UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re: WELLMADE FLOOR COVERINGS INTERNATIONAL, INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 25-58764-SMS (Jointly Administered)

DISCLOSURE STATEMENT FOR
<u>DEBTORS' CHAPTER 11 PLAN</u>

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE DEBTORS' CHAPTER 11 PLAN (AS MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "<u>PLAN</u>"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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Dated: June 1, 2026

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Wellmade Industries MFR. N.A LLC (1058) and Wellmade Floor Coverings International, Inc. (8425). The mailing address for the Debtors for purposes of these chapter 11 cases is: 1 Wellmade Drive, Cartersville, GA 30121.

IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTORS' KNOWLEDGE, INFORMATION, AND BELIEF. NO GOVERNMENTAL AUTHORITY HAS PASSED ON, CONFIRMED, OR DETERMINED THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

NOTHING STATED HEREIN SHALL BE (I) DEEMED OR CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, (II) ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR (III) DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN STATEMENTS CONTAINED HEREIN, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL REFLECT ACTUAL OUTCOMES.

THE STATEMENTS CONTAINED HEREIN ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THE DISCLOSURE STATEMENT AND PLAN SHALL NOT BE DEEMED OR CONSTRUED TO CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME AFTER THE DATE HEREOF. HOLDERS OF CLAIMS OR INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THE DISCLOSURE STATEMENT OR PLAN AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. THEREFORE, EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

NO PARTY IS AUTHORIZED TO GIVE ANY INFORMATION WITH RESPECT TO THE DISCLOSURE STATEMENT AND PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY HAVE BEEN AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATIONS, OR INDUCEMENTS MADE TO OBTAIN AN ACCEPTANCE OF THE PLAN OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY ANY HOLDER OF A CLAIM OR INTEREST. THE DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONAPPLICABLE BANKRUPTCY LAWS. THE DISCLOSURE STATEMENT AND PLAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND THE SEC HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

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I. INTRODUCTION

Wellmade Floor Coverings International, Inc. ("WFCI") and Wellmade Industries MFR. N.A LLC ("WMFR", and collectively with WFCI, the "Debtors"), as debtors and debtors in possession, submit this disclosure statement (this "Disclosure Statement"), pursuant to section 1125 of the Bankruptcy Code, to Holders of Claims against and Interests in the Debtors in connection with the solicitation of votes for acceptance of the *Debtors' Chapter 11 Plan* dated June 1, 2026 (as subsequently amended, modified, or supplemented, the "Plan").[2] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference.

II. OVERVIEW OF THE PLAN STRUCTURE

As described further herein, during these Cases the Debtors obtained approval to sell substantially all of their operating assets through a sale approved by the Court on October 8, 2025. The Plan provides for the orderly wind down and liquidation of all of the Debtors' assets not sold during these Cases. In accordance with the Plan Administration Agreement and the provisions set forth in the Plan, the Plan Administrator will review and reconcile applicable Claims of the Debtors and will make distributions to Holders of certain Allowed Claims, consistent with the priority of claim provisions of the Bankruptcy Code, with proceeds of the Assets of the Debtors' Estates.

This Disclosure Statement includes, among other things, a discussion of the Debtors' history, businesses, assets, results of operations, and historical financial information, the successful marketing and sale process during these Cases, and a summary and description of the Plan. ALL HOLDERS OF CLAIMS AND INTERESTS, TO THE EXTENT APPLICABLE, ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

III. EXECUTIVE SUMMARY

A. Chapter 11 Overview and this Disclosure Statement

The commencement of a case under chapter 11 of the Bankruptcy Code creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy

[2] Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan governs**.

court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and to share such disclosure statement with all holders of claims or interests whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements.

B. Voting on the Plan

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the Holders of Claims or Interests in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit B**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY. REFER TO THE DISCLOSURE STATEMENT ORDER FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

1. Holders of Claims Entitled to Vote on the Plan

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim or Interest you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class". Under the provisions of the Bankruptcy Code, not all holders of claims against or interests in a debtor are entitled to vote on a chapter 11 plan. The table in section C of this Article III provides a summary of the status and voting rights of each Class (and, therefore, of each Holder within such Class absent an objection to the Holder's Claim or Interest) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from Holders of Claims in Class 3 (collectively, the "Voting Class"). The Debtors are not soliciting votes from Holders of Claims or Interests in Classes 1, 2, 4, and 5 because such Classes are deemed to accept or deemed to reject the Plan.

2. Third Party "Opt-Out" Provisions of Ballots

As provided in the Solicitation and Voting Procedures, certain Holders of Claims may opt out of the Third-Party Release set forth in Article IX.D of the Plan. If you are a Holder of such a Claim and receive a notice that includes an "opt-out" provision, you may wish to review the Plan and seek legal advice concerning the effects of the Third-Party Release on your Claim. Failure to complete the Opt-Out Form and return it to the Claims and Noticing Agent by the Voting Deadline shall be deemed to have consented to the Third-Party Release. As to Holders of Claims in a Voting Class, under the terms of the Plan, each such Holder shall be deemed to have consented to the Third-Party Release unless such Holder (a) votes to accept the Plan, (b) votes to reject the Plan and completes the Opt-Out Form so it is received by the Claims and Noticing Agent by the Voting Deadline, or (c) if such Holder chooses not to vote on the Plan, such Holder completes the rest of the Ballot and completes the Opt-Out Form, so it is received by the Claims and Noticing Agent by the Voting Deadline.

3. Voting Record Date

The Voting Record Date is July 6, 2026. The Voting Record Date is the date on which it will be determined which Holders of Claims or Interests in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims or Interests have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the Holder of a Claim or Interest.

4. Ballots Not Counted

No Ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (2) it was transmitted by means other than as specifically set forth in the Ballots; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim listed in the Debtors' Schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no proof of claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Claims and Noticing Agent) or the Debtors' financial or legal advisors instead of the Claims and Noticing Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.

5. Voting Deadline

THE VOTING DEADLINE IS
AUGUST 18, 2026 AT 4:00 P.M. (PREVAILING EASTERN TIME).

ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR THAT IS OTHERWISE NOT IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER WILL NOT BE COUNTED.

6. Voting Instructions

Detailed instructions regarding how to vote on the Plan are contained on the Ballots distributed to Holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your Ballot must be properly completed, executed, and delivered as directed, so that your Ballot including your vote is **actually received** by the Debtors' claims, noticing, and balloting agent, Kurtzman Carson Consultants, LLC dba Verita Global (the "Claims and Noticing Agent") by the Voting Deadline.

To vote, complete, sign, and date your ballot and return it promptly by one of the following two methods:

***Electronically, Via Ballot Portal*.**

- **Submit your Ballot via upload through the Claims and Noticing Agent's online portal, by visiting https://veritaglobal.net/wellmade (the "Ballot Portal") and following the instructions to submit your Ballot.**

- **In order to submit a Ballot through the E-Ballot Portal, you must use the Unique E-Ballot ID# assigned to your claim. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive.**

- **Creditors who cast a Ballot using the E-Ballot Portal should NOT also submit a paper Ballot.**

- **The Claims and Noticing Agent's Ballot Portal is the sole manner in which Ballots will be accepted via electronic or online transmission. Ballots submitted by facsimile, email, or other means of electronic transmission will not be counted.**

OR

***Via Paper Ballot (if applicable)*.**

- **Complete, sign, and date your ballot and return it (with an original signature) promptly via first-class mail (or in the enclosed reply envelope provided), overnight courier, or hand delivery to:**

Wellmade Ballot Processing
c/o KCC d/b/a Verita
222 N. Pacific Coast Highway, Suite 300
El Segundo, CA 90245

C. Summary of Treatment of Claims and Interests and Description of Recoveries under the Plan

The following table provides a summary of the anticipated recovery[3] to Holders of Claims or Interests under the Plan. Any estimates of Claims or Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain confirmation of the Plan and meet the conditions necessary to consummate the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

Class	Claim or Interest	Plan Treatment	Voting Rights	Projected Amount of Allowed Claims/Interest	Projected Plan Recovery
1	Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)	$403,194.98	100%
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)	$418,000	100%
3	Labor Plaintiff Claims	Impaired	Entitled to Vote	$5.2 million	100%
4	General Unsecured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)	$13.6 million	100%
5	Interests	Unimpaired	Not Entitled to Vote (Deemed to Accept)	Unknown	100%

D. Combined Hearing

The Bankruptcy Court has scheduled the Combined Hearing for **August 25, 2026, at 10:00 a.m. (prevailing Eastern Time)** to consider final approval of this Disclosure Statement and confirmation of the Plan. The Combined Hearing may be adjourned from time to time without further notice.

Objections to confirmation must be filed and served on the Debtors and certain other parties as set forth in the Disclosure Statement Order by no later than **August 18, 2026, at 4:00 p.m. prevailing Eastern Time** in accordance with the notice of the Combined Hearing that

[3] The recoveries set forth below may change based upon changes in the amounts of Claims that are Allowed, as well as other factors related to the liquidation of the Debtors' assets.

accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as Exhibit B and incorporated herein by reference.

IV. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. Overview of the Debtors' Businesses

As of the Petition Date and prior to the sale of the Debtors' Georgia manufacturing business, Wellmade specialized in the design, production, and distribution of market top-of-the-line hard surface flooring collections. The Debtors were founded in 2001, initially focusing on solid and engineered bamboo flooring. After inventing and patenting High-Density Polymer Composite Core (HDPC) in 2015, the Debtors launched the award-winning HDPC Opti-Wood and developed and integrated Unclic/Unipush locking technology to enable easy installation without the need for glue, nails, or additional underlayment.

To enhance service for U.S. customers with a focus on flexibility, reduced inventory investment, and increased product turnover, the Debtors decided to establish a domestic manufacturing facility in 2020 and constructed a state-of-the-art manufacturing facility in Cartersville, Georgia. In less than three years after its launch in 2022, the Debtors expanded the facility, making it the largest manufacturing plant of SPC/HDPC products in the United States and doubling its production capacity to an annual total of 200 million square feet. As of the Petition Date, the Debtors produced approximately 50% of all the SPC flooring made in the U.S. and served as a leading OEM supplier, supporting many of the industry's most recognized brands.

B. Operational and Corporate Structure

The Debtors are privately owned and based in the United States. WFCI is an Oregon corporation owned by shareholder Allen Chen (51%) and shareholder George Chen (49%). WFCI owns 100% of the membership interests in (i) WMFR, a Georgia limited liability company; (ii) nondebtor Wellmade Flooring Industries Co. LTD; (iii) nondebtor Globalone Supply LLC; and (iv) nondebtor Buyislander.com Technologies LLC.

C. Corporate Governance and Management

The Debtors have a corporate office located in Oregon that houses their accounting, billing and collections, corporate compliance, information technology, and centralized marketing functions. The day-to-day operations of the Debtors are overseen by the Debtors' co-founder, Allen Chen. The Debtors' co-founder and former manager George Chen resigned prior to the Petition Date. On June 3, 2025, David Baker was appointed as Chief Restructuring Officer of the Debtors, with the authority to manage the Debtors' cashflow, file chapter 11 cases for the Debtors, determine a restructuring or sale path for these cases, and sell assets of the Debtors.

D. Prepetition Secured Debt

As of the Petition Date, the Debtors were indebted to AHF IC, LLC ("AHF IC"), in its capacity as assignee of Northwest Bank ("NWB"), in an amount not less than $18 million.

The Borrowers and AHF IC were parties to that certain (i) Loan Agreement, dated as of March 29, 2024, related to a term loan (the "Term Loan") in the original principal amount of $20,000,000.00 (as has been or may be further amended, restated, supplemented or otherwise modified from time to time, the "Term Loan Agreement" and the promissory note issued by the Borrowers to NWB in connection therewith, the "Term Loan Note"); and (ii) Loan Agreement, dated as of March 29, 2024, relating to a revolving credit facility (the "Revolving Loan" and together with the Term Loan, collectively, the "Loans") in the maximum principal amount of $7,000,000.00 (as has been or may be further amended, restated, supplemented or otherwise modified from time to time, the "RLOC Loan Agreement," and the promissory note issued by the Borrowers to NWB in connection therewith, the "Revolving Loan Note"; the RLOC Loan Agreement together with the Term Loan Agreement, the "Loan Agreements"; the Term Loan Note and the Revolving Loan Note, collectively, the "Notes"), pursuant to which, among other things, NWB therein agreed, subject to the terms and conditions set forth in the Loan Agreements, to make certain loans and other financial accommodations to the Borrowers. As further inducement for NWB to make the Loans, (iii) Allen Chen executed that certain Guaranty, dated as of March 29, 2024 for the benefit of NWB (the "AC Guaranty"), and (iv) George Chen executed that certain Guaranty, dated as of March 29, 2024 for the benefit of NWB (the "GC Guaranty" and together with the AC Guaranty, the "Guaranties"; the Guaranties together with the Loan Agreements, the Notes, and all other documents executed and delivered by the Borrowers or Guarantors in connection with the Loans, the "Loan Documents"). Pursuant to the Security Documents (as defined in the Loan Agreements, and as amended, restated, supplemented or otherwise modified from time to time prior to the Petition Date, the "Prepetition Security Documents"), by and among each of the Debtors and NWB, each Debtor granted to NWB, to secure the Prepetition Obligations, a security interest in and continuing lien (the "Prepetition Liens") on substantially all of the Debtors' assets (including Cash Collateral).

V. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A. Litigation and Defaults under the Loan Agreements

On March 26, 2025, U.S. Immigration and Customs Enforcement ("ICE"), in collaboration with the FBI and the Georgia Bureau of Investigation, executed a search warrant at the Debtors' Cartersville factory. George Chen, and his nephew, Jiayi Chen, were arrested on charges for trafficking persons for labor servitude. The FBI and ICE were investigating allegations that George Chen and Jiayi Chen engaged in labor trafficking in connection with the recruitment of Chinese residents to come to the U.S. on L-1 Visas to work for the Debtors. A related lawsuit was filed by Chinese nationals Yu Cong Liu, Yixiang Zhang, and Can Gen Han against the Debtors alleging violations of the Trafficking Victims Protection Act, Fair Labor Standards Act, and Georgia's Racketeer Influenced and Corrupt Organizations Act. The case is *Liu et al. v. Wellmade Industries Mfr. N.A LLC et al.,* Case No. 4:25-cv-00134, currently pending in the U.S. District Court for the Northern District of Georgia (the "District Court Action").

As a result of this incident, NWB issued a notice of default on April 18, 2025 claiming certain covenant defaults under the Prepetition Loan Documents. NWB then imposed on the

Debtors a requirement to hire a financial advisor. The Debtors retained Aurora Management Partners ("Aurora") following this demand.

On or about May 20, 2025, AHF IC acquired the Prepetition Loan Documents from NWB. On May 29, 2025, the Debtors and AHF IC entered into that certain Forbearance Agreement and First Amendment to Loan Documents (the "Forbearance Agreement"). The forbearance period under the Forbearance Agreement expired on July 4, 2025. On July 11, 2025, AHF IC scheduled a foreclosure sale of the Debtors' assets for July 22, 2025 which was rescheduled multiple times to August 5, 2025. The Debtors filed these Cases to stay the foreclosure sale and maximize the value of their assets through a sale as a going concern.

B. Marketing Process and Evaluation of Strategic Alternatives

As a result of the operational and financial challenges, in May 2025, the Debtors retained Hilco Corporate Finance, LLC ("Hilco") to assist with exploring strategic transactions, including marketing the Debtors for sale as a going concern. As a part of that process, Hilco launched a sale process in May 2025 and approached potential strategic buyers and sponsors. Although several parties expressed initial interest, the marketing process for the Debtors' businesses at that time did not result in any viable transactions. However, during Hilco's marketing process, the Debtors engaged in discussions with AHF IC about a potential acquisition of the Debtors' assets.

Following the retention of Aurora, the Debtors considered several strategic alternatives to address the Debtors' continued operations and integration challenges. After evaluating the alternatives, the Debtors concluded that the best path forward to maximize the value of the Debtors' assets was a sale of the Georgia manufacturing business through bankruptcy.

VI. MATERIAL DEVELOPMENTS AND EVENTS OF THE CASES

A. The Debtors' Bankruptcy Filings and "First-Day" Relief

On the Petition Date, each of the Debtors filed a voluntary chapter 11 bankruptcy petition. Also on the Petition Date, the Debtors filed several motions and applications seeking customary relief intended to facilitate a smooth transition for the Debtors into bankruptcy and to minimize disruptions to the Debtors' business operations (the "First-Day Motions"), including:

- a Notice of Designation as Complex Chapter 11 Cases [Docket No. 2];
- a motion for authority to jointly administer the Debtors' Cases [Docket No. 3];
- a motion for authority to maintain a consolidated creditor matrix, to redact personally identifiable information of individual creditors, and to provide electronic notice to customers [Docket No. 4];
- a motion to extend the time for the Debtors to file their schedules of assets and liabilities and statements of financial affairs [Docket No. 5];
- an application to retain Kurtzman Carson Consultants, LLC dba Verita Global as the Debtors' claims, noticing, solicitation, and administrative agent [Docket No. 7];

- a motion for authority to honor prepetition employee wage and withholding obligations [Docket No. 8];

- a motion to prohibit utility providers from discontinuing, altering, or refusing services and for other related relief [Docket No. 9];

- a motion for authority to (a) maintain existing insurance policies, pay all premiums, and renew or enter into new policies, (b) continue insurance premium financing program, and (c) maintain surety bond program, pay all obligations in connection therewith, and renew or obtain new surety bonds [Docket No. 10];

- a motion for authority to continue using the Debtors' prepetition bank accounts, business forms, cash management system, and corporate card program [Docket No. 11];

- a motion for authority to pay prepetition taxes and regulatory fees in the ordinary course of business [Docket No. 12];

- a motion for approval of debtor-in-possession financing from the DIP Lenders and authority to use cash collateral [Docket No. 15]; and

- a motion for authority to pay certain prepetition claims of 503(b)(9) claimants and critical vendors [Docket No. 17].

The Bankruptcy Court held hearings on August 6, 2025, and August 21, 2025, to consider the relief requested in the First Day Motions. The Bankruptcy Court granted each First Day Motion, several of which were first granted on an interim basis and then on a final basis [Docket Nos. 19, 25, 27–36, 86–89, 94-97, 134].

B. Other Procedural and Administrative Motions

Shortly after the Petition Date, the Debtors also filed several additional motions and applications for retention of professionals including:

- an application to retain Greenberg Traurig, LLP as counsel for the Debtors [Docket No. 102], which was granted by the Bankruptcy Court [Docket No. 151].

- a motion for authority to retain Aurora Management Partners to provide the Debtors with a CRO and additional personnel and designating David M. Baker as CRO [Docket No. 103], which was granted by the Bankruptcy Court [Docket No. 150]; and

- an application to retain Hilco Corporate Finance, LLC as the Debtors' investment banker [Docket No. 107], which was granted by the Bankruptcy Court [Docket No. 152]; and

- a motion for authority to pay non-bankruptcy professionals and advisors in the ordinary course of business [Docket No. 153], which was granted by the Bankruptcy Court [Docket No. 214].

C. Approval of the DIP Facility

The Debtors commenced these Cases with the goal of consummating the sale of their assets. To that end, SummitBridge National Investments VIII LLC (the "DIP Lender") agreed to provide a senior secured priming and superpriority debtor-in-possession credit facility (the "DIP Facility") in an aggregate principal amount not to exceed $5,000,000.

As noted above, on the Petition Date, the Debtors filed a motion seeking approval to obtain debtor-in-possession financing and authorization to use cash collateral [Docket No. 15]. On August 7, 2025, the Bankruptcy Court granted the motion on an interim basis, which allowed the Debtors to immediately borrow $120,000 under the DIP Facility [Docket No. 30]. On August 25, 2025, the Bankruptcy Court granted the motion, again on an interim basis, and allowed the Debtors to draw $3,880,000 under the DIP Facility. On September 2, 2025, the Bankruptcy Court granted the motion on a final basis, which allowed the Debtors to borrow the full amount under the DIP Facility [Docket No. 134].

D. Schedules and Statements

As noted above, on the Petition Date, the Debtors filed a motion seeking entry of an order extending the deadline to file their schedules of assets and liabilities, schedules of executory contracts, and unexpired leases, and statements (collectively, the "Schedules and Statements") [Docket No. 5]. On August 7, 2025, the Bankruptcy Court entered an order extending the deadline for the Debtors to file the Schedules and Statements through and including September 18, 2025 [Docket No. 28]. The Debtors filed their Schedules and Statements with the Bankruptcy Court on September 11, 2025, which were later amended on September 19, 2025. The Schedules and Statements are incorporated herein by reference. If you would like to view the Schedules and Statements, you may do so by visiting: https://www.veritaglobal.net/wellmade.

E. Appointment of the Committee

On August 14, 2025, the U.S. Trustee appointed the Committee [Docket No. 59]. The Committee is currently comprised of: Flooring Investments, LLC and Yu Cong Liu. On September 10, 2025, the Bankruptcy Court entered an order authorizing the retention of Pachulski Stang Ziehl & Jones LLP as counsel to the Committee [Docket No. 158], and on September 9, 2025, the Bankruptcy Court entered an order authorizing the retention of Small Herrin, LLC as local counsel [Docket No. 148]. On September 9, 2025, the Court entered an order authorizing the retention of Dundon Advisers, LLC as the Committee's financial advisor [Docket No. 149].

F. Claims Bar Dates

On September 4, 2025, the Debtors filed a motion seeking to set deadlines for filing proofs of claim [Docket No. 137]. Objections were filed by the Creditors' Committee and the Labor Plaintiffs on September 15, 2025 [Docket Nos. 167 & 170]. On October 9, 2025, the Bankruptcy Court entered an order approving the motion [Docket No. 222] and set the following bar dates:

- *Claims Bar Date*: November 21, 2025, at 5:00 p.m. (prevailing Eastern Time). The Claims Bar Date is the last date for persons or entities, other than governmental units, to file Proofs of Claim against the Debtors on account of claims (as defined in section 101(5) of the

Bankruptcy Code) arising, or deemed to have arisen, prior to the Petition Date, including, for the avoidance of doubt, claims arising under section 503(b)(9) of the Bankruptcy Code.

- *Government Bar Date*: April 4, 2026, at 5:00 p.m. (prevailing Eastern Time). The Government Bar Date is the last date for governmental units, as defined in section 101(27) of the Bankruptcy Code, to file Proofs of Claim against the Debtors on account of claims arising, or deemed to have arisen, prior to the Petition Date.

- *Amended Schedules Bar Date*: The later of (a) the Claims Bar Date or the Governmental Bar Date, as applicable, or (b) 5:00 p.m. (prevailing Eastern Time) on the date that is thirty (30) days from the date the notice of the filing, amendment or supplement of the Schedules and Statements.

- *Rejection Damages Bar Date*: The later of (a) the Claims Bar Date or the Governmental Bar Date, as applicable, or (b) the date set by the Court in an order approving the rejection of any such executory contract or unexpired lease.

G. 341 Meeting

On September 15, 2025, the U.S. Trustee held a telephonic meeting of creditors pursuant to section 341 of the Bankruptcy Code (the "341 Meeting") at which the U.S. Trustee and creditors had the opportunity to question the Debtors under oath concerning the Debtors' acts, conduct, property, and the administration of the Cases. The U.S. Trustee continued the 341 Meeting to allow the Debtors to file amended Schedules and Statements. On September 22, 2025, the 341 Meeting was held and concluded.

H. Sale of Substantially all of the Debtors' Assets

On August 8, 2025, the Debtors filed a motion [Docket No. 38] (the "Bidding Procedures and Sale Motion") seeking, among other things, approval of (i) bidding procedures in connection with the sale of substantially all of the Debtors' assets, (ii) Debtors' entry into the stalking horse purchase agreement and related bid protections, and (iii) the sale of such assets to the Purchaser or other successful bidder. On August 25, 2025, the Court entered an order [Docket No. 99] (the "Bidding Procedures Order"), (i) establishing bidding procedures relating to the sale of the Debtors' assets, (ii) approving the Debtors' entry into an asset purchase agreement, (iii) establishing procedures relating to the assumption and assignment of certain executory contracts and unexpired leases, (iv) approving the form and manner of notice of the sale, auction, and hearing to approve the sale, and (v) scheduling a hearing on October 6, 2025 (the "Sale Hearing") to consider approval of the proposed sale. The Bidding Procedures Order fixed September 19, 2025 as the deadline for the submission of bids for the Debtors' assets.

Following the entry of the Bidding Procedures Order, the Debtors and the Stalking Horse Bidder, AHF IC, continued negotiations regarding the terms of a private sale (the "Private Sale"). As a result of those negotiations, an agreement was reached regarding the terms of a private sale, the Auction was cancelled, and the Debtors stopped soliciting bids for their assets (whether in connection with the Bid Deadline of September 19, 2025 or otherwise). On September 26, 2025, the Debtors filed a motion [Docket No. 194] (the "Private Sale Motion"), seeking entry of an order approving, *inter alia*, the Private Sale as memorialized in that certain Second Amended and Restated Asset Purchase Agreement (the "APA"), dated as of September 16, 2025, by and among the Debtors and AHF IC.

Following the Sale Hearing, on October 8, 2025, the Court entered the order [Docket No. 220] (the "Sale Order") approving the Private Sale of the Debtors' assets pursuant to the APA. The sale closed on November 7, 2025. As stated in the Sale Order, the Private Sale satisfied the outstanding secured claims of both AHF IC and the DIP Lender. The remaining proceeds from the Private Sale will be used to pay the remaining Claims and Interests pursuant to the terms of the Plan. Additionally, certain assets of WFCI that were not sold in the Private Sale, including certain inventory and ownership interest in the non-Debtor Affiliates, will be liquidated or otherwise dealt with pursuant to the terms of the Plan.

Subsequent to the closing of the Private Sale, the Debtors and AHF IC entered into that certain Escrow Agreement whereby AHF IC deducted $1,386,522.00 from the purchase price cash payment under the APA and placed that amount (the "Escrow Amount") in escrow with Synovus Bank, as escrow agent (the "Escrow Agent"). The Escrow Amount was held back by AHF IC due to alleged product quality claims. As of this date, the product quality claims associated with the Escrow Amount have not been resolved, and the Escrow Amount remains on deposit with the Escrow Agent.

I. Labor Plaintiffs Settlement

Prior to the Petition Date, certain of the Labor Plaintiffs commenced the District Court Action, against the Debtors and Individual Defendants alleging violations of the Trafficking Victims Protection Act, Fair Labor Standards Act, and Georgia's Racketeer Influenced and Corrupt Organizations Act. In these Cases and after entry of the Bar Date Order, each of the Labor Plaintiffs filed individual proofs of claim in the Debtors' bankruptcy cases totaling roughly $29.18 million. Additionally, Labor Plaintiff Yucong Liu filed (i) a class representative claim in the amount of "$118,500,000 or more" and (ii) a FLSA collective representative claim in the amount of "$14,000,000 or more." Labor Plaintiffs' counsel also filed an unliquidated proof of claim for attorneys' fees. On November 5, 2025, the Court entered an *Order Authorizing and Directing Mediation and Appointing Settlement Judge* [D.I. 264] (the "Mediation Order"), which instructed the parties to attend mediation (the "Mediation"), appointed the Hon. Jeffery Cavender to serve as the mediator (the "Mediator"), and outlined limited discovery to be exchanged between the parties prior to the Mediation (the "Pre-Mediation Disclosures"). The Debtors and the Labor Plaintiffs, along with the Individual Defendants and the Committee, participated in the Mediation on January 20, 2026 and in subsequent weeks. The Mediation resulted in an agreement to settle all the Labor Plaintiffs' claims. The Debtors and the Individual Defendants deny all liability to the Labor Plaintiffs but reached this settlement given the costs and risks of litigation.

On May 20, 2026, the Debtors filed a motion [Docket No. 379] (the "Rule 9019 Motion") to approve the terms of the Settlement Agreement, which resolves all claims asserted by the Labor

Plaintiffs in both the Cases and the District Court Action. Among other things, the Labor Plaintiffs' Settlement provides for the following:[4]

- The Labor Plaintiffs are permitted to file one collective claim in the amount of $5.2 million (the "Unsecured Labor Plaintiff Claim"), which shall be deemed an allowed unsecured claim and shall withdraw, with prejudice, each individual, class, collective, and attorneys' fees proofs of claim that have been filed by the Labor Plaintiffs or their counsel in these Cases.

- On the effective date of the Plan, the Debtors shall pay a total of $5.2 million (the "Settlement Proceeds") to an account designated by counsel for the Labor Plaintiffs, which payment shall be in full satisfaction of the Unsecured Labor Plaintiff Claim and all claims, causes of action, and damages of any kind or type, accrued or unaccrued, of the Labor Plaintiffs against the Debtors, their estates, and the Individual Defendants, including but not limited to all claims asserted or which could have been asserted in the District Court Action.

J. Other Prepetition Litigation Matters

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims.

With certain exceptions, the filing of the Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Cases generally is subject to treatment under the Plan, including the release and injunction provisions, upon the Effective Date of the Plan, with certain exceptions.

VII. THE PLAN

THIS ARTICLE OF THE DISCLOSURE STATEMENT IS INTENDED ONLY TO PROVIDE A SUMMARY OF THE KEY TERMS, STRUCTURE, CLASSIFICATION, TREATMENT, AND IMPLEMENTATION OF THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE ENTIRE PLAN AND EXHIBITS TO THE PLAN. ALTHOUGH THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN, THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO BE A PRECISE OR COMPLETE STATEMENT OF ALL RELATED TERMS AND PROVISIONS AND SHOULD NOT BE RELIED ON FOR A COMPREHENSIVE DISCUSSION OF THE PLAN. INSTEAD, REFERENCE IS MADE TO THE PLAN AND ALL SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS. THE PLAN ITSELF (INCLUDING ATTACHMENTS) AND THE PLAN SUPPLEMENT WILL CONTROL

[4] To the extent of any conflict or inconsistency among the description of the Labor Plaintiffs' Settlement in this Disclosure Statement and the Plan, the Plan shall control in all respects.

THE TREATMENT OF HOLDERS OF CLAIMS AND INTERESTS UNDER THE PLAN. TO THE EXTENT THERE ARE ANY INCONSISTENCIES BETWEEN THIS SECTION OF THE DISCLOSURE STATEMENT AND THE PLAN (INCLUDING ANY ATTACHMENTS TO THE PLAN) AND THE PLAN SUPPLEMENT, THE PLAN AND PLAN SUPPLEMENT, AS APPLICABLE, SHALL GOVERN.

A. Administrative Claims and Priority Tax Claims

1. Administrative Claims

Except with respect to Administrative Claims that are otherwise addressed in Article II of the Plan, and except to the extent that an Administrative Claim has already been paid during the Cases or a Holder of an Allowed Administrative Claim and the applicable Debtor(s) agree to less favorable treatment, each Holder of an Allowed Administrative Claim shall be paid in full in Cash the unpaid portion of its Allowed Administrative Claim on the latest of: (a) the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) the date such Administrative Claim is Allowed or as soon as reasonably practicable thereafter; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is reasonably practicable; provided that Allowed Administrative Claims that arise in the ordinary course of the Debtors' businesses shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements and/or arrangements governing, instruments evidencing, or other documents relating to such transactions.

Except as otherwise provided in Article II.A of the Plan and except with respect to Administrative Claims that are otherwise addressed in Article II of the Plan, requests for payment of Allowed Administrative Claims must be Filed and served pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date.

Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date, unless the Bankruptcy Court orders otherwise. Objections to such requests, if any, must be Filed and served on the Debtors and the requesting party by the Claims Objection Deadline.

In accordance with section 503(b)(1)(D) of the Bankruptcy Code, taxing authorities are not required to file a request for payment of their Administrative Claims as a condition of such Administrative Claims being Allowed. The Debtors will pay any such taxes, to the extent Allowed, that arose after the Petition Date in the ordinary course of business.

2. Professional Compensation

All final requests for payment of all Professional Fee Claims incurred during the period from the Petition Date through the Effective Date shall be Filed no later than the Professional Fee Claims Bar Date, provided, however, that nothing herein alters (i) the ability of a Professional to be paid its Professional Fee Claims (for which final requests for payment are Filed by the Professional Fee Claims Bar Date) on a monthly basis pursuant to the Complex Case Procedures and the monthly compensation procedures provided for therein, or (ii) the ability of an Ordinary Course Professional to be paid, or the authority of the Debtors to pay Ordinary Course Professionals, pursuant to the terms of the OCP Order, and such Ordinary Course Professionals shall not be required to file requests for payment of Professional Fee Claims unless such requests are required under the OCP Order. All such final requests will be subject to approval by the Bankruptcy Court after notice and a hearing in accordance with the procedures established by the Bankruptcy Code, Bankruptcy Rules, Complex Case Procedures, and prior orders of the Bankruptcy Court, and once approved by the Bankruptcy Court, shall be promptly paid from the Debtors' Cash.

3. Priority Tax Claims

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the Holder of an Allowed Priority Tax Claim and the applicable Debtor, each Holder of an Allowed Priority Tax Claim will receive, at the option of the applicable Debtor, in full satisfaction of its Allowed Priority Tax Claim that is due and payable on or before the Effective Date, either (i) Cash equal to the amount of such Allowed Priority Tax Claim on the Effective Date or (ii) otherwise treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

4. Statutory Fees

The Debtors will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the entry of a final decree closing the Cases or conversion or dismissal of the Cases, whichever is earlier. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the Debtors shall thereafter pay U.S. Trustee fees due on a quarterly basis until the entry of a final decree closing the Cases or conversion or dismissal of the Cases, whichever is earlier. The U.S. Trustee shall not be required to File a request for payment of its quarterly fees, which shall be deemed an Administrative Claim against the Debtors and their Estates.

B. Classification and Treatment of Claims and Interests

1. Summary of Classification

All Claims and Interests are classified in the Classes set forth below in accordance with sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or an Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or an Interest is classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Interest is an Allowed Claim or Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The classification of Claims and Interests pursuant to the Plan is as follows:

Class	Claim or Interest	Status	Voting Rights
1	Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
3	Labor Plaintiff Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
5	Interests	Unimpaired	Not Entitled to Vote (Deemed to Accept)

2. Treatment of Claims and Interests

Each Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive under the Plan the treatment described below in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for, such Holder's Allowed Claim or Allowed Interest, except to the extent different treatment is agreed to by the Debtors or the Plan Administrator, as applicable, and the Holder of such Allowed Claim or Allowed Interest. Unless otherwise indicated, the Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the later of the Effective Date and the date such Holder's Claim or Interest becomes an Allowed Claim or Allowed Interest or as soon as reasonably practicable thereafter.

i. Class 1 – Secured Claims

Classification: Class 1 consists of Secured Claims.

Treatment: In full and final satisfaction of each Allowed Secured Claim (unless the applicable Holder agrees to a less favorable treatment), each Holder thereof will receive at the option of the Debtors or the Plan Administrator, as applicable: (a) payment in full in Cash, payable on the later of the Effective Date and the date that is 10 Business Days after the date on which such Secured Claim becomes an Allowed Secured Claim, in each case, or as soon as reasonably practicable thereafter, (b) delivery of the collateral securing any such Claim, or (c) such other treatment rendering such Claim Unimpaired.

Voting: Class 1 is Unimpaired. Holders of Class 1 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

ii. Class 2 - Other Priority Claims

Classification: Class 2 consists of Other Priority Claims.

Treatment: In full and final satisfaction of each Allowed Other Priority Claim (unless the applicable Holder agrees to a less favorable treatment), each Holder thereof will receive payment in full in Cash or other treatment rendering such Claim Unimpaired.

Voting: Class 2 is Unimpaired. Holders of Class 2 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

iii. Class 3 – Labor Plaintiff Claims

Classification: Class 3 consists of all Labor Plaintiff Claims.

Treatment: In full and final satisfaction of the Labor Plaintiff Claims, consistent with the Labor Plaintiffs Settlement, the Labor Plaintiffs will receive payment, through their counsel, of the Labor Plaintiff Claims in full in Cash.

Voting: Class 3 is Impaired. Holders of Class 3 Claims are entitled to vote to accept or reject the Plan.

iv. Class 4 – General Unsecured Claims

Classification: Class 4 consists of all General Unsecured Claims.

Treatment: In full and final satisfaction of each General Unsecured Claim (unless the applicable Holder agrees to a less favorable treatment), each Holder thereof will receive payment in full in Cash rendering such Claim Unimpaired. The Allowed amount of any General Unsecured Claim shall include interest accrued from the Petition Date through the date of payment of such Claim at the lower of the Federal Judgment Rate or the Contract Rate.

Voting: Class 4 is Unimpaired. Holders of Allowed Class 4 General Unsecured Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

v. Class 5 – Interests in the Debtors

Classification: Class 5 consists of all Interests in the Debtors.

Treatment: After payment in full of all Allowed Claims, Holders of Interests shall receive and retain all remaining property of the Debtors' Estates in accordance with their respective rights under applicable non-bankruptcy law.

Voting: Class 5 is Unimpaired under the Plan within the meaning of section 1124(1) of the Bankruptcy Code. Holders of Class 5 Interests are not entitled to vote to accept or reject the Plan.

3. Controversy Concerning Impairment and Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

If a controversy arises as to whether any Claim or any Class of Claims is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date. To the extent the Court determines a Claim or any Class of Claims is Impaired and rejects the Plan, the Debtors shall seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Debtors reserve the right to modify the Plan in accordance with Article

XII of the Plan to the extent, if any, that confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a Class of Claims to render such Class of Claims Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

4. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Combined Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

5. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class of Claims or Interests is eligible to vote and no Holder of Claims or Interests, as applicable, in such Class votes to accept or reject the Plan, the Plan shall be presumed accepted by such Class.

6. Subordinated Claims and Interests

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and their respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

C. Means for Implementation of the Plan

1. Plan Administrator

On the Effective Date, the Plan Administrator shall be appointed without any further action and shall succeed to such powers as would have been applicable to the Debtors' officers, directors, and shareholders, and the Debtors shall be authorized to be dissolved by the Plan Administrator. All Assets not distributed on the Effective Date shall vest in the Debtors and shall be managed and liquidated by the Plan Administrator in accordance with the provisions of the Plan and the Plan Administration Agreement. The Plan Administrator shall consult with the Holders of Interests regarding whether dissolution of the Debtors is appropriate or necessary. The Holders of Interests may determine, in their discretions, to continue operating the Debtors' remaining businesses, as well as those of the Debtors' non-debtor Affiliates.

Following the Effective Date, in the event of the resignation or removal, liquidation, dissolution, death or incapacity of the Plan Administrator, a successor Plan Administrator shall be selected in accordance with the terms of the Plan Administration Agreement.

On and after the Effective Date, the Plan Administrator shall be deemed to be, and shall serve as, the representative of each of the Debtors' Estates pursuant to section 1123(b)(3)(B) of the Bankruptcy Code and shall have all the rights and powers set forth in the Plan Administration Agreement, including, without limitation (and except as otherwise provided in the Plan Administration Agreement), the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code and Bankruptcy Rule 2004, including the right to:

- effect all actions and execute all agreements, instruments and other documents necessary to implement the provisions of the Plan and the Plan Administration Agreement;

- liquidate the Assets, reconcile any Disputed Claims and distribute the proceeds of the Assets in accordance with the Plan and the Plan Administration Agreement; and

- employ and compensate professionals and other agents in accordance with the Plan Administration Agreement.

Except as otherwise ordered by the Bankruptcy Court, all reasonable fees or expenses of the Plan Administrator (including, without limitation, the reasonable fees and expenses of professionals retained by the Plan Administrator) shall be paid from the Assets and the proceeds thereof in accordance with the Plan Administration Agreement.

2. Authority to Act

Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, members, or other owners of one or more of the Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as applicable) pursuant to the applicable law of the state in which the Debtor is formed, without any further vote, consent, approval, authorization, or other action by such stockholders, security holders, officers, directors, partners, members or other owners of the Debtor or notice to, order of, or hearing before, the Bankruptcy Court.

3. Vesting of Assets

Except as otherwise provided in the Plan, or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, all Assets shall vest in each applicable Debtor free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, each Debtor 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.

4. Preservation of Causes of Action

Except for any Cause of Action against a Person that is expressly waived, relinquished, exculpated, released, compromised under the Plan or Final Order or settled in the Plan or a Final Order, in accordance with section 1123(b) of the Bankruptcy Code, the Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action (including, without limitation, any Causes of Action for the Escrow Amount), whether arising before or after the Petition Date and such rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Debtors may pursue such Causes of Action, as appropriate, in the Debtors' sole discretion. 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 Debtors will not pursue any and all available Causes of Action against it. Unless a Cause of Action against a Person is expressly waived, relinquished, exculpated, released, compromised, or settled under the Plan, the Debtors expressly reserve 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, entry of the Confirmation Order or Consummation.

In accordance with section 1123(b)(3) of the Bankruptcy Code, except as otherwise provided herein, any Causes of Action that a Debtor may hold against any Entity shall vest in the Debtors. The Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, and to decline to do any of the foregoing without the consent or approval of any third party or further notice to, or action, order, or approval of, the Bankruptcy Court. For the avoidance of doubt, the Plan Administrator shall have standing to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action on behalf of the Debtors and their Estates.

5. Preservation of Interests in the Debtors

On the Effective Date, after payment in full of all Allowed Claims of the Debtors in accordance with their respective priorities under applicable non-bankruptcy law (including, to the extent required, post-petition interest), Holders of Interests shall receive and retain all remaining property of the Debtors' Estates, or the proceeds thereof, in accordance with their respective rights under applicable non-bankruptcy law, including governing organizational documents and applicable state law governing distributions upon liquidation. No Equity Interest shall be cancelled, extinguished, subordinated, modified, or otherwise altered by the Plan.

6. Effectuating Documents; Further Transactions

On and after the Effective Date, the Plan Administrator is authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the transactions contemplated thereby, in each case, in the name of and on behalf of the Debtors, without the need for any approvals, authorization, or consents except those expressly required pursuant to the Plan.

In connection with the foregoing, the Plan Administrator shall complete any remaining activities of the Debtors.

7. No Substantive Consolidation

The Plan is being proposed as a joint plan of the Debtors for administrative purposes only and constitutes a separate chapter 11 plan for each Debtor. The Plan is not premised upon the substantive consolidation of the Debtors with respect to the Classes of Claims or Interests, except as expressly provided herein or as agreed to by the Holder of a Claim or Interest.

8. Sale Order

Notwithstanding anything to the contrary herein, nothing in this Plan shall affect, impair or supersede the Sale Order or Sale Documents, each of which remains in full force and effect and governs in the event of any inconsistency with the Plan.

9. Insurance Policies

Up to and including their policy expiration date(s), all Insurance Policies in effect as of the Effective Date shall remain in full force and effect according to their terms and the coverage obligations of the insurers and third-party administrators under such Insurance Policies shall continue following the Effective Date (including any obligations to pay, defend, and process insured claims).

10. Exemption from Certain Transfer Taxes and Fees

To the maximum extent provided by section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents pursuant to such transfers of property without the payment of any such tax, recordation fee, or governmental assessment.

11. Final Decree

At any time following the Effective Date, the Plan Administrator shall be authorized to file a motion for entry of a final decree closing the Cases.

D. Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor will be deemed to have rejected each Executory Contract or Unexpired Lease to which such Debtor is a party, unless such Executory Contract or Unexpired Lease (i) was previously assumed, assumed and assigned, or rejected; (ii) was previously expired or terminated pursuant to its own terms; or (iii) is the subject of a motion or notice to assume or reject Filed on or before the Confirmation Date.

The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the rejections described above as of the Effective Date.

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

Claims based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or Confirmation Order must be Filed by no later than 11:59 p.m. (prevailing Eastern Time) on the day that is 30 days after the Effective Date. For the avoidance of doubt, nothing herein shall be deemed to modify any other prior deadlines to file a Claim on account of the rejection of Executory Contracts or Unexpired Leases other than pursuant to the Plan and Confirmation Order.

Any Claims arising from the rejection of an Executory Contract or Unexpired Lease that are not Filed within such time, unless otherwise ordered by the Bankruptcy Court, will be automatically Disallowed, forever barred from assertion, and shall not be enforceable against, as applicable, the Debtors, the Estates, or property of the Estates, without the need for any objection by the Debtors or Plan Administrator or further notice to, or 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, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. Claims arising from the rejection of Executory Contracts or Unexpired Leases under the Plan and Confirmation Order shall be classified as General Unsecured Claims.

E. Reserves

If the Plan Administrator determines that he is required, or that it is necessary, to establish any of the reserves set forth in Article VI of the Plan, the Plan Administrator shall administer such reserves in the manner established by Article VI of the Plan. The Plan Administrator shall establish each of the Reserve Accounts, to the extent required or necessary, by either establishing a segregated account or establishing book entry accounts, in the sole discretion of the Plan Administrator.

1. Undeliverable Distribution Reserve

i. Deposits

If a distribution to any Holder of an Allowed Claim is returned to the Debtors as undeliverable or is otherwise unclaimed, such distribution shall be deposited in a segregated, interest-bearing account, designated as an Undeliverable Distribution Reserve, for the benefit of such Holder until such time as such distribution becomes deliverable, is claimed or is deemed to have been forfeited in accordance with Article VI.B.2 of the Plan.

ii. Forfeiture

Any Holder of an Allowed Claim that does not assert a Claim pursuant to this Plan for an undeliverable or unclaimed distribution within 90 days after the first distribution is made to such Holder shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such claim for the undeliverable or unclaimed distribution against any Debtor, Estate, or their respective properties or assets unless the Bankruptcy Court orders otherwise. In such cases, any Cash or other property held by the Debtors in the Undeliverable Distribution Reserve for distribution on account of such claims for undeliverable or unclaimed distributions, including the interest that has accrued on such undeliverable or unclaimed distribution while in the Undeliverable Distribution Reserve, without any further action or order of the Court shall promptly be transferred to or vest in the Debtors, notwithstanding any federal or state escheat laws to the contrary. To the extent that a Holder of an Allowed Claim is deemed to have forfeited any undeliverable or unclaimed distribution, the Plan Administrator shall have no obligation to make any further distributions or reserves on account of such Allowed Claim.

iii. Disclaimer

The Debtors, the Plan Administrator, and their respective agents and attorneys are under no duty to take any action to attempt to locate any Claim Holder; provided that in his sole discretion, the Plan Administrator may periodically publish notice of unclaimed distributions.

iv. Distribution from Reserve

Within 15 Business Days after the Holder of an Allowed Claim satisfies the requirements of the Plan such that the distribution attributable to its Claim is no longer an undeliverable or unclaimed distribution (provided that satisfaction occurs within the time limits set forth in Article VI.B of the Plan), the Plan Administrator shall distribute out of the Undeliverable Distribution Reserve the amount of the undeliverable or unclaimed distribution attributable to such Claim, without interest.

2. Wind Down Expense Fund

The Plan Administrator shall maintain a reserve (the "Wind Down Expense Fund") in an amount as is reasonably necessary to pay the costs and expenses incurred or expected to be incurred by the Debtors and the Plan Administrator in connection with administering the Debtors and performing the duties set forth in the Plan and the Plan Administration Agreement (the "Wind Down Expenses"), including, without limitation, paying the fees and expenses of the Plan Administrator and professionals retained by the Plan Administrator. The Wind Down Expense Fund shall be funded by the Debtors with the Wind Down Cash Amount prior to the Effective Date. To the extent that the Wind Down Cash Amount is insufficient to satisfy in full all Wind Down Expenses, the Wind Down Expense Fund shall be further funded from the proceeds of the Assets.

3. Disputed Unsecured Claims Reserve

The Plan Administrator may establish, for the benefit of each Holder of a Disputed General Unsecured Claim, the Disputed Unsecured Claims Reserve in an amount equal to the distributions that would have been made to the Holder of such Disputed Claim if it were an Allowed Claim in an amount equal to the lesser of (i) the liquidated amount set forth in the filed Proof of Claim relating to such Disputed Claim or if no Proof of Claim has been filed the liquidated amount set forth in the Schedules, (ii) the amount in which the Disputed Claim has been estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code as constituting and representing the maximum amount in which such Claim may ultimately become an Allowed Claim, or (iii) such other amount as may be agreed upon by the Holder of such Disputed Claim and the Plan Administrator. Amounts held in the Disputed Unsecured Claims Reserve shall be retained by the Plan Administrator for the benefit of Holders of Disputed General Unsecured Claims pending determination of their entitlement thereto under the terms of the Plan. No payments or distributions shall be made with respect to all or any portion of any such Disputed Claim pending the entire resolution thereof by Final Order or agreement between the Plan Administrator and the Holder of the applicable Disputed Claim.

At such time as a Disputed General Unsecured Claim becomes an Allowed Claim, the Plan Administrator shall distribute to the Holder thereof the distributions, if any, to which such Holder is then entitled under the Plan. Such distribution, if any, shall be made as soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court Allowing such Disputed Claim becomes a Final Order or the effective date of the relevant agreement between the Plan Administrator and the Holder of the applicable Disputed Claim.

If a Disputed General Unsecured Claim is Disallowed, in whole or in part, the Plan Administrator shall distribute amounts held in the Disputed Unsecured Claims Reserve with respect to such Claim (or, if Disallowed in part, the amounts held in the Disputed Unsecured Claims Reserve with respect to the Disallowed portion of such Claim) in accordance with the Plan.

F. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims

1. Allowance of Claims

After the Effective Date, the Debtors and Plan Administrator, as applicable, shall have and retain all rights and defenses the applicable Debtor had with respect to any Claim immediately before the Effective Date. Except as expressly provided in the Plan or in any order entered in the Cases before the Effective Date (including the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order, including the Confirmation Order (when it becomes a Final Order), in the Cases allowing such Claim.

2. Claims Administration Rights and Responsibilities

Except as otherwise specifically provided in the Plan and notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, after the Effective Date, the Plan Administrator shall have the sole authority to File and prosecute objections to Claims and shall have the sole authority, without any further notice to or action, order, or approval by the Bankruptcy Court, to (1) settle, compromise, withdraw, litigate to judgment, or otherwise resolve objections to any and all such Claims, regardless of whether such Claims are in a Class or otherwise; (2) settle, compromise, or resolve any such Disputed Claims; and (3) administer and direct the adjustment of the Claims Register to reflect any such settlements or compromises.

Any Claim that has been paid or satisfied, or any Claim that has been amended or superseded, may be adjusted or expunged on the Claims Register as directed by the Plan Administrator, without an objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Estimation of Claims

Before, on, or after the Effective Date, the Debtors or the Plan Administrator may (but are not required to), at any time, request that the Bankruptcy Court estimate any Claim pursuant to applicable law, including, without limitation, pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any such Claim, including during the litigation of any objection to any Claim or during the pendency of any appeal relating to such objection. Notwithstanding any provision to the contrary in the Plan, a Claim that has been expunged from the Claims Register, 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 Claim, such estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions and discharge) and may be used as evidence in any supplemental proceedings, and the Debtors or Plan Administrator, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. Each of the foregoing Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

4. Time to File Objections to Claims

Any objections to Claims shall be Filed on or before the Claims Objection Deadline (as such date may be extended upon presentment of an order to the Court by the Plan Administrator).

5. Disallowance of Claims

Except as otherwise provided herein or as agreed to by the Debtors or the Plan Administrator, as applicable, all Proofs of Claim Filed after the applicable Bar Date shall be deemed Disallowed and expunged as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court, and Holders of such Claims may not receive any distributions on account of such Claims, unless such late Proof of Claim has been deemed timely Filed by a Final Order.

6. Amendments to Claims

On or after the Effective Date, a Claim may not be amended without the prior authorization of the Bankruptcy Court, or by agreement with the Plan Administrator and any such amended Claim shall be deemed Disallowed in full and expunged without any further notice to or action, order, or approval of the Bankruptcy Court to the maximum extent provided by applicable law, unless otherwise ordered by the Bankruptcy Court, and the Holder of any such amended Claim shall not receive any distributions on account of such Claims unless such amended Claim has been deemed Allowed by a Final Order.

G. Provisions Governing Distributions

1. Timing and Calculation of Amounts to Be Distributed

Unless otherwise provided in the Plan, on the Effective Date (or, if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes Allowed or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Interest shall receive the full amount of the distributions that the Plan provides for Allowed Claims and Interests in each applicable Class. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VI.D of the Plan.

As of the Effective Date, any Claim asserted in currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the exchange rate for the applicable currency as published in *The Wall Street Journal*, on the Petition Date.

2. Delivery of Distributions

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims or Interests shall be made to Holders of record as of the Distribution Record Date by the Plan Administrator: (1) to the signatory set forth on any Proof of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors or Plan Administrator, as applicable, have been notified in writing of a change of address); (2) at the addresses set forth in any written notices of address changes delivered to the Plan Administrator after the date of any related Proof of Claim; (3) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Plan Administrator has not received a written notice of a change of address; or (4) on any counsel that has appeared in the Cases on such Holder's behalf. Subject to Article VIII 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 Debtors, the Plan Administrator, and each of their respective professionals, agents, employees, and officers shall not incur any liability whatsoever on account of any distributions under the Plan except for actual fraud, gross negligence, knowing violation of law, or willful misconduct.

All distributions on account of Allowed Labor Plaintiff Claims shall be made to or at the direction of counsel for the Labor Plaintiffs for further distribution to the Labor Plaintiffs in accordance with the Plan and the Labor Plaintiff Settlement Agreement and shall be deemed completed when made to counsel for the Labor Plaintiffs.

3. Manner of Payment

Any distributions to be made by or on behalf of the Debtors or Plan Administrator (as applicable) pursuant to this Plan shall be made by checks drawn on accounts maintained by the Plan Administrator or by wire transfer if circumstances justify, at the option of the Plan Administrator.

4. Minimum Distributions

Holders of Allowed Claims entitled to distributions of $150 or less shall not receive distributions.

5. Tax Issues and Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Debtors and the Plan Administrator shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Plan Administrator shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

As a condition precedent to receiving any distribution under this Plan, each Holder of an Allowed Claim that is entitled to a distribution under the Plan must provide the Plan Administrator with an executed IRS Form. An Allowed Claim of a Holder that fails to provide an executed IRS Form within sixty (60) days after service (by first class mail) of a formal request for the same by the Plan Administrator shall be deemed disallowed and expunged for purposes of distributions under the Plan.

6. Allocations

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest, if any, as Allowed under the Plan.

7. Setoffs and Recoupment

The Plan Administrator may, but shall not be required to, set off against or recoup any payments or distributions to be made pursuant to the Plan in respect of any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such Claim the Debtors may have against the Holder of such Claim.

8. No Distribution Pending Allowance

If an objection to a Claim or portion thereof is Filed, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim or unless otherwise determined by the Plan Administrator.

9. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions 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 Plan Administrator shall provide to the Holder of such Claim the distribution to which such Holder is entitled under the Plan as of the Effective Date, less any previous distribution (if any) that was made on account of the undisputed portion of such Claim, without any interest, dividends, or accruals to be paid on account of such Claim unless required under applicable bankruptcy law or as otherwise provided in the Plan.

10. Claims Paid or Payable by Third Parties

i. Claims Paid by Third Parties

To the extent that the Holder of an Allowed Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Plan Administrator, such Claim shall be Disallowed without an objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court. The Plan Administrator shall file a notice of satisfaction or other pleading evidencing such satisfactions and serve the same on the affected Holder. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or the Plan Administrator on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the Debtor or Plan Administrator, as applicable, 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 date of any such distribution under the Plan.

ii. Applicability of Insurance Policies

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' Insurance Policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such Insurance Policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without an objection to such Claims having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court. The Plan Administrator shall file a notice of satisfaction or other pleading evidencing such satisfactions and serve the same on the affected Holder.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable Insurance Policy. Notwithstanding anything herein to the contrary (including, without limitation, Article IX of the Plan), nothing shall constitute or be deemed a release, settlement, satisfaction, compromise, or waiver of any Cause of Action that the Debtors or any other Entity may hold against any other Entity, including insurers under any policies of insurance or applicable indemnity, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

H. Settlement, Release, Injunction, and Related Provisions

1. <u>Term of Injunctions or Stays</u>

Unless otherwise provided in the Plan or the Confirmation Order, all injunctions or stays in effect in the Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect following the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

2. <u>Release of Liens</u>

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens against the property of any Estates will be fully released, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, shall attach to and be enforceable solely against any net proceeds of sales or other liquidation of such assets. For the avoidance of doubt, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

3. <u>Debtors Release</u>

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed forever released by the Debtors, their respective Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives, and any and all other entities who may purport to assert any cause of action, by, through, for, or because of the foregoing entities, from any and all Claims and Causes of Action, whether known or unknown, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, including any derivative claims asserted or assertable on behalf of the Debtors or their respective Estates, that the Debtors would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder

of any Claim against or Interest in the Debtors based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the management, ownership, or operation thereof), any securities issued by the Debtors and the ownership thereof, the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions (but excluding Avoidance Actions brought as counterclaims or defenses to Claims asserted against the Debtors), any intercompany transaction, the DIP Loan Documents, the Prepetition Loan Documents, the Cases, the formulation, preparation, dissemination, negotiation, or filing of the Plan, the Plan Supplement, solicitation of votes on the Plan, the prepetition negotiation and settlement of Claims, the pursuit of confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date except for Claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted criminal conduct, actual fraud, willful misconduct, knowing violation of law, gross negligence or bad faith, but in all respects such Released Parties shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan (collectively, the "Debtor Release"). Notwithstanding anything to the contrary in the foregoing, the Debtor Release does not release any post-Effective Date obligations of any party or Entity under the Plan or any document, instrument, or agreement (including any documents, instruments and agreements set forth in the Plan Supplement) executed to implement the Plan and shall not result in a release, waiver, or discharge of any of the Debtors' assumed indemnification provisions, if any, set forth in the Plan.

4. Release by Holders of Claims or Interests

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, and to the fullest extent allowed by applicable law, each Releasing Party is deemed to have forever released, waived, and discharged each of the Released Parties from all Claims and Causes of Action, whether known or unknown, including any derivative claims asserted or assertable on behalf of the Debtors or their respective Estates, that such Entity would have been legally entitled to assert (whether individually or collectively) based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the management, ownership, or operation thereof), any securities issued by the Debtors and the ownership thereof, the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions (but excluding Avoidance Actions brought as counterclaims or defenses to Claims asserted against the Debtors), any intercompany transaction, the DIP Loan Documents, Prepetition Loan Documents, the Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Plan, the Plan Supplement, solicitation of votes on the Plan, the prepetition negotiation and settlement of Claims, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of debt and/or securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, except for Claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, knowing violation of law or gross negligence, but in all respects such Released

Parties shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan (the "Third-Party Release"); provided, however, the Third-Party Release does not release any post-Effective Date obligations of any party or Entity under the Plan, or any document, instrument, or agreement (including the Plan Documents and other documents, instruments, and agreements set forth in the Plan Supplement) executed to implement the Plan.

Notwithstanding anything to the contrary in the foregoing, any Holder of a Claim or Interest who did not (i) return an opt-out election form or (ii) file an objection to the Third-Party Release, that believes that its individual circumstances related to its ability to return a Ballot or opt-out election form opting out of the Third-Party Release or to object to the Third-Party Release are such that it should not be deemed to have consented to such Third-Party Release as a result of such failure, may seek relief from the Bankruptcy Court to exercise its rights and claims free of the Third-Party Release by rebutting the presumption that its failure to return an opt-out election form opting out of the Third-Party Release or to object to the Third-Party Release should be deemed to represent its consent to the Third-Party Release. Any party seeking such relief must, in any pleading regarding this provision filed with the Bankruptcy Court: (i) identify the claim(s) or types of claims the party wishes to pursue and (ii) identify the parties or the types of parties against such claims will be asserted.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Third-Party Release, which includes by reference each of the related provisions and definitions contained in the Plan, and, further, shall constitute the Bankruptcy Court's finding that the Third-Party Release is: (a) consensual; (b) essential to the confirmation of the Plan; (c) given in exchange for the good and valuable consideration provided by the Released Parties, including, without limitation, the Released Parties' contributions to facilitating the restructuring and implementing the Plan; (d) a good faith settlement and compromise of the Claims released by the Third-Party Release; (e) in the best interests of the Debtors and their respective Estates; (f) fair, equitable, and reasonable; (g) given and made after due notice and opportunity for hearing; and (h) a bar to any of the Releasing Parties asserting any Claim or Cause of Action released pursuant to the Third-Party Release.

5. Exculpation

Notwithstanding anything contained in the Plan to the contrary, no Exculpated Party shall have or incur liability for, and each Exculpated Party is released and exculpated from, any Cause of Action or any Claim related to any act or omission in connection with, relating to, or arising out of, the Cases, the formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Plan, the Plan Supplement, solicitation of votes on the Plan, the pursuit of confirmation, the pursuit of Consummation or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place from the Petition Date through the Effective Date, except for Claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted criminal conduct, actual fraud, willful misconduct, knowing violation of law, or gross negligence, but

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in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan.

Notwithstanding anything to the contrary in the foregoing, the exculpation set forth herein does not release or exculpate any Claim relating to any post-Effective Date obligations of any party or Entity under the Plan or any document, instrument, or agreement (including any documents, instruments and agreements set forth in the Plan Supplement) executed to implement the Plan.

6. Injunction

Except as otherwise provided in the Plan or the Confirmation Order, all Entities who have held, hold, or may hold Claims, Interests, Causes of Action, or liabilities that: (a) are subject to compromise and settlement pursuant to the terms of the Plan; (b) have been released by the Debtors pursuant to the Plan; (c) are subject to exculpation pursuant to the Plan; or (d) are otherwise discharged, satisfied, stayed or terminated pursuant to the terms of the Plan, are permanently enjoined and precluded, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Plan Administrator, the Released Parties, or the Exculpated Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims, Interests, or Causes of Action; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims, Interests, or Causes of Action; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or Estates of such Entities on account of or in connection with or with respect to any such Claims, Interests, or Causes of Action; (4) asserting any right of setoff (other than setoffs exercised prior to the Petition Date) or subrogation of any kind against any debt, liability, or obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any Claims, Causes of Action, or Interests; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims, Interests, or Causes of Action discharged, released, exculpated or settled pursuant to the Plan.

Any Entity injured by any willful violation of such injunction may seek actual damages and, in appropriate circumstances, may seek punitive damages from the willful violator.

7. Subordination Rights

Any distributions under the Plan shall be received and retained free from any obligations to hold or transfer the same to any other Holder and shall not be subject to levy, garnishment, attachment, or other legal process by any Holder by reason of claimed contractual subordination rights. Any such subordination rights shall be waived, and the Confirmation Order shall constitute an injunction enjoining any Entity from enforcing or attempting to enforce any contractual, legal, or equitable subordination rights to property distributed under the Plan, in each case other than as provided in the Plan.

I. Conditions Precedent to Confirmation and Effective Date

1. Conditions Precedent to Confirmation

It shall be a condition to confirmation of the Plan that the following conditions shall have been satisfied (or waived pursuant to the provisions of Article X.C thereof):

i. The Bankruptcy Court shall have entered an order, in form and substance reasonably acceptable to the Debtors, approving the Disclosure Statement with respect to the Plan as containing adequate information within the meaning of section 1125 of the Bankruptcy Code; and

ii. The Plan, the Confirmation Order, and the Plan Documents shall be in a form and substance reasonably acceptable to the Debtors.

2. Conditions Precedent to the Effective Date

It shall be a condition to the Effective Date that the following conditions shall have been satisfied (or waived pursuant to the provisions of Article X.C thereof):

i. The Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably acceptable to the Debtors;

ii. All authorizations, consents, and approvals required, if any, in connection with the Plan's effectiveness shall have been obtained;

iii. All actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable Governmental Units in accordance with applicable laws, and are in form and substance, acceptable to the Debtors;

iv. All conditions precedent to the effectiveness of the Plan Administration Agreement shall have been satisfied or duly waived;

v. All Allowed Professional Fee Claims approved by the Bankruptcy Court shall have been paid in full; and

vi. The Wind Down Expense Fund shall have been funded with the Wind Down Cash Amount.

3. Waiver of Conditions

Unless otherwise specifically provided in the Plan, the conditions set forth in Article X of the Plan may be waived in whole or in part by the Debtors without notice to any other parties in interest or the Bankruptcy Court and without a hearing.

4. Substantial Consummation

"Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date.

VIII. CERTAIN RISK FACTORS TO CONSIDER PRIOR TO VOTING

Holders of Claims entitled to vote should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Non-Confirmation of the Plan

The occurrence or non-occurrence of any or all of the contingencies set forth in this Section VIII, and any others, could affect distributions available to holders of Allowed Claims under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims in such Impaired Classes.

B. Classification Risk

The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim may challenge the classification of Claims, and that the Bankruptcy Court may determine that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan, and the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

C. Claims Estimation

There can be no assurance that any estimated Claim amounts set forth in this Plan are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummations; Timing

The Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. There can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

E. Certain Tax Considerations

There are a number of material income tax considerations, risks, and uncertainties associated with the Plan of the Debtors described in this Disclosure Statement and set forth in the Plan.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. NOTHING HEREIN SHALL CONSTITUTE TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

IX. CONFIRMATION OF THE PLAN

At the Combined Hearing, the Bankruptcy Court will determine whether the Plan satisfied all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11 for plan confirmation; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11 for confirmation; and (3) the Plan has been proposed in good faith.

A. Classification of Claims and Interests

Section 1123 of the Bankruptcy Code provides that a plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than those claims which pursuant to section 1123(a)(1) of the Bankruptcy Code need not be and have not been classified). The Debtors also are required under section 1122 of the Bankruptcy Code to classify Claims and Interests into Classes that contain Claims or Interests that are substantially similar to the other Claims or Interests in such Class.

The Bankruptcy Code also requires that a plan provide the same treatment for each claim or interest of a particular class unless the claim holder or interest holder agrees to a less favorable treatment of its claim or interest. The Debtors believe that the Plan complies with such standard. If the Bankruptcy Court finds otherwise, however, the Bankruptcy Court could deny confirmation of the Plan if the Holders of Claims or Interests affected do not consent to the treatment afforded them under the Plan.

A claim or interest is placed in a particular class only to the extent that the claim or interest falls within the description of that class and is classified in other classes to the extent that any portion of the claim or interest falls within the description of such other classes. A claim also is placed in a particular class for the purpose of receiving distributions pursuant to a plan only to the extent that such claim is an allowed claim in that class and such claim has not been paid, released or otherwise settled prior to the effective date.

The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law. It is possible that a Holder of a Claim or Interest may challenge the Debtors' classification of Claims or Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. If such a situation develops, the Debtors intend, in accordance with the terms of the Plan, to make such permissible modifications to the Plan as may be necessary to permit its confirmation. Any such reclassification could adversely affect Holders of Claims by changing the composition of one or more Classes and the vote required of such Class or Classes for approval of the Plan.

EXCEPT AS SET FORTH IN THE PLAN, UNLESS SUCH MODIFICATION OF CLASSIFICATION MATERIALLY ADVERSELY AFFECTS THE TREATMENT OF A HOLDER OF A CLAIM AND REQUIRES RE-SOLICITATION, ACCEPTANCE OF THE PLAN BY ANY HOLDER OF A CLAIM PURSUANT TO THIS SOLICITATION WILL BE DEEMED TO BE A CONSENT TO THE PLAN'S TREATMENT OF SUCH HOLDER OF A CLAIM REGARDLESS OF THE CLASS AS TO WHICH SUCH HOLDER ULTIMATELY IS DEEMED TO BE A MEMBER.

The amount of any Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claims and, accordingly, the total Claims that are ultimately Allowed by the Bankruptcy Court with respect to each Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Class. Thus, the actual recovery ultimately received by a particular Holder of an Allowed Claim may be adversely or favorably affected by the aggregate amount of Claims Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized herein. The Debtors believe that the consideration, if any, provided under the Disclosure Statement and Plan to Holders of Claims reflects an appropriate resolution of their Claims taking into account the differing nature and priority (including applicable contractual subordination) of such Claims and Interests. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Disclosure Statement and Plan. Many of these tests are designed to protect the interests of holders of claims or interests who are not entitled to vote on a plan, or do not vote to accept a plan, but who will be bound by the provisions of a plan if it is confirmed by a bankruptcy court.

B. Acceptance of the Plan

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests that are "impaired" (as defined in section 1124 of the Bankruptcy Code) under a plan may vote to accept or reject such plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable, or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under a plan on account of such claims or interests, such impaired class is deemed to have rejected such plan under section 1126(g) of the Bankruptcy Code and, therefore, such holders are not entitled to vote on such plan.

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept a plan only if two-thirds in amount and a majority in number of the allowed claims in such class that vote on the plan actually cast their ballots in favor of acceptance.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of impaired equity interests as acceptance by holders of at least two-thirds in amount of allowed interests in that class, counting only those interests that have *actually* voted to accept or to reject the plan. Thus, a class of interests will have voted to accept a plan only if two-thirds in amount of the allowed interests in such class that vote on plan actually cast their ballots in favor of acceptance.

Pursuant to Article III.E of the Plan, if a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Holders of such Claims or Interests in such Class shall be deemed to have accepted the Plan.

C. The Debtor Release, Third-Party Release, Exculpation, and Injunction Provisions.

Article IX of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and a Third-Party Release of certain claims that may otherwise be asserted against the Released Parties as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate because, among other things, the releases are narrowly tailored to the Cases, and each of the Released Parties has contributed value to the Debtors and aided in the sale process, resolution of certain litigation, and formulation of the Plan, which facilitated the Debtors' ability to propose and pursue confirmation. The Debtors believe that each of the Released Parties has played an integral role in formulating the Plan and has expended significant time and resources analyzing and negotiating the issue presented by the Debtors' prepetition capital structure. The Debtors further believe that such releases, exculpations, and injunctions are a necessary part of the Plan. The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each of the Released Parties and each Exculpated Party as part of confirming the Plan.

In addition, the Third-Party Release is consensual as required under *Harrington v. Purdue Pharma L.P.*, 603 U.S. 204 (2024), because creditors are provided with the opportunity to opt out of the Third-Party Release. Courts in this district and others have found that such "opt-out" provisions demonstrate consent. *See, e.g., In re AFH Air Pros, LLC, et al.,* Case No. 25-10356 (PMB) (Bankr. N.D. Ga., Sept. 4, 2025) [Docket No. 691]; *In re LaVie Care Ctrs.*, Case No. 24-

55507 (PMB), 2024 Bankr. LEXIS 2900 (Bankr. N.D. Ga., Dec. 5, 2024); *In re Evistacom, LLC*, Case No. 23-52696 (JWC) (Bankr. N.D. Ga., Nov. 15, 2023) [Docket No. 220]. Moreover, the Plan further provides a rebuttable presumption that any Holder of a Claim or Interest who does not return a Ballot or opt-out election form or file an objection to the Third-Party Release consents to the Third-Party Release, but such Holder has an opportunity to subsequently seek relief from the Third-Party Release if the Holder demonstrates facts and circumstances that its failure to return a Ballot or opt out of the Third-Party Release or object to the Third-Party Release should not be deemed consent. Accordingly, the Debtors submit that the Third-Party Release is consensual and complies with applicable law.

D. Best Interests of Creditors and Liquidation Analysis

The Bankruptcy Code requires that, with respect to an impaired class of claims or interest, each holder of an impaired claim or interest in such class either (i) accepts the plan or (ii) receives or retains under the plan property of a value, as of the effective date of the plan, that is not less than the amount (value) such holder would receive or retain if the debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

As explained herein, a majority of the Debtors' Assets were already liquidated through the Private Sale and the Plan calls for a liquidation of the Debtors' remaining Assets immediately following the Effective Date. The Debtors believe that liquidation under Chapter 7 would result in smaller distributions, if any, being made to creditors than those provided for in the Plan because of the additional time and administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals.

Because the Plan is a liquidating plan, the "liquidation value" in the hypothetical Chapter 7 is substantially similar to the Chapter 11 liquidation contemplated by the Plan. The Debtors believe that the orderly liquidation proposed under the Plan is likely to generate greater distributions to creditors than would occur in a Chapter 7 liquidation. As of the date of filing this Disclosure Statement, the Debtors held Cash in the amount of $29.2 million and estimates that the Debtors' remaining inventory to be sold has a book value of $500,000. The total amount of estimated Claims in the five Classes is approximately $19,621,194.98 (which Claims are subject to objection) meaning that if the Debtors' estimated value of its assets is correct, and those assets are liquidated in an orderly manner to realize the market value of the Assets as provided for under the Plan, all creditors will be paid in full, with a likely return to Holders of Interests.

Therefore, the distributions to unsecured creditors under the Plan are guaranteed to be at least equal to what they would receive in any hypothetical liquidation of the Debtors' Assets. Additionally, Holders of Impaired Claims in Class 3, have expressly agreed to such treatment under the Plan pursuant to the Labor Plaintiffs Settlement, with the understanding that their treatment under this Plan is better than what they would receive in continuing litigation of claims and liquidation of assets in a hypothetical Chapter 7 case.

There can be no assurance, however, as to values that would actually be realized under the Plan or in a Chapter 7 liquidation, nor can there be any assurance that a Bankruptcy Court would accept the Debtors' conclusions or concur with such assumptions in making its determinations under Section 1129(a)(7) of the Bankruptcy Code. Nevertheless, in the opinion of the Debtors, the recoveries projected to be available in a Chapter 7 liquidation are likely to be less than the potential recoveries for all Claims and Interest Holders afforded to them under the Plan.

E. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the debtors or any successor to the debtors (unless such liquidation or reorganization is proposed in a plan) (the "Feasibility Test"). For the Plan to meet the Feasibility Test, the Bankruptcy Court must find that there will be sufficient resources necessary to meet the debtors' obligations under the Plan.

The Plan itself is premised on the prior sale of the substantially all of the Debtors' assets, and thus meets the Feasibility Test. The Plan will be funded using the Debtors' cash on hand on the Effective Date, the revenues being generated by the Debtors' sale of substantially all of their Assets associated with the Georgia manufacturing plant. The Plan proposes to pay all Allowed Claims on or after the Effective Date, at which time the Plan Administrator will be in possession of the proceeds from the Private Sale and additional sale of the remaining inventory, which are estimated to be sufficient to pay all Allowed Claims in full. Thus, the Debtors believe the Plan is feasible.

F. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided,* that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown", so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the rights to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors may request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims or interests of equal rank (e.g., classes of the same legal character). Bankruptcy courts consider a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

The "fair and equitable" test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirements that no class of claims receive more than 100% of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class. As a condition to the test, section 1129(b)(2) of the Bankruptcy Code provides that a plan is "fair and equitable" with respect to a dissenting impaired class of unsecured claims if the creditors in the class receive or retain property of a value equal to the allowed amount of their claims or, failing that, no creditor of lesser priority, or shareholder, receives any distribution under the plan. This requirement is sometimes referred to as the "absolute priority rule."

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. With respect to the fair and equitable requirement, and "absolute priority rule," no Class under the Plan will receive more than 100% of the amount of Allowed Claims or Interests in that Class. The Debtors believe that the Plan and the treatment of all Classes of Claims or Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

X. RECOMMENDATION

The Debtors believe that the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support confirmation of the Plan.

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Respectfully submitted, as of the date set forth above,

Wellmade Floor Coverings International, Inc.
on behalf of itself and all other Debtors

By: *[/s/ David Baker]*
Name: David Baker
Title: Chief Restructuring Officer
and Authorized Person

Exhibit A

Plan

Exhibit B

Disclosure Statement Order

[To Follow]