equity.

1. Exemption from Registration Requirements; Issuance and Resale of New Common Equity and New Convertible Preferred Equity.

The offering of any New Common Equity and New Convertible Preferred Equity prior to the Petition Date shall be exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any applicable state Blue Sky Laws) shall not apply to the offer or sale of stock, options, warrants, or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon these exemptions, the offer, issuance and distribution of the New Common Equity and New Convertible Preferred Equity in respect of Claims as contemplated by the Plan will not be registered under the Securities Act or any applicable state Blue Sky Laws.

To the extent issuance under section 1145(a) of the Bankruptcy Code is unavailable and Securities issued under the Plan must instead be issued in reliance on section 4(a)(2) of the Securities Act or Regulation D thereunder, such Securities will be "restricted securities" subject to resale restrictions and may be resold, exchanged, assigned, or otherwise transferred only pursuant to registration, or an applicable exemption from registration under the Securities Act and applicable state and local securities law. The Company will seek to obtain, as part of the Confirmation Order, a provision confirming such exemptions.

The Company believes that the issuance of the New Common Equity and New Convertible Preferred Equity in respect of Claims as contemplated by the Plan is covered by section 1145 of the Bankruptcy Code. Accordingly, the Company believes that such New Common Equity and New Convertible Preferred Equity may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an "underwriter" (as discussed in Section VI.B.2 below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in section 1145(b) of the Bankruptcy Code, or an affiliate of the Reorganized Debtor (or has been such an "affiliate" within 90 days of such transfer). In addition, the New Common Equity and New Convertible Preferred Equity generally may be able to be resold without registration under applicable state Blue Sky Laws by a Holder that is not an underwriter or an affiliate of the Reorganized Debtor pursuant to various exemptions provided by the respective Blue Sky Laws of those states. The availability of such exemptions cannot be known, however, unless individual state Blue Sky Laws are examined. Notwithstanding the foregoing, any securities or instruments issued under the Plan in reliance on section 1145 of the Bankruptcy Code remain subject to compliance with any rules and regulations of the SEC, if any, applicable at the time of any future transfer of such securities or instruments and any other applicable regulatory approval.

Recipients of the New Common Equity and New Convertible Preferred Equity are advised to consult with their own legal advisors as to the availability and applicability of section 1145 of the Bankruptcy Code to such New Common Equity and New Convertible Preferred Equity and any other potential exemption from registration under the Securities Act or applicable state Blue Sky Laws in any given instance and as to any applicable requirements or conditions to such availability.

The Company does not have any contract, arrangement, or understanding relating to, and will not, directly or indirectly, pay any commission or other remuneration to any broker, dealer, salesperson, agent, or any other person for soliciting votes to accept or reject the Plan. The Company has received assurances that no person will provide any information to Holders of Claims relating to the solicitation of votes on the Plan other than to refer such Holders to the information contained in this Disclosure Statement. In addition, no broker, dealer, salesperson, agent, or any other person, is engaged or authorized to express any statement, opinion, recommendation, or judgment with respect to the relative merits and risks of the Plan. Thus, no person will receive any commission or other remuneration, directly or indirectly, for soliciting votes to accept or reject the Plan or in connection with the offer of any Securities that may be deemed to occur in connection with voting on the Plan.

2. Definition of "Underwriter" Under Section 1145(b) of the Bankruptcy Code; Implications for Resale of New Common Equity and New Convertible Preferred Equity.

The New Common Equity and New Convertible Preferred Equity may be freely transferred by most recipients following the initial issuance under the Plan, subject to any restrictions in the New Organizational Documents, and all resales and subsequent transfers of the New Common Equity and New Convertible Preferred Equity are exempt from registration under the Securities Act and state securities laws, unless the holder is an "underwriter" with respect to such securities. Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions of an entity that is not an issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer," for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code may suggest that a creditor who owns 10% or more of a class of voting securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person") with respect to the New Common Equity and New Convertible Preferred Equity to be issued in respect of Claims or Interests as contemplated by the Plan would depend upon various facts and circumstances applicable to that Person. Accordingly, the Company expresses no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Equity and New Convertible Preferred Equity to be issued in respect of Claims or Interests as contemplated by the Plan and, in turn, whether any Person may freely resell such New Common Equity or New Convertible Preferred Equity. The Company recommends that potential recipients of the New Common Equity and New Convertible Preferred

Equity to be issued in respect of Claims or Interests as contemplated by the Plan consult their own counsel concerning their ability to freely trade such securities without registration under the federal and applicable state Blue Sky Laws.

Under certain circumstances, holders of New Common Equity and New Convertible Preferred Equity who are deemed to be "underwriters" may be entitled to resell their New Common Equity or New Convertible Preferred Equity pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such Person if the required holding period has been met and, under certain circumstances, current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met.

The foregoing summary discussion is general in nature and has been included in this Disclosure Statement solely for informational purposes. We make no representations concerning, and do not provide, any opinions or advice with respect to the New Common Equity, the New Convertible Preferred Equity, or the bankruptcy matters described in the Disclosure Statement.

3. Resale of New Common Equity and New Convertible Preferred Equity Pursuant to Section 4(a)(2) Under the Securities Act.

Any New Common Equity or New Convertible Preferred Equity distributed pursuant to section 4(a)(2) under the Securities Act will be offered, issued and distributed without registration under the Securities Act and applicable state securities laws and in reliance upon the exemption set forth therein. New Common Equity and New Convertible Preferred Equity issued pursuant to section 4(a)(2) under the Securities Act will be considered "restricted securities" as defined by Rule 144 of the Securities Act and may not be resold under the Securities Act and applicable state securities laws absent an effective registration statement, or pursuant to an applicable exemption from registration, under the Securities Act and pursuant to applicable state securities laws. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person after a specified holding period if current information regarding the issuer is publicly available and certain other conditions of Rule 144 are met, and, if such seller is an affiliate of the issuer, if volume limitations and manner of sale requirements are met. The Company expresses no view as to whether any person may freely resell the New Common Equity and New Convertible Preferred Equity issued pursuant to section 4(a)(2) under the Securities Act.

THE COMPANY RECOMMENDS THAT POTENTIAL RECIPIENTS OF SECURITIES ISSUED UNDER THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO TRADE SUCH SECURITIES IN COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND ANY APPLICABLE "BLUE SKY" LAWS. THE COMPANY MAKES NO REPRESENTATIONS CONCERNING, AND DO NOT PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE SECURITIES OR THE BANKRUPTCY MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT. THE COMPANY MAKES NO REPRESENTATION CONCERNING THE ABILITY OF A PERSON TO DISPOSE OF SUCH SECURITIES.

VII. Certain U.S. Federal Tax Consequences of the Plan

A. Introduction

The following discussion summarizes certain material U.S. federal income tax consequences of the implementation of the Plan to the Company, the Reorganized Debtor, 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 Company has not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. Additionally, no legal opinions have been requested or obtained from counsel with respect to any of the 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 particular holder in light of such holder's individual circumstances or to a holder that may be subject to special tax rules (such as holders that purchaser Claims as a discount, Persons who are related to the Company within the meaning of the Tax Code, Persons subject to the alternative minimum tax, including the corporate 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, individual retirement or other tax-deferred accounts, persons required to report income on an applicable financial statement, financial institutions, small business investment companies, persons holding Claims or Equity Interests as part of a straddle, hedge, constructive sale, conversion transaction, or other integrated transaction, 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, equity, and other arrangements to which the Company is a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Plan will be consummated in accordance with its terms. This summary does not discuss differences in tax consequences to holders of Claims that act or receive consideration in a capacity other than as a holder in the applicable Class or that receive consideration different from other holders in the same Class, and the tax consequences for such holders may differ materially from those described below. This summary does not address all U.S. federal income tax consequences to holders of Claims in unimpaired Classes or to holders of Equity Interests deemed to reject the Plan, except to the extent specifically noted herein.

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.

THE FOLLOWING SUMMARY IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF THE PLAN AND DISCLOSURE STATEMENT.

B. Certain U.S. Federal Income Tax Consequences to the Company and the Reorganized Debtor.

1. Characterization of the Restructuring Transaction Additional losses and interest deductions may be generated which can ultimately increase the Company's NOLs and disallowed interest carryforwards. Depending on how the Restructuring Transaction is implemented, some NOLs remaining upon implementation of the Plan may be able to offset future taxable income, thereby being available to reduce the Company's future aggregate tax obligations. As discussed below, however, the Company's NOLs are expected to be reduced upon implementation of the Plan and could be subject to other limitations. The Restructuring Transaction is not expected to give rise to any gain or loss to the Company (other than as a result of CODI, as described below). The Company's tax attributes will, subject to the rules discussed below regarding CODI and section 382 of the Tax Code, survive the restructuring process and potentially be usable by the Reorganized Debtor going forward.

2. Cancellation of Debt and Reduction of Tax Attributes

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 adjusted issue price of the indebtedness discharged exceeds the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness issued therefor, and (iii) the fair market value of any other new consideration (including equity interests) transferred in satisfaction of such indebtedness at the time of the exchange.

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.

As a result of the Restructuring Transaction, the Company expects to realize CODI. The exact amount of any CODI that will be realized by the Company will not be determinable until the consummation of the Plan. Because the Plan provides that certain holders of Claims will receive non-Cash consideration, including New Convertible Preferred Equity, New Senior Unsecured Notes, and/or New Common Equity, the amount of any CODI, and accordingly the amount of tax attributes required to be reduced, will depend, in part, on the fair market value of the non-Cash consideration received, which cannot be known with certainty at this time.

3. Limitation of NOL Carryforwards and Other Tax Attributes

After giving effect to the reduction in tax attributes pursuant to excluded CODI, the Reorganized Debtor's ability to use any remaining tax attributes after the Effective Date will be subject to certain limitations under sections 382 and 383 of the Tax Code. Following the Effective Date, unless the 382(l)(5) Exception (as defined below) applies, any NOL carryovers, disallowed interest carryforwards, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtor that are not reduced according to the CODI rules described above and that are allocable to periods before the Effective Date (collectively, "Pre-Change Losses") may be subject to limitation under section 382 of the Tax Code as a result of an "ownership change" of the Reorganized Debtor by reason of the Restructuring Transaction.

Under section 382 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. It is not possible to predict whether an "ownership change" will occur until the form of the restructuring transaction actually executed is known.

For this purpose, if a corporation has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In this case, the Company may have a substantial net unrealized built-in loss as of the Effective Date that would be subject to the foregoing rules in the absence of a special bankruptcy exception (as discussed below).

a. General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs). Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

b. Special Bankruptcy Exceptions

Special rules may apply in the case of a corporation that experiences an "ownership change" as a result of a bankruptcy proceeding. An exception to the foregoing annual limitation rules generally applies when shareholders and creditors of a debtor corporation in chapter 11 receive, in the case of creditors, with respect of their "qualified claims," at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtor undergoes another "ownership change" within two years after the Effective Date, then the Reorganized Debtor's Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule generally will apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership

change and the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without triggering the elimination of its Pre-Change Losses. The resulting limitation from a subsequent ownership change would be determined under the regular rules for ownership changes.

The Company has not determined whether the 382(l)(5) Exception will be available. If the Restructuring Transaction is eligible for the 382(l)(5) Exception, the Company has not yet decided whether the Company would elect out of its application. Regardless of whether the Reorganized Debtor takes advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtor's use of its Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the Tax Code were to occur after the Effective Date.

C. Certain U.S. Federal Income Tax Consequences to U.S. Holders.

The following discussion assumes that the Company will undertake the Restructuring Transaction currently contemplated by the Plan. Holders of Claims are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transaction.

1. Exchanges of Allowed Senior Unsecured Notes Claims and Allowed Junior Subordinated Debt Securities Claims Under the Plan.

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Senior Unsecured Notes Claim and Allowed Junior Subordinated Debt Securities Claim (each an, "Allowed Claim") agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Allowed Claim, each such U.S. Holder will receive (a) if such U.S. Holder holds an Allowed Senior Unsecured Notes Claim that is held by Hildene or one of its affiliates, New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such holder's Allowed Senior Unsecured Notes Claim, (b) if such U.S. Holder holds an Allowed Senior Unsecured Notes Claim that is not held by Hildene or one of its affiliates, New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such holder's Allowed Senior Unsecured Notes Claim, and (c) if such U.S. Holder holds an Allowed Junior Subordinated Debt Securities Claim, either 10% Cash on account of such Claim or, at such holder's election, its Pro Rata share of 100% of the New Common Equity of the Reorganized Debtor, subject to dilution. In the event the Alternative Restructuring Transaction is consummated, holders of such Claims would instead receive Cash payments in accordance with the Plan. The U.S. federal income tax consequences to a U.S. Holder of such exchange will depend, in part, on whether the Claims surrendered constitute "securities" of the Company for U.S. federal income tax purposes. Under the Bankruptcy Code, the Senior Unsecured Notes and the Junior Subordinated Debt Securities constitute securities.

Neither the Tax Code nor the Treasury Regulations promulgated thereunder defines the term "security." Whether a debt instrument constitutes a "security" for U.S. federal income tax

purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Due to the inherently factual nature of the determination, U.S. Holders are urged to consult their own tax advisors regarding the status of their Claims as "securities" for U.S. federal income tax purposes.

If an Allowed Claim qualifies as a "security" of the Company, the U.S. Holder of such Allowed Claim may be treated as receiving its New Convertible Preferred Equity, New Senior Unsecured Notes, and/or New Common Equity, as applicable, in a tax-free recapitalization under the Tax Code. Subject to the rules regarding "accrued but untaxed interest" (as discussed in subsection C.2 below), a holder of such Allowed Claim should not recognize any gain or loss in the recapitalization. The holder should obtain a tax basis in the New Convertible Preferred Equity, New Senior Unsecured Notes, or New Common Equity received, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the tax basis of the Claim surrendered. The tax basis of any New Convertible Preferred Equity, New Senior Unsecured Notes, or New Common Equity treated as received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest. Subject to amounts treated as received in satisfaction of accrued but untaxed interest, the holding period for the New Convertible Preferred Equity, New Senior Unsecured Notes, or New Common Equity received should include the holding period for the exchanged Claim. The holding period for any New Convertible Preferred Equity, New Senior Unsecured Notes, or New Common Equity treated as received in satisfaction of accrued but untaxed interest should begin on the day following the receipt of such property.

If an Allowed Claim does not qualify as a security of the Company, the Holder of such Allowed Claim will be treated as exchanging such Claim for Cash, New Convertible Preferred Equity, New Senior Unsecured Notes, New Common Equity, or a combination thereof in a taxable exchange under section 1001 of the Tax Code. Subject to the rules regarding accrued but untaxed interest, each holder of such Allowed Claim in that case should recognize gain or loss equal to the difference between (i) the fair market value of the non-cash consideration received and (ii) such holder's adjusted basis in such Allowed Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the holder, and whether and to what extent the holder had previously claimed a bad debt deduction with respect to its Allowed Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the holder held its allowed Claim for more than one year at the time of the exchange. Subject to the rules regarding accrued but untaxed interest, a Holder's tax basis in any New Convertible Preferred Equity, New Senior Unsecured Notes, or New Common Equity received should equal the fair market value of the applicable

property as of the date such property is distributed to the holder. A holder's holding period for the property received should begin on the day following the date it receives the property.

2. Accrued Interest.

To the extent that any amount received by a U.S. Holder of an Allowed Claim is attributable to accrued but untaxed interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of an Allowed Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the U.S. Holder's gross income but was not paid in full by the Company. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair market value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. U.S. Holders of Allowed Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

3. Market Discount.

Under the "market discount" provisions of the Tax Code, some or all of the gain realized, if any, by a U.S. Holder of an Allowed Claim who exchanges the Claim for consideration on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of an Allowed Claim (determined as described above) that was acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was

considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property (such as the New Convertible Preferred Equity, the New Senior Unsecured Notes, or the New Common Equity), any market discount that accrued on the Allowed Claims (i.e., up to the time of the exchange) but was not recognized by the U.S. Holder is carried over to the exchanged basis property received therefore, and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount, with respect to the exchanged debt instrument.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

4. Ownership and Disposition of New Common Equity.

a. Dividends on New Common Equity.

Any distributions made on account of the New Common Equity will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtor as determined under U.S. federal income tax principles. "Qualified dividend income" received by an individual U.S. Holder is generally subject to preferential tax rates. To the extent that a U.S. Holder receives distributions that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares of the applicable equity interests. Any such distributions in excess of the U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain.

Subject to applicable limitations, distributions treated as dividends paid to U.S. Holders that are corporations generally will be eligible for the dividends-received deduction so long as there are sufficient current or accumulated earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

b. Sale, Redemption, or Repurchase of New Common Equity.

Unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of the New Common Equity. Such capital gain will be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the U.S. Holder has held the applicable equity interest for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below.

5. Ownership and Disposition of New Convertible Preferred Equity.

a. Dividends on New Convertible Preferred Equity.

Any distributions made on account of the New Convertible Preferred Equity will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtor as determined under U.S. federal income tax principles. "Qualified dividend income" received by an individual U.S. Holder is generally subject to preferential tax rates. To the extent that a U.S. Holder receives distributions that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares of the applicable equity interests. Any such distributions in excess of the U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain.

Subject to applicable limitations, distributions treated as dividends paid to U.S. Holders that are corporations generally will be eligible for the dividends-received deduction so long as there are sufficient current or accumulated earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

b. Potential Constructive Distributions with Respect to New Convertible Preferred Equity.

Under section 305 of the Tax Code, holders of New Convertible Preferred Equity may be treated as receiving distributions with respect to their New Convertible Preferred Equity under a variety of circumstances.

As an initial matter, certain provisions of section 305 of the Tax Code apply only if the New Convertible Preferred Equity constitutes "preferred" stock for purposes of section 305 of the Tax Code (as opposed to "common" stock for purposes of section 305 of the Tax Code). The determination of whether stock constitutes "preferred" or "common" stock for purposes of section 305 of the Tax Code depends in large part upon whether the stock participates significantly in corporate growth (such stock colloquially being referred to as "participating preferred stock"). Participating preferred stock is treated as common stock for purposes of section 305 of the Tax Code and, accordingly, certain of the deemed distribution provisions of section 305 of the Tax Code are generally inapplicable to such stock.

The treatment of the New Convertible Preferred Equity under section 305 of the Tax Code is subject to uncertainty and will ultimately depend on, among other things, the final terms of New Convertible Preferred Equity. The Company has not yet determined whether the New Convertible Preferred Equity should be treated as "common" stock for purposes of section 305 of the Tax Code, and such determination will not be made with finality until after the Effective Date.

For any portion of the New Convertible Preferred Equity that the Company treats as "common" stock for purposes of section 305 of the Tax Code, if such treatment under section 305

of the Tax Code is respected, any ordinary accreting dividends (or other form of yield) and preferred original issue discount (i.e., the excess of redemption price over issue price), if any, should not be subject to the deemed distribution provisions of section 305 of the Tax Code.

Alternatively, if any of the New Convertible Preferred Equity is treated as "preferred" stock under section 305 of the Tax Code, any OID (defined below) on such equity will generally be required to be recognized as a dividend over the term of such equity on a constant-yield-to-maturity basis to the extent of the Reorganized Debtor's earnings and profits (and thereafter first as a return of capital which reduces basis and then, generally, capital gain, under the same rules applicable to distributions in respect of the New Common Equity, though any such amounts treated as a dividend will generally be ineligible for the reduced rate applicable to qualified dividend income or the dividends received deduction available to qualified corporations). Further, if any of the New Convertible Preferred Equity is treated as "preferred" stock under section 305 of the Tax Code, there is a risk that accreting dividends (or other form of yield) and the resulting increases in the liquidation preference of such equity will be treated as a deemed dividend to the extent of Reorganized Debtor's earnings and profits (as described above).

Holders of Allowed Claims receiving New Convertible Preferred Equity are urged to consult their own tax advisors regarding the treatment of the New Convertible Preferred Equity under section 305 of the Tax Code.

c. Sale, Redemption, or Repurchase of New Convertible Preferred Equity.

Unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of the New Convertible Preferred Equity. Such capital gain will be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the U.S. Holder has held the applicable equity interest for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below. If, however, in the case of a redemption, there are accrued but unpaid dividends that have previously or contemporaneously with such redemption been declared by the Reorganized Debtor on the New Convertible Preferred Equity, the portion of the total redemption payment representing such declared dividends will be taxed as a dividend to the extent of the issuer's current or accumulated earnings and profits.

6. Ownership and Disposition of the New Senior Unsecured Notes.

a. Characterization of the New Senior Unsecured Notes.

A debt instrument that provides for one or more contingent payments may implicate the provisions of the Treasury Regulations relating to "contingent payment debt obligations," in which case the timing and amount of income inclusions and the character of income recognized may be different from the consequences described herein. Under such Treasury Regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingencies in the aggregate are considered "remote" or "incidental."

In addition, the Treasury Regulations contain exceptions from the characterization as contingent payment debt obligations for a number of categories of debt instruments, including "variable rate debt instruments." A debt instrument qualifies as a "variable rate debt instrument" if (a) the issue price does not exceed the total non-contingent principal payments due under the debt instrument by more than a specified de minimis amount and (b) the debt instrument provides for stated interest, paid or compounded at least annually, at current values of a single fixed rate, single objective rate, one or more qualified floating rates, a single fixed rate and one or more qualified floating rates, or a single fixed rate and specific single objective rate. A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the debt instrument is denominated. An "objective rate' is generally determined using a single fixed formula based on objective economic information.

The remainder of this discussion assumes that the New Senior Unsecured Notes will be treated as a variable rate debt instrument and will not be treated as a contingent payment debt instrument. However, the Reorganized Debtor's treatment of the New Senior Unsecured Notes ultimately will be based on the final terms and conditions of the definitive documentation. Such treatment will be binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires an interest in the New Senior Unsecured Notes that it is taking a different position. The Company's position will not be binding on the IRS. Each U.S. Holder should consult its own tax advisor regarding this determination.

b. Payment of Qualified Stated Interest.

Payments or accruals of "qualified stated interest" (as defined below) on the New Senior Unsecured Notes will be taxable to a U.S. Holder as ordinary income at the time that such payments are accrued or are received in accordance with such Holder's regular method of accounting for U.S. federal income tax purposes. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property at least annually during the entire term of the New Senior Unsecured Notes, at a single fixed rate of interest, or, subject to certain conditions, based on one or more interest indices. If any interest payment (or portion thereof) is payable in additional debt instruments of the issuer, such interest payment (or portion thereof) will not be treated as qualified stated interest.

c. Original Issue Discount.

A debt instrument is treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if its issue price is less than its stated redemption price at maturity by more than a de minimis amount.

The amount of OID (if any) on the New Senior Unsecured Notes will be the difference between the "stated redemption price at maturity" (the sum of all payments to be made on the debt instrument other than "qualified stated interest," including certain amounts payable upon repayment or redemption of the debt instrument) of the New Senior Unsecured Notes and the "issue price" of the New Senior Unsecured Notes. A debt instrument issued for money generally is the amount paid for the debt instrument. A debt instrument issued together with other property may constitute an "investment unit," in which case the amount paid for the investment unit must be allocated between the debt instrument and the other property based on their relative fair market

values on the date of acquisition, thereby resulting in a reduction of what otherwise might be the issue price of the debt instrument.

A U.S. Holder (whether a cash or accrual method taxpayer) generally will be required to include the OID in gross income (as ordinary interest income) as the OID accrues (on a constant yield to maturity basis), in advance of the holder's receipt of cash payments attributable to this OID. In general, the amount of OID includible in the gross income of a U.S. Holder will be equal to a ratable amount of OID with respect to the debt instrument for each day in an accrual period during the taxable year or portion of the taxable year on which a U.S. Holder held the debt instrument. An accrual period may be of any length and the accrual periods may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (i) the product of the debt instrument's adjusted issue price at the beginning of such accrual period and its yield to maturity, determined on the basis of a compounding assumption that reflects the length of the accrual period over (ii) the sum of the qualified stated interest payments on the debt instruments allocable to the accrual period. The adjusted issue price of a debt instrument at the beginning of any accrual period generally equals the issue price of the debt instrument increased by the amount of all previously accrued OID and decreased by any cash payments previously made on the debt instrument other than payments of qualified stated interest. The rules regarding OID are complex. You should consult your own tax advisors regarding the consequences of OID, including the amount of OID that you would include in gross income for a taxable year.

Under applicable Treasury Regulations, in order to determine the amount of qualified stated interest and OID in respect of a variable rate debt instrument for which not all interest is qualified stated interest, an "equivalent fixed rate debt instrument" must be constructed. The "equivalent fixed rate debt instrument" is a hypothetical instrument that has terms that are identical to the debt instrument, except that the equivalent fixed rate debt instrument provides for a fixed rate substitute for each qualified floating rate in lieu of each actual rate on the debt instrument. A fixed rate substitute for each qualified floating rate on the debt instrument is the value of such rate as of its issue date.

Once the equivalent fixed rate debt instrument has been constructed pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. Holder of the New Senior Unsecured Notes will account for such OID and qualified stated interest as if the U.S. Holder held the equivalent fixed rate debt instrument. For each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the debt instrument during the accrual period.

d. Acceleration of Income Recognition.

Accrual method U.S. Holders that prepare an "applicable financial statement" (as defined in section 451 of the Code) generally will be required to include certain items of income such as OID no later than the time such amounts are reflected on such a financial statement. This could

result in an acceleration of income recognition for income items differing from the above description. U.S. Holders should consult their tax advisors with respect to the application of section 451 to interest and OID on the New Senior Unsecured Notes.

e. Sale, Taxable Exchange or other Taxable Disposition.

Upon the disposition of the New Senior Unsecured Notes by sale, exchange, retirement, redemption or other taxable disposition, a U.S. Holder will generally recognize gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (other than amounts attributable to accrued but unpaid interest, which will be taxed as ordinary interest income to the extent not previously so taxed, and other than any market discount on debt instruments constituting the exchanged Claim that was not realized by the holder) and (ii) the U.S. Holder's adjusted tax basis in the New Senior Unsecured Notes, as applicable. A U.S. Holder's adjusted tax basis will generally be equal to the holder's initial tax basis in the New Senior Unsecured Notes, increased by any accrued OID previously included in such holder's gross income. A U.S. Holder's gain or loss will generally constitute capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held such New Senior Unsecured Notes for longer than one year. Non-corporate taxpayers are generally subject to a reduced tax rate on net long-term capital gains. The deductibility of capital losses is subject to certain limitations discussed below.

7. Limitation on Use of Capital Losses.

A U.S. Holder that recognizes capital losses will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

8. Medicare Tax.

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8 percent tax on, among other things, interest, dividends and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their own tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of any consideration to be received under the Plan.

9. 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 also may 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 (currently at a rate of 24 percent). 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.

D. [Certain U.S. Federal Income Tax Consequences of the Plan to Non-U.S. Holders.][8]

The following discussion assumes that the Company will undertake the Restructuring Transaction currently contemplated by the Plan and includes only certain U.S. federal income tax consequences of the Plan to Non-U.S. Holders. This discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, local, non-U.S., and non-income tax consequences of the consummation of the Plan to such Non-U.S. Holder and, if applicable, the ownership and disposition of consideration received pursuant to the Plan.

1. Gain Recognition.

Whether a Non-U.S. Holder recognizes gain or loss on the exchange of Claims pursuant to the Plan or upon a subsequent disposition of the consideration received under the Plan, as well as the amount of such gain or loss, is determined in the same manner as set forth above in connection with U.S. Holders of the applicable Claims. Gain, if any, recognized by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) the Non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the Restructuring Transaction occurs and certain other conditions are met or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange in the same manner as a U.S. Holder (except that the Medicare tax would generally not apply). In order to claim an exemption from or reduction of withholding tax, such Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a Non-U.S. Holder is classified as

[8] Note to Draft: To include if there are material non-U.S. holders.

a corporation for U.S. federal income tax purposes, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. Ownership and Disposition of New Common Equity and New Convertible Preferred Equity.

a. Dividends on New Common Equity or New Convertible Preferred Equity.

Any distributions made with respect to New Common Equity or New Convertible Preferred Equity will constitute dividends for U.S. federal income tax purposes to the extent of the issuer's current or accumulated earnings and profits as determined under U.S. federal income tax principles (and thereafter first as a return of capital which reduces basis and then, generally, capital gain). Except as described below, such dividends paid with respect to stock held by a Non-U.S. Holder that are not effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States) will be subject to U.S. federal withholding tax at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty). A Non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of withholding under a tax treaty by filing IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, (or a successor form) upon which the Non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate with respect to such payments. Dividends paid with respect to stock held by a Non-U.S. Holder that are effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States) generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty).

b. Potential Constructive Distributions with Respect to New Convertible Preferred Equity.

As discussed above, holders of New Convertible Preferred Equity may be treated as receiving deemed distributions under a variety of circumstances. To the extent that any such constructive distributions are deemed to occur, they will constitute dividends for U.S. federal income tax purposes to the extent of the issuer's current or accumulated earnings and profits as determined under U.S. federal income tax principles (and thereafter first as a return of capital which reduces basis and then, generally, capital gain), and thus subject to the same withholding and information reporting regimes described above.

c. Sale, Taxable Exchange or other Taxable Disposition.

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of stock unless:

• such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States;

• such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States); or

• the issuer of such stock is or has been during a specified testing period a "U.S. real property holding corporation" (a "USRPHC") under the FIRPTA rules (as defined and discussed below).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of stock. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30 percent (or at a reduced rate under an applicable income tax treaty).

With respect to the FIRPTA rules, it has not yet been determined whether the Reorganized Debtor is likely to be treated as a USRPHC. Under FIRPTA, gain on the disposition of certain investments in U.S. real property is subject to U.S. federal income tax in the hands of Non-U.S. Holders and treated as ECI (defined below) that is subject to U.S. federal net income tax even if a Non-U.S. Holder is not otherwise engaged in a U.S. trade or business. In general, an entity classified as a corporation for U.S. federal income tax purposes is a USRPHC if the fair market value of its U.S. real property interests (as defined in the Tax Code and applicable Treasury Regulations) equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (applying certain look-through rules to evaluate the assets of subsidiaries) at any time within the shorter of the 5-year period ending on the effective time of the applicable disposition or the period of time the Non-U.S. Holder held such interest.

Taxable gain from the disposition of an interest in a USRPHC (generally equal to the difference between the amount realized and such Non-U.S. Holder's adjusted tax basis in such interest) will constitute ECI. Further, the buyer of the New Common Equity or New Convertible Preferred Equity may be required to withhold a tax equal to fifteen percent of the amount realized on the sale. The amount of any such withholding would be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the Non-U.S. Holder properly and timely files a tax return with the IRS. However, in the event the New Common Equity or New Convertible Preferred Equity is "regularly traded on an established securities market" within the meaning of FIRPTA, the withholding obligation described above would not apply, even if a Non-U.S. Holder is subject to the substantive FIRPTA tax.

Under the FIRPTA rules, if the stock of a USRPHC is regularly traded on an established securities market, a person that holds 5% or less of such stock will not be subject to substantive FIRPTA taxation or FIRPTA withholding upon a disposition of its shares, and FIRPTA withholding upon dispositions will generally be inapplicable other than in the case of certain distributions and redemptions by the issuer. Whether and when the New Common Equity or New Convertible Preferred Equity will be considered regularly traded on an established securities market will depend, in part, on whether a market develops in such equity, and cannot currently be determined. The FIRPTA provisions will also not apply if, at the time of a disposition, the corporation does not directly or indirectly hold any United States real property interests ("USRPIs") and it had directly or indirectly disposed of all of the USRPIs it directly or indirectly owned in one or more fully taxable transactions.

3. Ownership and Disposition of New Senior Unsecured Notes.

a. Payments of Interest (Including Interest Attributable to Accrued but Untaxed Interest).

Subject to the discussion of backup withholding and FATCA below, interest income (which, for purposes of this discussion of Non-U.S. Holders, includes OID and accrued but untaxed interest, including in each case any such amounts paid to a Non-U.S. Holder under the Plan) of a Non-U.S. Holder that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will qualify for the so-called "portfolio interest exemption" and, therefore, will not be subject to U.S. federal income tax or withholding, provided that:

• the Non-U.S. Holder does not own, actually or constructively, a 10% or greater interest in the Reorganized Debtor that is the issuer of the applicable New Senior Unsecured Notes within the meaning of Section 871(h)(3) of the Tax Code and Treasury Regulations thereunder;

• the Non-U.S. Holder is not a controlled foreign corporation related to the Reorganized Debtor that is the issuer of the applicable New Senior Unsecured Notes actually or constructively through the ownership rules under Section 864(d)(4) of the Tax Code;

• the Non-U.S. Holder is not a bank that is receiving the interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

• the beneficial owner provides the Reorganized Debtor that is the issuer of the applicable New Senior Unsecured Notes or such person's paying agent with an appropriate IRS Form W-8 (or suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed establishing its status as a Non-U.S. Holder.

If not all of these conditions are met, interest on the New Senior Unsecured Notes paid to a Non-U.S. Holder or interest paid to a Non-U.S. Holder pursuant to the Plan that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will generally be subject to U.S. federal income tax and withholding at a 30% rate, unless an applicable income tax treaty reduces such withholding and the Non-U.S. Holder claims the benefit of that treaty by providing an appropriate IRS Form W-8 (or a suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed. If interest on the New Senior Unsecured Notes or interest paid to a Non-U.S. Holder pursuant to the Plan is effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder ("ECI"), the Non-U.S.

Holder will be required to pay U.S. federal income tax on that interest on a net income basis generally in the same manner as a U.S. Holder (and the 30% withholding tax described above will not apply, provided the appropriate statement is provided to the applicable issuer or its paying agent (as described above)), unless an applicable income tax treaty provides otherwise.

To claim an exemption from withholding, such Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or suitable substitute or successor form or such other form as the IRS may prescribe). If a Non-U.S. Holder is eligible for the benefits of any income tax treaty between the United States and its country of residence, any interest income that is ECI will be subject to U.S. federal income tax in the manner specified by the treaty if the Non-U.S. Holder claims the benefit of the treaty by providing an appropriate IRS Form W-8 (or a suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed. In addition, a corporate Non-U.S. Holder may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate, or, if applicable, a lower treaty rate, on its effectively connected earnings and profits attributable to such interest (subject to adjustments).

The certifications described above must be provided to the applicable withholding agent prior to the payment of interest and, as applicable, must be updated periodically. Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

b. Sale, Taxable Exchange, or Other Disposition.

A Non-U.S. Holder will generally not be subject to U.S. federal income tax on any gain realized on a sale, exchange, retirement, redemption or other taxable disposition of the New Debt (other than any amount representing accrued but unpaid interest on the loan) unless:

• the gain is ECI (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment that such Non-U.S. Holder maintains); or

• in the case of a Non-U.S. Holder who is a nonresident alien individual, such holder is present in the United States for 183 or more days in the taxable year and certain other requirements are met.

If a Non-U.S. Holder falls under the first of these exceptions, unless an applicable income tax treaty provides otherwise, the holder will generally be taxed on the net gain derived from the disposition of the New Senior Unsecured Notes under the graduated U.S. federal income tax rates that are applicable to U.S. Holders and, if the Non-U.S. Holder is a foreign corporation, it may also be subject to the branch profits tax described above. To claim an exemption from withholding, such Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or suitable substitute or successor form or such other form as the IRS may prescribe). If an individual Non-U.S. Holder falls under the second of these exceptions, the holder generally will be subject to U.S. federal income tax at a rate of 30% (unless a lower applicable income treaty rate applies) on the amount by which the gain derived from the disposition exceeds such Holder's capital losses allocable to sources within the United States for the taxable year of the sale.

4. FATCA.

Under the Foreign Account Tax Compliance Act ("FATCA"), non-U.S. financial institutions and certain other non-U.S. entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income (including interest and dividends, if any, on the New Senior Unsecured Notes, the New Common Equity, and the New Convertible Preferred Equity). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax.

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Non-U.S. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Non-U.S. Holders' tax returns.

Each Non-U.S. Holder is urged to consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder.

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

For all of the reasons set forth in this Disclosure Statement, the Company believes confirmation and consummation of the Plan is preferable to other available alternatives. Consequently, the Debor urges 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. The Voting Deadline is 5:00 p.m. prevailing Central Time on **June 4, 2026**. To be counted, your Ballot must be fully completed, executed and actually received by the Solicitation Agent by the Voting Deadline.

Dated: May 7, 2026
Dallas, Texas

Hallmark Financial Services, Inc.

By: */s/ Chris Kenney*
Chris Kenney, Chief Executive Officer

Schedule 1

Liquidation Analysis

Liquidation Analysis

I. Issues and Qualifying Factors

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired allowed claim or interest either (a) accept the plan or (b) receive or retain under the plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code on the effective date. The Company believes, based on the following hypothetical analysis (the "Liquidation Analysis"), that the Plan meets the "best interests of creditors" test as set forth in section 1129(a)(7) of the Bankruptcy Code.

There are two impaired Classes of Claims contemplated to receive recoveries under the Plan. Each holder of an impaired Claim will receive under the Plan value on the Effective Date that is not less than the value such holder would receive if the Company were to be liquidated under chapter 7. The Company believes the Liquidation Analysis and the conclusions set forth herein are fair and accurate and represent the Company's best judgment with regard to the results of a chapter 7 liquidation of the Company. **The analysis was prepared solely to assist the Bankruptcy Court in making this determination and should not be used for any other purpose. Nothing contained in the Liquidation Analysis is intended to or may be asserted to constitute a concession or admission of the Company.** The Liquidation Analysis was prepared by the Company, in consultation with its professionals, and unless otherwise noted, is based on the Company's unaudited balance sheet as of December 31, 2025.

NEITHER THE COMPANY NOR ITS ADVISORS MAKE ANY REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN, OR A CHAPTER 7 TRUSTEE'S ABILITY TO ACHIEVE FORECASTED RESULTS. IN THE EVENT THAT THIS CHAPTER 11 CASE IS CONVERTED TO A CHAPTER 7 LIQUIDATION, ACTUAL RESULTS COULD VARY MATERIALLY FROM THE ESTIMATES AND PROJECTIONS SET FORTH IN THIS LIQUIDATION ANALYSIS.

The Liquidation Analysis is based on a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies that are beyond the control of the Company, but such analysis reflects the best judgment of the Company's advisors based on the information available. There can be no assurances that the values assumed in this analysis would be realized if the Company were, in fact, liquidated under chapter 7. Accordingly, actual recovery values and recovery percentages could vary from the amounts set forth herein and such variances could be material.

The estimated net recovery values presented herein consist of the net proceeds from the hypothetical disposition of the Company's assets (the "Assets"), reduced by certain costs and claims that may arise under a chapter 7 liquidation. Asset recoveries presented herein are net of estimated direct costs of a chapter 7 liquidation. Discounts have been applied to the recovery values of certain Assets to account for the nature and timing of the chapter 7 liquidation process, based on the best judgment of the Company and its advisors as of the time of this Liquidation Analysis.

The Liquidation Analysis is based on an assumed "fire sale" by the chapter 7 trustee of the Company's operating subsidiaries. The Company believes such a "fire sale" will result in little, if any, net sale proceeds, but will preserve the Company's cash to be distributed pursuant to the priorities under section 726 of the Bankruptcy Code.

The Liquidation Analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. Estimates for various Classes of Claims are based solely upon the Company's continuing review of the Company's books and records. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, except as otherwise stated herein, the Company has projected amounts of Claims that are consistent with the estimated Claims reflected in the Disclosure Statement.

The Liquidation Analysis assumes that there are no recoveries from the pursuit of any potential preferences, fraudulent conveyances or other causes of action that could be asserted against affiliated and non-affiliated entities (which the Company believes even if pursued would not be material to the analysis) and does not include the estimated costs of pursuing those actions. The Company reserves all rights in connection with any preferences, fraudulent conveyances, or other causes of action in the event that the Plan is not consummated and the Company is liquidated.

II. General Assumptions

The following is a list of key assumptions that were utilized in the Liquidation Analysis:

1. The Liquidation Analysis assumes that this chapter 11 case is converted to a chapter 7 case on or about August 31, 2026 (the "Conversion Date"), which is the projected date under which the Plan will become effective. The liquidation would occur under the direction of a court-appointed chapter 7 trustee. While appointment of a Chapter 7 Trustee for the Company would not require regulatory approval, liquidation or sale of the non-debtor statutory subsidiaries by a chapter 7 trustee would require the approval of the applicable Regulatory Authorities, including Texas Department of Insurance ("TDI").

2. The Liquidation Analysis assumes the chapter 7 trustee will be able to sell the non-debtor subsidiaries within a reasonable time after the Conversion Date. Due to the regulated nature of the Company's subsidiaries, the sale of one or more of its regulated subsidiaries could take longer to consummate. The potential impact of litigation and actions by other creditors could increase the amount of time required to realize the recoveries assumed in this Liquidation Analysis. Such events could also add additional costs to the liquidation in the form of higher legal and professional fees as well as wind-down costs.

3. The Liquidation Analysis is based on the Asset values in the Company's unaudited balance sheet as of December 31, 2025, unless otherwise noted herein. The Company assumes for the sake of this Liquidation Analysis that these values will be substantially the same as the projected Conversion Date, other than the remaining cash on hand. The values of the Company's regulated subsidiaries are based on actuarial data that are subject to change based on market conditions and events of loss that are beyond the control of the Company.

4. The Liquidation Analysis assumes that net proceeds from the disposition of the Assets will be distributed pursuant to the priorities set forth in section 726 of the Bankruptcy Code and that no distributions will be made to holders of Equity Interests until all creditors are paid in full.

5. The Liquidation Analysis assumes that there is no resolution of the various Claims and disputes embodied in the Plan and further that all Claims would be asserted against the Company.

6. The Liquidation Analysis illustrates high and low potential recoveries. Recovery scenarios are dependent on the ability of a hypothetical chapter 7 trustee to sell the Company's regulated subsidiaries. For purposes of this analysis, the Company assumes a range of sale proceeds between 0%–5% of the current value of the Company's statutory reserves. It is possible that a potential buyer may be willing to pay more for the Company's regulated subsidiaries, but it is just as likely that a chapter 7 trustee may be required to pledge some or all of the Company's cash to cover potential claims that may exceed the subsidiaries' statutory reserves. For purposes of this analysis, the Company assumes that a hypothetical chapter 7 trustee will be able to sell the Company's subsidiaries without having to pledge any cash.

III. Liquidation Analysis for the Company

As noted above, the Liquidation Analysis assumes that a chapter 7 trustee would choose to sell the Company's regulated subsidiaries to one or more third-party buyers in a "fire sale." While it is possible that a chapter 7 trustee could obtain authority from the Texas Department of Insurance and other applicable regulatory authorities to maintain and support the non-debtor subsidiaries' operations through a self-directed runoff, such an analysis is too speculative in nature to provide a reliable value in satisfaction of the requirements of section 1129(a)(7) of the Bankruptcy Code.

For purposes of this Liquidation Analysis, the Company has determined that a "runoff" scenario—if allowed by the applicable regulatory authorities and the Bankruptcy Court—could take more than 15 years to complete before the chapter 7 trustee would realize sufficient proceeds to be distributed to creditors. Such a runoff scenario would result in potentially less distributable proceeds after a much longer period of time. As such, this Liquidation Analysis assumes that a hypothetical chapter 7 trustee would not seek to wind down the Company's subsidiaries on his or her own and, instead, would elect to sell the subsidiaries in a section 363 "fire sale" or similar transaction.

Hallmark Financial Services, Inc.
Liquidation Analysis
$ in 000s

	Base Value	Chapter 7 Liquidation Recovery Rate Low	Recovery Rate High	Recovery Amt $ Low	Recovery Amt $ High	Claims Treatment Under the Plan Recovery Rate %	Recovery Amt $
Assets subject to claims							
Liquid Assets							
Current HFS Cash	154	100.0%	100.0%	154	154		
Cash from Aviation Sale	24,277	100.0%	100.0%	24,277	24,277		
Brokerage Account	2	100.0%	100.0%	2	2		
HFS Stock (Preferred and Common)	20	0.0%	0.0%	-	-		
Non-HSF Stock (Preferred and Common)	73	80.0%	100.0%	58	73		
Total liquid assets at HFS	24,527	-	-	24,492	24,506		
Non-Liquid Insurance Company Subsidiaries							
Surplus from insurance entities	84,034						
Proceeds from the sale of subsidiary insurance companies		0%	5%	-	4,202		
Other Non-Liquid Assets							
FF&E, net	379	1.9%	3.1%	7	12		
Prepaid Expenses	132	0.0%	0.0%	-	-		
Deposits	213	0.0%	0.0%	-	-		
Distributable Cash Before Administrative Costs		**22%**	**26%**	**24,499**	**28,720**		
Administrative Costs							
Chapter 11 Debtor Professional Fees				(5,000)	(3,000)		
Chapter 11 Plan Sponsor Professional Fees				(3,000)	(2,000)		
Chapter 11 US Trustee Fees				(500)	(500)		
Chapter 7 Trustee Fee				(735)	(862)		
Chapter 7 Professionals				(1,500)	(1,500)		
Total Priority administrative claims				(10,735)	(7,862)		
Net assets available to creditors				**13,764**	**20,858**		
Class 1: Other Secured Claims							
Auto Leases	41	-	-	-	-	*Unimpaired - paid under normal course*	
Office Equipment Leases	59	-	-	-	-		
Total Class 1: Secured Claims	99	***0.0%***	***0.0%***	-	-	-	-
Net asset available to creditors after Class 1				**13,764**	**20,858**		
Class 2: Priority Claims							
Tax							
Franchise Taxes	170	100%	100%	170	170	*Unimpaired - paid under normal course in Scenario 1 and Paid 100% under Scenario 2*	
Accrued property tax	16	100%	100%	16	16		
Federal Income Taxes	-			-	-		
Accrued and Unpaid Payroll Taxes	-			-	-		
Sales tax	1	100%	100%	1	1		
Non-Tax							
Accrued and Unpaid Payroll	-			-	-	*Unimpaired - paid under normal course*	
Accrued PTO	34	100%	100%	34	34		
Aflac Trust Funds Withheld	9	100%	100%	9	9		
Benefit Trust Funds - EE Portion Withheld	-			-	-		
Employee contributed FSA funds	13	100%	100%	13	13		
Other Employee Trust Funds (401(K))	4	100%	100%	4	4		
Total Class 2: Priority Claims (Tax and non-Tax)	**246**	**100%**	**100%**	**(246)**	**(246)**		
Net asset available to creditors after Class 1 and 2				**13,518**	**20,612**		
Class 3: Senior Unsecured Claims							
Senior Notes (Hildene)	36,030	24%	37%	8,825	13,457	*Impaired - converted to equity*	
Accrued Interest - Senior Notes (Hildene)	1,607	24%	37%	394	600		
Senior Notes (Non Hildene)	13,970	24%	37%	3,422	5,218	100.0%	13,970
Accrued Interest - Senior Notes (Non-Hildene)	623	24%	37%	153	233	100.0%	623
Class 4: General Unsecured Claims							
Accounts Payable ("AP")	346	24%	37%	85	129	100.0%	346
AP - subject to executory contracts	370	24%	37%	91	138	*Unimpaired - paid under normal course*	
Excess PTO	-	24%	37%	-	-	-	-
502(b)(6) - lease rejection claims	2,240	24%	37%	549	837	*TBD*	
Intercompany claims (i.e. MSAs)	-	24%	37%	-	-	-	-
Litigation Claims	-	24%	37%	-	-	TBD	TBD
Total Class 3 and Class 4: Senior Unsecured Claims and General Unsecured Claims	**55,187**	**24%**	**37%**	**(13,518)**	**(20,612)**	***n/a***	-
Net asset available to creditors after Class 1, 2, 3, and 4				-	-		
Class 5: Junior Unsecured (Trust Preferred Claims)							
Trust Preferred I (Hildene)	20,000					*Impaired - converted to equity*	
Trust Preferred II (Hildene)	12,500						
Accrued Interest - Trust Preferred (Hildene)	13,723						
Trust Preferred I (Non-Hildene)	10,928					10.0%	1,093
Trust Preferred II (Non-Hildene)	13,274					10.0%	1,327
Accrued Interest - Trust Preferred (Non-Hildene)	10,111					10.0%	1,011
Class 6: Intercompany Claims							
Intercompany claims (i.e. MSAs)	-						
Total Class 4, 5 and 6	**80,537**	***0.0%***	***0.0%***	-	-	***n/a***	**3,777**
Class 7: Equity							
Equity	-						
Total Equity	-	***n/a***	***n/a***	-	-	***n/a***	***n/a***

IV. Notes to Liquidation Analysis

A. Asset Recoveries

(1) Cash and Cash Equivalents

As of April 24, 2026, the Company's aggregate cash and cash equivalents balance was approximately $24.4 million, held in two accounts at Frost Bank: (a) a master depository account (last four digits 9267) with a balance of approximately $154,000; and (b) an operating account (last four digits 2114) with a balance of approximately $24.3 million, representing the remaining proceeds from the June 30, 2025 sale of the Company's subsidiary, Aerospace Insurance Managers, Inc. Additional cash of approximately $2,400 is held in a Raymond James Brokerage/Investment account (last four digits 8577). This cash and cash equivalents may be used to pay creditors, after paying allowed administrative expenses.

(2) Stock (Preferred and Common)

As of March 31, 2026, the Company's stock (preferred and common) is valued at approximately $92,800. Of this amount, approximately $20,100 represents a position in Hallmark Financial Services, Inc. (HALL) common stock that is assumed to have zero value in connection with the wind-down process. The Liquidation Analysis assumes a recovery rate of 0% for this asset. In addition to the shares of HALL stock, the Company holds approximately $72,690 of active trading stock (Kraft Heinz Company and Verizon Communications Incorporated) that are estimated to be sold at 80% of the value ($58,152) in a low recovery and sold at 100% ($72,690) in a high recovery in both Scenarios.

(3) Surplus from Non-Debtor Subsidiary Insurance Entities

As of December 31, 2025, the Company's management estimates an approximate $84.0 million in surplus. This value is held against loss reserves to satisfy future claims on existing insurance policies. This current surplus balance does not include the estimated $7.5 million in proceeds from the sale of Hallmark Insurance Company, Inc., as such sale has not closed at the time of this analysis. These funds are all held by the Company's non-debtor statutory subsidiaries and may not be used to pay creditors of the Company. In a "fire sale" scenario, a chapter 7 trustee would likely sell one or more of the Company's subsidiaries. This Liquidation Analysis assumes that a potential buyer would pay the hypothetical chapter 7 trustee somewhere between 0%–5% of the value of the subsidiaries' surplus, and those sale proceeds could be used to pay creditors.

(4) Furniture, Fixtures and Equipment, Net

As of December 31, 2025, the Company's trial balance reflected FF&E of approximately $379,000, consisting of $331,000 in computer and software enhancements and $48,000 in office fixtures and furniture. The Company's books and records also report leasehold improvements of $2.6 million (net of depreciation) for a former office space no longer occupied; there is no liquidation value for these leasehold improvements, and they are not included in this Liquidation Analysis. Computer and software enhancements are considered to have no recovery value for purposes of this analysis. Low and high recoveries are calculated using net book value of $48,000 (office furniture and fixtures only) based on recovery rates of 15% and 25%, respectively, resulting in an effective recovery percentage of total FF&E of 1.9% (low) and 3.1% (high). FF&E would be needed for wind-down operations and would be fully depreciated to $0 over that period.

(5) Prepaid Expenses

Prepaid expenses, which had a balance of approximately $132,000 as of December 31, 2025, consist of short-term items such as business insurance premiums, software subscriptions, and annual prepaid bank fees. Prepaid items would be non-recoverable in the liquidation context. The Liquidation Analysis assumes a recovery rate of 0% for these assets.

(6) Deposits

Deposits had a balance of approximately $213,000 as of December 31, 2025. The deposit was originally paid on a previous building lease with the same landlord. The landlord would have a lease rejection damage claim that would offset this deposit; thus, no recovery of this deposit is expected. The Liquidation Analysis assumes a recovery rate of 0% for this asset.

B. Costs Associated with Liquidation

The Liquidation Analysis assumes a Conversion Date occurs following an unsuccessful sale and confirmation process, during which time the Company incurs and pays chapter 11 administrative expenses to its professional fees, Hildene's professionals (pursuant to the terms of the RSA), and the U.S. Trustee (pursuant to 28 U.S.C. § 1930). The Liquidation Analysis also assumes a good-faith estimate of the potential professional and trustee fees that the chapter 7 administration would require. Chapter 7 Trustee fees are estimated at $735,000 to $862,000. Chapter 7 professional fees (both counsel and financial advisors) are assumed to be approximately $1.5 million to sell the non-debtor subsidiaries and administer claims.

C. Claims

The Claims set forth in the Liquidation Analysis are based on the Company's estimate of such Claims and do not reflect the amount of Claims filed on or before any applicable Bar Date. Further reconciliation and analysis of the Claims is required. Classes that have Claims that were reasonably estimable are included in the Liquidation Analysis distribution of proceeds estimate.

(1) Class 1 – Other Secured Claims

At the Conversion Date, the Liquidation Analysis assumes there would be approximately $99,000 in Class 1 Other Secured Claims, consisting of (a) approximately $41,000 associated with five vehicle leases, and (b) approximately $59,000 associated with leased office equipment (three copiers and one scanner). The Liquidation Analysis assumes lessors will repossess these vehicles and equipment to satisfy their respective claims. Class 1 Claims are Unimpaired under the Plan and would receive payment in full in Cash, Reinstatement, or such other treatment rendering such claims Unimpaired, including reinstatement of the existing loans and leases. In a chapter 7 liquidation, the Class 1 Claims would be allowed to recover their collateral and would receive a deficiency claim to the extent the collateral does not fully satisfy the outstanding amounts due. Such deficiency claims will be treated as General Unsecured Claims, which are discussed further below.

(2) Priority Tax Claims and Class 2 – Priority Tax and Non-Tax Claims

At the Conversion Date, the Liquidation Analysis assumes there would be approximately $246,000 in unclassified Priority Tax Claims and Class 2 Priority Claims, consisting of the following:

(a) *Franchise Taxes*. Annual franchise tax obligations are estimated to be $170,000, based on the 2024 payment requirement.

(b) *Accrued Property Tax*. 2026 property taxes (due in January 2027) are estimated to be $16,000, based on the 2025 tax statement paid in January 2026.

(c) *Federal Income Taxes*. Assumed to be $0 due to the company's $210.5 million net operating losses carried over from 2022, 2023, and 2024.

(d) *Accrued Payroll and Payroll Taxes*. Any pre-petition accrued payroll and payroll tax amounts are assumed to be paid or disbursed during the wind-down process to retain required personnel.

(e) *Sales Tax*. Sales taxes paid by the Company are *de minimis* and are estimated to be $500, based on 2024 sales tax returns. Sales taxes paid by the Company are not trust funds collected, but rather a self-reported tax on purchases made by the Company and subject to sales tax.

(f) *Accrued PTO*. Estimated accrued PTO value as of March 6, 2026, is approximately $34,000. It is not anticipated that there will be any employees with PTO balances in excess of the $17,150 priority cap.

(g) *AFLAC Trust Funds Withheld*. The estimated balance that will be due at the Conversion Date is approximately $9,000. This represents amounts held in trust on behalf of employees to pay voluntary supplemental health insurance premiums withheld from payroll. These amounts are paid one month in arrears.

(h) *Other Benefit Trust Funds – Employee Portion Withheld*. Valued at $0 and assumed to be paid current.

(i) *Employee Contributed FSA Funds*. Based on the latest calculations on February 27, 2026, FSA funds payable balance is approximately $13,000. FSA benefits are administered by HealthEquity. All unused funds withheld from employee payroll by the Company are considered trust funds held on behalf of the employees.

(j) *Other Employee Trust Funds (401(k))*. Estimated at approximately $4,000. 401(k) trust funds are deposited every other week as part of the normal payroll process. Should any amount be held in trust at the time of a filing, these funds would be expected to be allowed to be disbursed.

The Company projects that a chapter 7 trustee would have sufficient cash on hand to pay all Priority Tax and Priority Non-Tax Claims in full.

(3) Class 3 – Senior Unsecured Notes Claims

Senior Unsecured Notes Claims are deemed Allowed in the principal amount of $50,000,000, plus accrued and unpaid interest as of the Petition Date. As of April 30, 2026, total outstanding Senior Unsecured Notes Claims (including accrued interest) are approximately $52.24 million. Because under the Plan and RSA, Hildene has agreed to accept less favorable treatment than non-Hildene Holders of Senior Unsecured Notes, the Liquidation Analysis bifurcates the Class 3 Claims between (a) Senior Unsecured Notes Claims held by Hildene and its affiliates, totaling approximately $37,637,486 ($36,030,000 principal plus approximately $1,607,486 accrued interest), and (b) Senior Unsecured Notes Claims held by non-Hildene holders, totaling approximately $14,593,275 ($13,970,000 principal plus $623,275 accrued interest).

In a chapter 7 liquidation, the Class 3 Claims would receive Pro Rata distributions with all other General Unsecured Claims. Such distributions would come from the Company's available cash and any net proceeds from the sale of the Company's subsidiaries, after payment of Allowed Administrative Claims and Allowed Priority Tax and Priority Non-Tax Claims.

The Company concludes that distributions to Class 3 Senior Unsecured Noteholders will range from 24%–37% of their Allowed Claims, depending on the ultimate amounts of sale proceeds recovered and the administrative costs incurred. This range could be lower if Class 4 General Unsecured Claims are allowed in higher amounts. Regardless, these recoveries are lower than the projected recoveries under the Plan.

(4) Class 4 – General Unsecured Claims

At the Conversion Date, the Liquidation Analysis assumes the following Class 4 General Unsecured Claims:

(a) *Accounts Payable*. The Company maintains a centralized accounts payable system that combines all accounts payable for the Company and its subsidiary companies under various master services agreements. For purposes of this Liquidation Analysis, the accounts payable balance reflects only those invoices that are directly related to the Company (either in whole or in part). The Liquidation Analysis bifurcates accounts payable into (i) approximately $346,000 in direct accounts payable that would be paid in full under the Plan, and (ii) approximately $370,000 in accounts payable subject to executory contracts, which are Unimpaired and would be paid in the normal course under the Plan.

(b) *Excess PTO*. Valued at $0.

(c) *Section 502(b)(6) Lease Rejection Claims*. The Liquidation Analysis assumes, subject to section 502(b)(6) of the Bankruptcy Code, the potential rent rejection claim for the Company's office lease may be up to $2.2 million.

(d) *Litigation Claims*. There is no determined value for the two litigation claims asserted against the Company. The treatment of litigation claims under the Plan is to be determined.

Class 4 Claims are Unimpaired under the Plan. Each holder of an Allowed General Unsecured Claim shall receive payment in Cash of the unpaid portion of such Claim on or about the Effective Date.

In a chapter 7 liquidation, the General Unsecured Claims would receive the same Pro Rata distributions set forth above for Class 3 Senior Unsecured Noteholders. This range of 24 – 37% is lower than proposed under the Plan.

(5) Class 5 – Junior Subordinated Debt Securities Claims

Junior Subordinated Debt Securities Claims are classified into their own Class under the Plan because they are contractually subordinated to Claims asserted or assertable by Holders of Class 3 Senior Unsecured Notes and Class 4 General Unsecured Claim. Those Claims are comprised of the following:

(a) *2035 Junior Subordinated Debt Securities*. The 2035 Junior Subordinated Debt Securities Claims are deemed Allowed in the principal amount of $30,928,000, plus accrued and unpaid interest as of the Petition Date.

(b) *2037 Junior Subordinated Debt Securities*. The 2037 Junior Subordinated Debt Securities Claims are deemed Allowed in the principal amount of $25,774,000, plus accrued and unpaid interest as of the Petition Date.

(c) *Accrued Interest – Junior Subordinated Debt Securities*. As of April 30, 2026, there is approximately $23.8 million of accrued interest associated with all Junior Subordinated Debt Securities.

Class 5 Claims are impaired under the Plan. Under the Restructuring Transaction proposed under the Plan, non-Hildene holders of Allowed Junior Subordinated Debt Securities Claims would receive 10% of the amount of such Claim in Cash. Hildene holders would receive non-voting membership interests in HHH (which will own 100% of the New Common Equity Interests of the Reorganized Debtor) in lieu of any Cash distribution.

Because the Company anticipates the distributable proceeds discussed in this Liquidation Analysis will be insufficient to pay Class 3 and Class 4 Claims in full, Holders of Class 5 Junior Subordinated Debt Securities Claims will not receive any distributions under this hypothetical chapter 7 liquidation.

(6) Class 6 – Intercompany Claims

In the normal course of business, the Company maintains Master Service Agreements ("MSAs") with its non-debtor subsidiaries. The Company maintains a central accounts payable system for all of its subsidiaries. Proceeds from the operations of two subsidiaries (Effective Claims Management, Inc. and American Hallmark Insurance Services, Inc.) are swept to the Company's ZBA bank account with Frost Bank daily and are used to pay accounts payable on behalf of these subsidiary companies. The Company also maintains contracts to support subsidiary operations and makes allocations of these services to the subsidiary companies through the MSAs. The Liquidation Analysis assumes this process would continue throughout the Liquidation Period. To the extent there are intercompany balances on the Company's trial balances, these amounts are not reliable as true claims and have never been reconciled by the Company. Class 6 Claims are impaired under the Plan and deemed to reject. On the Plan Effective Date, all Intercompany Claims shall be discharged, and holders of Intercompany Claims shall receive nothing on account of such claims. In a chapter 7 liquidation, the Intercompany Claims would receive no recovery.

(7) Class 7 – Equity Interests

The Liquidation Analysis assumes that there would be no recovery available to holders of Equity Interests. Class 7 is impaired under the Plan and deemed to reject. On the Plan Effective Date, all Equity Interests shall be cancelled, released, and extinguished, and holders of Equity Interests shall not receive or retain any property or distribution under the Plan.

Based on the foregoing, confirmation of the Plan will provide each holder of a Claim or Equity Interest with a recovery that is greater than it would receive in a chapter 7 liquidation scenario. Accordingly, the Company believes that the Plan meets the "best interests of creditors" test as set forth in section 1129(a)(7) of the Bankruptcy Code.

Schedule 2

Financial Projections

Financial Projections

The Company's management team prepared financial projections ("Financial Projections")[1] for the Company for fiscal years 2026 through 2030 (the "Projection Period"). The Financial Projections were prepared by the Company's management, in consultation with the Company's advisors, including CR3 Partners, and are based on a number of assumptions made by the Company with respect to the future performance of the Company's operations.

Although the Company has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, there can be no assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Company's financial results and must be considered. Accordingly, the Financial Projections should be reviewed in conjunction with a review of the risk factors set forth in the Disclosure Statement, including all relevant qualifications and footnotes. The business plan and projections contained herein are the product of the efforts of the Company's management and advisors. Hildene has not adopted the Company's business plan or projections. In the event of a Restructuring Transaction, Hildene reserves the right to make changes to the business plan and to adopt different projections without notice to any person

The Company believes that the Plan meets the feasibility requirements set forth in section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Company or any successor under the Plan. In connection with the planning and development of a plan of reorganization and for the purposes of determining whether such plan would satisfy this feasibility standard, the Company analyzed its ability to satisfy its financial obligations while maintaining sufficient liquidity and capital resources.

The Financial Projections assume an effective date for the Plan of October 31, 2026 (the "Assumed Effective Date"). Any significant delay in the Assumed Effective Date may have a significant negative impact on the operations and financial performance of the Company, including, but not limited to, an increased risk or inability to meet forecasts and the incurrence of higher reorganization expenses, which may also impact the Financial Projections.

These Financial Projections were not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

The Company does not, as a matter of course, publish its business plans or strategies, projections, or anticipated financial position. Accordingly, the Company does not anticipate that it will, and disclaims any obligation to, furnish updated business plans or Financial Projections to holders of Claims, Interests, or other parties in interest. The Financial Projections were prepared by the Company, with the assistance of certain of its advisors, to present the anticipated impact of the

[1] Unless otherwise defined herein, capitalized terms used in this Exhibit shall have the meaning ascribed to such terms in the Disclosure Statement to which these Financial Projections are attached, or the Plan, or as the context otherwise requires.

Plan. The Company does not intend to further update or otherwise revise the Financial Projections to reflect circumstances that may occur after their preparation, or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Additional information relating to the principal assumptions used in preparing the Financial Projections is set forth below.

A. General Assumptions and Methodology

The Financial Projections are based on, and assume the successful implementation of, the Company's business plan for fiscal years 2026 to 2030 ("Business Plan"). Both the Business Plan and the Financial Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of the Company, industry performance, general business, economic, competitive, regulatory, and insurance market conditions, and other matters, many of which are beyond the control of the Company. In addition, the assumptions do not take into account the uncertainty and disruption of business that may accompany a restructuring in Bankruptcy Court. Therefore, although the Financial Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will likely vary from the projected results. These variations may be material. Accordingly, no definitive representation can be or is being made with respect to the accuracy of the Financial Projections or the ability of the Company to achieve the projected results of operations. A discussion of certain risk factors related to the Financial Projections is provided below and in Article V of the Disclosure Statement (collectively, the "Risk Factors").

In deciding whether to vote to accept or reject the Plan, parties must make their own determinations as to the reliability of the Financial Projections, including with respect to the Risk Factors.

1. Basis of Presentation

The Financial Projections are prepared on a GAAP basis and cover the Projection Period from FY 2026 through FY 2030. The projections represent management's best estimate of the Company's operating performance under a base case scenario and were developed by CR3 Partners in conjunction with management based on historical operating results, current market conditions, and management's assessment of the Company's competitive positioning. The Financial Projections are presented before interest expense. The projections do not incorporate fresh start accounting adjustments as would be required under a plan of reorganization; accordingly, certain balance sheet accounts are presented on an indicative basis and reflect historical carrying values without fresh start adjustments.

The projections are prepared on an operating segment level and then consolidated across the Company's five operating segments: Commercial Lines ("HCI"), Personal Lines ("HPL"), Aviation, the Runoff Segment, and Corporate (collectively, the "Operating Segments").

2. Revenue

Total revenue is comprised of Net Premium Earned, Net Investment Income, and Commission Fees and Other Income, as detailed below.

a. Net Premium Earned

Net Premium Earned represents gross premium written less ceded premium written, as adjusted for changes in unearned premium reserves to reflect the earning of premium over the applicable policy period. Revenue projections are built from the division level and consolidated across the Operating Segments. The key premium revenue drivers by segment are as follows:

Commercial Lines (HCI). HCI experienced a decline in total premium production of 13.7% in FY25. The projections assume a return to modest growth of 3.0% in FY26, increasing to 8.0% in FY27 and FY28, and reaching 10.0% in FY29 before moderating to 5.0% in FY30. Growth is driven in part by the Company's continued cross-selling initiative, which leverages existing personal lines agents to write small commercial accounts, thereby expanding the commercial book without proportional increases in distribution costs. Ceded premium is assumed at 10.2% of gross written premium annually across the Projection Period, consistent with the Company's existing reinsurance program. Net earned premium is derived from net written premium using a blended earning pattern that weights 50% to the trailing twelve-month average net written premium and 50% to the current period net written premium, reflecting the typical policy term and earning cadence of the commercial book.

Personal Lines (HPL). HPL experienced a significant decline in total premium production of 28.1% in FY25. The projections assume a recovery to 16.6% growth in FY26, followed by sustained growth of 15.0% annually through FY30. This growth trajectory is supported by favorable macro trends in the non-standard auto market, including a constructive rate environment and improving market sentiment, as well as ongoing production campaigns with the Company's largest retail agents designed to substantially increase total premium production. Ceded premium is assumed at 0.6% of gross written premium annually, reflecting the minimal reinsurance utilization in the personal lines book. Net earned premium is derived using a blended earning pattern that weights 25% to the trailing twelve-month average net written premium and 75% to the current period net written premium, reflecting the shorter policy durations and faster earning cadence characteristic of non-standard auto business.

Aviation. The Company completed the divestiture of its Aviation division in FY25. The projections assume the collection of residual net earned premium in FY26 equal to approximately 50% of FY25 net written premium of $2.5 million, representing the earning-out of policies in force at the time of sale. No premium production or earned premium is assumed from FY27 onward.

Runoff Segment. The Runoff Segment consists of discontinued lines of business and does not generate earned premium during the Projection Period.

Corporate. The Corporate segment does not generate premium revenue.

b. Net Investment Income

Net investment income is housed within the Corporate segment for reporting purposes. The assets are held at the Insurance Subsidiaries and net investment income is projected based on an assumed annual yield of 4.0% applied to the average of current year and prior year cash and invested assets balances. Cash and invested assets of the Insurance Subsidiaries are projected at approximately $250 million in FY25, growing modestly to approximately $300 million by FY30, resulting in projected net investment income of approximately $10 million annually across the Projection Period.

c. Commission Fees and Other Income

Other income for the Personal Lines segment is projected at 5.0% of net written premium annually across the Projection Period. Other income attributable to the Runoff Segment is assumed to decline at a rate of 75% per year from the FY25 base of approximately $526,000, consistent with the assumed wind-down of all operating activity other than net loss and loss adjustment expense reserves over the Projection Period.

3. Loss and Loss Adjustment Expense

Loss and LAE ratio assumptions are benchmarked to the Company's historical experience and reflect the impact of operational improvements implemented by key new hires over the 2023 to 2025 period. The Company's historical loss experience was materially impacted by catastrophe events, including the Maui Wildfires, which elevated loss ratios in prior periods. Since that time, management has undertaken several initiatives that have meaningfully improved the Company's combined ratio trajectory, including enhanced claims handling protocols, reduced reliance on outside counsel, and improved subrogation and salvage recoveries. The projections assume these improvements are sustained and continue to benefit the loss ratio over the Projection Period.

Commercial Lines (HCI). The loss and LAE ratio is assumed at 64.0% in FY26, declining to 63.0% in FY27 and held flat through FY30, compared to 67.0% in FY25. The improvement reflects the continued benefit of the operational initiatives described above.

Personal Lines (HPL). The loss and LAE ratio is assumed at 68.1% across the entire Projection Period, consistent with FY25 actual experience, reflecting a stable and mature book of non-standard auto business.

Runoff Segment. Net loss and LAE for the Runoff Segment is assumed at $1.8 million annually in FY26 and FY27, declining by 10% per year thereafter, as the remaining reserve liabilities continue to develop and settle over the Projection Period. The FY25 net loss and LAE for the Runoff Segment was approximately $7.0 million, and the significant reduction in FY26 reflects the continued wind-down of the discontinued book.

4. Operating Expenses

Operating expenses are measured as a ratio of net policy acquisition costs, general and administrative expenses, and underwriting costs to net earned premium. G&A is allocated to the operating divisions and is not carried separately at the Corporate level, though Corporate does retain certain executive compensation, board costs, and professional fees that continue throughout the Projection Period.

Commercial Lines. The expense ratio is projected to rise marginally from 33.1% in FY25 to 35.1% in FY26, then gradually decline to 33.4% in FY27 and FY28, 32.9% in FY29, and 31.9% in FY30.

Personal Lines. The expense ratio is projected to decline from 27.9% in FY25 to 25.4% in FY26, 24.2% in FY27, 23.9% in FY28, 23.4% in FY29, and 22.9% in FY30.

The declining expense ratios across both divisions reflect operating leverage as the premium base scales, with fixed cost components of G&A and underwriting expenses spread across a growing earned premium base. The divestiture of the Aviation division further reduces overhead burden on the remaining operating segments, as transition costs associated with the sale are minimal and substantially complete by FY26.

Runoff Segment. Total operating expenses for the Runoff Segment were approximately $7.9 million in FY25. Consistent with the wind-down of the discontinued book, all operating expenses other than net loss and LAE are assumed to decline by 75% per year through FY30.

5. Combined Ratio and Path to Underwriting Profitability

On a consolidated basis and net of finance charges, the Company's combined ratio is projected to improve from 101.5% in FY25 to 101.0% in FY26, crossing below 100% in FY27 at 98.5%. The combined ratio continues to improve through the Projection Period, reaching 96.1% by FY30. The transition to underwriting profitability in FY27 represents a key milestone in the Company's reorganization, driven by the combined effect of premium growth, sustained loss ratio improvement in the commercial book, and operating leverage across both divisions.

6. Post-Emergence Capital Structure

Under the Plan, the Company's existing debt of approximately $106.7 million and accrued interest obligations of approximately $28.4 million are restructured such that approximately $14.0 million of principal and any related accrued interest is retained as debt. The remaining debt principal balance of $68.5 million and related accrued interest is converted into equity of the Reorganized Company. The approximately $14.0 million in retained principal debt reflects the non-Hildene Senior Unsecured Notes Claims, which will be evidenced by New Senior Unsecured Notes bearing interest at 6.25% per annum pursuant to the terms of the Restructuring Support Agreement. Post Effective Date, the projection assumes reinstated cash payments of interest. The resulting capital structure significantly reduces the Company's debt service burden and positions the Reorganized Company to retain underwriting profits and build statutory surplus over the Projection Period.

The debt-to-equity conversion described above is calculated on a dollar-for-dollar arithmetic basis for projection purposes only.

B. Safe Harbor Under The Private Securities Litigation Reform Act of 1995

The Financial Projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933, as amended (the "Securities Act") and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995 (the "Exchange Act"). Forward-looking statements in the Financial Projections include the intent, belief, or current expectations of the Company and members of its management team with respect to the timing of, completion of, and scope of the current restructuring, Plan, and Business Plan and the Company's future liquidity, as well as the assumptions upon which such statements are based.

While the Company believes that the expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, parties in interest are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

C. Select Risk Factors Related to the Financial Projections

The Financial Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control. Many factors could cause actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements. The Financial Projections reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtor, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of confirmation and consummation of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtor, including, without limitation, the Company's ability to maintain or increase premium production and net earned premium, achieve targeted loss and expense ratios, control future operating expenses, or make necessary capital expenditures; (c) general business and economic conditions, including interest rate fluctuations, inflation, and changes in the competitive and regulatory landscape for property and casualty insurance; (d) overall industry performance and trends, including frequency and severity of catastrophe events and changes in claims patterns; (e) the Company's ability to maintain and grow its agent and broker distribution relationships, retain key employees, and receive continued policyholder and reinsurer support; (f) the timely receipt of all necessary Regulatory Approvals, including change-of-control approvals from applicable Insurance Regulatory Authorities, and the absence of conditions materially adverse to the Company's operations; (g) the Company's ability to maintain adequate statutory surplus and regulatory capital at its Insurance Subsidiaries; and (h) the successful implementation of the Restructuring Transactions or any Alternative Restructuring Transaction, as applicable, and the Company's ability to operate as a going concern following emergence from chapter 11. A description of additional risk factors associated with the Plan, the Disclosure Statement, and the Financial Projections is included in Article V of the Disclosure Statement.

Exhibit A

Joint Chapter 11 Plan

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

In re:	§	Chapter 11
HALLMARK FINANCIAL SERVICES, INC.,[1]	§	Case No. 26-[XXXXX] ([●])
Debtor.	§	

CHAPTER 11 PLAN OF REORGANIZATION FOR HALLMARK FINANCIAL SERVICES, INC.

Jason S. Brookner (Texas Bar No. 24033684)
Aaron M. Kaufman (Texas Bar No. 24060067)
Lydia R. Webb (Texas Bar No. 24083758)
Emily F. Shanks (Texas Bar No. 24110350)
GRAY REED
1601 Elm Street, Suite 4600
Dallas, TX 75201
Telephone: (214) 954-4135
Facsimile: (214) 953-1332
Email: jbrookner@grayreed.com
akaufman@grayreed.com
lwebb@grayreed.com
eshanks@grayreed.com

Proposed Counsel to the Debtor and Debtor in Possession

Dated: May 7, 2026

[1] The last four digits of the Debtor's federal tax identification number are 7375. The Debtor's mailing address is 5400 Lyndon B Johnson Fwy, Ste 400, Dallas, Texas 75240.

TABLE OF CONTENTS

Hallmark Financial Services, Inc., the debtor and debtor in possession in this Chapter 11 Case, hereby proposes the following *Chapter 11 Plan of Reorganization* pursuant to section 1121(a) of the Bankruptcy Code.

ARTICLE I
DEFINITIONS AND INTERPRETATION AND CONSTRUCTION

A. Definitions.

For the purpose of this Plan, the following terms shall have the respective meanings set forth below:

1. ***2035 Junior Subordinated Debt Securities*** means those certain debt securities due June 15, 2035, issued pursuant to the 2035 Junior Subordinated Debt Securities Indenture in the principal amount of Thirty Million Nine Hundred Twenty Eight Thousand Dollars ($30,928,000.00) and bearing interest at a fixed rate of 7.725% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 3.25%, with interest payable quarterly and subject to deferral at the Debtor's option for up to 20 consecutive quarters under certain conditions.

2. ***2035 Junior Subordinated Debt Securities Indenture*** means the indenture as may be modified, amended, or supplemented, from time to time, dated June 21, 2005, as between the Debtor and JPMorgan Chase Bank, National Association as indenture trustee.

3. ***2037 Junior Subordinated Debt Securities*** means those certain debt securities due September 15, 2037, issued pursuant to the 2037 Junior Subordinated Debt Securities Indenture in the principal amount of Twenty-Five Million Seven Hundred Seventy-Four Thousand Dollars ($25,774,000.00) and bearing interest at a fixed rate of 8.28% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 2.90%, with interest payable quarterly and subject to deferral at the Debtor's option for up to 20 consecutive quarters under certain conditions.

4. ***2037 Junior Subordinated Debt Securities Indenture*** means the indenture as may be modified, amended, or supplemented, from time to time, dated August 23, 2007, as between the Debtor and The Bank of New York Trust Company, National Association as indenture trustee.

5. ***Administrative Claim*** means any right to payment constituting a cost or expense of administration of the Chapter 11 Case pursuant to sections 503(b) or 507 of the Bankruptcy Code.

6. ***Administrative Claim Bar Date*** means the deadline to file all Administrative Claims, as established pursuant to the Solicitation Procedures Order.

7. ***Allowed*** means any Claim (i) for which a proof of claim has been filed and as to which no objection has been made on or before the Objection Deadline or such other applicable period fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, (ii) which appears in the Debtor's Schedules and is not listed as contingent, unliquidated or disputed as to which no objection has been made, (iii) which is allowed by Final Order of the Bankruptcy Court, or (iv) which is expressly allowed under this Plan.

8. ***Alternative Restructuring Transaction*** means any transaction other than the Restructuring Transaction involving the Debtor's Insurance Subsidiaries and other non-cash Assets for cash in an amount in excess of the Initial Plan Value, in accordance with the RSA, and resulting from the Bidding Procedures approved pursuant to the Bidding Procedures Order.

9. ***Assets*** means property of the Debtor's Estate and proceeds thereof.

10. ***Assumed Executory Contract and Unexpired Lease List*** means the list, as determined by the Debtor or the Reorganized Debtor, as applicable, of Executory Contracts and Unexpired Leases (with proposed cure amounts) that will be assumed by the Reorganized Debtor, which list shall be included in the Plan Supplement.

11. ***Assumed Executory Contracts and Unexpired Leases*** means those Executory Contracts and Unexpired Leases to be assumed by the Reorganized Debtor, as set forth on the Assumed Executory Contract and Unexpired Lease List.

12. ***Auction*** means any auction or competitive bidding process conducted by the Debtor or its Professionals pursuant to the Bidding Procedures.

13. ***Avoidance Actions*** means any and all avoidance, recovery, subordination or other claims, causes of action, or remedies that have been or may be asserted by or on behalf of the Debtor or its Estate under the Bankruptcy Code or applicable non-bankruptcy law, including claims, causes of action, or remedies under sections 502, 510, 542, 544, 545, 547 through 553 of the Bankruptcy Code, or under similar or related local, state, federal, foreign law, or common law.

14. ***Ballot*** means the form of ballot provided to Holders of Class 3 and Class 5 Claims in accordance with the RSA or as may be otherwise approved or ratified by the Bankruptcy Court pursuant to the Solicitation Procedures Order and provided to Holders of Claims to indicate their votes to accept or reject the Plan and to make elections with respect to the Third-Party Releases provided under Article X.D hereof.

15. ***Bankruptcy Code*** means title 11 of the United States Code, as amended from time to time.

16. ***Bankruptcy Court*** means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court of the United States having jurisdiction over the Chapter 11 Case.

17. ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as amended and in effect from time to time.

18. ***Backup Bidder*** has the meaning ascribed to it in the Bidding Procedures Order.

19. ***Bar Date*** means the last date to file proofs of claim against the Debtor under the terms of the Bar Date Order.

20. ***Bar Date Order*** means the order entered by the Bankruptcy Court fixing the deadlines for parties in interest to file proofs of Claims or Interests.

21. ***Bidding Procedures*** means the procedures approved by the Bankruptcy Court under the Bidding Procedures Order.

22. ***Bidding Procedures Order*** means the order entered by the Bankruptcy Court authorizing the Debtor to market its non-cash Assets, including its Insurance Subsidiaries, for an Alternative Restructuring Transaction with a minimum purchase price of no less than the Initial Plan Value, payable solely in cash.

23. ***Business Day*** means any day other than a Saturday, Sunday, or "legal holiday" as defined in Bankruptcy Rule 9006(a).

24. ***Cash*** means legal tender of the United States of America.

25. ***Causes of Action*** means any claims, causes of action, interests, damages, remedies, demands, rights, actions (including Avoidance Actions), suits, debts, sums of money, obligations, judgments, liabilities, accounts, defenses, offsets, counterclaims, crossclaims, powers, privileges, licenses, liens, indemnities, guaranties, and franchises of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, now existing or hereafter arising, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, secured or unsecured, assertable, directly or derivatively, matured or unmatured, suspected or unsuspected, in contract, tort, law, equity, or otherwise, owned by or otherwise accruing to the Debtor and its Estate, whether arising before, on, or after the Petition Date.

26. ***Chapter 11 Case*** means the above-captioned chapter 11 case of the Debtor.

27. ***Claim*** means a claim against a Debtor within the meaning of section 101(5) of the Bankruptcy Code.

28. ***Claims Register*** means the official register of Claims against and Interests in the Debtor maintained by the Solicitation Agent.

29. ***Class*** means any group of Claims or Equity Interests classified by this Plan pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

30. ***Collateral*** means any interest in property of the Debtor subject to a Lien, charge, or other encumbrance to secure the payment or performance of a Claim, which Lien, charge or other encumbrance is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable non-bankruptcy law.

31. ***Committee*** means the statutory committee appointed in the Chapter 11 Case by the Office of the United States Trustee, if any, as the same may be reconstituted from time to time.

32. ***Company Released Parties*** means: (i) the Debtor, (ii) the Debtor's predecessors, successors and assigns, Insurance Subsidiaries, affiliates, managed accounts or funds or investment vehicles, and (iii) each of such Person's respective current officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Debtor, and (iv) the current officers and directors of the Debtor and its Insurance Subsidiaries, in each case in the foregoing (i) through (iii), in their capacity as such. Notwithstanding the foregoing, neither the Company Released Parties nor any releases set forth in **Article X.C** of the Plan or otherwise shall be construed to include the following individuals: Naveen Anand, Kenneth Krissinger, Jeffrey Passmore, and Charles Stauber.

33. ***Company Releasing Parties*** means: (i) the Debtor; (ii) the Insurance Subsidiaries; (iii) for each of the foregoing (i) and (ii), any predecessor, successor, assign, subsidiaries, affiliate, managed accounts or funds or investment vehicles; and (iv) for each of the foregoing (i)-(iii), any current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Debtor, in each case in their capacity as such.

34. ***Confirmation Date*** means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

35. ***Confirmation Hearing*** means the hearing conducted by the Bankruptcy Court pursuant to sections 1128(a) and 1129 of the Bankruptcy Code to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

36. ***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

37. ***Consenting Parties*** means all Persons who affirmatively consent to the Third-Party Releases by either: (1) submitting a Ballot to the Solicitation Agent without having checked the appropriate box to opt out of the Third-Party Releases; or (2) returning an Opt In Form to the Solicitation Agent having checked the appropriate box to opt into the Third-Party Releases.

38. ***Debtor*** or ***Company*** means Hallmark Financial Services, Inc. and may be used interchangeably throughout the Plan and Disclosure Statement.

39. ***Disallowed*** means any Claim, or portion thereof, that is not an Allowed Claim or a Disputed Claim.

40. ***Disclosure Statement*** means that certain disclosure statement relating to the Plan, including all exhibits and schedules thereto, as the same may be amended, supplemented, or otherwise modified from time to time, as approved by the Bankruptcy Court pursuant to sections 1125 and 1126 of the Bankruptcy Code.

41. ***Disputed*** means, when used with respect to a Claim, such Claim, as the case may be (a) to the extent neither Allowed nor Disallowed under the Plan or a Final Order nor deemed Allowed under section 502, 503, or 1111 of the Bankruptcy Code, or (b) with respect to which the Debtor or any party in interest has made a timely objection (as a contested matter, adversary proceeding, or otherwise) or request for estimation prior to the Objection Deadline in accordance with the Plan or the Bankruptcy Rules, which objection or request for estimation has not been withdrawn or determined by a Final Order as of the Effective Date.

42. ***Distribution Agent*** means, with respect to the Restructuring Transactions, the Reorganized Debtor or, with respect to an Alternative Restructuring Transaction, the Person designated by the Debtor (after consulting with the Successful Bidder) pursuant to a Plan Supplement.

43. ***Distribution Date*** means the date, occurring on or as soon as practicable after the Effective Date, on which the Debtor or the Reorganized Debtor, as applicable, first makes distributions to Holders of Allowed Claims as provided in the Plan.

44. ***Distribution Record Date*** means the record date for purposes of receiving distributions under the Plan on account of Allowed Claims, which shall be the Confirmation Date or such other date as established by an Order of the Bankruptcy Court.

45. ***Effective Date*** means the first Business Day on which all the conditions precedent to the effectiveness of the Plan specified in Article IX.B hereof shall have been satisfied or waived as provided in Article IX.C hereof; *provided*, *however*, that if a stay, injunction or similar prohibition of the Confirmation Order is in effect, the Effective Date shall be the first Business Day after such stay, injunction, or similar prohibition is no longer in effect.

46. ***Entity*** has the meaning set forth in section 101(15) of the Bankruptcy Code.

47. ***Equity Interest*** means any "equity security" of the Debtor, as that term is defined in section 101(16) of the Bankruptcy Code and including but not limited to options, warrants, stock appreciation rights, phantom stock, and similar instruments.

48. ***Estate*** means the bankruptcy estate of the Debtor as created under section 541 of the Bankruptcy Code.

49. ***Exculpated Parties*** means, in each case solely in their capacity as such, the Debtor and the members of the Committee, as applicable.

50. ***Executory Contract*** means a contract or lease to which the Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

51. ***Final Decree*** means the decree contemplated by Bankruptcy Rule 3022.

52. ***Final Order*** means an order or judgment of a court of competent jurisdiction that has been entered on the docket maintained by the clerk of such court and has not been reversed, vacated, or stayed and as to which (a) the time to appeal, petition for *certiorari*, or move for a stay, new trial, reargument, or rehearing has expired and as to which no appeal, petition for *certiorari* or other proceedings for a stay, new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ of *certiorari*, stay, new trial, reargument or rehearing thereof has been sought, (i) such order or judgment shall have been affirmed by the highest court to which such order was appealed, *certiorari* shall have been denied or a stay, new trial, reargument or rehearing shall have been denied or resulted in no modification of such order and (ii) the time to take any further appeal, petition for *certiorari*, or move for a stay, new trial, reargument or rehearing shall have expired; *provided*, *however*, that no order or judgment shall fail to be a "Final

Order" solely because of the possibility that a motion pursuant to section 502(j) or 1144 of the Bankruptcy Code or under Rule 60 of the Federal Rules of Civil Procedure, or Bankruptcy Rule 9024 has been or may be filed with respect to such order or judgment.

53. ***General Unsecured Claim*** or ***GUC*** means any Claim against a Debtor that is not an Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a Senior Unsecured Noteholder Claim, a Junior Subordinated Debt Securities Claim, a Professional Fee Claim, an Other Secured Claim, an Intercompany Claim, or an Equity Interest. GUCs expressly include Claims arising from the termination or rejection of any contracts or management agreements, including Executory Contracts or Unexpired Leases.

54. ***Governmental Unit*** has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

55. ***HHH*** means Hildene Hallmark Holdings, LLC, a limited liability company organized under the laws of Delaware, (a) established for the purpose of owning up to 100% of the New Common Equity of the Reorganized Debtor in the event of a Restructuring Transaction; (b) the non-voting membership interests of which are owned 100% by Holders of Allowed Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene pursuant to Article IV.E.2 of this Plan; and (c) which entity shall be solely managed by Brett Jefferson, who will not hold any direct equity interest in HHH and is not receiving any consideration under the Plan.

56. ***Hildene*** means Hildene Capital Management, LLC, Hildene Collateral Management Company, LLC, certain of its affiliate(s), funds, and accounts managed and expressly listed and disclosed to the Debtor in writing to the Debtor before the Petition Date in compliance with the RSA and subsequently disclosed to the Court pursuant to a verified statement under Bankruptcy Rule 2019.

57. ***Hildene Advisors*** has the meaning ascribed in Article VI.O hereof.

58. ***Hildene Professional Fees*** has the meaning ascribed in Article VI.O hereof.

59. ***Hildene Released Parties*** means Hildene, its predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds, and each of such entities' respective current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in their respective capacities as such.

60. ***Hildene Releasing Parties*** means Hildene, on behalf of itself and its predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in each case in their capacity as such.

61. ***Holder*** means, with respect to any Claim or Interest, the Person holding the beneficial interest in or asserting the rights pursuant to such Claim or Interest.

62. ***Indenture Trustee*** means, individually or collectively, the Junior Subordinated Debt Securities Indenture Trustees and the Senior Unsecured Notes Indenture Trustee, as applicable.

63. ***Indenture Trustee Fee and Expense Cap*** means the maximum amount payable by the Reorganized Debtor to each Indenture Trustee as reimbursement for fees and expenses incurred by the Indenture Trustees, including fees and expenses payable to the Indenture Trustees pursuant to the Indentures, which in the aggregate shall not exceed $50,000 for each Indenture Trustee accrued from and after the Petition Date; *provided*, *however*, that this cap shall serve as an aggregate cap for any Indenture Trustee serving as the trustee for multiple indentures.

64. ***Initial Plan Value*** means (i) the amount of Senior Unsecured Notes Claims, including accrued interest, plus (ii) 10% of Junior Subordinated Debt Securities Claims, including accrued interest, plus

(iii) the estimated amount of unpaid Professional Fee Claims and Hildene Professional Fees and other Administrative Claims as of the Plan Effective Date, plus (iv) to the extent applicable, any obligations to repay debtor in possession financing approved by a Final Order of the Bankruptcy Court, plus (v) the amount of GUCs, less (vi) the estimated amount of the Debtor's Cash, cash equivalents, and investment balances (to the extent that such investments are marketable securities or other cash equivalents) as of the Effective Date.

65. ***Insider*** means any Person who is an "insider" as such term is defined in section 101(31) of the Bankruptcy Code, or who may otherwise be determined to be an "insider" under section 101(31) of the Bankruptcy Code by a court of competent jurisdiction.

66. ***Insurance Regulatory Authority*** means any Governmental Unit, regulatory authority, administrative authority, agency, or department having jurisdiction over the Debtor or any of the Insurance Subsidiaries.

67. ***Insurance Subsidiary*** means any one of the Debtor's direct or indirect subsidiaries that operate insurance businesses or other businesses regulated by any Governmental Unit or are otherwise subject to regulatory oversight by the applicable Insurance Regulatory Authorities.

68. ***Intercompany Claim*** means a Claim held by a Subsidiary of the Debtor against the Debtor.

69. ***Junior Subordinated Debt Securities Claim*** means, collectively or individually, a Claim arising from any 2035 Junior Subordinated Debt Securities or 2037 Junior Subordinated Debt Securities, as applicable.

70. ***Junior Subordinated Debt Securities Indenture Trustees*** means, collectively, the indenture trustees or their respective successors in interest under the 2035 Junior Subordinated Debt Securities Indenture or the 2037 Junior Subordinated Debt Securities Indenture, as applicable.

71. ***Local Rules*** means the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas, as the same may be amended or modified from time to time.

72. ***Lien*** has the meaning set forth in section 101(37) of the Bankruptcy Code.

73. ***MIP*** or ***Management Incentive Plan*** means the management incentive plan described more fully in Article VI.C.3 hereof, as adopted by the New Board on or as soon as practicable following the Effective Date, providing for the issuance of New Common Equity or similar awards to officers, employees, directors, managers, and other key service providers for the Reorganized Debtor from time to time and in accordance with the RSA and this Plan.

74. ***New Board*** means the board of directors, board of managers, or other governing body of the Reorganized Debtor.

75. ***New Common Equity*** means the common stock, limited liability company membership units, or functional equivalent thereof of Reorganized Debtor to be issued on the Effective Date.

76. ***New Convertible Preferred Equity*** means the preferred shares of stock, limited liability company membership units, or functional equivalent thereof of Reorganized Debtor to be issued on the Effective Date as described more fully in Article VI.C.4 hereof.

77. ***New Organizational Documents*** means the documents providing for corporate organization and governance of the Reorganized Debtor, including charters, bylaws, operating agreements or such other applicable organizational documents, which shall be in form and substance provided in the Plan Supplement.

78. ***New Senior Unsecured Notes*** means the new take-back senior unsecured notes to be issued by Reorganized Debtor on the Effective Date as described more fully in Article VI.C.5 hereof.

79. ***Objection Deadline*** means the later of (a) ninety (90) days after the Effective Date or (b) such later date as may be ordered by the Bankruptcy Court upon motion filed prior to the expiration of such ninety (90) day period.

80. ***Opt In Form*** means the form approved by the Bankruptcy Court pursuant to the Solicitation Procedures Order and provided to parties in interest not entitled to submit Ballots but allowing such parties to indicate their election with respect to the Third-Party Releases provided under Article X.D hereof.

81. ***Other Retained Causes of Action*** means all Retained Causes of Action owned by the Debtor or its Estate on the Effective Date.

82. ***Petition Date*** means June 8, 2026.

83. ***Person*** means an individual, partnership, corporation, limited liability company, cooperative, trust, unincorporated organization, association, joint venture, government or agency or political subdivision thereof, or any other form of legal entity.

84. ***Plan*** means this Chapter 11 Plan, as the same may be amended, supplemented, or otherwise modified from time to time, including any exhibits and schedules hereto.

85. ***Plan Supplement*** means the compilation of documents and forms of documents, schedules and exhibits, to be filed in one or more parts or volumes, no later than seven (7) days prior to the Confirmation Hearing, as amended, supplemented or otherwise modified from time to time, containing, without limitation: (a) the New Organizational Documents; (b) the forms of New Senior Unsecured Notes; (c) the identity of the members of the New Board and the officers of Reorganized Debtor; (d) the Rejected Executory Contract and Unexpired Lease List; (e) the Assumed Executory Contract and Unexpired Lease List; (f) the schedule of retained Causes of Action; and (g) any other necessary documentation related to the Restructuring Transactions or Alternative Restructuring Transaction, as applicable, each of which shall be in form and substance consistent with the RSA and Bidding Procedures Order.

86. ***Policy Proceeds*** means the proceeds of the Debtor's insurance policies that constitute Assets of the Debtor or its Estate.

87. ***Proof of Claim*** means a proof of Claim Filed against the Debtor in the Chapter 11 Case by the applicable bar date.

88. ***Priority Non-Tax Claim*** means any Claim that is entitled to priority in payment pursuant to sections 507(a)(4) or (5) of the Bankruptcy Code and that is not an Administrative Claim or a Priority Tax Claim.

89. ***Priority Tax Claim*** means any Claim of a Governmental Unit of the kind entitled to priority in payment as specified in section 507(a)(8) of the Bankruptcy Code.

90. ***Pro Rata*** means the proportion that the amount of an Allowed Claim or Allowed Equity Interest in a particular Class bears to the aggregate amount of all Allowed Claims or Allowed Equity Interests in such Class.

91. ***Professional Fee Claim*** means any Claim by a Professional Person under sections 330, 331 or 503 of the Bankruptcy Code for allowance of compensation and/or reimbursement of expenses in the Chapter 11 Case.

92. ***Professional Fee Reserve*** means a segregated fund established by the Debtor before the Effective Date and held in a separate deposit account, controlled by the Debtor or one or more Professional Persons, in an estimated amount established prior to the Effective Date, and earmarked for the sole purpose of paying Allowed Professional Fee Claims. Any surplus of the Professional Fee Reserve, after payment of all Allowed Professional Fee Claims, shall be property of the Reorganized Debtor.

93. ***Professional Person*** means any Person retained in the Chapter 11 Case or to be compensated by the Debtor pursuant to sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code.

94. ***Regulatory Approval*** means any approval required by any Regulatory Authority for the Restructuring Transaction or Alternative Restructuring Transaction, as applicable, including, without limitation, the approval by any applicable Regulatory Authority of any change-of-control applications, Form A applications, or equivalent processes.

95. ***Regulatory Approval Deadline*** means the deadline to obtain all necessary Regulatory Approvals required for the Effective Date to occur, which shall be ninety (90) days after the Petition Date (if the Successful Bidder is Hildene) or one-hundred and fifty (150) days after the Auction (if the Successful Bidder is not Hildene), by which date the Successful Bidder shall have obtained Regulatory Approvals, provided, however, that such deadline shall be subject to: (a) one 30-day extension if Regulatory Approval remains pending and there is no indication of denial as of the date of such extension, and (b) one additional 30-day extension if (x) Regulatory Approval remains pending and there is no indication of denial as of the date of such additional extension, and (y) the Debtor, in its reasonable discretion, agrees in writing to such additional extension.

96. ***Reinstatement*** of a Claim or Interest means the treatment set forth in section 1124(2) of the Bankruptcy Code.

97. ***Released Parties*** means collectively the following, in each case in its capacity as such with each being a "Released Party": (a) the Company Released Parties; (b) the Committee and its members (if appointed); and (c) the Hildene Released Parties.

98. ***Releasing Parties*** means collectively the following, in each case in its capacity as such with each being a "Releasing Party": (a) the Company Releasing Parties; (b) the Committee (if appointed); (c) Consenting Parties; and (d) the Hildene Releasing Parties.

99. ***Reorganized Debtor*** means Debtor Hallmark Financial Services, Inc., or any successor or assign thereto, on and after the Effective Date.

100. ***Restructuring Support and Forbearance Agreement*** or ***RSA*** means that certain Restructuring Support and Forbearance Agreement, dated as of April 3, 2026, by and among the Debtor and Hildene, including all exhibits and attachments thereto, and as may be amended, restated, and supplemented from time to time in accordance with its terms.

101. ***Restructuring Transaction*** means the transactions contemplated in the RSA and more fully detailed in Article VI.C of the Plan.

102. ***Retained Causes of Action*** means Causes of Action scheduled in the Plan Supplement as "retained" including (but not limited to) all of the Debtor's Causes of Action as more specifically enumerated in a Plan Supplement, including, but not limited to, Avoidance Actions, which, as of the Effective Date have not been sold, transferred, settled, waived, or released pursuant to the Plan, upon order of the Bankruptcy Court or otherwise, all of which shall be reserved, retained, assigned, and transferred to or vested in the Reorganized Debtor.

103. ***Schedules*** means, collectively, Schedules A through J and the Statement of Financial Affairs, as filed by the Debtor in the Chapter 11 Case, as the same may be amended from time to time.

104. ***SEC*** means the Securities and Exchange Commission.

105. ***Securities Act*** means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, or any similar federal, state, or local law, as now in effect or hereafter amended, and the rules and regulations promulgated thereunder.

106. ***Security*** has the meaning set forth in section 2(a)(1) of the Securities Act.

107. ***Solicitation Agent*** means Stretto, Inc., the notice, claims, and solicitation agent that the Debtor retains for the Chapter 11 Case.

108. ***Secured Claim*** means a Claim secured by a Lien that is valid, perfected and enforceable, and not avoidable, upon property in which a Debtor has an interest, to the extent of the value, as of the Effective Date, of such interest or Lien as determined by a Final Order of the Bankruptcy Court pursuant to section 506 of the Bankruptcy Code, or as otherwise agreed to in writing by the Debtor in question and the Holder of such Claim. To the extent a Claim exceeds the value of the Collateral securing such Claim, such deficiency shall constitute a General Unsecured Claim.

109. ***Senior Unsecured Noteholder*** means a Holder of a Senior Unsecured Notes Claim.

110. ***Senior Unsecured Notes*** means the unsecured notes issued by the Debtor on August 19, 2019, with interest accruing at a rate of 6.25% per annum and maturing on August 19, 2029, and subject to the terms and conditions of the Senior Unsecured Notes Indenture.

111. ***Senior Unsecured Notes Claim*** means a Claim arising from a Senior Unsecured Note.

112. ***Senior Unsecured Notes Indenture*** means the indenture as may be modified, amended, or supplemented, from time to time, dated August 19, 2019, as between the Debtor and The Bank of New York Mellon Trust Company, N.A., as indenture trustee.

113. ***Senior Unsecured Notes Indenture Trustee*** means the indenture trustee or its successor in interest under the Senior Unsecured Notes Indenture.

114. ***Solicitation Procedures Order*** means the Bankruptcy Court's *Order (I) Approving the Disclosure Statement, (II) Scheduling a Confirmation Hearing to Consider Confirmation of the Debtor's Plan, (III) Approving the Solicitation Procedures and Dates, Deadlines, and Notices Related Thereto, and (IV) Granting Related Relief.*

115. ***Subsidiary*** means an Entity owned, directly or indirectly, in whole or in part, by the Debtor.

116. ***Third-Party Releases*** means those releases provided under Article X.D hereof.

117. ***Unexpired Lease*** means a lease of nonresidential real property to which the Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

118. ***Unimpaired*** means a Class of Claims or Interests that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

119. ***U.S. Trustee*** means the Office of the United States Trustee.

120. ***U.S. Trustee Fees*** means all fees payable under section 1930 of title 28 of the United States Code.

121. ***Voting Deadline*** means the deadline to submit votes to accept or reject the Plan.

B. Rules of Interpretation and Construction.

1. Interpretation.

Unless otherwise specified herein, all section, article, and exhibit references in the Plan are to the respective section in, article of, and exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. All headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

2. Construction and Application of Bankruptcy Code Definitions.

Unless otherwise defined herein, words and terms defined in section 101 of the Bankruptcy Code shall have the same meanings when used in the Plan. Words or terms used but not defined herein shall have the meanings ascribed to such terms or words, if any, in the Bankruptcy Code. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan.

3. Other Terms.

The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular article, section, subsection, or clause contained in the Plan.

4. Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II
TREATMENT OF UNCLASSIFIED CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, the following claims have not been classified and, thus, are excluded from the Classes of Claims and Equity Interests set forth in Article III hereof.

A. Administrative Claims.

All Administrative Claims against the Debtor, other than Professional Fee Claims, shall be treated as follows:

1. Time for Filing.

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 Debtor, its counsel, the Committee, its counsel, and the Reorganized Debtor and its 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 Debtor, the Reorganized Debtor, or any other Person.

2. Objection and Allowance.

An Administrative Claim, other than a Professional Fee Claim, for which a request for payment has been properly and timely filed, if necessary, shall become an Allowed Administrative Claim unless an objection is filed by the first Business Day that is thirty (30) days after the Effective Date, or such later date as may be ordered by the Bankruptcy Court upon motion. If an objection is timely filed, the Administrative Claim in question shall become an Allowed Administrative Claim only to the extent so Allowed by Final Order of the Bankruptcy Court.

3. Payment.

Except to the extent that a Holder of an Allowed Administrative Claim, other than a Professional Fee Claim, agrees to a different treatment of such Claim, each Holder of an Allowed Administrative Claim shall receive, on account of and in full satisfaction of such Claim, Cash in an amount equal to the amount of such Allowed 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**.**

B. Professional Fee Claims.

1. Time for Filing.

Every Professional Person holding a Professional Fee Claim that has not previously been the subject of a final fee application and accompanying Bankruptcy Court order approving the same shall file a final application for payment of fees and reimbursement of expenses no later than the first Business Day that is thirty (30) 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.

Between the entry of the Confirmation Order and the Effective Date, every Professional Person shall provide estimates to the Debtor and Hildene of their respective Professional Fee Claims prior to the Effective Date. The Debtor shall use its available Cash to establish a Professional Fee Reserve in the aggregate amount of all estimates received from the Professional Persons.

2. Objection and Allowance.

The last date to object to any Professional Fee Claim shall be the first Business Day that is twenty-four (24) days after such Professional Fee Claim has been filed with the Bankruptcy Court. All Professional Fee Claims shall be set for hearing on the same day, as the Bankruptcy Court's calendar permits, after consultation with counsel to the Debtor, the Reorganized Debtor (as applicable) and the Committee (as applicable).

3. Payment.

Each Professional Fee Claim shall be paid by the Reorganized Debtor from the Professional Fee Reserve or, if necessary, available Cash, upon entry of a Final Order approving such Professional Fee Claim.

C. U.S. Trustee Fees.

All U.S. Trustee Fees that arise before the Effective Date shall be paid from the Debtor's available Cash on or before the Effective Date or when such amounts are due in the ordinary course. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Case shall be paid by the Reorganized Debtor. U.S. Trustee Fees will not be assessed against the initial transfer or transfers from the Debtor to the Reorganized Debtor. U.S. Trustee Fees will not be assessed upon any further disbursements of the Reorganized Debtor upon the initial assessment described above.

D. Priority Tax Claims.

1. Time for Filing

Holders of Priority Tax Claims shall file such Priority Tax Claims on or before the applicable Bar Date. Nothing in this Plan shall alter or extend such Bar Date.

2. Objection and Allowance.

A Priority Tax Claim shall become an Allowed Priority Tax Claim unless an objection is filed by the Objection Deadline. If an objection is timely filed, the Priority Tax Claim in question shall become an Allowed Priority Tax Claim only to the extent so Allowed by Final Order of the Bankruptcy Court.

3. Payment

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim,

each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

4. Retention of Liens and Setoff

To the extent the Holder of an Allowed Priority Tax Claim has a Lien on a Debtor's property, such Lien shall remain in place until such Allowed Priority Tax Claim has been paid in full.

E. Payment of Indenture Trustee Fees and Expenses.

On or as soon as practicable after the Effective Date, the Reorganized Debtor shall reimburse each Indenture Trustee the reasonable fees and expenses incurred by professionals retained by such Indenture Trustee, or otherwise reimbursable under the applicable Indenture, up to but not to exceed the Indenture Trustee Fee and Expense Cap.

ARTICLE III
CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

All Claims against, and Equity Interests in, the Debtor are classified for all purposes, including voting, confirmation, and distribution, as follows:

Class	Designation	Impairment	Entitled to Vote
1	Other Secured Claims	Unimpaired	No (deemed to accept)
2	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
3	***Senior Unsecured Notes Claims***	***Impaired***	***Yes***
4	General Unsecured Claims	Unimpaired	No (deemed to accept)
5	***Junior Subordinated Debt Securities Claims***	***Impaired***	***Yes***
6	Intercompany Claims	Impaired	No (deemed to reject)
7	Equity Interests	Impaired	No (deemed to reject)

Administrative Claims, Professional Fee Claims, and Priority Tax Claims are not classified for purposes of voting or receiving distributions under the Plan, pursuant to section 1123(a)(1) of the Bankruptcy Code. Instead, all such Claims shall be treated separately as unclassified claims on the terms previously set forth in Article II of this Plan.

ARTICLE IV
TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Class 1 – Other Secured Claims.

On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, at the election of the Debtor or Reorganized Debtor (with the consent of Hildene): (i) payment in full in Cash of the unpaid portion of such Claim (or, if not then due, payment in the ordinary course in accordance with the terms of the applicable agreement), (ii) Reinstatement of such Claim, or (iii) such other treatment as will render such Claim Unimpaired under the Plan.

B. Class 2 – Priority Non-Tax Claims.

On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Cash or other treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.

C. Class 3 – Senior Unsecured Notes Claims.

1. An Alternative Restructuring Transaction

In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction pursuant to the Plan, on the Plan Effective Date or as soon as reasonably practicable thereafter, the Debtor shall make pro rata distributions to the Allowed Senior Unsecured Noteholders of the net proceeds from such Alternative Restructuring Transaction (after full payment of Allowed Administrative Claims, Allowed Priority Tax Claims, and other Allowed Priority Non-Tax Claims), up to the aggregate amount of the Allowed Senior Unsecured Notes Claims, including any Indenture Trustee fees and expenses reimbursable under the Senior Unsecured Notes Indenture.

2. The Restructuring Transaction

In the event the Bankruptcy Court does not approve the Alternative Restructuring Transaction, on the Plan Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Senior Unsecured Notes Claim held by Hildene, such Allowed Senior Unsecured Noteholder shall receive, on account of such Claim, New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such Allowed Senior Unsecured Notes Claim. Each other Allowed Senior Unsecured Noteholder shall receive, on account of such Claim, New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such Holder's Allowed Senior Unsecured Notes Claim.

Senior Unsecured Notes Claims shall be deemed Allowed in the principal amount of $50,000,000.00, plus accrued and unpaid interest as of the Petition Date to the fullest extent permitted under the Senior Unsecured Notes Indenture and applicable law.

D. Class 4 – General Unsecured Claims

On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim, shall receive payment in Cash of the unpaid portion of such Claim (without interest, premium or penalty) on or about the Effective Date. For General Unsecured Claims that are not Allowed as of the Effective Date, the Reorganized Debtor shall pay the amount of such Allowed General Unsecured Claim as directed by any Final Order of the Bankruptcy Court allowing such Claim.

E. Class 5 – Junior Subordinated Debt Securities Claims

1. An Alternative Restructuring Transaction

In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction, on the Plan Effective Date or as soon as reasonably practicable thereafter, the Debtor shall make Pro Rata distributions of the net proceeds from such Alternative Restructuring Transaction (after full payment of Allowed Administrative Claims, Allowed Priority Tax Claims or other Allowed Priority Non-Tax Claims, Allowed Senior Unsecured Notes Claims, and Allowed General Unsecured Claims), up to the aggregate amount of the Allowed Junior Subordinated Debt Securities Claims.

2. The Restructuring Transaction

In the event the Bankruptcy Court does not approve an Alternative Restructuring Transaction, on the Plan Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Junior Subordinated Debt Securities Claim, each Holder of an Allowed Junior Subordinated Debt Securities Claim shall receive, on account of such Claim, 10% of the amount of such Claim in Cash.

Notwithstanding the foregoing, Holders of Allowed Junior Subordinated Debt Securities Claims managed by or affiliated with Hildene agree to less favorable treatment such that, on the Effective Date, the Reorganized Debtor shall issue 100% of the New Common Equity to HHH, and the Holders of Allowed Junior Subordinated Debt Securities Claims who are managed by or affiliated with Hildene shall receive their Pro Rata share of the non-voting membership interests issued by HHH in lieu of any Cash distribution.

The New Common Equity of the Reorganized Debtor shall be subject to dilution by (i) the New Convertible Preferred Equity of the Reorganized Debtor or any securities issued in respect thereof and (ii) New Common Equity of the Reorganized Debtor issuable or reserved under the MIP and any other common equity issuances by the Reorganized Debtor to this Plan with Hildene's consent, or otherwise issued after the Effective Date.

The 2035 Junior Subordinated Debt Securities Claims shall be deemed Allowed in the principal amount of $30,928,000.00, plus accrued and unpaid interest as of the Petition Date to the fullest extent permitted under the 2035 Junior Subordinated Debt Securities Indenture and applicable law. The 2037 Junior Subordinated Debt Securities Claims shall be deemed Allowed in the principal amount of $25,774,000.000, plus accrued and unpaid interest as of the Petition Date to the fullest extent permitted under the 2037 Junior Subordinated Debt Securities Indenture and applicable law.

F. Class 6 – Intercompany Claims

On the Plan Effective Date or as soon as reasonably practicable thereafter, all Intercompany Claims shall be discharged and Holders of Intercompany Claims shall receive nothing on account of such Intercompany Claims.

G. Class 7 – Equity Interests

On the Plan Effective Date, all Equity Interests shall be cancelled, released, and extinguished and shall be of no further force or effect, and Holders of Equity Interests shall not receive or retain any property or distribution under the Plan on account of such Equity Interests.

ARTICLE V
IMPAIRMENT; ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES

A. Classes Entitled to Vote.

The Holders of Claims in Classes 1, 2, and 4 are unimpaired and are conclusively deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

The Holders of Claims in Classes 3 and 5 are impaired and are entitled to vote to accept or reject the Plan.

The Holders of Claims and Equity Interests in Classes 6 and 7, respectively, are impaired and are conclusively deemed to reject the Plan and are therefore not entitled to vote to accept or reject the Plan.

B. Class Acceptance Requirement.

A Class of impaired Claims entitled to vote on the Plan shall have accepted the Plan if the Holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Claims in such Class who have voted on the Plan have voted to accept the Plan.

C. Cramdown.

To the extent that any Class is impaired under the Plan and such Class fails to accept the Plan in accordance with section 1126(c) or (d) of the Bankruptcy Code, the Debtor hereby requests that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

D. Elimination of Classes.

Any Class that does not contain any Allowed Claims or any Claims temporarily Allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Confirmation Hearing, shall be deemed eliminated from this Plan for purposes of (i) voting to accept or reject this Plan and (ii) determining whether such Class has accepted or rejected this Plan under section 1129(a)(8) of the Bankruptcy Code.

ARTICLE VI
MEANS OF IMPLEMENTATION

A. General Settlement of Claims and Equity Interests.

Unless otherwise set forth in the Plan, pursuant to section 1123 of the Bankruptcy Code, 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.

B. Regulatory Approval Deadline and Bidding Procedures Toggle Plan Implementation

The Successful Bidder shall obtain Regulatory Approval for the Restructuring Transactions or Alternative Restructuring Transaction contained in this Plan. If the Successful Bidder does not obtain Regulatory Approval by the applicable Regulatory Approval Deadline, the Debtor may file a notice with the Bankruptcy Court notifying parties that it will proceed to consummate the Restructuring Transactions or Alternative Restructuring Transaction, as applicable, with the Backup Bidder as the replacement Successful Bidder.

Pursuant to the Bidding Procedures, the Debtor shall designate a Successful Bidder prior to the Confirmation Date, which designation shall be subject to Court approval. Unless otherwise specified in this Plan, the provisions of Article VI.C hereof shall govern the implementation of the Plan where the Successful Bidder is Hildene. The Debtor shall not designate a Successful Bidder under an Alternative Restructuring Transaction if the cash portion of the bid does not exceed the Initial Plan Value.

C. The Hildene Restructuring Transactions.

This Article VI.C of the Plan dictates the terms of the Restructuring Transactions between the Debtor and Hildene pursuant to the terms of the RSA. In the event that the Debtor pursues approval of an Alternative Restructuring Transaction under this Plan, the terms of this Article VI.C shall not apply and all distributions under the Plan shall be made from the Debtor's Cash or the Cash proceeds from the Alternative Restructuring Transaction.

1. DIP Financing

In the event that the Debtor has obtained financing from Hildene pursuant to a Final Order of the Bankruptcy Court under sections 363 or 364 of the Bankruptcy Code, in the event of consummation of a Restructuring Transaction, it is Hildene's intent to cause any and all obligations arising from such financing shall be discharged on the Effective

Date in exchange for issuance of New Convertible Preferred Equity in the Reorganized Debtor to Hildene, which shall have the same terms as the New Convertible Preferred Shares issued on account of the portion of Allowed Senior Unsecured Notes Claims held by Hildene and its affiliates. In the event of consummation of an Alternative Restructuring Transaction, any DIP financing which may be provided by Hildene shall be paid in full in Cash on the Effective Date.

2. New Board

On the Effective Date, the New Board shall consist of one (1) director designated by the Debtor, whose initial designee shall be Chris Kenney, or any other designee that may be approved by Hildene in its reasonable discretion; three (3) directors selected by Hildene; and one (1) independent director selected by Hildene. Corporate governance and additional governance terms of the Reorganized Debtor shall be determined as set forth in the Plan Supplement.

3. Management Incentive Plan

On or as soon as practicable after the Effective Date, in the event of the Restructuring Transaction, the New Board shall adopt a Management Incentive Plan providing for the issuance of equity and/or equity-based awards ("MIP Awards") to officers, employees, directors, managers and other key service providers of the Reorganized Debtor from time to time. The MIP shall reserve for issuance MIP Awards in respect of such aggregate amount of New Common Equity of the Reorganized Debtor as may be determined by the New Board in its discretion (the "MIP Pool"), provided that the MIP Pool shall at all times comprise no less than five percent (5%) of the Reorganized Debtor's New Common Equity on a fully diluted basis (for the avoidance of doubt, including the dilution from the New Convertible Preferred Equity). The terms and conditions of the MIP (including, without limitation, the size of the MIP Pool, eligibility, individual participation levels, timing and forms of awards, and vesting and performance criteria) shall be determined by the New Board in its discretion, in a manner consistent with the Plan, the RSA, and all other Plan Supplements.

4. New Convertible Preferred Equity

On the Effective Date, in the event of the Restructuring Transaction, the New Organizational Documents shall provide for the Reorganized Debtor to issue New Convertible Preferred Equity to the Holders of Senior Unsecured Noteholders managed by or affiliated with Hildene, or a Hildene affiliate entity designated by such Holders, with the following principal terms:

a. Issuer: The Reorganized Debtor.

b. Quantum: The aggregate amount of liquidation preference of New Convertible Preferred Equity to be issued on the Plan Effective Date shall be determined based on the portion of Allowed Senior Unsecured Notes Claims held by Hildene and its affiliates.

c. Dividend Rate: 10% per annum, payable in kind by automatic accretion to the liquidation preference, compounded quarterly.

d. Priority: Senior to all common equity and junior to all debt securities (including the New Senior Unsecured Notes), except as otherwise provided in the Plan.

e. Maturity: Perpetual, subject to conversion, redemption, or other exit events as described below, payable on the sale of the Reorganized Debtor or all or substantially all of its assets.

f. Conversion Rights: Convertible at the option of the Holder at any time into common equity of the Reorganized Debtor at a valuation equal to the Initial Plan Value, plus (i) the amount of the Debtor's cash, cash equivalents and investments balance as of the Plan Effective Date, reflected on a pro forma basis for amount of cash paid out to the Junior Subordinated Debt Claims pursuant to the Restructuring Transactions, less (ii) the estimated amount of unpaid professional fees and other administrative claims as of the Plan Effective Date, less (iii) the amount of New Senior Unsecured Notes issued as part of the Restructuring Transactions, as more fully set forth in the Plan and related

documentation, subject to customary anti-dilution adjustments for stock splits, combinations, reclassifications, and similar events.

g. Other Terms: Customary affirmative and negative covenants, representations and warranties, and indemnities for securities of this type, as set forth in the Plan and related documentation.

5. New Senior Unsecured Notes

On the Effective Date, in the event of the Restructuring Transaction, the Reorganized Debtor shall issue New Senior Unsecured Notes to Holders of Senior Unsecured Notes Claims other than Hildene and its affiliates with the following principal terms:

a. Issuer: The Reorganized Debtor.

b. Quantum: The aggregate principal amount of New Senior Unsecured Notes to be issued on the Plan Effective Date shall be based on the portion of Allowed Senior Unsecured Notes Claims not held by Hildene. The maximum aggregate principal amount of New Senior Unsecured Notes issued shall not exceed the aggregate principal amount of approximately $14,000,000, plus accrued and unpaid interest.

c. Interest Rate: Six and one-quarter percent (6.25%) per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

d. Priority: Pari passu with all other unsecured obligations of the Reorganized Debtor.

e. Maturity: December 31, 2032.

f. Call Protection: The New Senior Unsecured Notes shall be redeemable in whole or in part, at the option of the Reorganized Debtor at a redemption price of par plus accrued and unpaid interest.

g. Other Terms: The New Senior Unsecured Notes shall contain affirmative covenants, negative covenants, and all other provisions substantially identical in all material respects to those set forth in the Senior Unsecured Notes Indenture, including but not limited to covenants relating to limitations on liens, incurrence of indebtedness, restricted payments, maintenance of the Insurance Subsidiaries, and reporting requirements.

D. Sources of Consideration for Plan Distributions

The Reorganized Debtor shall fund distributions under the Plan, as applicable, with: (1) the Reorganized Debtor's Cash on hand or the Cash proceeds from any Alternative Restructuring Transaction; (2) the New Convertible Preferred Equity; (3) the New Common Equity; and (4) the New Senior Unsecured Notes. Each distribution and issuance referred to in this Article VI of the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments or other documents evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance. The issuance, distribution, or authorization, as applicable, of certain securities in connection with the Plan, including the New Convertible Preferred Equity and the New Common Equity, will be exempt from SEC registration, as described more fully in Article VI.E below.

Each distribution and issuance of the New Convertible Preferred Equity, New Common Equity, and New Senior Unsecured Notes under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution, issuance, and/or dilution, as applicable, and by the terms and conditions of the instruments evidencing or relating to such distribution, issuance, and/or dilution, as applicable, including the New Organizational Documents, which terms and conditions shall bind each Entity receiving such distribution of the New Convertible Preferred Equity. Any Person's acceptance of New Convertible Preferred Equity or New Common Equity shall be deemed as its agreement to the New Organizational Documents, as the same may be amended or modified from time

to time following the Effective Date in accordance with their terms. The New Convertible Preferred Equity and New Common Equity will not be registered on any exchange as of the Effective Date.

E. Exemption from Registration Requirements.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Convertible Preferred Equity and the New Common Equity issued pursuant to the Plan is exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of Securities. The shares of New Common Equity and New Convertible Preferred Equity to be issued under the Plan (a) are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are freely tradable and transferable by any initial recipient thereof that (i) is not an "affiliate" of the Debtor as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer, and (iii) is not an entity that is an "underwriter" as defined in Section 2(a)(11) of the Securities Act and in section 1145 of the Bankruptcy Code.

F. Exemption from Certain Taxes and Fees.

To the fullest extent permitted by section 1146(a) of the Bankruptcy Code, any transfers (whether from a Debtor to a Reorganized Debtor or to any other Person) of property under the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtor or the Reorganized Debtor, if applicable, the New Convertible Preferred Equity, and the New Common Equity; (b) the Restructuring Transactions; (c) the creation, modification, consolidation, termination, refinancing, and/or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (d) the making, assignment, or recording of any lease or sublease; or (e) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, 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, recordation fee, or governmental assessment. All filing or recording officers (or any other Person with authority over any of the foregoing), wherever located and by whomever appointed, shall comply with the requirements of section 1146(a) of the Bankruptcy Code, shall forego the collection of any such tax or governmental assessment, and shall accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

G. Cancellation of Notes, Instruments, Certificates, Equity Interests, and Other Documents.

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, certificates, and other documents evidencing Claims or Equity Interests shall be cancelled, and the obligations of the Debtor shall be discharged and deemed satisfied in full; *provided*, *however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the Holder of a Claim or Equity Interest shall continue in effect solely for purposes of allowing Holders of Allowed Claims to receive distributions under the Plan, and preserving any rights, including rights of enforcement, against any person other than a Released Party; *provided*, *further*, *however*, that the preceding proviso shall not affect the discharge of Claims or Equity Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Debtor or Reorganized Debtor, as applicable, except as expressly provided for in the Plan.

Upon completion of the final distributions in accordance with this Plan to Holders of Claims in Class 3 and Class 5, all Senior Unsecured Notes and instruments evidencing Junior Subordinated Debt Securities Claims shall thereafter be deemed null, void, and worthless, and (ii) at the request of the applicable Indenture Trustee under the applicable Indenture, DTC shall take down the relevant position relating to such Securities. On the Effective Date, any and all Equity Interests shall be deemed cancelled, terminated and of no further force or effect, null, void, and

worthless, and no Holder of such Equity Interests shall have any rights or Claims with respect to the Reorganized Debtor.

Except for the foregoing, subsequent to the performance by an Indenture Trustee of their obligations pursuant to the Plan or as may be necessary to effectuate the terms of this Plan, without any further action or approval of the Bankruptcy Court, each Indenture Trustee shall be automatically and fully relieved and discharged from all further duties and responsibilities related to the Plan and the respective indenture and related or ancillary documents.

H. Corporate Existence.

Except as otherwise provided in the Plan or the Plan Supplement, the Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which the Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

I. Corporate Action.

On or before the Effective Date, as applicable, all actions contemplated under the Plan or the Plan Supplement shall be deemed authorized and approved in all respects, including: (1) adoption or assumption, as applicable, of the agreements with existing management; (2) selection of the directors, managers, and officers for the Reorganized Debtor; (3) implementation of the Restructuring Transactions or Alternative Restructuring Transaction, as applicable; and (4) all other actions contemplated under the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtor or the Reorganized Debtor, as applicable, and any corporate action required by the Debtor or the Reorganized Debtor in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors, managers, or officers of the Debtor or the Reorganized Debtor, as applicable. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtor or the Reorganized Debtor, as applicable, shall be authorized to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated under the Plan (or necessary or desirable to effect the transactions contemplated under the Plan) in the name of and on behalf of the Reorganized Debtor, and any and all other agreements, documents, securities, and instruments relating to the foregoing. To the extent the appropriate officers of the Debtor or Reorganized Debtor are unwilling or unable to issue, execute, or deliver such agreements, documents, and instruments contemplated here, the Confirmation Order shall deem such actions to be taken on behalf of the Debtor or Reorganized Debtor, as applicable. The authorizations and approvals contemplated by this Article VI.I shall be effective notwithstanding any requirements under non-bankruptcy law.

J. New Organizational Documents

On or immediately before the Effective Date, the Debtor will file its New Organizational Documents with the applicable Governmental Unit, Secretary of State, and/or other applicable authorities in its state of incorporation or formation in accordance with the applicable laws of their respective state of incorporation or formation, to the extent required for such New Organizational Documents to become effective. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents will prohibit the issuance of non-voting equity securities and will provide, as between the New Convertible Preferred Equity and the New Common Equity, such provisions with respect to payment of dividends and election of directors in the event of default of payment of such dividends. After the Effective Date, Reorganized Debtor may amend and restate its formation, organizational, and constituent documents as permitted by the laws of its respective jurisdiction of formation and the terms of such documents.

K. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in the Plan or the Plan Supplement, or in any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in the Debtor's Estate, all Causes of Action, and any property acquired by any of the Debtor under the Plan shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for the Liens securing obligations on account of Other Secured Claims that are Reinstated pursuant to the Plan, if any). On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

L. Directors and Officers.

As of the Effective Date, the terms of the current members of the board of directors or managers of the Debtor shall expire, such directors or managers shall cease to hold office or have any authority from or after such time to the extent not expressly included in the roster of the New Board, and all of the directors or managers for the initial term of the New Board shall be appointed in accordance with the New Organizational Documents and each other constituent document of each Reorganized Debtor. To the extent known, the identities of the members of the New Board will be disclosed in the Plan Supplement or prior to the Confirmation Hearing consistent with section 1129(a)(5) of the Bankruptcy Code.

M. Retained Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce all of the Debtor's rights to commence and pursue any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the Causes of Action released by the Debtor pursuant to the releases and exculpations contained in the Plan, including in Article X of the Plan, which shall be deemed released and waived by the Debtor and Reorganized Debtor as of the Effective Date.

The Reorganized Debtor may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor. **No Person may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtor or the Reorganized Debtor will not pursue any and all available Causes of Action against such Person. The Debtor or the Reorganized Debtor, as applicable, expressly reserves all rights to prosecute any and all Causes of Action against any Person.** Unless any Cause of Action against a particular Person is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Final Order of the Bankruptcy Court, the Reorganized Debtor expressly reserves all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or consummation of the Restructuring Transactions.

N. Dissolution of Committee and Cessation of Fee and Expense Payments.

Any Committee appointed during the Chapter 11 Case shall be dissolved on the Effective Date and the members of such Committee (solely in their capacities as such) and the Committee's Professional Persons (solely in their capacity as such) shall be released from all their duties relating to the Chapter 11 Case, 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. Neither the Debtor nor the Reorganized Debtor, as applicable, shall be responsible for paying any fees or expenses incurred by the Committee after the Effective Date *except* if incurred in furtherance of the functions of the Committee set forth in (a) or (b) of this paragraph, subject to the rights of parties in interest to object thereto.

O. Hildene Professional Fees.

Pursuant to the terms of the RSA, the Debtor shall pay all reasonable, budgeted, and documented fees and expenses, including reasonable fees and expenses incurred prior to the Effective Date (the "Hildene Professional Fees") of Fox Rothschild, LLP, Wollmuth Maher & Deutsch LLP, Maynard Nexsen, P.C., Ryan Specialty Holdings, Inc., Ducera Partners, LLC, and any other professionals and/or consultants determined necessary by Hildene (collectively, the "Hildene Advisors"); *provided, however*, that the Debtor shall not be responsible for, and shall have no obligation to pay, any fees incurred by Hildene Advisors to investigate, prepare for, or pursue litigation or other claims against the Debtor, its officers, directors, employees, advisors, or consultants. Any accrued Hildene Professional Fees not billed or paid as of the Effective Date shall be paid on, or as soon as reasonably practicable following, the Effective Date.

ARTICLE VII
DISTRIBUTIONS

A. Timing and Calculation of Amounts to be Distributed.

For all purposes associated with calculating statutory U.S. Trustee fees based on distributions under the Plan, all guarantees by the Debtor of the obligations of any other Entity, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be deemed eliminated so that any obligation that could otherwise be asserted against more than one Debtor shall result in a single distribution under the Plan. Any such Claims shall be released and discharged pursuant to Article X of the Plan and shall be subject to all potential objections, defenses, and counterclaims, and to estimation pursuant to section 502(e) of the Bankruptcy Code. For the avoidance of doubt, this shall not affect the obligation of the Debtor to pay U.S. Trustee fees until such time as a particular case is closed, dismissed, or converted.

B. Distribution Agent.

Except as otherwise provided in the Plan, all distributions under the Plan shall be made by the Distribution Agent on the Effective Date. The Distribution Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

C. Rights and Powers of Distribution Agent.

1. Powers of the Distribution Agent

The Distribution Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out of pocket expenses incurred by the Distribution Agent on or after the Effective Date (including taxes) and any reasonable compensation and out of pocket expense reimbursement claims (including reasonable, actual, and documented

attorney and/or other professional fees and expenses) made by the Distribution Agent shall be paid in Cash by the Reorganized Debtor.

D. Delivery of Distributions; Unclaimed Property.

1. Delivery of Distributions in General

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Distribution Agent: (a) to the signatory set forth on any Proof of Claim or Proof of Equity Interest filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim or Proof of Equity Interest is filed or if the Debtor has not been notified in writing of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtor or the Distribution Agent, as appropriate, after the date of any related Proof of Claim or Proof of Equity Interest; or (c) on any counsel that has appeared in the Chapter 11 Case on the Claim or Equity Interest Holder's behalf. Subject to this Article VII of the Plan, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. The Debtor, the Reorganized Debtor, and the Distribution Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for fraud, gross negligence, or willful misconduct.

2. Unclaimed Property

In the event that any distribution to any Claim or Equity Interest Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Distribution Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided*, *however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of sixty (60) days from the later of (a) the Effective Date and (b) the Distribution Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtor automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or interest in property shall be discharged of and forever barred.

3. 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 Distribution Agent 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 Article VII.D.2 of this Plan, and all Claims in respect of such void checks shall be discharged and forever barred.

4. No Fractional Distribution

No fractional shares of the New Common Equity or New Convertible Preferred Equity shall be distributed, and no Cash shall be distributed in lieu of such fractional amounts. When any distribution pursuant to the Plan on account of an applicable Allowed Claim would otherwise result in the issuance of a number of shares of the New Common Equity or New Convertible Preferred Equity that is not a whole number, the actual distribution of shares of the New Common Equity or New Convertible Preferred Equity, as applicable, shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefor. The total number of authorized shares of the New Common Equity and New Convertible Preferred Equity, as applicable, shall be adjusted as necessary to account for the foregoing rounding.

E. Means of Payment.

At the option of the Distribution Agent, any Cash payment to be made under the Plan may be made by check or wire transfer or as otherwise required or provided in applicable agreements.

F. Compliance Matters.

The Distribution Agent 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 Distribution Agent as a condition precedent to being sent a distribution under the Plan. If a Holder of a Claim does not provide the Distribution Agent with an executed Form W-9, Form W-8 or other requested tax form within ninety (90) days after the date of the initial request, the Distribution Agent 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 Reorganized Debtor 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.

G. No Postpetition or Default Interest.

Unless otherwise specifically provided for in the Plan or in the Confirmation Order, or required by applicable bankruptcy law, (1) postpetition and/or default interest shall not accrue or be paid on any Claims and (2) no Holder of a Claim shall be entitled to: (a) interest accruing on or after the Petition Date on any such Claim; or (b) interest at the contract default rate, as applicable.

H. Allocation Between Principal and Accrued Interest.

Except as otherwise provided in the Plan, the aggregate consideration paid to Holders with respect to their Allowed Claims shall be treated pursuant to the Plan as allocated first to the principal amount of such Allowed Claims (to the extent thereof) and, thereafter, to the interest, if any, on such Allowed Claim accrued through the Petition Date.

I. Setoffs and Recoupment.

Unless otherwise provided in the Plan or the Confirmation Order, the Debtor and Reorganized Debtor, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against or recoup any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any claims, rights, and Causes of Action of any nature that the Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled as of the Effective Date (whether pursuant to the Plan or otherwise); *provided, however*, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by the Debtor or Reorganized Debtor of any such claims, rights, and Causes of Action that the Reorganized Debtor may possess against such Holder. In no event shall any Holder of Claims be entitled to set off or recoup any such Claim against any claim, right, or Cause of Action of the Debtor or Reorganized Debtor (as applicable), unless such Holder has filed a motion with the Bankruptcy Court requesting the authority to perform such setoff or recoupment on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of setoff or recoupment pursuant to section 553 of the Bankruptcy Code or otherwise.

J. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

A Claim shall be reduced in full, and such Claim shall be disallowed without an objection to such Claim having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent that a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not the Debtor or Reorganized Debtor on account of such Claim, such Holder shall repay, return, or deliver any distribution held by or transferred to the Holder to the Reorganized Debtor to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the applicable Distribution Date under the Plan.

2. Claims Payable by Third Parties

The availability, if any, of insurance policy proceeds for the satisfaction of an Allowed Claim shall be determined by the terms of the insurance policies of the Debtor or Reorganized Debtor, as applicable. To the extent that one or more of the Debtor's insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged to the extent of any agreed upon satisfaction on the Claims Register by the Solicitation Agent without a Claim objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of an applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtor or any Person may hold against any other Person, including insurers under any policies of insurance, nor shall anything contained in the Plan constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VIII
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

A. Assumption of Executory Contracts and Unexpired Leases.

On the Effective Date, 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, all Executory Contracts and Unexpired Leases shall be deemed assumed, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, as of the Effective Date under section 365 of the Bankruptcy Code, and regardless of whether such Executory Contract or Unexpired Lease is identified on the Assumed Executory Contract and Unexpired Lease List, unless such Executory Contract and Unexpired Lease: (1) was assumed or rejected previously by the Debtor pursuant to a Final Order of the Bankruptcy Court; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to reject filed on or before the Effective Date; or (4) is identified on the Rejected Executory Contract and Unexpired Lease List.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions, assumption and assignment, or rejections, as applicable, of such Executory Contracts or Unexpired Leases as set forth in the Plan, the Assumed Executory Contract and Unexpired Lease List, and the Rejected Executory Contract and Unexpired Leases List, as applicable, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions, assumptions and assignments, or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the Reorganized Debtor in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for

its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order.

To the maximum extent permitted by law, to the extent that any provision in any Executory Contract or Unexpired Lease assumed or assumed and assigned pursuant to the Plan restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the assumption or assumption and assignment of such Executory Contract or Unexpired Lease (including any "change of control" provision), then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases.

Unless otherwise provided by a Final Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Solicitation Agent and served on the Reorganized Debtor no later than thirty (30) days after the effective date of such rejection.

Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Solicitation Agent within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtor, the Reorganized Debtor, the Estate, or its property, without the need for any objection by the Debtor or Reorganized Debtor, or further notice to, action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, and be subject to the permanent injunction set forth in Article X.E of the Plan, notwithstanding anything in a Proof of Claim to the contrary, unless leave to File a late Claim is obtained.

All Claims arising from the rejection by any Debtor of any Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code shall be treated as a General Unsecured Claim pursuant to Article IV.D of the Plan and may be objected to in accordance with the provisions of this Article VIII of the Plan and the applicable provisions of the Bankruptcy Code and Bankruptcy Rules.

C. Cure of Defaults and Objections to Cure and Assumption

The Solicitation Procedures Order shall govern the procedures for resolving disputes over monetary defaults under each Executory Contract and Unexpired Lease to be assumed under the Plan. Any such monetary defaults shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or in the ordinary course of business, subject to the limitation described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. For the avoidance of doubt, assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not override or otherwise release any indemnification obligations in such Executory Contract or Unexpired Lease. **Any Proof of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.**

D. Objections to Claims.

Except insofar as a Claim is Allowed under the Plan or pursuant to Final Order of the Bankruptcy Court, the Reorganized Debtor, Distribution Agent, and any other party in interest with standing, 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.

E. Estimation of Claims.

Prior to the Effective Date, the Debtor agrees, pursuant to the terms of the RSA, to use commercially reasonable efforts to seek to estimate the amount of contingent, unliquidated, and/or disputed GUCs for distribution purposes. In the event that failure to do so would materially delay distributions to Holders of GUCs under the Plan, the Debtor shall seek, at or prior to the Confirmation Hearing, an order providing for reserves for contingent, unliquidated, and/or disputed GUCs in an amount that, together with all undisputed, liquidated and non-contingent claims.

After the Effective Date, the Debtor or the Reorganized Debtor, as applicable, or the Distribution Agent may at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to section 502(e) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim, including during the litigation of any objection to any such Claim or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the claims register maintained in this Chapter 11 Case, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), and the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim.

F. 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 becomes Allowed.

G. 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 Debtor or the Reorganized Debtor, as applicable, shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under this Plan as of the Effective Date, without any interest.

H. Disallowance of Late Filed Claims.

Unless otherwise provided in a Final Order of the Bankruptcy Court, any Claim for which a proof of claim is filed after the applicable Bar Date shall be deemed 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 Debtor nor the Reorganized Debtor shall need to take any affirmative action for such Claim to be deemed Disallowed.

I. Insurance Policies.

The Debtor's insurance policies and any agreements, documents, or instruments relating thereto are treated as Executory Contracts under the Plan. Unless otherwise provided in the Plan, on the Effective Date, the Debtor shall be deemed to have assumed all insurance policies, as well as any agreements, documents, and instruments relating to such insurance policies or coverage of all insured claims. Nothing in the Plan, the Plan Supplement, the Confirmation Order, or any other order of the Bankruptcy Court (including any provision that purports to be preemptory or supervening), (1) alters, modifies, or otherwise amends the terms and conditions of (or the coverage provided by) any of such insurance policies or (2) alters or modifies the duty, if any, that the insurers or third-party administrators pay claims covered by such insurance policies and their right to seek payment or reimbursement from the Debtor (or after

the Effective Date, the Reorganized Debtor) or draw on any collateral or security therefor. For the avoidance of doubt, insurers and third-party administrators shall not need to nor be required to file or serve a cure objection or a request, application, claim, Proof of Claim, or motion for payment and shall not be subject to any claims bar date or similar deadline governing cure amounts or Claims.

The automatic stay pursuant to section 362(a) of the Bankruptcy Code and the permanent injunction set forth in Article X.E, if and to the extent applicable, shall be deemed lifted without further order of the Bankruptcy Court, solely to permit: (1) claimants with valid direct action claims under applicable non-bankruptcy law to proceed with their claims; (2) any insurer of the Debtor to administer, handle, defend, settle, and/or pay, in the ordinary course of business and without further order of the Bankruptcy Court, (a) all claims (i) where a claimant asserts a direct claim against any insurer of the Debtor under applicable law or (ii) that are subject to an order of the Bankruptcy Court granting the applicable claimant relief from the automatic stay or the injunction set forth in Article X.E to proceed with such claim and (b) all costs in relation to the foregoing; and (3) subject to the terms of the Debtor's agreement with any insurer of the Debtor and/or applicable non-bankruptcy law, any insurer of the Debtor to (i) cancel any policies under the Debtor's agreement with such insurer and (ii) take other actions relating thereto.

J. Employee and Retiree Benefits.

Except as otherwise provided in the Plan, on and after the Effective Date, subject to any Final Order and, without limiting any authority provided to the New Board under the Debtor's formation and constituent documents, the Reorganized Debtor shall: (1) amend, adopt, assume, and/or honor in the ordinary course of business any contracts, agreements, policies, programs, and plans, in accordance with their respective terms, for, among other things, compensation, including any incentive plans, retention plans, health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtor who served in such capacity from and after the Petition Date; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date and not otherwise paid pursuant to a Bankruptcy Court order; *provided* that the consummation of the transactions contemplated in the Plan shall not constitute a "change in control" with respect to any of the foregoing arrangements. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, from and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

K. Reservation of Rights.

Nothing contained in the Plan or the Plan Supplement shall constitute an admission by the Debtor or any other party that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption, the Debtor or the Reorganized Debtor, as applicable, shall have thirty (30) calendar days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease, including by rejecting such contract or lease effective as of the Confirmation Date.

L. Non-Occurrence of Effective Date.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code, unless such deadline(s) have expired.

M. Contracts and Leases Entered Into After the Petition Date.

Contracts and leases entered into after the Petition Date by the Debtor and any Executory Contracts and Unexpired Leases assumed by any Debtor between the Petition Date and the Effective Date may be performed by the Reorganized Debtor in the ordinary course of business.

ARTICLE IX
CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN

A. Conditions to Confirmation of Plan.

Confirmation of the Plan shall not occur, and the Confirmation Order shall not be entered, until each of the following conditions precedent have been satisfied or waived:

(i) An order, finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code and ratifying the prepetition solicitation conducted pursuant to the RSA, in a form and substance reasonably satisfactory to Hildene, shall have been entered; and

(ii) The Confirmation Order shall be in a form and substance reasonably satisfactory to the Debtor and Hildene, substantially consistent with the terms of the RSA.

B. Conditions to Effective Date of Plan.

The Effective Date of the Plan shall not occur until each of the following conditions precedent have been satisfied or waived:

(i) the RSA shall not have been terminated and shall remain in full force and effect in accordance with its terms;

(ii) the Bankruptcy Court shall have entered the Confirmation Order and the Confirmation Order has become a final order and shall not have been reversed, stayed, modified, or vacated on appeal, and any waivable unsatisfied conditions to effectiveness of the Plan have been satisfied or waived;

(iii) the aggregate principal amount of New Senior Unsecured Notes to be issued under the Plan shall not exceed approximately $14,000,000 plus accrued and unpaid interest;

(iv) the Successful Bidder and/or, in the event of an Alternative Restructuring Transaction, the Debtor shall have obtained necessary Regulatory Approvals with respect to all Insurance Subsidiaries, and all such Regulatory Approvals shall be in full force and effect and shall not be subject to any stay, injunction, or appeal with a reasonable likelihood of reversal or material modification;

(v) the final versions of all Plan Supplements and all of the schedules, documents, and exhibits related thereto shall be (i) consistent with the RSA and otherwise approved by the parties thereto consistent with their respective consent and approval rights set forth in the RSA and (ii) adopted on terms consistent with the RSA and this Plan;

(vi) the New Organizational Documents and New Senior Unsecured Notes and any other Plan Supplements described in the RSA shall have been [duly executed or deemed executed or filed in the appropriate government or regulatory agency or office] and delivered by all of the Persons that are parties thereto, all conditions precedent (other than any conditions that will be satisfied upon the occurrence of the Plan Effective Date) to the effectiveness thereof shall have been satisfied or duly waived in writing in accordance with the terms thereof;

(vii) pursuant to the RSA and Article VI.O of this Plan, all billed Hildene Professional Fees have been paid in full, and any accrued but not yet billed amounts estimated by Hildene prior to the Effective Date have been reserved in a separate professional fee escrow account for payment in full after the Effective Date;

(viii) all Professional Fee Claims and expenses of retained professionals required to be approved by the Bankruptcy Court shall have been paid in full or amounts sufficient to pay such fees and expenses

after the Effective Date have been placed in a Professional Fee Reserve pending approval by the Bankruptcy Court;

(ix) All other actions and all agreements, instruments or other documents necessary to implement the terms and provisions of the Plan shall have been executed and delivered by the parties thereto, and, in each case, all conditions to their effectiveness shall have been satisfied or waived as provided therein; and

(x) there shall not be in effect any law or order by any Insurance Regulatory Authority restraining, enjoining, materially conditioning, or otherwise prohibiting the consummation of the Restructuring Transaction, the Alternative Restructuring Transaction, or the effectiveness of any Regulatory Approval.

Within two (2) Business Days of the Effective Date, the Debtor or Reorganized Debtor, as applicable, shall file a notice of the occurrence of the Effective Date and serve the same on all creditors and parties in interest.

C. Waiver of Conditions Precedent.

Any of the foregoing conditions (with the exception of the conditions set forth in Articles IX.A and IX.B(iii)-(vi) hereof) may be waived by agreement of the Debtor, Hildene, and the Successful Bidder (if not Hildene) without notice to or order of the Bankruptcy Court. The failure to satisfy or waive any condition may be asserted by the Debtor, Hildene, or the Successful Bidder (if not Hildene) regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtor). The failure of the Debtor, Hildene, or the Successful Bidder (if not Hildene) to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right will be deemed an on-going right that may be asserted at any time.

D. Effect of Failure of Conditions.

If the foregoing conditions have not been satisfied or waived in the manner provided in Articles IX.A, IX.B, or IX.C hereof, then (i) the Confirmation Order shall be of no further force or effect; (ii) no distributions under the Plan shall be made; (iii) the Debtor and all Holders of Claims against and Equity Interests in the Debtor shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; (iv) all of the Debtor's obligations with respect to Claims and Equity Interests shall remain unaffected by the Plan; (v) nothing contained in this Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor; and (vi) this Plan shall be deemed withdrawn. Upon such occurrence, the Debtor shall file a written notification with the Bankruptcy Court and serve it on the parties appearing on the master service list maintained in the Chapter 11 Case.

E. Reservation of Rights.

The Plan shall have no force or effect unless and until the Effective Date occurs. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtor with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of the Debtor, the Reorganized Debtor, or any other party with respect to any Claims or Equity Interests or any other matter.

F. Substantial Consummation.

"Substantial Consummation" of the Plan, as defined in section 1101(2) of the Bankruptcy Code, with respect to the Debtor, shall be deemed to occur on the Effective Date. If the Effective Date does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or Claims against or Interests in the Debtor; (2) prejudice in any manner the rights of the Debtor, any Holders of a Claim or Equity Interest, or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by Debtor, any Holders of Claims or Equity Interests, or any other Entity in any respect.

ARTICLE X
EFFECT OF CONSUMMATION

A. Discharge and Compromise and Settlement of Claims, Interests, and Controversies.

1. Compromise Under 11 U.S.C. § 1123 and Bankruptcy Rule 9019

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Equity Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Equity Interest, or any distribution to be made on account of such Allowed Claim or Equity Interest. 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 Debtor, its Estate, and Holders of Claims and Equity Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle Claims against, and Equity Interests in, the Debtor and its Estate and Causes of Action against other Entities.

2. Discharge Under 11 U.S.C. § 1141

Pursuant to section 1141(d) of the Bankruptcy Code, and except (i) with respect to a liquidation of the Debtor as the result of an Alternative Restructuring Transaction, or (ii) as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtor), Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtor or any of its assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Equity Interests relate to services performed by employees of the Debtor prior to the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Equity Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Equity Interest has accepted the Plan or voted to reject the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Equity Interests subject to the occurrence of the Effective Date, except as otherwise specifically provided in the Plan.

B. Exculpation.

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 on and after the Petition Date from, relating to, or connected with the administration of the Chapter 11 Case, 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 their duties and responsibilities pursuant to the Plan.

C. Plan Releases by the Debtor and Hildene.

1. Plan Releases by the Debtor

On the Effective Date, the Company Releasing Parties expressly and generally release, acquit, and discharge the Hildene Released Parties and the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtor or its Estate, any claims asserted or assertable on behalf of any Holder of any Claim against or Equity Interest in the Debtor or its Estate and any claims asserted or assertable on behalf of any other Entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Company Releasing Parties (whether individually or collectively) ever had, now have, or may have, based on or relating to, or in any manner arising from, in whole or in part, Hildene or the Debtor (including the purchase, sale, rescission, or any other transaction relating to any security of or debt) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case, whether known or unknown, arising on or before the Effective Date. Notwithstanding the foregoing, nothing in such releases shall be construed as a release of (i) any obligations owed under the Plan, or (ii) any claims or causes of action against Naveen Anand, Kenneth Krissinger, Jeffrey Passmore, and Charles Stauber.

2. Plan Releases by Hildene

On the Plan Effective Date, the Hildene Releasing Parties expressly and generally releases, acquits, and discharges the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtor or its Estate, any claims asserted or assertable on behalf of any Holder of any Claim against or Equity Interest in the Debtor or its Estate and any claims asserted or assertable on behalf of any other Entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Hildene Releasing Parties (whether individually or collectively) ever had, now has, or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtor (including the purchase, sale, rescission, or any other transaction relating to any security of or debt in the Debtor, or any other transaction) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case, whether known or unknown, arising on or before the Effective Date; provided, however, that nothing contained in this Plan or in any other document filed in the Chapter 11 Case shall constitute a release or waiver by the Hildene Releasing Parties of (x) any of the obligations of any of the Company Released Parties or of any other Person to consummate the transactions to be executed pursuant to this Plan, (y) the obligation to fully and timely perform all of the actions to be performed by any of them under or pursuant to this Plan, or under or pursuant to any document, instrument, or agreement executed to implement the Plan, or (z) the rights of Holders of Allowed Claims and Equity Interests to receive distributions under the Plan.

D. Third-Party Releases.

On the Plan Effective Date, to the extent permitted by law, all Consenting Parties shall be deemed to release, acquit, and discharge the Hildene Released Parties and the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever (except any Claim against or Equity Interest in the Debtor that is dealt with under this Plan), including any derivative claims asserted or assertable on behalf of the Debtor or its Estate, any claims asserted or assertable on behalf of any Holder of any Claim against or Equity Interest in the Debtor and any claims asserted or assertable on behalf of any other Entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Consenting Parties (whether individually or collectively) ever had, now have, or may have, based on or relating to, or in any manner arising from, in whole or in part, Hildene or the Debtor (including the purchase, sale, rescission, or any other transaction relating to any security of or debt) or the negotiation, formulation, or preparation of the Restructuring

Transactions, in each case, whether known or unknown, arising on or before the Effective Date. Notwithstanding the foregoing, nothing in such releases shall be construed as a release of any obligations owed under the Plan.

In exchange for such Third-Party Releases, the Hildene Released Parties shall be deemed to have expressly, conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged each Consenting Party to the fullest extent permissible under applicable law, from any and all claims, causes of action, interests, damages, remedies, demands, rights, actions, suits, debts, sums of money, obligations, judgments, liabilities, accounts, defenses, offsets, counterclaims, crossclaims, powers, privileges, licenses, liens, indemnities, guaranties, and franchises of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, now existing or hereafter arising, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, secured or unsecured, assertable, directly or derivatively, matured or unmatured, suspected or unsuspected, in contract, tort, law, equity, or otherwise, arising from, relating to, or connected with, the Debtor (or any predecessor entity) or the Chapter 11 Case or affecting property of the Debtor's Estate, the Plan or the administration and implementation of the Plan, or based upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.

Notwithstanding anything contained herein to the contrary, the foregoing releases do not release (i) any obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan, or (ii) the rights of Holders of Allowed Claims and Equity Interests to receive distributions under the Plan.

Each of the Consenting Parties and Hildene Released Party knowingly grants this Third-Party Release notwithstanding that each Consenting Party and Hildene Released Party may hereafter discover facts in addition to, or different from, those which either such Consenting Party or Hildene Released Party now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and each Consenting Party or Hildene Released Party expressly waives any and all rights that such Consenting Party or Hildene Released Party may have under any statute or common law principle which would limit the effect of the Third-Party Release to those claims actually known or suspected to exist as of the Effective Date.

In connection with their agreement to the foregoing Third-Party Release, the Consenting Parties knowingly and voluntarily waive and relinquish any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law, which governs or limits a person's release of unknown claims, comparable or equivalent to California Civil Code § 1542, which provides:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

E. Injunction and Stay.

Upon the Effective Date, and subject to and conditioned upon the Reorganized Debtor's full and timely performance of its obligations under this Plan, or except as otherwise expressly provided in this Plan, all Persons who have held, hold, or may hold Claims against or Equity Interests in the 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 Debtor, its Estate, or the Reorganized Debtor (as applicable), (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any of the Debtor, its Estate, or the Reorganized Debtor (as applicable) with respect to any such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor, its Estate, the Reorganized Debtor, or any property or interests in property of any of the foregoing, 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 the Debtor, its Estate, the Reorganized Debtor, or any

property or interests in property of any of the foregoing, with respect to any such Claim or Equity Interest, or (v) with respect to any Releasing Party, 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 Reorganized Debtor, the Released Parties, 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 this Plan, including the Exculpation, Injunction and Stay, and Gate Keeping provisions set forth in this Plan.

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Case 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.

F. Gate Keeping.

No Person or Entity may commence or pursue a claim or cause of action of any kind against any Exculpated Party 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 subject to Article X.B, X.C, X.D, and X.E hereof, including any claim or cause of action that was asserted or assertable on behalf of the Debtor, including any derivative, alter ego, successor liability, or similar claims and Causes of Action based on general harm to the Debtor, Holders of Claims and Equity Interests, or any other party in interest, or a theory of lack of separation between the Debtor and an Exculpated Party, without the Bankruptcy Court first determining, upon motion that attaches a copy of the proposed complaint or petition, and after notice and a hearing, that such claim or cause of action represents a direct (as opposed to derivative) and claim of any kind which has not been discharged, released, or otherwise exculpated under this Plan. At the hearing on such motion, the Bankruptcy Court shall have sole and exclusive jurisdiction to assess whether the proposed complaint or petition satisfies the applicable standard in this Plan. 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 applicable law.

ARTICLE XI
RETENTION OF JURISDICTION

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, or related to, the Debtor's Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(i) To hear and determine pending applications for the assumption, assignment, or rejection of Executory Contracts or Unexpired Leases and the allowance of Claims resulting therefrom;

(ii) To determine any and all adversary proceedings, applications, and contested matters in the Chapter 11 Case and grant or deny any application involving the Debtor that may be pending on the Effective Date or that are retained and preserved herein;

(iii) To ensure that distributions to Holders of Allowed Claims and Equity Interests are effected as provided in the Plan;

(iv) To hear and determine any timely objections to Administrative Claims or to proofs of Claim, including any objections to the classification of any Claim, and to allow or disallow any Disputed Claim, in whole or in part;

(v) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(vi) To take any action and issue such orders, after the occurrence of the Effective Date, as may be necessary to construe, enforce, implement, execute, and consummate the Plan or any prior order of the Bankruptcy Court, or to maintain the integrity of the Plan or any prior order entered by the Bankruptcy Court during the Chapter 11 Case;

(vii) To consider any amendments to or modifications of the Plan, or to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(viii) To hear and determine all requests for payment of Professional Fee Claims;

(ix) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the New Organizational Documents, the documents that are ancillary to and aid in effectuating the Plan or any agreement, instrument, or other document governing or relating to any of the foregoing;

(x) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of taxes under section 505(b) of the Bankruptcy Code);

(xi) To hear any other matter not inconsistent with the Bankruptcy Code;

(xii) To hear and determine all disputes involving the existence, scope, and nature of the exculpations and releases granted hereunder, including the matters set forth in Article X.B, X.C, X.D, X.E and X.F hereof;

(xiii) To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan;

(xiv) To hear and determine all requests to extend the Objection Deadline or any other deadlines established by the Plan; and

(xv) To enter a Final Decree(s) closing the Chapter 11 Case.

The Bankruptcy Court's jurisdiction to adjudicate, decide, or resolve any and all matters related to the Retained Causes of Action shall be non-exclusive.

ARTICLE XII
MISCELLANEOUS

A. Filing of Additional Documents.

The Debtor or the Reorganized Debtor may file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

B. Schedules, Exhibits, and Plan Supplement Incorporated.

All exhibits and schedules to the Plan, if any, and the documents contained in the Plan Supplement, if any, are incorporated into and are a part of the Plan as if fully set forth herein.

C. Amendment or Modification of the Plan.

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments or modifications of the Plan may be proposed in writing by the Debtor at any time prior to or after the entry of the Confirmation Order. Holders of Claims and Equity Interests that

have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified; *provided*, *however*, that any Holders of Claims and Equity Interests who were deemed to accept the Plan because such Claims and Equity Interests were unimpaired shall continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims and Equity Interests continue to be unimpaired.

D. Inconsistency.

In the event of any inconsistency among the Plan, the Disclosure Statement, and any exhibit or schedule to the Disclosure Statement or the Plan, the provisions of the Plan shall govern. In the event of any inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall govern.

E. Expedited Tax Determination.

The Debtor or Reorganized Debtor may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Debtor for any and all taxable periods ending after the Petition Date through, and including, the Effective Date.

F. Binding Effect.

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Equity Interest in, the Debtor and such Holder's respective successors and assigns, whether or not the Claim or Equity Interest of such Holder is impaired under the Plan and whether or not such Holder has accepted the Plan.

G. Severability.

If the Bankruptcy Court determines that any provision of this Plan is unenforceable either on its face or as applied to any Claim or Equity Interest, the Debtor may modify this Plan in accordance with Article XII.C hereof so that such provision shall not be applicable to the Holder of any Claim or Equity Interest. Any determination of unenforceability shall not (i) limit or affect the enforceability and operative effect of any other provisions of this Plan; or (ii) require the resolicitation of any acceptance or rejection of this Plan unless otherwise ordered by the Bankruptcy Court.

H. No Payment of Attorneys' Fees.

Except for Professional Fee Claims, Hildene Professional Fees, and Indenture Trustees' reasonable professional fees and expenses (subject to the Indenture Trustee Fee and Expense Cap) described more fully in this Plan, no attorneys' fees or other professional fees shall be paid by the Debtor with respect to any Claim or Equity Interest, unless otherwise specified in a Final Order of the Bankruptcy Court.

I. Notices.

All notices, requests, and demands to or upon the Debtor to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Hallmark Financial Services, Inc.
5400 Lyndon B. Johnson Freeway
Suite 400
Dallas, Texas 75240-2345
Attention: CEO

With a copy to:

GRAY REED
1601 Elm Street, Suite 4600
Dallas, TX 75201
Attention: Jason S. Brookner and Aaron M. Kaufman
Telephone: (214) 954-4135
Facsimile: (214) 953-1332
Email: jbrookner@grayreed.com and akaufman@grayreed.com

After the Effective Date, to:

Hallmark Financial Services, Inc.
c/o Hildene Capital Management, LLC
333 Ludlow Street
Stamford, CT 06902
Attention: Seth Kurland

J. Governing Law.

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise (in which case the governing law specified therein shall be applicable to such exhibit), the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws that would require application of the laws of another jurisdiction.

Dated: May 7, 2026
Dallas, Texas

[*Remainder of page intentionally left blank.*]

Hallmark Financial Services, Inc.

By: */s/ Chris Kenney*
Chris Kenney, Chief Executive Officer

GRAY REED
Jason S. Brookner (Texas Bar No. 24033684)
Aaron M. Kaufman (Texas Bar No. 24060067)
Lydia R. Webb (Texas Bar No. 24083758)
Emily F. Shanks (Texas Bar No. 24110350)
GRAY REED
1601 Elm Street, Suite 4600
Dallas, TX 75201
Telephone: (214) 954-4135
Facsimile: (214) 953-1332
Email: jbrookner@grayreed.com
akaufman@grayreed.com
lwebb@grayreed.com
eshanks@grayreed.com

Proposed Counsel to the Debtor and Debtor in Possession

Exhibit B

Restructuring Support Agreement

Execution Version

RESTRUCTURING SUPPORT AND FORBEARANCE AGREEMENT

This RESTRUCTURING SUPPORT AND FORBEARANCE AGREEMENT (as may be amended, restated, supplemented, waived, or otherwise modified from time to time in accordance with the terms hereof, and including the exhibits hereto, this "Agreement"), dated as of April 3, 2026 (the "Execution Date"), is entered into by and among the following parties (each, a "Party" and, collectively, the "Parties"):

i. Hallmark Financial Services, Inc. (the "Company" or the "Debtor" as applicable);

ii. Hildene Capital Management, LLC and Hildene Collateral Management Company, LLC , for themselves and certain of their affiliate(s), including funds or accounts managed by Hildene and expressly listed and disclosed by Hildene to the Company as set forth herein, each in its capacity as investment manager and/or collateral manager as expressly listed in a Verified Statement to be provided as set forth in **SECTION 6** hereof (collectively, "Hildene" or the "Plan Funder") to the holders of 2029 Senior Unsecured Notes, 2035 Junior Subordinated Debt Securities, and 2037 Junior Subordinated Debt Securities in the respective amounts set forth in a verified statement provided by Hildene to the Company as set forth and pursuant to this Agreement.

RECITALS

WHEREAS, the Company issued senior unsecured notes (the "Senior Unsecured Notes") in the aggregate principal amount of $50,000,000.00 under that certain Indenture, dated as of August 19, 2019, among Hallmark and The Bank of New York Mellon Trust Company, N.A., as Trustee (as amended, modified, or otherwise supplemented from time to time, the "2019 Notes Indenture"), bearing interest at a fixed rate of 6.25% payable semi-annually, and which mature in 2029 (the "2029 Senior Unsecured Notes");

WHEREAS, the Company issued Junior Subordinated Debt Securities (the "2035 Junior Subordinated Debt Securities") under the 2035 Junior Subordinated Debt Securities Indenture between the Company and the Junior Subordinated Debt Securities Trustee (the "2035 Junior Subordinated Debt Securities Indenture"). The 2035 Junior Subordinated Debt Securities bear interest at a fixed rate of 7.725% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 3.25%, with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters. As of the last day of the Company's most recently ended fiscal quarter for which financial statements are available, $30,000,000 of principal amount remains outstanding, together with any accrued and unpaid interest thereon;

WHEREAS, the Company issued Junior Subordinated Debt Securities (the "2037 Junior Subordinated Debt Securities") under the 2037 Junior Subordinated Debt Securities Indenture (the "2037 Junior Subordinated Debt Securities Indenture" and, together with the 2035 Junior Subordinated Debt Securities Indenture, the "Junior Indentures," and collectively with the 2029 Senior Indenture, the "Indentures") between the Company and the Junior Subordinated Debt Securities Trustee. The 2037 Junior Subordinated Debt Securities bear interest at a fixed rate of

8.28% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 2.90% with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters under certain conditions. As of the last day of the Company's most recently ended fiscal quarter for which financial statements are available, $25,000,000 of principal amount remains outstanding, together with any accrued and unpaid interest thereon;

WHEREAS, as of the Agreement Effective Date, the Company estimates that GUCs against the Company, excluding amounts due under the Indentures, are approximately $400,000.00;

WHEREAS, the Parties have engaged in good faith, arm's-length negotiations regarding certain restructuring transactions (the "Restructuring Transactions") pursuant to the terms and conditions set forth in this Agreement, including a pre-negotiated plan of reorganization for the Company that is consistent with the terms and conditions of the term sheet attached hereto as **Exhibit A** (the "Restructuring Term Sheet") (including all exhibits thereto, and as may be amended, restated, supplemented, waived, consented to, or otherwise modified from time to time in accordance with its terms and this Agreement, the "Plan");

WHEREAS, it is anticipated that either the Restructuring Transactions or an Alternative Restructuring Transaction will be implemented through a voluntary case commenced by the Company (the "Chapter 11 Case") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court");

WHEREAS, the Chapter 11 Case will include the filing of the consensual Plan on the terms and conditions consistent with this Agreement and satisfactory to Hildene in all material respects;

WHEREAS, the Plan will be structured around a dual-track toggle feature, whereby (A) the Debtor's non-cash assets (*i.e.*, its interests in its subsidiaries) will be immediately marketed pursuant to a "go shop" sale process soliciting alternative transactions with a minimum purchase price of no less than the Initial Plan Value, payable solely in cash, for all or substantially all the assets of the Debtor (other than cash, investments and equivalents, claims and causes of action) (the "Bidding Process" with the governing bidding and related procedures being the "Bidding Procedures") (the resulting transaction, if applicable, being an "Alternative Restructuring Transaction"), with any proceeds from such Alternative Restructuring Transaction to be distributed to creditors at the Sale Closing Date pursuant to a Plan as set forth in the Restructuring Term Sheet, and (B) if the Bidding Process does not result in an Alternative Restructuring Transaction exceeding the Initial Plan Value, the Restructuring Transactions shall be consummated pursuant to the consensual Plan;

WHEREAS, the Company has requested and Hildene has agreed to forbear in accordance with the Restructuring Term Sheet from exercising the rights and remedies against the Company with respect to any claims held by Hildene in its capacity as investment manager and/or collateral manager to the holders of 2029 Senior Unsecured Notes, 2035 Junior Subordinated Debt Securities, and 2037 Junior Subordinated Debt Securities, including arising from a Default or

Event of Default as defined under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture, as applicable, and shall direct any applicable trustees under such indentures (collectively, the "Indenture Trustees" and each individually an "Indenture Trustee") to not exercise remedies to the extent that any other holder of notes or debt securities directs such agent to exercise such remedies;

WHEREAS, Hildene, on behalf of the funds and holders of accounts managed by Hildene and its affiliates, has agreed to vote affirmatively in favor of, and not object to or otherwise obstruct the confirmation of, the Plan in accordance with the terms of this Agreement;

WHEREAS, the Parties acknowledge and agree that this Agreement has been negotiated in good faith and at arm's length; and

NOW, THEREFORE, in consideration of the recitals and stipulations set forth herein and the mutual promises covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties, intending to be legally bound, hereby agrees as follows:

AGREEMENT

SECTION 1. Definitions and Rules of Interpretation.

1.1. **Definitions**. The following terms shall have the following definitions:

"Agreement" has the meaning set forth in the preamble hereof and includes all of the exhibits attached hereto.

"Agreement Effective Date" means the date upon which this Agreement shall become effective and binding upon each of the Parties pursuant to the terms of **SECTION 2** hereof.

"Alternative Restructuring Transaction" has the meaning set forth in the recitals hereof.

"Auction" has the meaning set forth in **SECTION 6(b)(v)** hereof.

"Backup Bidder" has the meaning set forth in **SECTION 6(b)(vi)** hereof.

"Bankruptcy Code" has the meaning set forth in the recitals hereof.

"Bankruptcy Court" has the meaning set forth in the recitals hereof.

"Bankruptcy Milestones" means collectively the bankruptcy related milestones set forth in **SECTION 6** hereof.

"Bidding Process" has the meaning set forth in the recitals hereof.

"Bidding Procedures" has the meaning set forth in the recitals hereof.

"Chapter 11 Case" has the meaning set forth in the recitals hereof.

"Company" has the meaning set forth in the preamble hereof.

"Confirmation Order" means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

"Definitive Documents" or "Documentation" means any documents contemplated by this Agreement or the Restructuring Term Sheet, including any documents that are not executed or remain the subject of negotiation or completion as of the Agreement Effective Date, all which shall be in form and substance acceptable to Hildene in its sole and nonreviewable discretion.

"Disclosure Statement" means the disclosure statement (and all exhibits thereto) with respect to the Plan.

"GUC Cap" has the meaning set forth in **SECTION 5(b)(i)** hereof.

"GUCs" means general unsecured claims other than claims arising under the 2029 Senior Unsecured Notes, the 2035 Junior Subordinated Debt Securities, and the 2037 Junior Subordinated Debt Securities.

"Hildene Advisors" has the meaning set forth in **SECTION 7** hereof.

"Hildene Professional Fees" has the meaning set forth in **SECTION 7** hereof.

"Initial Plan Value" means (i) the amount of Senior Unsecured Notes Claims, including accrued interest (estimated to be $51.6 million as of 03/15/26), plus (ii) 10% of Junior Subordinated Debt Claims, including accrued interest (estimated to be $7.8 million as of 03/15/26), plus (iii) the estimated amount of unpaid professional fees and other administrative claims as of the Plan Effective Date, plus (iv) to the extent applicable, any DIP claims, plus (v) the amount of GUCs or other unsecured claims, less (vi) the estimated amount of the Debtor's cash, cash equivalents and investments balance (to the extent that such investments are marketable securities or other cash equivalents) as of the Plan Effective Date.

"Insurance Subsidiaries" means the Debtor's direct or indirect subsidiaries that operate in insurance business or other business regulated by any insurance regulator or otherwise subject to regulatory oversight by applicable insurance regulatory authorities.

"Junior Subordinated Debt" means the aggregate debt under the 2035 Junior Subordinated Debt Securities and 2037 Junior Subordinated Debt Securities.

"Law" means any federal, state, local, or foreign law (including common law), statute, code, ordinance, rule, regulation, order, ruling, or judgment, in each case, that is validly adopted, promulgated, issued, or entered by a governmental authority of competent jurisdiction (including the Bankruptcy Court).

"LOI Date" has the meaning set forth in **SECTION 6(a)(viii)** hereof.

"Milestones" means collectively the Restructuring Supporting Agreement Milestones and the Bankruptcy Milestones set forth in **SECTION 6** hereof.

"MIP" has the meaning set forth in **SECTION 5(b)(iii)** hereof.

"MIP Awards" has the meaning set forth in **SECTION 5(b)(iii)** hereof.

"New Board" has the meaning set forth in **SECTION 5(b)(ii)** hereof.

"Party" and "Parties" have the meanings set forth in the preamble hereof.

"Petition Date" means the date the Company commences the Chapter 11 Case.

"Plan" has the meaning set forth in the recitals hereof.

"Plan Effective Date" means the date on which all conditions precedent to the effectiveness of the Plan have been satisfied or waived in accordance with the terms of the Plan and this Agreement, and the Plan becomes effective in accordance with its terms.

"Plan Supplement" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan that will be filed by the Company with the Bankruptcy Court.

"Prepetition Solicitation Date" has the meaning set forth in **SECTION 6(a)(v)** hereof.

"Prepetition Voting Deadline" has the meaning set forth in **SECTION 6(a)(vi)** hereof.

"Qualified Bid Deadline" has the meaning set forth in **SECTION 6(b)(iii)** hereof.

"Regulatory Approval" means all authorizations, consents, approvals, non-disapprovals, exemptions, rulings, registrations, and filings of or with any governmental authority (including, for the avoidance of doubt, each applicable insurance regulatory authority) that are necessary to implement and effectuate the Restructuring Transactions, including, without limitation, all required change-of-control and Form A (or equivalent) approvals with respect to the Insurance Subsidiaries, all as more particularly described in the Restructuring Term Sheet.

"Releasing Parties" means the Company Releasing Parties and the Hildene Releasing Parties as defined in **SECTION 16** hereof.

"Reorganized Debtor" means the Debtor after the Plan Effective Date of a confirmed plan under chapter 11 of the Bankruptcy Code.

"Restructuring Support Agreement Milestones" means the Restructuring Supporting Agreement milestones set forth in **SECTION 6(a)** hereof.

"Restructuring Term Sheet" has the meaning set forth in the recitals hereof.

"Restructuring Term Sheet Execution Date" has the meaning set forth in **SECTION 6(a)** hereof.

"Restructuring Transactions" has the meaning set forth in the recitals hereof and further described in the Restructuring Term Sheet.

"Sale Closing Date" means the date n which a sale from the Alternative Restructuring Transaction occurs.

"Solicitation Materials" has the meaning described in **SECTION 4(a)(v)** hereof.

"Solicitation Order" means the order of the Bankruptcy Court approving the Disclosure Statement and the Solicitation Materials.

"Successful Bid" has the meaning set forth in **SECTION 6(b)(vi)** hereof.

"Successful Bidder" has the meaning set forth in **SECTION 6(b)(vi)** hereof.

"State Regulator Meetings" has the meaning set forth in **SECTION 6(a)(i)** hereof.

"Termination Date" means the date on which termination of this Agreement is effective.

"Transactions" means the Restructuring Transactions or the Alternative Restructuring Transaction, as applicable.

"Transfer" means to sell, transfer, assign, pledge, grant a participation interest in, or otherwise dispose of, directly or indirectly, in whole or in part, a party's right, title, or interest in respect of any of such party's claims against, or interests in, the Company, or the deposit of any of such party's claims against or interests in the Company, as applicable, into a voting trust, or the grant of any proxies, or entry into a voting agreement with respect to any such claims or interests.

"Verified Statement" has the meaning set forth in **SECTION 6(a)(iv)** hereof.

"Voting Deadline" has the meaning set forth in **SECTION 6(b)(vii)** hereof.

1.2. **Rules of Interpretation**. For purposes of this agreement:

(a) unless otherwise noted, capitalized terms used but not defined herein shall have the meanings given to such terms in the Restructuring Term Sheet;

(b) Unless otherwise specified, references in this Agreement to any Section or clause refer to such Section or clause as contained in this Agreement;

(c) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neutral gender shall include the masculine, feminine, and the neutral gender;

(d) capitalized terms defined only in the plural or singular form shall nonetheless have their defined meanings when used in the opposite form;

(e) the words "herein," "hereof," and "hereunder" and other words of similar import in this Agreement refer to this Agreement as a whole, and not to any particular Section or clause contained in this Agreement;

(f) the words "including," "includes," and "include" shall each be deemed to be followed by the words "without limitation";

(g) wherever the consent or the written consent of a Party is required, the other Parties may rely on email correspondence from counsel to such Party;

(h) unless otherwise specified, any reference in this Agreement to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;

(i) unless otherwise specified, any reference in this Agreement to an existing document, schedule, or exhibit shall mean such document, schedule, or exhibit, as it may have been or may be amended, restated, supplemented, or otherwise modified from time to time; notwithstanding the foregoing, any capitalized terms in this Agreement that are defined with reference to another agreement are defined with reference to such other agreement as of the date of this Agreement, without giving effect to any termination of such other agreement or amendments to such capitalized terms in any such other agreement following the date of this Agreement;

(j) For purposes of calculating the dates in this Agreement or under the Restructuring Term Sheet, Bankruptcy Rule 9006(a) shall apply such that any date or deadline that falls on a weekend or legal holiday shall extend to the next business day, as those terms are defined in Bankruptcy Rule 9006(a).

(k) references to "shareholders," "directors," and/or "officers" shall also include "members" and/or "managers," as applicable, as such terms are defined under the applicable limited liability company, corporation or partnership Laws;

(l) all references to "$" and "dollars" will be deemed to refer to United States currency unless otherwise specifically provided; and

(m) the word "or" shall not be exclusive.

SECTION 2. Agreement Effective Date. The Agreement Effective Date shall occur immediately upon delivery to the Parties of executed and released signature pages for this Agreement from each of (i) the Company, and (ii) Hildene. Upon the Agreement Effective Date, this Agreement shall be deemed effective and thereafter the terms and conditions herein may only be amended, modified, waived, or otherwise supplemented as set forth in **SECTION 29** hereof.

SECTION 3. Restructuring Term Sheet. The Restructuring Term Sheet is expressly incorporated herein and made a part of this Agreement, and all references to this Agreement shall include the Restructuring Term Sheet. In the event of any inconsistency between this Agreement (excluding the Restructuring Term Sheet) and the Restructuring Term Sheet, this Agreement shall govern.

SECTION 4. Definitive Documentation.

(a) The Definitive Documentation shall include:

(i) the Plan;

(ii) the Plan Supplement and the documents contained therein;

(iii) the Confirmation Order;

(iv) Form A Application filed with the Texas Department of Insurance, the Arizona Department of Insurance and Financial Institutions, and the Oklahoma Insurance Department and any and all filings with or request for regulatory or other approvals from any governmental Entity or unit (in each case exclusive of any confidential information which shall be subject to redaction);

(v) the Disclosure Statement, the other solicitation materials in respect of the Plan (such materials, collectively, the "Solicitation Materials"), the motion to approve the Disclosure Statement, and the order entered by the Bankruptcy Court approving the Disclosure Statement (on a conditional or final basis) and Solicitation Materials as containing, among other things, "adequate information" as required by section 1125 of the Bankruptcy Code;

(vi) a motion to approve the Bidding Procedures and the Order approving the Bidding Procedures;

(vii) customary first day pleadings determined by the Company to be necessary and desirable to file on the Petition Date;

(viii) organizational documents of the Reorganized Debtor;

(ix) the documents or agreements for any new employment contracts for current employees of the Company, if any;

(x) any material agreements, settlements, motions, pleadings, briefs, applications and other filings with the Bankruptcy Court with respect to the rejection, assumption and/or assumption and assignment of executory contracts and/or unexpired leases; and

(xi) to the extent not included in the preceding clauses (i) - (xi), any and all, in each case material, other deeds, agreements, filings, notifications, pleadings, orders, certificates, letters, instruments, or other documents necessary to consummate the transactions contemplated by this Agreement or the Plan

(b) Except as set forth herein, the Definitive Documentation (and any modifications, restatements, supplements, waivers, consents, or amendments to any of them) will, after the Agreement Effective Date, remain subject to good faith negotiation and shall, upon completion, contain terms, conditions, representations, warranties, and covenants consistent in all respects with the terms of this Agreement and the Restructuring Term Sheet and otherwise be in form and substance reasonably satisfactory to the Company and Hildene.

SECTION 5. Implementation of the Transactions.

(a) **Financing.** The Chapter 11 Case will be funded by the Company's available cash. If any financing becomes necessary, the Company shall engage with the Plan Funder in connection with arranging such financing. The Company shall not enter into any debtor in possession financing or other financing with any third party without first providing the Plan Funder the right to provide such financing on the same or better terms. The Plan Funder shall have no obligation to provide such financing or match terms of any alternative lender.

(b) **Transactions.** One or the other of the Transactions shall be consummated through a pre-negotiated Chapter 11 bankruptcy filing by the Company in the Bankruptcy Court, as set forth herein and in the Restructuring Term Sheet. The Plan shall contain the terms, classification, and treatment as set forth in the Restructuring Term Sheet.

(i) The Debtor agrees to use commercially reasonable efforts to seek to estimate the amount of contingent, unliquidated, and/or disputed GUCs for distribution purposes, obtain other relief from the Court in the event that failure to do so would materially delay distributions to Holders of GUCs under the Plan, and to the extent it cannot be determined at the confirmation hearing whether GUCs (excluding Unsecured Notes Claims) exceed the GUC Cap, the Debtor shall receive at the confirmation hearing an order of the Court providing for reserves for contingent, unliquidated, and/or disputed GUCs in an amount that, together with all undisputed, liquidated and non-contingent claims (excluding the Senior Notes, the 2035 Junior Subordinated Debt Securities and the 2037 Junior Subordinated Debt Securities), does not exceed $400,000.00 or such other amount as the Parties may agree to in writing (the "GUC Cap").

(ii) In the event of approval of the Restructuring Transactions, on the Plan Effective Date, as applicable, the Reorganized Debtor shall appoint a board of directors, board of managers, or other governing body (the "New Board"). The New Board shall consist of one (1) director designated by the Debtor, whose initial designee shall be Chris Kenney, or any other designee that may be approved by Hildene in its reasonable discretion; three (3)

directors selected by Hildene; and one (1) independent director selected by Hildene.

(iii) In the event of the approval of the Restructuring Transactions, on or as soon as practicable after the Plan Effective Date, the New Board shall adopt a management incentive plan (the "MIP") providing for the issuance of equity and/or equity-based awards ("MIP Awards") to officers, employees, directors/managers and other key service providers of the Reorganized Debtor from time to time in accordance with the terms of the Restructuring Term Sheet.

(c) **The Alternative Restructuring Transaction.** An Alternative Restructuring Transaction may be consummated as set forth herein and in the Restructuring Term Sheet.

(i) Any motion to approve the Bidding Procedures shall designate Hildene as the stalking horse bidder and the Restructuring Transactions as the stalking horse bid based on the Initial Plan Value. Hildene shall be a qualified bidder entitled to make one or more topping bids in any Auction conducted by the Company, consistent with the terms of the Restructuring Term Sheet and this Agreement. Any Motion to approve the Bidding Procedures shall provide that, among other terms reasonably requested by Hildene, (i) a qualified bid must be in cash, without due diligence contingencies, (ii) a 10% cash deposit shall be required from other prospective bidders (for avoidance of doubt, excluding Hildene), and (iii) Hildene shall be a consultation party and a qualified bidder. For the avoidance of doubt, in the event that Hildene elects to make one or more topping bids, the overbid portion of any such topping bids shall be made from Hildene's own cash. Any Motion to approve the Bidding Procedures shall request a finding that an Alternative Restructuring Transaction is reasonably expected to (a) maximize the value of the Debtor's estate and (b) result in higher or better recoveries to holders of claims or interests, in the applicable voting classes, as compared to the recoveries available to such holders under the Restructuring Transactions contemplated by this Agreement and the Restructuring Term Sheet.

(ii) The Debtor and its advisors shall provide Hildene and its advisors with bi-weekly updates on the bidding process and reasonable access to Raymond James and any materials prepared by them in connection with the bidding process that are shared with other prospective bidders, including any virtual data room; provided, however, that except as expressly provided for in this Agreement, under no circumstances shall the Debtor and its advisors be

obligated to share or disclose the names of any competing bidders, indications of values of their potential bids, or any other confidential information that the Debtor or its advisors believe, in good faith, would undermine the competitive bidding process. Consistent with the Bidding Procedures approved by the Bankruptcy Court, the Debtor shall disclose to all qualified bidding parties copies of the initial highest bid as reasonably practicable before the Auction (but in no case less than one (1) business day in advance of such Auction).

(d) **Conditions Precedent.** The occurrence of the Plan Effective Date will be subject to the conditions precedent set forth in the Restructuring Term Sheet. For either the Restructuring Transactions or an Alternative Restructuring Transaction to be consummated, the conditions to the occurrence of the Plan Effective Date of the Plan must be satisfied or waived, which waiver shall require the consent of Hildene to be effective.

SECTION 6. Milestones. The Company shall implement one or the other of the Transactions in accordance with the following milestones, unless extended or modified by written agreement between the Company and Hildene (and such consent shall not be unreasonably withheld, conditioned, denied, or delayed):

(a) Immediately upon the date of execution of the Restructuring Term Sheet (the "Restructuring Term Sheet Execution Date"), the Company and Hildene shall proceed in accordance with the following Milestones (the "Restructuring Support Agreement Milestones"), unless extended or modified by written agreement between the Company and Hildene:

(i) no later than April 6, 2026: (a) the Company shall launch its marketing process to solicit offers for an Alternative Restructuring Transaction, and (b) Hildene shall reach out to the Insurance Regulatory Authorities in Texas, Arizona, and Oklahoma to set up an initial meetings (the "State Regulator Meetings");

(ii) [Reserved];

(iii) no later than five (5) business days after direction and guidance has been provided to Hildene by the regulators following the State Regulator Meetings, Hildene shall provide evidence to the Company that it has submitted all documents necessary to begin the Regulatory Approval process for the Restructuring Transactions;

(iv) no later than April 6, 2026, Hildene shall provide a verified statement to the Company in compliance with Rule 2019 of the Federal Rules of Bankruptcy Procedure disclosing the funds and accounts managed by Hildene as investment manager or collateral manager of holders of claims under the under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities

Indenture, or the 2037 Junior Subordinated Debt Securities Indenture, including all claimants and the corresponding claim amounts on behalf of which Hildene represents it has the power and authority to submit Plan ballots and, if necessary, proofs of claim in the Chapter 11 Case (the "Verified Statement")

(v) no later than April 30, 2026 (the "Prepetition Solicitation Date"), the Company or its solicitation agent shall deliver to Hildene and, to the extent addresses are available, all other known members of Classes 3 and 5 under the Plan, final solicitation copies of the Plan, the accompanying Disclosure Statement, and ballots for Classes 3 and 5 to be voted in favor of the Plan, provided that the Plan is in all material respects consistent with the terms of the Restructuring Term Sheet and this Agreement;

(vi) no later than May 28, 2026 (the "Prepetition Voting Deadline"), Hildene and all other parties on behalf of which Hildene is entitled to vote on the Plan as set forth in the Verified Statement, shall return all ballots to the Company's solicitation agent voting in favor of the Plan;

(vii) no later than two (2) days after the Prepetition Voting Deadline, the Company's solicitation agent shall provide a ballot report of all Hildene ballots received;

(viii) the Company shall solicit Letters of Intent related to an Alternative Restructuring Transaction through and including May 30, 2026 (the "LOI Date"); and

(ix) on the later to occur between: (a) 5 days after the LOI Date, and (b) 3 days after the Company receives a ballot report from its solicitation agent verifying that Hildene has returned all ballots for the Class 3 and 5 claimants listed in the Verified Statement, and all such ballots are submitted in favor of the Plan, the Company shall file its petition under chapter 11 of the Bankruptcy Code..

(b) From and after the Petition Date, the Company and Hildene shall proceed in accordance with the following postpetition Milestones (the "Bankruptcy Milestones"), unless extended or modified by written agreement between the Company and Hildene, and approved by the Bankruptcy Court as necessary:

(i) on the Petition Date, the Company shall file the Plan, the Disclosure Statement, a motion to approve solicitation procedures that ratifies the Debtor's prepetition solicitation from Hildene and is otherwise consistent with the Restructuring Term Sheet and this Agreement, and a motion to approve the Bidding Procedures consistent with the Restructuring Term Sheet and this Agreement;

(ii) no later than thirty (30) days after the Petition Date, the Company shall have obtained approval from the Bankruptcy Court of the Bidding Procedures and the solicitation procedures, including conditional approval of the Disclosure Statement;

(iii) the Bidding Procedures shall allow for the Company to solicit qualifying cash offers in excess of the Initial Plan Value by no later than forty-five (45) days after Petition Date (the "Qualified Bid Deadline");

(iv) no later than two (2) business days after the Qualified Bid Deadline, the Company shall deliver to Hildene and any other qualified bidders, copies of the initial highest bid;

(v) the Bidding Procedures shall provide for the Company to hold an auction or alternative competitive bidding process (the "Auction"), if necessary, to determine the highest and best proposal for an Alternative Restructuring Transaction by no later than fifty (50) days after the Petition Date, and that Hildene shall be a qualified bidder for the assets and entitled to make one or more topping bids to acquire the same;

(vi) no later than two (2) business days after the conclusion of the Auction, the Company shall notify all qualified bidding parties, including Hildene, in writing of the identity of the successful bidder (the "Successful Bidder") and the key terms of such Successful Bidder's proposed transaction (the "Successful Bid"), as well as the backup bidder (the "Backup Bidder"), whose bid shall remain open and binding until the earlier of the Plan Effective Date, and one-hundred and fifty days (150) days after the conclusion of the Auction (if the Backup Bidder is Hildene) or seventy-five (75) days after the conclusion of the Auction (if the Backup Bidder is a party other than Hildene);

(vii) no later than fifty-five (55) days after the Petition Date, the deadline for creditors and equity holders (other than Hildene and any Hildene affiliate on behalf of whom Hildene submitted a ballot before the Petition Date) entitled to vote on the Plan to submit their ballots (the "Voting Deadline") shall have occurred;

(viii) no later than sixty (60) days after the Petition Date, the Bankruptcy Court shall have entered the Confirmation Order, which shall include a provision authorizing and directing the officers and directors of the Debtor to take all such actions, and if a required action is not taken the Confirmation Order shall provide a mechanism for its deemed occurrence;

(ix) no later than ninety (90) days after the Petition Date (if the Successful Bidder is Hildene) or one-hundred and fifty (150) days after the Auction (if the Successful Bidder is not Hildene), the Successful Bidder shall have obtained Regulatory Approvals; *provided, however*, that such Milestone shall be subject to (a) one thirty (30) day extension if Regulatory Approval remains pending and there is no indication of denial as of the date of such extension, and (b) one additional thirty (30) day extension if (x) Regulatory Approval remains pending and there is no indication of denial as of the date of such additional extension, and (y) the Company, in its reasonable discretion agrees in writing to such additional extension; and

(x) upon the expiration of Bankruptcy Milestone (ix) above, if the Successful Bidder has not obtained Regulatory Approvals, the Company may file a notice with the Bankruptcy Court notifying parties that it will proceed to consummate the Restructuring Transactions or Alternative Restructuring Transaction, as applicable, with the Backup Bidder.

SECTION 7. Fees and Expenses. The Company shall pay all reasonable, budgeted, and documented fees and expenses of Fox Rothschild, LLP, Wollmuth Maher & Deutsch LLP, Maynard Nexsen, P.C., Ryan Specialty Holdings, Inc., Ducera Partners, LLC, and any other professionals and/or consultants determined necessary by Hildene, including reasonable fees and expenses incurred prior to the Petition Date, (collectively, the "Hildene Advisors," and such fees and expenses, the "Hildene Professional Fees"); *provided* that invoices for Hildene Professional Fees incurred before the Agreement Effective Date shall be submitted within fourteen (14) days after the Agreement Effective Date, and shall be paid by the Company as soon as reasonably practicable after submission, with the intention of paying such invoices within fourteen (14) days of submission. Invoices of Hildene Advisors for fees and expenses related to services incurred after the Agreement Effective Date shall be submitted on the 10th day of the month following the month services were performed and paid no later than fourteen (14) days following submission and (with respect to post-Petition Date fees and expenses), no later than one (1) business day prior to the Plan Effective Date; *and provided, further*, that the Company shall not be responsible for, and shall have no obligation to pay, any fees incurred by Hildene Advisors to investigate, prepare for, or pursue litigation or other claims against the Company, its officers, directors, employees, advisors, or consultants. The Plan shall provide that any fees and expenses of the foregoing advisors that are unpaid as of the Plan Effective Date shall be paid on, or as soon as reasonably practicable following, the Plan Effective Date. Any dispute between the Company and any Hildene Advisor concerning the amount of fees and expenses invoiced to the Company shall be resolved by mediation as soon as reasonably practicable after notification of the dispute, and the undisputed portion of such fees and expenses shall be timely paid in accordance with this Agreement.

SECTION 8. Commitments of the Parties. Each Party shall (as applicable and severally and not jointly) from the Agreement Effective Date until the occurrence of the Termination Date:

(a) support and take all actions commercially reasonably necessary to support consummation of the Restructuring Transactions in accordance with the terms and conditions of this Agreement and the Restructuring Term Sheet: (i) when properly solicited to do so, voting all of its claims against, or interests in, as applicable, the Company now or hereafter owned by such Party (including any and all other parties on behalf of which Hildene is entitled to vote on the Plan as set forth in the Verified Statement or over whom Hildene now or hereafter serves as the nominee, investment manager, or advisor for holders thereof) to accept the Plan as set forth herein and in the Restructuring Term Sheet; (ii) timely returning a duly-executed ballot in connection therewith and using commercially reasonable efforts to return such ballots by the Prepetition Voting Deadline; and (iii) supporting and not "opting out" of, or "opting in" as applicable any releases under the Plan and affirmatively opting into such releases if required to do so;

(b) not seek, support, or solicit an Alternative Restructuring Transaction except as expressly provided for in this Agreement;

(c) not withdraw, amend, or revoke (or cause to be withdrawn, amended, or revoked) its tender, consent, or vote with respect to the Plan;

(d) use commercially reasonable efforts to support, and not object to, or materially delay or impede, or take any other action to materially interfere, directly or indirectly, with the Restructuring Transactions;

(e) not file or support, and not direct any Indenture Trustee to file or support, any motion or pleading with the Bankruptcy Court that is not materially consistent with this Agreement, and to the extent any Indenture Trustee proposes, files, supports, or files such a motion or pleading, shall direct such Indenture Trustee to withdraw such proposal, support, or pleading;

(f) use good faith efforts to cooperate with the Parties to develop Restructuring Transactions that produce a restructuring outcome that will maximize value to all stakeholders of the Company; and

(g) to the extent any legal, regulatory, or structural impediment arises that would prevent, hinder, or delay the consummation of the Restructuring Transactions, negotiate in good faith appropriate additional or alternative provisions to address any such impediment.

Notwithstanding the foregoing, neither a vote to accept the Plan nor anything in this Agreement shall (i) be construed as an obligation of any Party to advance any funds to or purchase any securities of the Company or the Reorganized Debtor; (ii) be construed to prohibit any Party from contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement or the Definitive Documentation, or exercising rights or remedies specifically reserved herein; (iii) be construed to prohibit or limit any Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Case, so long as, from the Agreement Effective Date until the occurrence of the Termination Date, such appearance and the positions advocated in connection therewith are not materially inconsistent with this Agreement, are not prohibited by this Agreement and are not for the purpose of hindering, delaying, or preventing the consummation of the Restructuring Transactions or Alternative Restructuring Transaction, as applicable; or (iv) limit the ability of a Party to sell or enter into any transactions in connection with its claims

against, or interests in, as applicable, the Company now or hereafter owned by such Party, subject to **SECTION 17** of this Agreement.

SECTION 9. Additional Commitments of Hildene.

(a) In addition to the obligations set forth in **SECTION 8** hereof, Hildene shall:

(i) from the Agreement Effective Date until the occurrence of the Termination Date, not exercise any right or remedy for the enforcement, collection, or recovery of any obligation arising under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture against the Company;

(ii) direct any Indenture Trustee, from the Agreement Effective Date until the occurrence of the Termination Date, not to exercise any right or remedy for the enforcement, collection, or recovery of any obligation arising under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture against the Company;

(iii) timely comply with all Milestones as set forth in **SECTION 6**;

(iv) (A) reasonably cooperate with the Successful Bidder in its efforts to obtain any and all required Regulatory Approvals for the Successful Bid, (B) not knowingly, directly or indirectly, obstruct, interfere with or inhibit the Successful Bidder's or Backup Bidder's efforts to achieve Regulatory Approvals, provided, however, that the foregoing shall not prevent any of the above persons from responding truthfully to any inquiries from regulatory authorities, (C) promptly respond to any reasonable request by the Successful Bidder or Backup Bidder, as applicable, for any information in control of Hildene that is required for regulatory approval, and (D) execute and submit to the appropriate regulatory authority all documents required to be provided by Hildene in such process;

(v) maintain good standing under the Laws of the state or other jurisdiction in which Hildene or its affiliates are formed, incorporated or organized;

(vi) use commercially reasonable efforts to seek additional support for the Restructuring Transactions from other material stakeholders to the extent reasonably prudent and consult with the Company regarding the status and the material terms of any negotiations with any such stakeholders;

(vii) use commercially reasonable efforts to obtain any and all required regulatory and/or third-party approvals for the Restructuring Transactions;

(viii) subject to applicable Laws and privileges, promptly notify the Parties of any material governmental or third-party complaints, litigations, investigations or hearings that would impact the Parties' ability to implement the Restructuring Transactions; and

(ix) notify the Company of any default by Hildene under this Agreement as and when such default occurs.

(b) Notwithstanding the commitments set forth in **SECTION 8** or **SECTION 9(a)** above, neither a vote to accept the Plan nor anything in this Agreement shall:

(i) be construed to prohibit or limit Hildene from appearing as a party in interest in any matter to be adjudicated concerning any matter arising in the Chapter 11 Case or any insolvency proceeding, so long as such right is not inconsistent with this Agreement or Hildene's obligations hereunder;

(ii) be construed to prohibit Hildene from enforcing this Agreement;

(iii) prevent Hildene from taking any action which is required by applicable Law;

(iv) require Hildene to take any action which is prohibited by applicable law or to waive or forego the benefit of any applicable legal professional privilege or work-product doctrine;

(v) require Hildene to incur any material financial or other material liability other than as expressly described in this Agreement;

(vi) obligate Hildene to deliver a vote to support the Plan or prohibit Hildene from withdrawing such vote, in each case from and after the Termination Date (other than as a result of (i) the occurrence of the Plan Effective Date or (ii) Hildene's material breach of this Agreement); *provided*, that upon the withdrawal of any such vote on or after the Termination Date (other than as a result of the occurrence of the Plan Effective Date), such vote shall be deemed void ab initio and Hildene shall have the opportunity to change its vote;

(vii) prevent Hildene by reason of this Agreement or the Restructuring Transactions from making, seeking, or receiving any regulatory filings, notifications, consents, determinations, authorizations, permits, approvals, licenses, or the like;

(viii) be construed to prohibit Hildene from taking any action that is not materially inconsistent with this Agreement;

(ix) be construed to limit consent and approval rights provided in this Agreement (including the Restructuring Term Sheet) and the Definitive Documents;

(x) limit the ability of any Hildene to assert any rights, claims, and/or defenses arising under the Senior Notes, or any related documents or agreements so long as the positions advocated in connection therewith are not inconsistent with this Agreement or any other Definitive Document;

(xi) limit the ability of Hildene to defend against or assert any rights, claims, and/or defenses with respect to any cause of action threatened or commenced against Hildene by any third party;

(xii) except as expressly provided in this Agreement, the Restructuring Transactions, any nondisclosure agreement, and the Definitive Documents, limit the ability of Hildene to purchase, sell, exchange, or enter into any other transactions regarding the Claims/Interests.

SECTION 10. **Commitments of the Company**.

(a) In addition to the obligations set forth in **SECTION 8** hereof, the Company shall, until the occurrence of the Termination Date:

(i) except as otherwise expressly set forth in this Agreement, use commercially reasonable efforts to conduct its businesses and operations in the ordinary course in a manner that is consistent with past practices and in compliance with applicable law (taking into account the Restructuring Transactions and the pendency, if applicable, of the Chapter 11 Case), and use commercially reasonable efforts to preserve intact its businesses and relationships with third parties (including creditors, lessors, licensors, suppliers, distributors, and customers) and employees;

(ii) provide Hildene and the Hildene Advisors with a cash flow budget for the Chapter 11 case, and bi-weekly reports of actuals vs. projected cash flows;

(iii) provide Hildene and the Hildene Advisors with reasonable access during normal business hours to the Company's books, records and facilities, reasonable access to the management and advisors of the Company for the purposes of evaluating the Company's assets, liabilities, operations, businesses, finances, strategies, prospects and affairs, and for the preparation and submission of a

Form A application to the insurance regulators, reasonable responses to all reasonable diligence requests, and reasonable information with respect to all material executory contracts and unexpired leases of the Company as Hildene may request.

(iv) (A) support and use commercially reasonable efforts to execute and complete the Restructuring Transactions set forth in this Agreement and (B) negotiate in good faith all Definitive Documentation that is subject to negotiation as of the Agreement Effective Date and take any and all necessary and appropriate actions in furtherance of this Agreement;

(v) market the Company's assets (other than cash, investments and equivalents, claims and causes of action) in good faith in accordance with the Bidding Process and Bidding Procedures approved by the Bankruptcy Court and in accordance with the terms of this Agreement;

(vi) provide to the Hildene Advisors any motions and supporting documentation that the Company intends to file with the Bankruptcy Court, no less than two (2) Business Days prior to such filing, or if exigencies make such delivery impossible, as soon as reasonably practicable prior to such filing;

(vii) timely file a formal objection to any motion filed with the Bankruptcy Court by a party seeking the entry of an order (A) directing the appointment of a trustee or examiner (with expanded powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code), (B) converting the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, or (iii) dismissing the Chapter 11 Case;

(viii) timely file a formal objection to any motion filed with the Bankruptcy Court by a party seeking the entry of an order modifying or terminating the Company's exclusive right to file and/or solicit acceptances of a plan of reorganization, as applicable;

(ix) timely comply with all Milestones as set forth in **SECTION 6**;

(x) to the extent that any legal, regulatory, or structural impediment arises that would prevent, hinder, or delay the consummation of the transactions contemplated in this Agreement or the Plan, negotiate in good faith appropriate additional or alternative provisions to address any such impediment;

(xi) not directly or indirectly make, modify, or amend (other than in the ordinary course of business, as required by law or as permitted,

required or contemplated as part of the Restructuring Transactions or in the Definitive Documents) a material tax election, for the Company or any of its subsidiaries, including a tax classification election (or any deemed tax classification election through an amendment of a Company's organizational documents or the conversion of the Company to a different entity classification for U.S. federal income tax purposes), without the written consent of Hildene, not to be unreasonably withheld, conditioned or delayed;

(xii) not directly or indirectly pursue any avoidance action or legal proceeding that challenges the amount, validity, allowance, character, enforceability, or priority of any Claim asserted by Hildene to the extent listed in the Verified Statement;

(xiii) not directly or indirectly incur any liens or security interest, or encumbrance other than (i) those existing immediately prior to the Agreement Effective Date, or (ii) those permitted pursuant to any DIP facility approved by the Bankruptcy Court that is not inconsistent with this Agreement;

(xiv) not directly or indirectly make any payment in satisfaction of any existing funded indebtedness other than as contemplated by the Restructuring Transactions and outside the ordinary course of business;

(xv) not directly or indirectly file or cause to be filed any substantive motion in the Chapter 11 Case that is materially inconsistent with this Agreement; and

(xvi) not directly or indirectly, except as contemplated by this Agreement, the Plan, or pursuant to the Restructuring Transactions, issue, sell, pledge, dispose of or encumber any additional shares of, or any options, warrants, conversion privileges or rights of any kind to acquire any shares of, any of its Interests, including capital stock or limited liability company interests.

(xvii) maintain good standing under the Laws of the state or other jurisdiction in which the Debtor or its subsidiaries are formed, incorporated or organized;

(xviii) use commercially reasonable efforts to seek additional support for the Restructuring Transactions from its other material stakeholders to the extent reasonably prudent and consult with Hildene regarding the status and the material terms of any negotiations with any such stakeholders;

(xix) use commercially reasonable efforts to obtain any and all required regulatory and/or third-party approvals for the Restructuring Transactions;

(xx) make such senior management and other representatives of Debtor as Hildene may reasonably request, available to assist in all matters in relation to implementation or consummation of the Restructuring Transaction at such times as Hildene may reasonably request;

(xxi) subject to applicable Laws and privileges, promptly notify the Parties of any material governmental or third-party complaints, litigations, investigations or hearings that would impact the Parties' ability to implement the Restructuring Transactions; and

(xxii) notify Hildene of any default by the Company under this Agreement as and when such default occurs.

SECTION 11. **Hildene Termination Events**. Hildene shall have the right, but not the obligation, upon written notice to the other Parties provided in accordance with **SECTION 27,** to terminate this Agreement upon the occurrence of any of the following events, unless waived, in writing, by Hildene:

(a) the failure of the Company to meet any of the Milestones unless such Milestone is extended by written agreement in accordance with **SECTION 6** of this Agreement, provided that, if such failure is the result of any act, omission, or delay on the part of Hildene in violation of Hildene's obligations under this Agreement, Hildene may not exercise its termination rights herein;

(b) the Company, without the express, written consent of Hildene, files or announces that it will proceed with an Alternative Restructuring Transaction if such Alternative Restructuring Transaction produces recoveries to holders of claims or interests that would be less than they would receive under the Restructuring Transactions;

(c) the Company, or any directors, officers, or employees of the Company, takes any action or refrains from taking any action on the basis of its fiduciary duties;

(d) the Company or any of its officers, directors, or employees pursues litigation against Hildene in any court of law or equity, and such litigation is not dismissed within five (5) business days of such filing;

(e) the occurrence of a material breach of this Agreement by the Company that has not been cured (if susceptible to cure) within five (5) business days after written notice to the Company in accordance with **SECTION 27** hereof of such material breach by the Company, asserting such termination;

(f) the conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code;

(g) the dismissal of the Chapter 11 Case without the prior written consent of Hildene;

(h) the appointment of a trustee, receiver, or examiner with expanded powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code in the Chapter 11 Case without the prior written consent of Hildene;

(i) any Definitive Documentation is not materially consistent with the terms of this Agreement or the Restructuring Term Sheet, provided that Hildene must provide seven (7) business days' written notice to the Company in accordance with **SECTION 27** hereof of any such proposed termination and the Company shall have such time to amend or modify such Definitive Documentation such that the applicable Definitive Documentation shall be consistent in all respects with the terms of this Agreement and the Restructuring Term Sheet;

(j) the issuance by any governmental authority, the Bankruptcy Court, or another court of competent jurisdiction, of any injunction, judgment, decree, charge, ruling, or order that, in each case, would have an adverse effect on a material provision of this Agreement or a material portion of the Plan, unless the Company has sought a stay of such injunction, judgment, decree, charge, ruling, or order within five (5) business days after the date of such issuance, and such injunction, judgment, decree, charge, ruling, or order is reversed or vacated within ten (10) business days after the date of such issuance; provided, however, that if such issuance has been made at the request of any of Parties other than the Company, then such Party shall not be entitled to terminate this Agreement in accordance with this **SECTION 11(j)** with respect to such issuance;

(k) the Company seeks the issuance by any governmental authority, including any regulatory authority, the Bankruptcy Court, or another court of competent jurisdiction, of any injunction, judgment, decree, charge, ruling, or order that, in each case, would have an adverse effect on a material provision of this Agreement or a material portion of the Plan;

(l) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any final, non-appealable ruling, judgment or order that (i) enjoins the consummation of an Alternative Restructuring Transaction or a material portion of the Restructuring Transactions; and (ii) remains in effect for thirty (30) Business Days after Hildene transmits a written notice in accordance with **SECTION 27** hereof detailing any such issuance; *provided*, that this termination right shall not apply to or be exercised by Hildene to the extent that Hildene sought or requested such ruling or order in contravention of any obligation or restriction set out in this Agreement; and

(m) a breach by the Company of any representation, warranty, or covenant of the Company set forth in this Agreement that could reasonably be expected to have a material adverse impact on the consummation of the Restructuring Transactions that (to the extent curable) has not been cured or waived five (5) business days after the receipt by the Company of written notice given in accordance with **SECTION 27** with a description of such breach.

SECTION 12. **The Company's Termination Events**. The Company may, upon written notice to Hildene, terminate this Agreement as to all Parties upon the occurrence and continuance of any of the following events, unless waived, in writing, by the Company:

(a) the failure of Hildene to meet any of the Milestones applicable to Hildene unless such Milestone is extended by written agreement in accordance with **SECTION 6** of this Agreement and the Restructuring Term Sheet;

(b) Hildene or any Indenture Trustee under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture pursues litigation against the Company or any of its officers, directors, employees, or advisors, and such litigation is not dismissed within five (5) business days of such filing by Hildene, and Hildene does not direct such Indenture Trustee to discontinue such litigation within five (5) business days of being provided with a true and complete copy of such litigation;

(c) a material breach by Hildene of any representation, warranty, or covenant set forth in this Agreement that (to the extent curable) has not been cured or waived within five (5) business days after notice to Hildene given in accordance with **SECTION 27** hereof of such breach;

(d) any of the Definitive Documentation (including any amendment or modification thereof) is filed by Hildene with the Bankruptcy Court or otherwise finalized, or has become effective, that is not materially consistent with this Agreement or otherwise reasonably satisfactory to the Company, and such inconsistency has not been cured within five business days after notice to Hildene given in accordance with **SECTION 27** hereof of such breach;

(e) the issuance by any governmental authority, including the Bankruptcy Court, any regulatory authority, or any other court of competent jurisdiction, of any ruling or order enjoining the substantial consummation of the Restructuring Transactions; provided, however, that the Company has made commercially reasonable, good faith efforts to cure, vacate, or have overruled such ruling or order prior to terminating this Agreement; or

(f) upon written notice to Hildene delivered in accordance with **SECTION 27** hereof that the Company has determined in good faith, after consultation with outside counsel, that proceeding with the Restructuring Transactions contemplated by this Agreement would be inconsistent with the continued exercise of its fiduciary duties as set forth in **SECTION 15** hereof.

SECTION 13. **Mutual Termination; Automatic Termination**.

(a) This Agreement and the obligations of all Parties hereunder may be terminated by mutual written agreement by and among the Parties.

(b) Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate automatically without further required action upon the occurrence of the Plan Effective Date or the Sale Closing Date in the event the Parties mutually pursue the Alternative Restructuring Transaction, provided that the releases set forth in **SECTION 16** shall survive such automatic termination.

SECTION 14. **Effect of Termination.** Upon the termination of this Agreement, this Agreement shall be of no further force or effect with respect to any Party, and each Party shall: (a) be released from its commitments, undertakings, and agreements under or related to this Agreement, (b) have the rights and remedies that it would have had, had it not entered into this Agreement, and (c) be entitled to take all actions, whether with respect to the Restructuring Transactions or otherwise, that it would have been entitled to take had it not entered into this Agreement. The termination of this Agreement shall not relieve or absolve any Party of any liability for any breaches of this Agreement that preceded the termination of the Agreement. Notwithstanding anything to the contrary in this Agreement, the foregoing shall not be construed to prohibit any Party from contesting whether any such termination is in accordance with its terms or to seek enforcement of any rights under this Agreement that arose or existed before the Termination Date. Except as expressly provided in this Agreement, nothing in this Agreement is intended to, or does, in any manner waive, limit, impair, or restrict any right or ability of any Party to protect and preserve its rights (including rights under this Agreement), remedies, and interests, including its claims against any other Party. For the avoidance of doubt, upon termination of this Agreement, any ballots submitted by Hildene shall be deemed to reject the Plan and shall be null and void, the Company may withdraw or amend the Plan, and all rights of all parties shall be preserved with respect to the same.

SECTION 15. **Fiduciary Duties.** Notwithstanding anything to the contrary herein, nothing in this Agreement shall require the Company, or any directors, officers, or employees of the Company (in such person's capacity as a director, officer, or employee) to take any action, or to refrain from taking any action, to the extent that the Company's board of directors determines in good faith, after consultation with outside counsel, that taking such action or refraining from taking such action may be inconsistent with its or their fiduciary obligations under applicable law, and any such exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement; *provided*, *however*, that in the event of such determination by the Company's board of directors (to the extent that the Company does not terminate this Agreement in accordance with this **SECTION 15** and **SECTION 12(e)** hereof), Hildene may terminate this Agreement in accordance with **SECTION 11(c)** hereof. The Company, in its sole discretion, may (but shall not be required to) terminate this Agreement in accordance with **SECTION 12(e)** hereof, and specific performance shall not be available as a remedy if this Agreement is terminated in accordance with this **SECTION 15** and **SECTION 12(e)** or **SECTION 11(c)** hereof. Hildene reserves all rights it may have, including the right (if any) to challenge any exercise by the Company of its fiduciary duties.

SECTION 16. **Release**.

(a) Prepetition Release of Hildene. On the Agreement Effective Date and in exchange for the forbearance set forth in **SECTION 19** below, the Company, on behalf of itself and its predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds or investment vehicles, and each of such entities' respective current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Company, in each case in their capacity as such (collectively, the "Company Releasing Parties"), expressly and generally releases, acquits, and discharges Hildene its predecessors, successors and assigns, subsidiaries,

affiliates, managed accounts or funds, and each of such entities' respective current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in their respective capacities as such (collectively, the "Hildene Released Parties"), from any and all claims known or unknown, contingent, unliquidated or disputed, with respect to any claims arising prior to the Agreement Effective Date in connection with the Company, the Senior Unsecured Notes, the Junior Subordinated Debt Claims, or the transactions contemplated hereby.

(b) Plan Releases from Hildene. On the Plan Effective Date, Hildene, on behalf of itself and its predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals, in each case in their capacity as such (collectively, the "Hildene Releasing Parties"), expressly and generally releases, acquits, and discharges (i) the Company, (ii) the Company's respective predecessors, successors and assigns, subsidiaries, affiliates, managed accounts or funds or investment vehicles, and each of such entities' respective current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals of the Company, and (iii) the current and former directors of the Company and its subsidiaries, in each case in the foregoing (i) through (iii), in their capacity as such (collectively, the "Company Released Parties"), from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Company, any claims asserted or assertable on behalf of any holder of any claim against or interest in the Company and any claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Hildene Releasing Parties (whether individually or collectively) ever had, now has, or may have, based on or relating to, or in any manner arising from, in whole or in part, the Company (including the purchase, sale, rescission, or any other transaction relating to any security of or debt in the Company, or any other transaction) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case, whether known or unknown, arising on or before the Plan Effective Date .

(c) Plan Releases from the Company. On the Plan Effective Date, the Company Releasing Parties, expressly and generally releases, acquits, and discharges the Hildene Released Parties and the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Company, any claims asserted or assertable on behalf of any holder of any claim against or interest in the Company and any claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Company Releasing Parties (whether individually or collectively) ever had, now has, or may have, based on or relating to, or in any manner arising from, in whole or in part, Hildene or the Company (including the purchase, sale, rescission, or any other transaction relating to any security of or debt) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case,

whether known or unknown, arising on or before the Plan Effective Date. Notwithstanding the foregoing, nothing in such releases shall be construed as a release of any obligations owed under the Plan.

(d) Plan Third-Party Releases. On the Plan Effective Date, to the extent permitted by law, the Plan shall provide that any consenting creditor who affirmatively votes in support of the Plan or otherwise elects to opt into the Plan releases shall be deemed to release, acquit, and discharge the Hildene Released Parties and the Company Released Parties from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Company, any claims asserted or assertable on behalf of any holder of any claim against or interest in the Company and any claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, in law, equity, contract, tort, or otherwise, by statute or otherwise, that the Company Releasing Parties (whether individually or collectively) ever had, now has, or may have, based on or relating to, or in any manner arising from, in whole or in part, Hildene or the Company (including the purchase, sale, rescission, or any other transaction relating to any security of or debt) or the negotiation, formulation, or preparation of the Restructuring Transactions, in each case, whether known or unknown, arising on or before the Plan Effective Date. Notwithstanding the foregoing, nothing in such releases shall be construed as a release of any obligations owed under the Plan.

(e) The Plan shall contain the following provision, which shall be applicable on the Plan Effective Date:

> Each of the Releasing Parties knowingly grants this Release notwithstanding that each Releasing Party may hereafter discover facts in addition to, or different from, those which either such Releasing Party now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and each Releasing Party expressly waives any and all rights that such Releasing Party may have under any statute or common law principle which would limit the effect of the Release to those claims actually known or suspected to exist as of the Plan Effective Date.

(f) The Plan shall contain the following provision, which shall be applicable on the Plan Effective Date:

> In connection with their agreement to the foregoing Release, the Releasing Parties knowingly and voluntarily waive and relinquish any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law, which governs or limits a person's release of unknown claims, comparable or equivalent to California Civil Code § 1542, which provides:
>
> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING**

THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

(g) Each of the Releasing Parties hereby represents and warrants that it has access to adequate information regarding the terms of this Agreement, the scope and effect of the Release, and all other matters encompassed by this Agreement to make an informed and knowledgeable decision with regard to entering into this Agreement. Each of the Releasing Parties further represents and warrants that it has not relied upon any other Party in deciding to enter into this Agreement and has instead made its own independent analysis and decision to enter into this Agreement.

(h) Notwithstanding anything to the contrary above, no Party shall be deemed to release another Party for willful misconduct, gross negligence, or fraud.

SECTION 17. **Transfers of Claims and Interests**. Each Party shall not acquire or make a Transfer of any claims or interests, unless such Transfer is from another Party, or to another Party, that first agrees in writing to be bound by the terms of this Agreement by executing and delivering to the Company the Transferee Joinder. Upon compliance with the foregoing, the transferor shall be deemed to relinquish its rights (and be released from its obligations, except for any claim for breach of this Agreement that occurs prior to such Transfer) under this Agreement to the extent of such transferred rights and obligations. Hildene shall provide an updated Verified Statement in accordance with **SECTION 20** no less than three (3) business days following any Transfer Any Transfer made in violation of this **SECTION 17** shall be deemed null and void *ab initio* and of no force or effect, regardless of any prior notice provided to any Party, and shall not create any obligation or liability of any Party to the purported transferee.

SECTION 18. **Consents and Acknowledgments**. Each Party irrevocably acknowledges and agrees that this Agreement is not and shall not be deemed to be a solicitation for acceptances of the Plan for purposes of sections 1125, 1126, and 1127 of the Bankruptcy Code or otherwise. Any such offer or solicitation will be made only in compliance with all applicable securities laws and provisions of the Bankruptcy Code.

SECTION 19. **Forbearance**. Commencing on the Agreement Effective Date, and continuing until the earlier of (i) the Petition Date, or (ii) the termination of this Agreement pursuant to one or more Termination Events, Hildene and any entity that may execute this Agreement or a transferee after the Agreement Effective Date shall forbear from exercising remedies against the Company with respect to any claims held by any of them, including arising from a Default or Event of Default as defined under the 2019 Notes Indenture, the 2035 Junior Subordinated Debt Securities Indenture, or the 2037 Junior Subordinated Debt Securities Indenture, as applicable, and shall direct the applicable Indenture Trustee to not exercise remedies to the extent that any other holder of notes or debt securities has directed or may direct such Indenture Trustee to exercise such remedies.

SECTION 20. **Representations and Warranties**.

(a) Hildene hereby represents and warrants that the following statements are true, correct, and complete, to the best of its actual knowledge, as of the date hereof:

(i) it has the requisite organizational power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part;

(iii) the execution and delivery by it of this Agreement does not violate its certificates of incorporation, bylaws, or other organizational documents;

(iv) the execution, delivery, and performance by it of this Agreement does not require any registration or filing with, the consent or approval of, notice to, or any other action with any federal, state, or other governmental authority or regulatory body, except: (i) the Regulatory Approvals as set forth in the Restructuring Term Sheet, (ii) any of the foregoing as may be necessary and/or required for disclosure by the Securities and Exchange Commission and applicable state securities or "blue sky" laws, (ii) any of the foregoing as may be necessary and/or required in connection with the Chapter 11 Case, including the approval of the Disclosure Statement and confirmation of the Plan; (iii) filings of amended certificates of incorporation or articles of formation or other organizational documents with applicable state authorities, and other registrations, filings, consents, approvals, notices, or other actions that are reasonably necessary to maintain permits, licenses, qualifications, and governmental approvals to carry on the business of the Company; and (iv) any other registrations, filings, consents, approvals, notices, or other actions, the failure of which to make, obtain or take, as applicable, would not be reasonably likely, individually or in the aggregate, to materially delay or materially impair the ability of any Party hereto to consummate the transactions contemplated hereby;

(v) this Agreement is its legally valid and binding obligation, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability;

(vi) it is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as

amended, with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement, the Disclosure Statement, the Plan, and any other Definitive Documentation, and it has made its own analysis and decision to enter into this Agreement; and

(vii) it (A) either (1) is the sole owner of the claims and interests to be identified in the Verified Statement, or (2) has all necessary investment or voting discretion with respect to the principal amount of claims and interests to be identified in the Verified Statement, and has the power and authority to bind the owner(s) of such claims and interests to the terms of this Agreement, as set forth in the Verified Statement; (B) is entitled (for its own accounts or for the accounts of such other owners) to all of the rights and economic benefits of such claims and interests; and (C) to the knowledge of the individuals working on the Restructuring Transactions, does not directly or indirectly own any claims, other than as will be identified in the Verified Statement.

(b) The Company hereby represents and warrants that the following statements are true, correct, and complete, in all material respects, to the best of its actual knowledge, as of the date hereof:

(i) it has the requisite corporate or other organizational power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part, including approval of each of the independent directors of each of the Company;

(iii) the execution and delivery by it of this Agreement does not violate its certificates of incorporation, or bylaws, or other organizational documents, in any material respect;

(iv) the execution and delivery by it of this Agreement does not require any material registration or filing with, the consent or approval of, notice to, or any other action with any federal, state, or other governmental authority or regulatory body, other than, for the avoidance of doubt, the actions with governmental authorities or regulatory bodies required in connection with implementation of the Restructuring Transactions;

(v) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is its legally valid and binding obligation, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability; and

(vi) it has sufficient knowledge and experience to evaluate properly the terms and conditions of the Plan and this Agreement, and has been afforded the opportunity to consult with its legal and financial advisors with respect to its decision to execute this Agreement, and it has made its own analysis and decision to enter into this Agreement and otherwise investigated this matter to its full satisfaction.

SECTION 21. **Relationship Among Parties**. Notwithstanding anything herein to the contrary, (i) the duties and obligations of the Parties under this Agreement shall be several, not joint; (ii) no Party shall have any responsibility by virtue of this Agreement for any trading by any other entity; (iii) no prior history, pattern, or practice of sharing confidences among or between the Parties shall in any way affect or negate this Agreement; (iv) the Parties hereto acknowledge that this Agreement does not constitute an agreement, arrangement, or understanding with respect to acting together for the purpose of acquiring, holding, voting, or disposing of any equity securities of the Company, the Parties do not constitute a "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended, and no action taken by any Party pursuant to this Agreement shall be deemed to create a presumption that the Parties are, in any way, acting as a "group"; and (v) none of the Parties shall have any fiduciary duty, any duty of trust or confidence in any form, or other duties or responsibilities in any kind or form to each other, the Company or any of the Company's other lenders or stakeholders, including as a result of this Agreement or the transactions contemplated hereby.

SECTION 22. **Remedies**. It is understood and agreed by the Parties that money damages may be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy of any such breach of this Agreement, including an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder, *provided* specific performance shall not be an available remedy against the Company if the Company terminates this Agreement in accordance with, and subject to, **SECTION 12(e)** hereof. The Parties agree that such relief will be their only remedy against the applicable breaching Party or Parties with respect to any such breach, and that in no event will any Party be liable for monetary damages under or in connection with this Agreement.

SECTION 23. **Governing Law & Jurisdiction**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction, except where preempted by the Bankruptcy Code. By its execution and delivery of this Agreement, each Party irrevocably and unconditionally agrees for itself that any legal action,

suit, or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding, may be brought in the United States District Court for the Northern District of Texas, and by executing and delivering this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. If the Chapter 11 Case is commenced, each Party agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. By executing and delivering this Agreement, and upon commencement of the Chapter 11 Case, each of the Parties irrevocably and unconditionally submits to the personal jurisdiction of the Bankruptcy Court solely for purposes of any action, suit, proceeding, or other contested matter arising out of or relating to this Agreement, or for recognition or enforcement of any judgment rendered or order entered in any such action, suit, proceeding, or other contested matter.

SECTION 24. **Waiver of Right to Trial by Jury**. Each of the Parties waives (to the extent permitted by applicable law) any right to have a jury participate in resolving any dispute, whether sounding in contract, tort or otherwise, between any of the Parties arising out of, connected with, relating to, or incidental to the relationship established between any of them in connection with this Agreement. Instead, any disputes resolved in court shall be resolved in a bench trial without a jury.

SECTION 25. **Successors and Assigns**. Except as otherwise provided in this Agreement, this Agreement is intended to bind and inure to the benefit of each of the Parties and each of their respective permitted successors, assigns, heirs, executors, administrators, and representatives.

SECTION 26. **No Third-Party Beneficiaries**. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties and no other person or entity shall be a third-party beneficiary of this Agreement.

SECTION 27. **Notices**. All notices (including any notice of termination or breach) and other communications from any Party hereunder shall be in writing and shall be deemed to have been duly given if personally delivered by courier service, messenger, email, or facsimile to the other Parties at the applicable addresses below, or such other addresses as may be furnished hereafter by notice in writing. Any notice of termination or breach shall be delivered to all other Parties.

(a) If to the Company:

Hallmark Financial Services, Inc.
5400 Lyndon B. Johnson Freeway
Suite 400
Dallas, Texas 75240-2345

With a copy to:

CR3 Partners LLP
13355 Noel Road, Suite 2005
Dallas, Texas 75240
Attn: William Snyder
Email: William.snyder@cr3partners.com

and

Gray Reed LLP
1601 Elm St., Suite 4600
Dallas, Texas 75201
Attn: Jason Brookner
Aaron Kaufman
Email: jbrookner@grayreed.com
akaufman@grayreed.com

and

Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019
Attn: Michael Neidell
Adam Friedman
Email: mneidell@olshanlaw.com
afriedman@olshanlaw.com

and

Raymond James & Associates, Inc.
320 Park Ave, Fl 9
New York, NY 10022
Attn: Geoffrey Richards
Simon Wein
Email: geoffrey.richards@raymondjames.com
simon.wein@raymondjames.com

(b) If to Hildene:

Hildene Capital Management, LLC333 Ludlow Street
South Tower, 5th Floor
Stamford, CT 06902
Attn: Lisa Harris
Email: lharris@hildenecap.com

With a copy to:

c/o Ducera Partners LLC
11 Times Square
36th Floor
New York, NY 10063
Attn: David Zubricki
Nick Vadino
Email: dzubricki@ducerapartners.com
nvadino@ducerapartners.com

and

Fox Rothschild, LLP
Attn: Trey Monsour
2501 N. Harwood St. Suite 1800
Dallas, Texas 75201
tmonsour@foxrothschild.com
and

Wollmuth Maher & Deutsch LLP
Attn: Paul DiFilippo
500 5th Ave.,
New York , NY 10110
pdefilippo@WMD-LAW.com

and

Maynard Nexsen, P.C.
Attn: Carrie Rupprath
2500 Bee Caves Road
Building 1, Suite 150
Austin, TX 78746
crupprath@maynardnexsen.com

SECTION 28. **Entire Agreement**. This Agreement (including the Exhibits and Schedules) constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

SECTION 29. **Amendments**. Except as otherwise provided herein, this Agreement (including the Restructuring Term Sheet) may not be modified, amended, or supplemented without the prior written consent of the Company and Hildene.

SECTION 30. **Disclosure; Publicity**. The Company shall submit drafts to the Hildene Advisors of any press releases and public documents that constitute disclosure of the

existence or terms of this Agreement or any amendment to the terms of this Agreement prior to making any such disclosure, and shall afford them a reasonable opportunity under the circumstances to comment on such documents and disclosures and shall incorporate any such reasonable comments in good faith.

SECTION 31. **Survival**. Notwithstanding (i) any transfer of any claims or interests in accordance with **SECTION 17** hereof or (ii) the termination of this Agreement in accordance with its terms, the agreements and obligations of the Parties in **SECTION 13** and **SECTION 16** (and any defined terms used in any such Sections) shall survive such transfer and/or termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof; provided that any liability of a Party for failure to comply with the terms of this Agreement shall survive such termination.

SECTION 32. **Reservation of Rights**. Subject to and except as expressly provided in this Agreement or in any amendment thereof agreed upon by the Parties pursuant to the terms hereof, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of each of the Parties to protect and preserve its rights, remedies and interests, including its claims against any of the other Parties (or their respective affiliates or subsidiaries) or its full participation in the Chapter 11 Case. Without limiting the foregoing sentence in any way, if the Restructuring Transactions are not consummated, or if this Agreement is terminated for any reason, nothing in this Agreement shall be construed as a waiver by any Party of any or all of such Party's rights, remedies, claims and defenses, and the Parties expressly reserve any and all of their respective rights, remedies, claims and defenses. This Agreement shall in no event be construed as, or be deemed to be, evidence of an admission or concession on the part of any Party of any claim or fault or liability or damages whatsoever. Each of the Parties denies any and all wrongdoing or liability of any kind and does not concede any infirmity in the claims or defenses which it has asserted or could assert. This Agreement is part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties hereto. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, all negotiations relating to this Agreement shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

SECTION 33. **Execution of Agreement and Counterparts**. This Agreement may be executed in one or more counterparts and by way of electronic signature, each of which, when so executed, shall constitute the same instrument, and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf).

SECTION 34. **E-mail Consents**. Where a written consent, acceptance, approval, or waiver is required pursuant to or contemplated by this Agreement, including a written approval by the Company or Hildene, such written consent, acceptance, approval, or waiver shall be deemed to have occurred if, by agreement between counsel to the Parties submitting and receiving such consent, acceptance, approval, or waiver, it is conveyed in writing (including electronic mail) between each such counsel without representations or warranties of any kind on behalf of such counsel.

SECTION 35. **Headings**. The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement.

SECTION 36. **Interpretation**. This Agreement is the product of negotiations among the Parties, and the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement or any portion hereof, shall not be effective in regard to the interpretation hereof.

[*Signatures and exhibits follow*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first written above.

HALLMARK FINANCIAL SERVICES, INC.

DocuSigned by:

By: _____
52158E9EA213403...

Name: Chris Kenney

Title: Chief Executive Officer

HILDENE CAPITAL MANAGEMENT, LLC

By:_____
Brett Jefferson
President & Co-Chief Investment Officer

HILDENE COLLATERAL MANAGEMENT COMPANY, LLC

By:_____
Brett Jefferson
President

Exhibit A
to the Restructuring Support Agreement
Restructuring Term Sheet

Execution Copy

THIS RESTRUCTURING TERM SHEET IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS RESTRUCTURING TERM SHEET SHALL BE AN ADMISSION OF FACT OR LIABILITY OR, UNTIL THE OCCURRENCE OF THE AGREEMENT EFFECTIVE DATE ON THE TERMS DESCRIBED HEREIN, DEEMED BINDING ON ANY OF THE PARTIES HERETO.

RESTRUCTURING TERM SHEET[1]

This Restructuring Term Sheet describes the principal terms of the proposed restructuring transactions (the "**Restructuring Transactions**") for Hallmark Financial Services, Inc. (the "**Company**" or "**Debtor**"). The Restructuring Transactions will be consummated through a chapter 11 case (the "**Chapter 11 Case**") to be filed by the Debtor under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the Northern District of Texas (the "**Bankruptcy Court**"), and subject to the conditions, set forth in the Restructuring Support Agreement (the "**RSA**") to which this Restructuring Term Sheet will be attached as **Exhibit A** to the RSA, and the applicable definitive documentation governing the Restructuring Transactions, as may be more particularly defined in the RSA (collectively, the "**Definitive Documents**"). The regulatory, corporate, tax, accounting, and other legal and financial matters related to the Restructuring Transactions have not been fully evaluated, and any such evaluation may affect the terms and structure of any Restructuring Transactions.

This Restructuring Term Sheet is proffered in the nature of a settlement proposal in furtherance of settlement discussions. Accordingly, this Restructuring Term Sheet and the information contained herein are entitled to protection from any use or disclosure to any party or person pursuant to Rule 408 of the Federal Rules of Evidence and any other applicable rule, statute, or doctrine of similar import protecting the use or disclosure of confidential settlement discussions.

This Restructuring Term Sheet does not include a description of all of the terms, conditions, and other provisions that will be contained in the Definitive Documents governing the Restructuring Transactions, which remain subject to negotiation and completion in accordance with the RSA. The Definitive Documents will not contain any material terms or conditions that are inconsistent with this Restructuring Term Sheet or the RSA. This Restructuring Term Sheet, and the RSA shall all be subject to approval of the board of directors of the Company. The Restructuring Transactions and any other Definitive Documents shall all be subject to approval of the board of

[1] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them elsewhere in this Restructuring Term Sheet or in the RSA, as applicable.

directors of the Company, receipt of the requisite Regulatory Approvals (as defined below), and approval by the Bankruptcy Court.

OVERVIEW	
Parties	The Company (as defined herein). Hildene Capital Management, LLC and Hildene Collateral Management Company, LLC (and certain of its affiliate(s) (collectively, "**Hildene**") or funds or accounts managed by Hildene and expressly listed and disclosed to the Company in writing prior to the execution of the RSA (the "**Plan Funder**"), each in its capacity as investment manager and/or collateral manager to the holders of 2029 Senior Unsecured Notes, 2035 Junior Subordinated Debt Securities, and 2037 Junior Subordinated Debt Securities in the respective amounts set forth in a verified statement provided by Hildene to the Company in compliance with Rule 2019 of the Federal Rules of Bankruptcy Procedure within three (3) business days after signing this Restructuring Term Sheet (the "**Verified Statement**").
Transaction Implementation	The Restructuring Transactions shall be consummated through a pre-negotiated Chapter 11 bankruptcy filing by the Company in the Bankruptcy Court, as set forth in greater detail herein. The Chapter 11 Case will be funded by the Company's available cash. If any financing becomes necessary, the Company shall engage with the Plan Funder in connection with arranging such financing. The Company shall not enter into any DIP or other financing with any third party without first providing the Plan Funder the right to provide such DIP financing on the same or better terms.[2] The Plan Funder shall have no obligation to provide such financing or match terms of any alternative lender. The bankruptcy filing will include the filing of a consensual Chapter 11 plan satisfactory to Hildene in all material respects (the "**Plan**") on terms consistent with this Restructuring Term Sheet, and the implementation of the Restructuring Transactions will be subject to the terms and conditions of the RSA and the Definitive Documents. The Plan will be structured around a dual-track toggle feature, whereby (A) the Debtor's non-cash assets (*i.e.*, its interests in its subsidiaries) will be immediately marketed pursuant to a "go shop" sale process soliciting alternative transactions with a minimum purchase price of no less than the Initial Plan Value (as defined below), payable solely in cash, for all or substantially all the assets of the Debtor (other than cash, investments and

[2] If Plan Funder provides DIP financing to the Company, Plan Funder's intent would be for (i) DIP fees and interest to be PIK and (ii) DIP to equitize at emergence.

	equivalents, claims and causes of action) (the "**Bidding Process**" with the governing bidding and related procedures being the "**Bidding Procedures**") (the resulting transaction, if applicable, being an "**Alternative Restructuring Transaction**") with any proceeds from such Alternative Restructuring Transaction to be distributed to creditors at Closing pursuant to a Plan as set forth herein, and (B) if the Bidding Process does not result in an Alternative Restructuring Transaction exceeding the Initial Plan Value, the Restructuring Transactions shall be consummated. In order for either the Restructuring Transactions or the Alternative Restructuring Transaction to be consummated, the conditions to the occurrence of the Plan Effective Date (as defined herein) must be satisfied or waived, which waiver shall require the consent of Hildene to be effective. Any motion to approve the Bidding Procedures shall designate Hildene as the stalking horse bidder and the Restructuring Transaction as the stalking horse bid based in the Initial Plan Value (defined below). Hildene shall be a qualified bidder entitled to make one or more topping bids in any Auction (defined below) conducted by the Company, consistent with the terms of this Restructuring Term Sheet and RSA. Any Motion to approve the Bidding Procedures shall provide that, among other terms reasonably requested by Hildene, (i) a qualified bid must be in cash, without due diligence contingencies, (ii) a 10% cash deposit shall be required from other prospective bidders (for avoidance of doubt, excluding Hildene), and (iii) Hildene shall be a consultation party and a qualified bidder. For the avoidance of doubt, in the event that Hildene elects to make one or more topping bids, the overbid portion of any such topping bids shall be made from Hildene's own cash. Any Motion to approve the Bidding Procedures shall include a requirement that any Alternative Restructuring Transaction pursued by the Company is found by the Court to be reasonably expected to: (a) maximize the value of the Debtor's estate and (b) result in higher or better recoveries to holders of Claims or Interests, in the applicable voting classes, as compared to the recoveries available to such holders under the Restructuring Transaction contemplated by this Agreement. The Debtor and Hildene agree that Hildene and/or its advisors shall immediately upon the execution of this Restructuring Term Sheet begin the process of seeking Regulatory Approval for the Restructuring Transactions, including by disclosing this term sheet to the appropriate regulatory authorities and meeting with the appropriate regulatory authorities, in order to expedite all necessary formal approvals.

Plan Support	Provided the Plan remains consistent with the RSA, (a) Hildene and all funds, affiliates, and holders of accounts managed by Hildene shall affirmatively vote in favor of, and not object to or otherwise obstruct confirmation of, the Plan, and (b) the Debtor shall not modify, withdraw or terminate the Plan without the consent of Hildene.
Initial Plan Value	The Parties agree that the enterprise value attributable to the Restructuring Transactions for purposes of calculating the minimum bid amount under the Alternative Restructuring Transaction, shall be equal to (i) the amount of Senior Unsecured Notes Claims, including accrued interest (estimated to be $51.6 million as of 03/15/26), plus (ii) 10% of Junior Subordinated Debt Claims, including accrued interest (estimated to be $7.8 million as of 03/15/26), plus (iii) the estimated amount of unpaid professional fees and other administrative claims as of the Plan Effective Date, plus (iv) to the extent applicable, any DIP claims, plus (v) the amount of GUCs or other unsecured claims, less (vi) the estimated amount of the Debtor's cash, cash equivalents and investments balance as of the Plan Effective Date (the "**Initial Plan Value**").

Existing Capital Structure	(i) **2029 Senior Unsecured Notes.** $50,000,000 aggregate principal amount of senior unsecured notes (the "**Senior Unsecured Notes**") issued under that certain Indenture, dated as of August 19, 2019, among Hallmark and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "**Trustee**") (as amended, modified, or otherwise supplemented from time to time, the "**2019 Notes Indenture**"). The Senior Unsecured Notes bear interest at a fixed rate of 6.25% and such interest is payable semi-annually. The Plan shall allow Senior Unsecured Notes claims in full. The Debtor has no defenses to the allowance of the Senior Unsecured Notes Claims in full. (ii) **2035 Junior Subordinated Debt Securities.** $30,000,000 aggregate principal amount of 2035 Junior Subordinated Debt Securities, issued and outstanding under the 2035 Junior Subordinated Debt Securities Indenture, between the Company and the Junior Subordinated Debt Securities Trustee. The 2035 Junior Subordinated Debt Securities bear interest at a fixed rate of 7.725% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 3.25%, with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters. As of the last day of the Company's most recently ended fiscal quarter for which financial statements are available, $30,000,000 of principal amount remains outstanding, together with any accrued and unpaid interest thereon. The Plan shall allow the 2035 Junior Subordinated Debt Securities claims in full. The Debtor has no defenses to the allowance of the 2035 Junior Subordinated Debt Securities Claims in full. (iii) **2037 Junior Subordinated Debt Securities.** $25,000,000 aggregate principal amount of 2037 Junior Subordinated Debt Securities, issued and outstanding under the 2037 Junior Subordinated Debt Securities Indenture, between the Company and the Junior Subordinated Debt Securities Trustee. The 2037 Junior Subordinated Debt Securities bear interest at a fixed rate of 8.28% per annum for the first ten years and thereafter at a variable rate equal to the three-month SOFR plus CSA plus 2.90% with interest payable quarterly and subject to deferral at the Company's option for up to 20 consecutive quarters under certain conditions. As of the last day of the Company's most recently ended fiscal quarter for which financial statements are available, $25,000,000 of principal amount remains outstanding, together with any accrued and unpaid interest thereon. The Plan shall allow the

	2037 Junior Subordinated Debt Securities claims in full. The Debtor has no defenses to the allowance of either of the 2037 Junior Subordinated Debt Securities Claims in full. (iv) **General Unsecured Creditors ("GUCs").** GUC claims are estimated to be approximately $**400,000** as of the Petition Date. Subject to the GUC Cap, GUC claims shall be paid in full and unimpaired in accordance with the terms of the Plan. The GUC Cap shall be $400,000. (v) **Existing Equity.** The issued and outstanding shares of common stock and any other equity securities of the Company including any outstanding options, warrants, or other rights to acquire such equity securities (the "**Existing Equity**").

GENERAL PROVISIONS	
New Senior Unsecured Notes	On the Plan Effective Date, unless there is an Alternative Restructuring Transaction approved by an order of the Court, the Reorganized Debtor shall issue new take-back senior unsecured notes (the "**New Senior Unsecured Notes**") to holders of Senior Unsecured Notes other than Hildene, with terms substantially similar to the existing Senior Unsecured Notes, except as modified herein to reflect any changes required by the restructuring. The principal terms of the New Senior Unsecured Notes shall include: (a) Issuer: The Reorganized Debtor. (b) Quantum: The aggregate principal amount of New Senior Unsecured Notes to be issued on the Plan Effective Date shall be based on the portion of Allowed Senior Unsecured Note Claims held by holders other than Hildene.[3] The maximum aggregate principal amount of New Senior Unsecured Notes issued shall not exceed the aggregate principal amount of approximately $14,000,000, plus accrued and unpaid interest. (c) Interest Rate: 6.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year. (d) Priority: Pari passu with all unsecured claims (e) Maturity: December 31, 2032. (f) Call Protection: The New Senior Unsecured Notes shall be

	redeemable in whole or in part, at the option of the Reorganized Debtor at a redemption price of par plus accrued and unpaid interest. (g) Affirmative and Negative Covenants: Substantially identical in all material respects to those set forth in the 2019 Notes Indenture, including but not limited to covenants relating to limitations on liens, incurrence of indebtedness, restricted payments, maintenance of the Insurance Subsidiaries (defined below), and reporting requirements.
New Convertible Preferred Equity	On the Plan Effective Date, unless there is an Alternative Restructuring Transaction approved by an order of the Court, the Reorganized Debtor shall issue convertible preferred equity (the "**New Convertible Preferred Equity**") to the Hildene holders of Senior Unsecured Notes, or a Hildene affiliate entity designated by the Hildene holders of Senior Unsecured Notes, in accordance with the terms of the RSA and the Plan. The New Convertible Preferred Equity shall have the following principal terms: (a) Issuer: The Reorganized Debtor. (b) Quantum: The aggregate amount of liquidation preference of New Convertible Preferred Equity to be issued on the Plan Effective Date shall be determined based on the portion of Allowed Senior Unsecured Note Claims held by Hildene and its affiliates. (c) Dividend Rate: 10% per annum, payable in kind ("**PIK**") by automatic accretion to the liquidation preference, compounded quarterly (d) Priority: Senior to all common equity and junior to all debt securities (including the New Senior Unsecured Notes), except as otherwise provided in the Plan. (e) Maturity: Perpetual, subject to conversion, redemption, or other exit events as described below, payable on the sale of the Reorganized Debtor or all or substantially all of its assets. (f) Conversion Rights:[4] Convertible at the option of the holder at any time into common equity of the Reorganized Debtor at a valuation equal to the Initial Plan Value, plus (i) the amount of the Debtor's cash, cash equivalents and investments balance as of the Plan Effective Date, reflected on a pro forma basis for amount of

[4] Given that HFS is issuing the convertible preferred, need to address the fact that the conversion to voting shares will need to be assessed under the holding company act.

	cash paid out to the Junior Subordinated Debt Claims pursuant to the Restructuring Transactions, less (ii) the estimated amount of unpaid professional fees and other administrative claims as of the Plan Effective Date, less (iii) the amount of New Senior Unsecured Notes issued as part of the Restructuring Transactions, as more fully set forth in the Plan and related documentation, subject to customary anti-dilution adjustments for stock splits, combinations, reclassifications, and similar events. (g) Other Terms: Customary affirmative and negative covenants, representations and warranties, and indemnities for securities of this type, as set forth in the Plan and related documentation.[5]
Executory Contracts and Unexpired Leases	Unless there is an Alternative Restructuring Transaction approved by an order of the Court, as of and subject to the occurrence of the Plan Effective Date and the payment of any applicable cure amount, all executory contracts and unexpired leases to which the Debtor is party, and which have not expired by their own terms on or prior to the Confirmation Date shall be deemed assumed, except for any executory contract or unexpired lease that: (a) previously has been assumed or rejected pursuant to a Final Order of the Bankruptcy Court, (b) is the subject of a separate (i) assumption motion filed by the Debtor or (ii) rejection motion filed by the Debtor under section 365 of the Bankruptcy Code before the Confirmation Date, (c) is specifically designated as a contract or lease to be rejected on the schedule of rejected contracts and unexpired leases, or (d) is the subject of a pending cure dispute.
Definitive Documents	Any documents contemplated by this Restructuring Term Sheet, including any Definitive Documents, that are not executed or remain the subject of negotiation or completion as of the Agreement Effective Date, shall be in form and substance acceptable to Hildene in its sole and nonreviewable discretion. Failure to reference such rights and obligations as it relates to any document referenced in this Restructuring Term Sheet shall not impair such rights and obligations.
Forbearance	On the effective date of the RSA, and until the earlier of (i) the Petition Date, or (ii) the termination of the RSA pursuant to one or more Termination Events, Hildene and any entity that may execute the RSA or a transferee after the RSA effective date, shall forbear from exercising remedies against the Company with respect to any claims held by any of them, including arising from a Default or Event of Default as defined under the 2019 Notes Indenture or the junior indentures, as applicable,

[5] The documentation for the convertible preferred should include language that specifies conversion may be subject to Form A/Regulatory Approval.

	and shall direct the applicable administrative agent to not exercise remedies to the extent that any other holder of notes or debt securities directs such agent to exercise such remedies. Except for obligations arising under the RSA and any events occurring after the execution of the RSA, on the effective date of the RSA the Company shall provide general releases of all claims known or unknown, contingent, unliquidated or disputed, against Hildene, the other Hildene affiliated RSA signatories, and the Hildene Advisors with respect to any claims arising prior to the execution of the RSA in connection with the Company, the Senior Unsecured Notes, the Junior Subordinated Debt Claims, or the transactions contemplated hereby, in form and substance customary for restructuring support agreements and reasonably acceptable to Hildene.
Conditions Precedent to the Plan Effective Date	"**Plan Effective Date**" is defined as the date on which all conditions precedent to the effectiveness of the Plan have been satisfied or waived in accordance with the terms of the Plan and the RSA, and the Plan becomes effective in accordance with its terms. The occurrence of the Plan Effective Date will be subject to the following conditions precedent (collectively, the "**Conditions Precedent**"), among others: (a) the RSA shall not have been terminated and shall be in full force and effect; (b) the Bankruptcy Court shall have entered the Confirmation Order and the Confirmation Order has become a final order and shall not have been reversed, stayed, modified, or vacated on appeal, and any waivable unsatisfied conditions to effectiveness of the Plan have been satisfied or waived; (c) the aggregate principal amount of New Senior Unsecured Notes to be issued under the Plan shall not exceed approximately $14,000,000 plus accrued & unpaid interest; (d) the Company and Hildene shall have obtained all authorizations, consents, approvals, non-disapprovals, exemptions, rulings, registrations, and filings of or with any governmental, regulatory, or administrative authority, agency, or department having jurisdiction over the Company and its Insurance Subsidiaries (collectively, the "**Insurance Regulatory Authorities**") regarding the approval of any Restructuring Transactions, including, without limitation, all required change-of-control and Form A (or equivalent) approvals (collectively, the "**Regulatory Approvals**") with respect to each direct or indirect subsidiary of the Company that operates an insurance business or other business regulated by any insurance regulator (collectively, the

	"**Insurance Subsidiaries**"), and all such Regulatory Approvals shall be in full force and effect and shall not be subject to any stay, injunction, or appeal with a reasonable likelihood of reversal or material modification; (e) the final versions of the Definitive Documents and all of the schedules, documents, and exhibits related thereto shall be (i) consistent with the RSA and otherwise approved by the parties thereto consistent with their respective consent and approval rights set forth in the RSA and (ii) adopted on terms consistent with the RSA and this Restructuring Term Sheet; (f) the Definitive Documents shall have been duly executed or deemed executed and delivered by all of the entities that are parties thereto, all conditions precedent (other than any conditions that will be satisfied upon the occurrence of the Plan Effective Date) to the effectiveness thereof shall have been satisfied or duly waived in writing in accordance with the terms thereof; (g) all actions, documents, and agreements necessary to implement and consummate the Plan shall have been effected and executed; (h) All Hildene Professional Fees (as defined herein) shall have been paid in full when presented and amounts sufficient to pay all Hildene Professional Fees after the Plan Effective Date have been placed in the professional fee escrow account; (i) all reasonable and documented fees and expenses of Gray Reed, Olshan Frome Wolosky LLP, CR3 Partners, LLC, Greenberg Traurig, Raymond James and any other professionals and/or consultants retained in the Chapter 11 Case (collectively, the "**Debtor Professional Fees**") shall have been paid when approved by the Bankruptcy Court pursuant to a fee procedures order and amounts sufficient to pay all Debtor Professional Fees after the Plan Effective Date have been placed in the professional fee escrow account; and any other administrative and priority claims have been paid or amounts required to satisfy the estimated amount if such claims have been reserved; and (j) there shall not be in effect any law or order by any Insurance Regulatory Authority restraining, enjoining, materially conditioning, or otherwise prohibiting the consummation of the Restructuring Transactions or the effectiveness of any Regulatory Approval.

Computing Time	For purposes of calculating the dates for each Milestone below, Bankruptcy Rule 9006(a) shall apply such that any Milestone that falls on a weekend or Legal Holiday shall extend to the Next Day, as those terms are defined in Bankruptcy Rule 9006(a).
RSA Milestones	Immediately upon execution of the RSA, the Company and Hildene shall proceed in accordance with the following milestones (the "**RSA Milestones**"), unless extended or modified by written agreement between the Company and Hildene: (i) No later than March 26, 2026, the parties shall have executed this Restructuring Term Sheet (the "**RSA Execution Date**"); (ii) No later than three (3) business days after the RSA Execution Date: (a) the Company shall launch its marketing process to solicit offers for Alternative Restructuring Transactions, (b) Hildene shall provide its Verified Statement to the Company, along with a written statement disclosing to the Company all claimants and the corresponding claim amounts listed in the Verified Statement for which Hildene believes it has the power and authority to submit ballots in support of the Plan, and (c) Hildene shall reach out to the Insurance Regulatory Authorities in Texas, Arizona, and Oklahoma to set up initial meetings (the "**State Regulator Meetings**"); (iii) No later than April 2, 2026, the parties shall have executed a final RSA consistent with the terms of this Restructuring Term Sheet; (iv) No later than five (5) business days after direction and guidance have been provided to Hildene by the regulators following the State Regulator Meetings Hildene shall provide evidence to the Company that it has submitted all documents necessary to begin the Regulatory Approval process for the Restructuring Transactions; (v) No later than 30 days after the RSA Execution Date (the "**Prepetition Solicitation Date**"), the Company or its solicitation agent shall deliver to Hildene and, to the extent addresses are available all other known members of Classes 3 and 5 under the Plan, final solicitation copies of the Plan, the accompanying disclosure statement, and ballots for Classes 3 and 5 to be voted in favor of the Plan, provided that the Plan is in all material respects consistent with the terms of this Restructuring Term Sheet and RSA; (vi) No later than 28 days after the Prepetition Solicitation Date

	(the "**Prepetition Voting Deadline**"), Hildene and all other Hildene affiliated RSA signatories shall return all ballots to the Company's solicitation agent voting in favor of the Plan; (vii) No later than 2 days after the Prepetition Voting Deadline, the Company's solicitation agent shall provide a ballot report of all Hildene ballots received; (viii) The Company shall solicit Letters of Intent related to the Alternative Restructuring Transaction for 60 days following the RSA Execution Date (the "**LOI Date**"); (ix) On the later to occur between: (a) 5 days after the LOI Date, and (b) 3 days after the Company receives a ballot report from its solicitation agent verifying that Hildene has returned all ballots for the Class 3 and 5 claimants listed in the Verified Statement, and all such ballots are submitted in favor of the Plan, the Company shall file its petition under chapter 11 of the Bankruptcy Code (the "**Petition Date**").
Bankruptcy Milestones	From and after the Petition Date, the Company and Hildene shall proceed in accordance with the following postpetition milestones (the "**Bankruptcy Milestones**" and, collectively with the RSA Milestones, the "**Milestones**"), unless extended or modified by written agreement between the Company and Hildene, and approved by the Bankruptcy Court as necessary: (i) On the Petition Date, the Company shall file the Plan, the disclosure statement, a motion to approve solicitation procedures that ratifies the Debtor's prepetition solicitation from Hildene and is otherwise consistent with this Restructuring Term Sheet and RSA, and a motion to approve the Bidding Procedures consistent with this Restructuring Term Sheet and the RSA; (ii) No later than **thirty (30)** days after the Petition Date, the Company shall have obtained approval from the Bankruptcy Court of the Bidding Procedures and the solicitation procedures, including conditional approval of the Disclosure Statement; (iii) The Bidding Procedures shall allow for the Company to solicit qualifying cash offers in excess of the Initial Plan Value by no later than **forty-five (45) days** after Petition Date (the "**Qualified Bid Deadline**"); (iv) No later than two (2) business days after the Qualified Bid

	Deadline, the Company shall deliver to Hildene and any other qualified bidders, copies of the initial highest bid; (v) The Bidding Procedures shall provide for the Company to hold an auction or alternative competitive bidding process (the "**Auction**"), if necessary, to determine the highest and best proposal for an Alternative Restructuring Transaction by no later than **fifty (50) days** after the Petition Date, and that Hildene shall be a qualified bidder for the assets and entitled to make one or more topping bids to acquire the same; (vi) No later than two (2) business days after the conclusion of the Auction, the Company shall notify all qualified bidding parties, including Hildene, in writing of the identity of the successful bidder (the "**Successful Bidder**") and the key terms of such Successful Bidder's proposed transaction (the "**Successful Bid**"), as well as the backup bidder (the "**Backup Bidder**"), whose bid shall remain open and binding until the earlier of the Plan Effective Date, and **one-hundred and fifty days (150)** days after the conclusion of the Auction (if the Backup Bidder is Hildene) or **seventy-five (75)** days after the conclusion of the Auction (if the Backup Bidder is a party other than Hildene); (vii) No later than **fifty-five (55)** days after the Petition Date, the deadline for creditors and equity holders (other than Hildene and any Hildene affiliate signatories to the RSA who submitted their ballots before the Petition Date) entitled to vote on the Plan to submit their ballots (the "**Voting Deadline**") shall have occurred; (viii) No later than **sixty (60)** days after the Petition Date, the Bankruptcy Court shall have entered the Confirmation Order, which shall include a provision authorizing and directing the officers and directors of the Debtor to take all such actions, and if a required action is not taken the Order shall provide a mechanism for its deemed occurrence; (ix) No later than **ninety (90)** days after the Petition Date (if the Successful Bidder is Hildene) or **one-hundred and fifty (150)** days after the Auction (if the Successful Bidder is not Hildene), the Successful Bidder shall have obtained Regulatory Approvals, provided, however, that such Milestone shall be subject to: (a) one 30-day extension if Regulatory Approval remains pending and there is no indication of denial as of the date of such extension, and (b) one additional 30-day extension if (x) Regulatory Approval

	remains pending and there is no indication of denial as of the date of such additional extension, and (y) the Company, in its reasonable discretion, agrees in writing to such additional extension; and (x) Upon the expiration of the Bankruptcy Milestone (ix) above, if the Successful Bidder has not obtained Regulatory Approvals, the Company may file a notice with the Bankruptcy Court notifying parties that it will proceed to consummate the Restructuring Transaction or Alternative Restructuring Transaction, as applicable, with the Backup Bidder.
Non-Obstruction	The Debtor and Hildene, and each of its respective officers, directors, employees and professionals shall: (a) reasonably cooperate with the Successful Bidder in its efforts to obtain any and all required Regulatory Approvals for the Successful Bid, (b) not knowingly, directly or indirectly, obstruct, interfere with or inhibit the Successful Bidder's or Backup Bidder's efforts to achieve Regulatory Approvals, provided, however, that the foregoing shall not prevent any of the above persons from responding truthfully to any inquiries from regulatory authorities, (c) promptly respond to any reasonable request by the Successful Bidder or Backup Bidder, as applicable, for any information in control of the Debtor that is required for regulatory approval, and (d) execute and submit to the appropriate regulatory authority all documents required to be provided by the Debtor in such process.
Bidding Process; Reporting	The Debtor and its advisors are to provide Hildene and its advisors with bi-weekly updates on the bidding process and reasonable access to Raymond James and any materials prepared by them in connection with the bidding process that are shared with other prospective bidders, including any VDR; *provided*, *however*, that under no circumstances shall the Debtor and its advisors be obligated to share or disclose the names of any competing bidders, indications of values of their potential bids, or any other confidential information that the Debtor or its advisors believe, in good faith, would undermine the competitive bidding process. The Debtor and its advisors are to provide Hildene and the Hildene Advisors with a Cash Flow Budget for the Chapter 11 case, and bi-weekly reports of actuals vs. projected cash flows.
Organizational Documents and Governance	The Governance Documents and any other documentation evidencing the corporate governance for any Company and any direct or indirect subsidiary thereof, including charters, bylaws, limited liability company agreements, shareholder agreements (including minority shareholder protections), and/or other organizational documents of such entities will be consistent with the RSA (including the consent and approval rights set

	forth therein).
Post Transaction Governance	In the event of approval of Restructuring Transactions, on the Plan Effective Date, as applicable, the Reorganized Debtor shall appoint a board of directors, board of managers, or other governing body (the "**New Board**"). The New Board shall consist of one (1) director designated by the Debtor, whose initial designee shall be Chris Kenney, or any other designee that may be approved by Hildene in its reasonable discretion; three (3) directors selected by the Plan Funder; and one (1) independent director selected by Hildene. Corporate governance and additional governance terms shall be determined by Hildene in its sole discretion.
Management Incentive Plan	In the event of approval of Restructuring Transaction, on or as soon as practicable after the Plan Effective Date, the New Board shall adopt a management incentive plan (the "**MIP**") providing for the issuance of equity and/or equity-based awards ("**MIP Awards**") to officers, employees, directors/managers and other key service providers of the Reorganized Debtor from time to time. The MIP shall reserve for issuance MIP Awards in respect of such aggregate amount of New Common Equity Interests of the Reorganized Debtor as may be determined by the New Board in its discretion (the "**MIP Pool**"), provided that the MIP Pool shall at all times comprise no less than five percent (5%) of the Reorganized Debtor's New Common Equity Interests on a fully diluted basis (for the avoidance of doubt, including the dilution from the New Convertible Preferred Equity). The terms and conditions of the MIP (including, without limitation, the size of the MIP Pool, eligibility, individual participation levels, timing and forms of awards, and vesting and performance criteria) shall be determined by the New Board in its discretion, in a manner consistent with the Plan and the other Definitive Documents.
Release and Exculpation	The RSA and the Plan will contain customary Company and, if necessary, third-party release and exculpation provisions reasonably acceptable to the Company and Hildene and permitted under applicable law.
Tax Matters	This Restructuring Term Sheet is expressly subject to finalization of tax analysis and considerations. The Company and Hildene shall work together in good faith and shall use commercially reasonable efforts to structure and implement the Restructuring Transactions in a tax efficient and cost-effective manner for the benefit of the Company and Hildene to the extent reasonably practicable and in accordance with the Plan and the Plan Supplement.
Fees and Expenses	The Company shall pay all reasonable, budgeted, and documented fees and expenses of Fox Rothschild, LLP, Wollmuth Maher & Deutsch LLP, Maynard Nexsen, P.C., Ryan Specialty Holdings, Inc., Ducera Partners, LLC, and any other professionals and/or consultants determined

	necessary by Hildene, including reasonable fees and expenses incurred prior to the Petition Date, (collectively, the "**Hildene Advisors**," and such fees and expenses, the "**Hildene Professional Fees**"); *provided* that invoices for Hildene Professional Fees shall be submitted on the 10th day of the month following the month services were performed and paid no later than ten (10) days following submission and no later than one (1) Business Day prior to the Plan Effective Date; and *provided*, *further*, that the Company shall not be responsible for, and shall have no obligation to pay, any fees incurred by Hildene Advisors to investigate, prepare for, or pursue litigation or other claims against the Company, its officers, directors, employees, advisors, or consultants. The Plan shall provide that any fees and expenses of the foregoing advisors that are unpaid as of the Plan Effective Date shall be paid on, or as soon as reasonably practicable following, the Plan Effective Date.
Fiduciary Duties	Nothing in this Restructuring Term Sheet, or the RSA, shall require the Company, or any directors, officers, or employees of the Company (in such person's capacity as a director, officer, or employee) to take any action, or to refrain from taking any action, to the extent that the Company's board of directors determines in good faith, after consultation with outside counsel and advisors, that taking such action or refraining from taking such action may be inconsistent with its or their fiduciary obligations under applicable law, and any such exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement; *provided*, *however*, that Hildene reserves all rights it may have, including the right (if any) to challenge any exercise by the Company and its board of directors of its fiduciary duties.
Termination Events	The RSA shall include standard and customary termination rights for all parties, including the right to terminate by mutual agreement and upon the Plan Effective Date. In addition to any standard and customary termination rights, Hildene may terminate the RSA if: (i) the Company fails to meet any Milestones unless such Milestone is extended by written agreement in accordance with this Restructuring Term Sheet and the RSA; (ii) the Company, without the express, written consent of Hildene, pursues an Alternative Restructuring Transaction that produces recoveries to holders of Claims or Interests, that would be less than they would receive under the Restructuring Transaction; (iii) the Company, or any directors, officers, or employees of the Company, takes any action or refrains from taking any action on the basis of its Fiduciary Duties, set forth above; or (iv) the Company or any of its officers, directors, or employees pursues litigation against Hildene in any court of law or equity, and such litigation is not dismissed within five (5) business days of such filing. In addition to any standard and customary termination rights, the Company may terminate the RSA if: (i) Hildene fails to meet any

	Milestones unless such Milestone is extended by written agreement in accordance with this Restructuring Term Sheet and RSA; (ii) Hildene or any Indenture Trustee pursues litigation against the Company or any of its officers, directors, employees, or advisors, and such litigation is not dismissed within five (5) business days of such filing; or (iii) the Company, or any directors, officers, or employees of the Company, takes any action or refrains from taking any action on the basis of its Fiduciary Duties, set forth above. In the event the RSA is terminated, any ballots submitted by Hildene shall be deemed to reject the Plan and the Company may withdraw or amend the Plan, and all rights of all parties shall be preserved.
Amendments	This Restructuring Term Sheet may be amended only as permitted pursuant to the RSA.

TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN			
Class No.	**Type of Claim**	**Treatment**	**Impairment/ Voting**
Unclassified Non-Voting Claims			
N/A	**Administrative Claims**	On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Administrative Claim, each Holder of an Allowed Administrative Claim shall receive treatment in a manner consistent with section 1129(a)(9)(A) of the Bankruptcy Code.	N/A
N/A	**Priority Tax Claims**	On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive treatment in a manner consistent with section 1129(a)(9)(C) of the Bankruptcy Code.	N/A
Classified Claims and Interests of the Debtor			

Class 1	**Other Secured Claims**	On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, at the election of the Debtor or Reorganized Debtor (with the consent of Hildene, if applicable): (i) payment in full in Cash of the unpaid portion of such Claim (or, if not then due, payment in the ordinary course in accordance with the terms of the applicable agreement), (ii) Reinstatement of such Claim, or (iii) such other treatment as will render such Claim Unimpaired under the Plan.	Unimpaired; Presumed to Accept.
Class 2	**Other Priority Claims**	On the Plan Effective Date or as soon as reasonably practicable thereafter, 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 Cash or other treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.	Unimpaired; Presumed to Accept.

Class 3	**Senior Unsecured Notes Claims**	In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction pursuant to the Plan, on the Plan Effective Date or as soon as reasonably practicable thereafter, the Debtor shall make *pro rata* distributions of the net proceeds from such Alternative Restructuring Transaction (after full payment of allowed administrative, and priority tax or other priority claims), up to the aggregate amount of the Allowed Senior Unsecured Note Claims (which for avoidance of doubt shall include any required Indenture Trustee fees under the Indenture). Notwithstanding the foregoing, in the event the Bankruptcy Court approves a Restructuring Transaction, on the Plan Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Senior Unsecured Note Claim held by Hildene and its affiliates shall receive, on account of such claim New Convertible Preferred Equity of the Reorganized Debtor having an initial liquidation preference equal to 100% of such Holder's Allowed Senior Unsecured Note Claim. Each non-Hildene holder of an Allowed Senior Unsecured Note Claim shall receive, on account of such Claim, New Senior Unsecured Notes of the Reorganized Debtor in an original principal amount equal to 100% of such Holder's Allowed Senior Unsecured Note Claim.	Impaired; Entitled to Vote.

Class 4	**General Unsecured Claims**	On the Plan Effective Date or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim, including Termination Claims,[6] shall receive payment in Cash of the unpaid portion of such Claim (without interest, premium or penalty) in Cash on or about the Effective Date, the aggregate amount of which cash payments shall not exceed the GUC Cap, in full settlement satisfaction and discharge of such claims. In the event that the aggregate Allowed General Unsecured Claims exceeds the GUC Cap, distributions to holders of Allowed General Unsecured Claims hereunder shall be made on a *pro rata* basis.	Unimpaired; Presumed to Accept

[6] "**Termination Claim**" means any Claim held by a party to a rejected executory contract, including, but not limited to, any claim arising from the rejection of such executory contract during the Chapter 11 Case (and including, for the avoidance of

Class 5	**Junior Subordinated Debt Claims**	In the event that the Bankruptcy Court approves an Alternative Restructuring Transaction, on the Plan Effective Date or as soon as reasonably practicable thereafter, the Debtor shall make *pro rata* distributions of the net proceeds from such Alternative Restructuring Transaction (after full payment of allowed administrative, priority tax or other priority claims, and Allowed Senior Notes Claims), up to the aggregate amount of the Allowed 2035 and 2037 Junior Subordinated Debt Claims. Notwithstanding the foregoing, in the event the Bankruptcy Court approves a Restructuring Transaction, on the Plan Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed 2035 or 2037 Junior Subordinated Debt Claim, each Holder of an Allowed 2035 or 2037 Junior Subordinated Debt Claim shall receive, on account of such Claim, 10% of the amount of such Claim in cash; provided, however, any Holder of an Allowed 2035 or 2037 Junior Unsecured Note Claim may instead elect to receive its *pro rata* share of 100% of the New Common Equity Interests of the Reorganized Debtor[7], subject to dilution by (i) the New Convertible Preferred Equity of	Impaired; Entitled to Vote.

claim arising from the rejection of such executory contract during the Chapter 11 Case (and including, for the avoidance of doubt, any Management Fee Claims).

[7] Distribution of cash vs. common equity to TruPS holders to be further discussed, including for purposes of Form A approval.

		the Reorganized Debtor or any securities issued in respect thereof and (ii) New Common Equity Interests of the Reorganized Debtor issuable or reserved under the MIP and any other equity issuances contemplated by the Plan or otherwise consented to by Hildene.	
Class 6	**Intercompany Claims**	In the event of a Restructuring Transaction, Intercompany Claims shall be, at the option of the Debtor with the consent of Hildene, not to be unreasonably withheld, either: (i) Reinstated; or (ii) set off, settled, distributed, addressed, converted to equity, contributed, cancelled, or released. In the event of an Alternative Restructuring Transaction, Intercompany Claims shall receive nothing.	Unimpaired; Presumed to Accept / Impaired; Deemed to Reject.
Class 7	**Intercompany Interests**	In the event of a Restructuring Transaction, Intercompany Interests shall be, at the option of the Debtor with the consent of Hildene, not to be unreasonably withheld, either: (i) reinstated; or (ii) set off, settled, distributed, addressed, converted to equity, contributed, cancelled, or released. In the event of an Alternative Restructuring Transaction, Intercompany Interests shall receive nothing.	Unimpaired; Presumed to Accept / Impaired; Deemed to Reject.
Class 8	**Existing Equity Interests**	On the Plan Effective Date, all Existing Common Equity Interests shall be cancelled, released, and extinguished and shall be of no further force or effect, and Holders of Existing Common Equity Interests shall not receive or retain any property or distribution under the Plan on account of such Interests.	Impaired; Deemed to Reject.

[*Remainder of page intentionally blank; signature pages to follow*]

Execution Copy

RESTRUCTURING TERM SHEET
[Signature Page]

The Parties agree to the terms hereof and agree to work in good faith to draft and execute Definitive Documents consistent with this Restructuring Term Sheet.

HALLMARK FINANCIAL SERVICES, INC.

DocuSigned by:

By: _____
52158E9EA213403...
Authorized Representative

HILDENE CAPITAL MANAGEMENT, LLC

By: _____
Authorized Representative

HILDENE COLLATERAL MANAGEMENT COMPANY, LLC

By: _____
Authorized Representative

Execution Copy

RESTRUCTURING TERM SHEET
[Signature Page]

The Parties agree to the terms hereof and agree to work in good faith to draft and execute Definitive Documents consistent with this Restructuring Term Sheet.

HALLMARK FINANCIAL SERVICES, INC.

By: _____
Authorized Representative

HILDENE CAPITAL MANAGEMENT, LLC

By: _____
Authorized Representative

HILDENE COLLATERAL MANAGEMENT COMPANY, LLC

By: _____
Authorized Representative

Exhibit B
to the Restructuring Support Agreement
Form of Transferee Joinder

Form of Transferee Joinder

This joinder (this "Joinder") to the Restructuring Support Agreement (the "Agreement"), dated as of [_____], by and among Hallmark Financial Services, Inc. (the "Company") and Hildene Capital Management, LLC, is executed and delivered by [_____] (the "Joining Party") as of [_____]. Each capitalized term used herein but not otherwise defined shall have the meaning ascribed to it in the Agreement.

SECTION 1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all of the terms of the Agreement, a copy of which is attached to this Joinder as Annex 1 (as the same has been or may be hereafter amended, restated, or otherwise modified from time to time in accordance with the provisions thereof). The Joining Party shall hereafter be deemed to be a Party for all purposes under the Agreement and one or more of the entities comprising the Parties.

SECTION 2. Representations and Warranties. The Joining Party hereby represents and warrants to each other Party to the Agreement that, as of the date hereof, such Joining Party (a) is the legal or beneficial holder of, and has all necessary authority (including authority to bind any other legal or beneficial holder) with respect to, the claims identified below its name on the signature page hereof, and (b) makes, as of the date hereof, the representations and warranties set forth in **SECTION 20** of the Agreement to each other Party.

SECTION 3. Governing Law. This Joinder shall be governed by and construed in accordance with the internal laws of the State of Texas without regard to any conflicts of law provisions which would require the application of the law of any other jurisdiction.

SECTION 4. Notice. All notices and other communications given or made pursuant to the Agreement shall be sent to:

To the Joining Party at:

[JOINING PARTY]
[ADDRESS]
Attn:
Facsimile:
Email:

IN WITNESS WHEREOF, the Joining Party has caused this Joinder to be executed as of the date first written above.

[JOINING PARTY]

_____

By:
Name:
Title:

Principal Amount of Claims: $_____

Notice Address:

Fax:
Attention:
Email:

Annex 1 to the Form of Transferee Joinder