IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
GST AUTOLEATHER, INC., *et al.*,[1]	)	Case No. 17-12100 (LSS)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE JOINT
CHAPTER 11 PLAN OF GST AUTOLEATHER, INC. AND ITS DEBTOR AFFILIATES

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Dated: February 16, 2018

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

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: GST AutoLeather, Inc. (5289); GST AutoLeather Cayman I Ltd. (n/a); GST AutoLeather Cayman II Ltd. (n/a); GST AutoLeather HoldCo Corp. (4266); GST Innovations, LLC (5563); and Strategic Financial LLC (n/a). The location of the Debtors' service address is: 20 Oak Hollow Drive, Suite 300, Southfield, Michigan 48033.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT (THIS "DISCLOSURE STATEMENT") TO CERTAIN HOLDERS OF CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE DEBTORS' JOINT CHAPTER 11 PLAN OF GST AUTOLEATHER, INC. AND ITS DEBTOR AFFILIATES (THE "PLAN"). NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND ALL OF THE ACTIONS NECESSARY TO EFFECTUATE THE PLAN. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE INCORPORATED BY REFERENCE HEREIN. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A AND SECTION 21E OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). SUCH STATEMENTS MAY CONTAIN WORDS SUCH AS "MAY," "WILL," "MIGHT," "EXPECT," "BELIEVE," "ANTICIPATE," "COULD," "WOULD," "ESTIMATE," "CONTINUE," "PURSUE," OR THE NEGATIVE THEREOF OR COMPARABLE TERMINOLOGY, AND MAY INCLUDE, WITHOUT LIMITATION, INFORMATION REGARDING THE DEBTORS' EXPECTATIONS WITH RESPECT TO FUTURE EVENTS. FORWARD-LOOKING STATEMENTS ARE INHERENTLY UNCERTAIN AND ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED IN THIS DISCLOSURE STATEMENT AND THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. MAKING INVESTMENT DECISIONS BASED ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND/OR THE PLAN IS, THEREFORE, SPECULATIVE.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THEIR BOOKS AND RECORDS OR THAT WAS OTHERWISE MADE

AVAILABLE TO THEM AT THE TIME OF SUCH PREPARATION AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. ALTHOUGH THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS OR THE PLAN ADMINISTRATOR MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED PLAN AND RELATED AMENDED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

CONFIRMATION AND CONSUMMATION OF THE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED IN ARTICLE XI OF THE PLAN. THERE IS NO ASSURANCE THAT THE PLAN WILL BE CONFIRMED OR, IF CONFIRMED, THAT SUCH MATERIAL CONDITIONS PRECEDENT WILL BE SATISFIED OR WAIVED. YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING BUT NOT LIMITED TO THE PLAN AND ARTICLE IX OF THIS DISCLOSURE STATEMENT ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED BEFORE VOTING," BEFORE SUBMITTING YOUR BALLOT TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND ANY TRANSACTIONS CONTEMPLATED THEREBY.

THE DEBTORS, THE PREPETITION SECURED LENDERS, AND THE CREDITORS' COMMITTEE SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

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ARTICLE I.

INTRODUCTION

This disclosure statement (this "Disclosure Statement") provides information regarding the *Joint Chapter 11 Plan of GST AutoLeather, Inc. and Its Debtor Affiliates* (as may be amended, supplemented, or otherwise modified from time to time, the "Plan"), which the Debtors are seeking to have confirmed by the Bankruptcy Court.[1] A copy of the Plan is attached hereto as **Exhibit A**. The rules of interpretation set forth in Article I of the Plan shall govern the interpretation of this Disclosure Statement.

On [DATE], 2018, the Court entered the *Order (I) Conditionally Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation and Notice Procedures with Respect to Confirmation of the Debtors' Proposed Joint Chapter 11 Plan (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, (V) Shortening the Notice Requirements Related Thereto and (VI) Granting Related Relief* [Docket No. ---], which granted provisional approval of the Disclosure Statement and approved of the forms of Plan ballots and notices, as well as set [**DATE], 2018, at[TIME] (Eastern Time)** as the time for the hearing to consider final approval of the Disclosure Statement and confirm the Plan.

The Debtors believe that the Plan is in the best interests of the Debtors' Estates. As such, the Debtors recommend that all holders of Claims entitled to vote accept the Plan by returning their ballots (each, a "Ballot") so as to be actually received by the Notice, Claims, and Balloting Agent (as defined herein) no later than [●], 2018, at 5:00 p.m. (prevailing Eastern Time).

A. *The Plan*

The Debtors filed voluntary petitions for relief pursuant to chapter 11 on the Petition Date (October 3, 2017) with the purpose of resolving their affairs and distributing the proceeds of their estate pursuant to a confirmed chapter 11 plan. To that end, the Debtors filed the Plan, the terms of which are more fully described herein, which contemplates a liquidation of each of the Debtors and their Estates. The primary objective of the Plan is to maximize the value of recoveries to all holders of Allowed Claims and Allowed Interests and generally to distribute all property of the Estates that is or becomes available for distribution generally in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that the Plan accomplishes this objective and is in the best interest of the Estates.

Generally speaking, the Plan: (a) provides for the full and final resolution of certain funded debt obligations; (b) designates a Plan Administrator to wind down the Debtors' affairs, pay and reconcile Claims, and administer the Plan in an efficacious manner; (c) provides for Cash distributions from the Unsecured Cash Pool on a Pro Rata basis to holders of Allowed Unsecured Claims; and (d) provides for 100 percent recoveries for holders of Allowed Administrative Claims, Priority Tax Claims, DIP Claims, Other Priority Claims, and Other Secured Claims. The Debtors believe that Confirmation of the Plan will avoid the lengthy delay and significant cost of liquidation under chapter 7 of the Bankruptcy Code.

The Plan classifies holders of Claims and Interests according to the type of the holder's Claim or Interest, as more fully described below. Holders of Claims in Class 4 (Prepetition Secured Lender Claims), Class 5 (Unsecured Claims), and Class 6 (Mezzanine Lender Claims) are entitled to vote to accept or reject the Plan.

B. *The Plan Structure*

The Plan proposes to fund creditor recoveries from cash on hand and the proceeds of a Sale Transaction pursuant to which the Debtors will sell substantially all of the assets of the Estates. Following the entry of the Bid Procedures Order (as defined herein) approving the Bid Procedures Motion (as defined herein) and related sale procedures, the Debtors continued to use their best efforts to market the assets of the estates in order to obtain

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

Qualified Bids (as defined in the Bid Procedures Order) prior to the January 8, 2018 bid deadline. Following the auction, the Successful Bidder (as defined herein) was determined to be the highest and best bid. As set forth in more detail in Article VI.F below, the Debtors and the Successful Bidder executed an asset purchase agreement on February 13, 2018, and closing the Sale Transaction is a condition to the Plan Effective Date.

Pursuant to the Plan, the Debtors, the Post-Effective Date Debtors, the Plan Administrator, or the Disbursing Agent will pay or provide for payments of Claims as follows:

- the Debtors or the Post-Effective Date Debtors shall pay Allowed Administrative Claims, DIP Claims, Allowed Priority Tax Claims, Allowed Secured Tax Claims, Allowed Other Secured Claims, and Allowed Other Priority Claims in full;

- the Debtors shall fund the Professional Fee Escrow Account, which Professional Fee Escrow Account shall be used to pay Allowed Professional Fee Claims;

- Allowed Prepetition Secured Lender Claims in an aggregate amount equal to the Purchaser Credit Bid will be satisfied, compromised, settled, released, and discharged in full in exchange for the Purchaser Credit Bid, and each holder of a remaining Allowed Prepetition Secured Lender Claim shall receive its Pro Rata share (not to exceed the amount of such holder's remaining Allowed Prepetition Secured Lender Claim) of Class 4's Pro Rata share of any (i) Excess Distributable Cash and (ii) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 minus the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6);

- each holder of an Allowed Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of such holder's Allowed Unsecured Claim) of (i) 75% of the Unsecured Cash Pool (equal to $1,575,000.00); (ii) 75% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $2,175,000); and (iii) Class 5's Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 minus the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6);

- each holder of an Allowed Mezzanine Lender Claim shall (i) receive its Pro Rata share (not to exceed the amount of such holder's Allowed Mezzanine Lender Claim) of 25% of the Unsecured Cash Pool (equal to $525,000.00) and (ii) 25% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $725,000). In addition, each holder of an Allowed Mezzanine Lender Claim shall be deemed to have received its Pro Rata share of the Class 6 Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 minus the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6); *provided*, *however*, that any Excess Distributable Cash and/or proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount deemed to be received by a holder of an Allowed Mezzanine Lender Claim pursuant to this sentence shall actually be delivered to the Prepetition Secured Agent for subsequent distribution to holders of Prepetition Secured Lender Claims in accordance with the Prepetition Secured Credit Agreement Documents and Mezzanine Loan Documents; *provided further, however*, that, notwithstanding anything in the Mezzanine Loan Documents to the contrary, no holder of an Allowed Mezzanine Lender Claim shall be required to turn over to the Prepetition

Secured Agent any distribution it receives pursuant to the pro rata share of the 25% distribution described above; and

- existing Interests in Holdco will be cancelled without any distribution to the holders of such Interests.

The Debtors believe that the Plan is in the best interest the Estates, including holders of Unsecured Claims, and urge such holders to vote to accept the Plan.

C. *The Adequacy of this Disclosure Statement*

Before soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires a plan proponent to prepare a written disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of a chapter 11 plan. The Debtors submit this Disclosure Statement in accordance with such requirements. This Disclosure Statement includes, without limitation, information about:

- the Debtors' corporate history and structure, business operations, and prepetition capital structure and indebtedness (Article IV hereof);
- the events leading to the Chapter 11 Cases (Article V hereof);
- the significant pleadings Filed in the Chapter 11 Cases and certain relief granted by the Bankruptcy Court in connection therewith (Article VI hereof);
- the classification and treatment of Claims and Interests under the Plan, including identification of the holders of Claims entitled to vote, the procedures for voting on the Plan, and projected recoveries (Articles II, III, VII, and VIII hereof);
- the method of distribution of any recoveries that may be available to certain holders of Claims pursuant to the Plan, the process for resolving Disputed Claims, and other significant aspects of the Plan (Article VII hereof);
- the releases contemplated by the Plan that are integral to the overall settlement of Claims pursuant to the Plan (Article VII hereof);
- the statutory requirements for confirming the Plan (Article VIII hereof);
- certain risk factors that holders of Claims should consider before voting to accept or reject the Plan and information regarding alternatives to Confirmation of the Plan (Article IX hereof); and
- certain United States federal income tax consequences of the Plan (Article X hereof).

In light of the foregoing, the Debtors believe that this Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

The Plan and all documents to be executed, delivered, assumed, and/or performed in connection with the Consummation of the Plan, including the documents to be included in the Plan Supplement, are subject to revision and modification from time to time prior to the Effective Date (subject to the terms of the Plan).

ARTICLE II.

TREATMENT OF CLAIMS AND INTERESTS

As set forth in Articles II and III of the Plan, and in accordance with sections 1122 and 1123(a)(1) of the Bankruptcy Code, all Claims and Interests (other than DIP Claims, Administrative Claims, Priority Tax Claims, and Professional Fee Claims, which are unclassified Claims under the Plan) are classified into Classes for all purposes, including voting, Confirmation, and distributions pursuant to the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The table below summarizes the treatment of all unclassified Claims under the Plan. The treatment and projected recoveries of unclassified Claims are described in summary form below for illustrative purposes only. To the extent that any inconsistency exists between the summary contained in this Disclosure Statement and the Plan, the terms of the Plan shall govern.

Unclassified Claim	Plan Treatment	Projected Amount of Allowed Claims	Projected Plan Recovery
Administrative Claims	Unimpaired	[$0 to $2,000,000]	100%
Priority Tax Claims	Unimpaired	[$0]	100%
Professional Fee Claims	Unimpaired	[$7,600,000]	100%
DIP Claims	Unimpaired	[$0]	100%

The table below summarizes the classification and treatment of all classified Claims and Interests under the Plan.

The classification, treatment, and projected recoveries of classified Claims are described in summary form below for illustrative purposes only and are subject to material change. ***Additionally, recoveries available to holders of Claims are estimates and actual recoveries may materially differ based on, among other things, whether the amount of Claims actually Allowed exceeds the estimates provided below. In such an instance, the recoveries available to holders of Allowed Claims could be materially lower when compared to the estimates provided below. To the extent that any inconsistency exists between the summaries contained in this Disclosure Statement and the Plan, the terms of the Plan shall govern.***

Class	Claim or Interest	Plan Treatment	Voting Rights	Projected Amount of Allowed Claims or Interests	Projected Plan Recovery
1	Secured Tax Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	[$0]	100%
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	[$0]	100%

Class	Claim or Interest	Plan Treatment	Voting Rights	Projected Amount of Allowed Claims or Interests	Projected Plan Recovery
3	Other Priority Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	[$0]	100%
4	Prepetition Secured Lender Claims	Impaired	Entitled to Vote	[$164,500,000]	[19.5%]
5	Unsecured Claims	Impaired	Entitled to Vote	[$19,900,000]	[7.9%]
6	Mezzanine Lender Claims	Impaired	Entitled to Vote	[$33,000,000]	[1.6%]
7	Intercompany Claims	Impaired	Not Entitled to Vote (Conclusively Presumed to Reject)	N/A	0%
8	Intercompany Interests	Impaired	Not Entitled to Vote (Conclusively Presumed to Reject)	N/A	0%
9	Interests in Holdco	Impaired	Not Entitled to Vote (Conclusively Presumed to Reject)	N/A	0%
10	Section 510(b) Claims	Impaired	Not Entitled to Vote (Conclusively Presumed to Reject)	[$0]	0%

Except to the extent that the Debtors and a holder of an Allowed Claim or Interest, as applicable, agree to a less favorable treatment, such holder shall receive under the Plan the treatment described below in full and final satisfaction, compromise, settlement, and release of and in exchange for such holder's Allowed Claim or Interest. Unless otherwise indicated, each holder of an Allowed Claim or Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter, the timing of which shall be subject to the reasonable discretion of the Debtors or the Plan Administrator, as applicable.

A. *Class 1—Secured Tax Claims*

1. *Classification*: Class 1 consists of Secured Tax Claims against any Debtor.

2. *Treatment*: Each holder of an Allowed Secured Tax Claim shall receive, at the option of the applicable Reorganized Debtor:

   (a) payment in full in Cash of such holder's Allowed Secured Tax Claim; or

   (b) equal semi-annual Cash payments commencing as of the Effective Date or as soon as reasonably practicable thereafter and continuing for five years, in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at the applicable non-

default rate under non-bankruptcy law, subject to the option of the Plan Administrator to prepay the entire amount of such Allowed Secured Tax Claim during such time period.

3. *Voting*: Class 1 is Unimpaired under the Plan. Holders of Secured Tax Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan.

B. *Class 2—Other Secured Claims*

1. *Classification*: Class 2 consists of all Other Secured Claims.

2. *Treatment*: Each holder of an Allowed Other Secured Claim shall receive, at the option of the Plan Administrator:

(a) payment in full in Cash of such holder's Allowed Other Secured Claim;

(b) the collateral securing such holder's Allowed Other Secured Claim;

(c) Reinstatement of such holder's Allowed Other Secured Claim; or

(d) such other treatment rendering such holder's Allowed Other Secured Claim Unimpaired

3. *Voting*: Class 2 is Unimpaired under the Plan. Holders of Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan.

C. *Class 3—Other Priority Claims*

1. *Classification*: Class 3 consists of all Other Priority Claims.

2. *Treatment*: Each holder of an Allowed Other Priority Claim shall receive payment in full in Cash of such holder's Allowed Other Priority Claim or such other treatment rendering such holder's Allowed Other Priority Claim Unimpaired.

3. *Voting*: Class 3 is Unimpaired under the Plan. holders of Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan.

D. *Class 4—Prepetition Secured Lender Claims*

1. *Classification*: Class 4 consists of the Prepetition Secured Lender Claims.

2. *Allowance:* The Prepetition Secured Lender Claims shall be allowed in an aggregate amount equal to $[_____].

3. *Treatment*: Allowed Prepetition Secured Lender Claims in an aggregate amount equal to the Purchaser Credit Bid will be satisfied, compromised, settled, released, and discharged in full in exchange for the Purchaser Credit Bid, and each holder of a remaining Allowed Prepetition Secured Lender Claim shall receive its Pro Rata share (not to exceed the amount of such holder's remaining Allowed Prepetition Secured Lender Claim) of Class 4's Pro Rata share of any (i) Excess Distributable Cash and (ii) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 *minus* the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6).

4. *Voting*: Class 4 is Impaired under the Plan. Holders of Unsecured Claims are entitled to vote to accept or reject the Plan.

E. *Class 5—Unsecured Claims*

1. *Classification*: Class 5 consists of the Unsecured Claims.

2. *Treatment*: Each holder of an Allowed Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of such holder's Allowed Unsecured Claim) of (i) 75% of the Unsecured Cash Pool (equal to $1,575,000.00); (ii) 75% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $2,175,000); and (iii) Class 5's Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 *minus* the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6).

3. *Voting*: Class 5 is Impaired under the Plan. Holders of Unsecured Claims are entitled to vote to accept or reject the Plan.

F. *Class 6—Mezzanine Lender Claims*

1. *Classification*: Class 6 consists of the Mezzanine Lender Claims.

2. *Treatment*: Each holder of an Allowed Mezzanine Lender Claim shall (i) receive its Pro Rata share (not to exceed the amount of such holder's Allowed Mezzanine Lender Claim) of 25% of the Unsecured Cash Pool (equal to $525,000.00) and (ii) 25% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $725,000). In addition, each holder of an Allowed Mezzanine Lender Claim shall be deemed to have received its Pro Rata share of the Class 6 Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 *minus* the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6); *provided*, *however*, that any Excess Distributable Cash and/or proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount deemed to be received by a holder of an Allowed Mezzanine Lender Claim pursuant to this sentence shall actually be delivered to the Prepetition Secured Agent for subsequent distribution to holders of Prepetition Secured Lender Claims in accordance with the Prepetition Secured Credit Agreement Documents and Mezzanine Loan Documents; *provided further*, *however*, that, notwithstanding anything in the Mezzanine Loan Documents to the contrary, no holder of an Allowed Mezzanine Lender Claim shall be required to turn over to the Prepetition Secured Agent any distribution it receives pursuant to the pro rata share of the 25% distribution described above.

3. *Voting*: Class 6 is Impaired under the Plan. Holders of Allowed Mezzanine Lender Claims are entitled to vote to accept or reject the Plan.

G. *Class 7—Intercompany Claims*

1. *Classification*: Class 7 consists of all Intercompany Claims.

2. *Treatment*: Holders of Intercompany Claims shall not receive any distribution on account of such Intercompany Claims. On or after the Effective Date, the Plan Administrator may reconcile such Intercompany Claims as may be advisable in order to avoid the incurrence of any past, present, or future tax or similar liabilities by the Post-Effective Date Debtors.

3. *Voting*: Class 7 is Impaired under the Plan. Holders of Intercompany Claims are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan.

H. *Class 8—Intercompany Interests*

1. *Classification*: Class 8 consists of all Intercompany Interests.

2. *Treatment*: Intercompany Interests shall be, at the option of the Plan Administrator, either:

(a) Reinstated in accordance with Article III.G of the Plan; or

(b) Discharged, canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and holders of Intercompany Interests will not receive any distribution on account of such Intercompany Interests.

3. *Voting*: Class 8 is Impaired under the Plan. Holders of Intercompany Interests are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan.

I. *Class 9—Interests in Holdco*

1. *Classification*: Class 9 consists of all Interests in Holdco.

2. *Treatment*: Interests in Holdco will be discharged, canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and holders of Interests in Holdco will not receive any distribution on account of such Interests in Holdco.

3. *Voting*: Class 9 is Impaired under the Plan. Holders of Interests in Holdco are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such holders are not entitled to vote to accept or reject the Plan

J. *Class 10—Section 510(b) Claims*

1. *Classification*: Class 10 consists of all Section 510(b) Claims.

2. *Allowance*: Notwithstanding anything to the contrary herein, a Section 510(b) Claim, if any such Claim exists, may only become Allowed by Final Order of the Bankruptcy Court. The Debtors are not aware of any valid Section 510(b) Claim and believe that no such Section 510(b) Claim exists.

3. *Treatment*: Allowed Section 510(b) Claims, if any, shall be discharged, canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and holders of Allowed Section 510(b) Claims will not receive any distribution on account of such Allowed Section 510(b) Claims.

4. *Voting*: Class 10 is Impaired under the Plan. Holders (if any) of Section 510(b) Claims are conclusively deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code. Therefore, such holders (if any) are not entitled to vote to accept or reject the Plan.

ARTICLE III.

VOTING AND CONFIRMATION

On February 16, 2018, the Debtors filed a motion seeking entry of a proposed Disclosure Statement Order granting conditional approval of the Disclosure Statement and approving of the forms of Plan ballots and notices, as

well as setting a date and time for the hearing to consider final approval of the Disclosure Statement and confirm the Plan. The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtor, including that (i) the Plan has classified Claims and Equity Interests in a permissible manner, (ii) the Plan complies with applicable provisions of the Bankruptcy Code, (iii) the Debtor has complied with applicable provisions of the Bankruptcy Code, (iv) the Debtor has proposed the Plan in good faith and not by any means forbidden by law, (v) the disclosure required by section 1125 of the Bankruptcy Code has been made, (vi) the Plan has been accepted by the requisite votes of creditors (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code), (vii) the Plan is feasible and confirmation is not likely to be followed by the need for further financial reorganization of the Debtor, (viii) the Plan is in the "best interests" of all holders of Claims or Equity Interests in an impaired Class by providing to such holders on account of their Claims or Equity Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless the Holder has accepted the Plan, and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on Confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date.

A. *Classes Entitled to Vote on the Plan*

The following Classes are the only Classes entitled to vote to accept or reject the Plan (the "Voting Classes"):

Class	Claim	Status
4	Prepetition Secured Lender Claims	Impaired
5	Unsecured Claims	Impaired
6	Mezzanine Lender Claims	Impaired

If your Claim or Interest is not included in the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package (as defined herein) or a Ballot. If your Claim or Interest is included in the Voting Classes, you should read your Ballot and carefully follow the instructions set forth therein. Please use only the Ballot that accompanies this Disclosure Statement or the Ballot that the Debtors, or the Notice, Claims, and Balloting Agent on behalf of the Debtors, otherwise provides to you.

B. *Votes Required for Acceptance by a Class*

Under the Bankruptcy Code, acceptance of a chapter 11 plan by a class of claims or interests is determined by calculating the amount and, if a class of claims, the number, of claims and interests voting to accept, as a percentage of the allowed claims or interests, as applicable, that have voted. Each Class of Claims entitled to vote on the Plan will have accepted the Plan if: (a) the holders of at least two-thirds in dollar amount of the Claims actually voting in each Class vote to accept the Plan; and (b) the holders of more than one-half in number of the Claims actually voting in each Class vote to accept the Plan.

C. *Certain Factors to Be Considered Prior to Voting*

There are a variety of factors that all holders of Claims entitled to vote on the Plan should consider prior to voting to accept or reject the Plan, including the following:

- the financial information contained in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement;

- although the Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;

- the Debtors may request Confirmation without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code; and

- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims or Professional Fee Claims.

While these factors could affect distributions available to holders of Allowed Claims under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of holders within the Voting Classes or necessarily require a re-solicitation of the votes of holders of Claims in such Voting Classes.

For a further discussion of risk factors, please refer to Article IX hereof, entitled "Certain Risk Factors to be Considered Before Voting."

D. *Classes Not Entitled to Vote on the Plan*

Under the Bankruptcy Code, holders of claims and interests are not entitled to vote if their contractual rights are unimpaired by the proposed plan, in which case they are conclusively presumed to accept the proposed plan, or if they will receive no property under the plan, in which case they are deemed to reject the proposed plan. Accordingly, the following Classes of Claims and Interests are not entitled to vote to accept or reject the Plan:

Class	Claim or Interest	Status	Voting Rights
1	Secured Tax Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Other Priority Claims	Unimpaired	Presumed to Accept
7	Intercompany Claims	Impaired	Deemed to Reject
8	Intercompany Interests	Impaired	Deemed to Reject
9	Interests in Holdco	Impaired	Deemed to Reject
10	Section 510(b) Claims	Impaired	Deemed to Reject

E. *Solicitation Procedures*

1. *Notice, Claims, and Balloting Agent*

The Debtors retained Epiq Bankruptcy Solutions LLC to act, among other things, as the notice, claims, and balloting agent (the "Notice, Claims, and Balloting Agent") in connection with the solicitation of votes to accept or reject the Plan.

2. *Solicitation Package*

Pursuant to the Disclosure Statement Order, holders of Claims who are entitled to vote to accept or reject the Plan as of [●] (the "Voting Record Date"), will receive appropriate solicitation materials (the "Solicitation Package"), which will include, in part, the following:

- the appropriate Ballot(s) and applicable voting instructions, together with a pre-addressed, postage pre-paid return envelope; and

- this Disclosure Statement, including the Plan as an exhibit thereto.

3. *Distribution of the Solicitation Package and Plan Supplement*

The Debtors will cause the Notice, Claims, and Balloting Agent to distribute the Solicitation Packages to holders of Claims in the Voting Classes on or before [●]. The Voting Deadline is 5:00 p.m. prevailing Eastern Time on [●].

The Solicitation Package (except for the Ballots) may also be obtained: (a) from the Notice, Claims, and Balloting Agent by (i) visiting http://dm.epiq11.com/GAL; (ii) writing to GST AutoLeather, Inc., *et al.*, Ballot Processing Center, c/o Epiq Bankruptcy Solutions LLC, 10300 SW Allen Blvd., Beaverton, Oregon 97005; and/or (iii) emailing tabulation@epiqglobal.com with a reference to "GST AutoLeather" in the subject line; or (b) for a fee via PACER at http://www.deb.uscourts.gov.

At least 10 days prior to the Confirmation Hearing, the Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available at http://dm.epiq11.com/GAL. The Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement (a) from the Notice, Claims, and Balloting Agent by (i) calling the Debtors' restructuring hotline at (866) 897-6433 (toll free) or (646) 282-500 (international); (ii) visiting the Debtors' restructuring website at: http://dm.epiq11.com/GAL; (iii) writing to GST AutoLeather, Inc., *et al.*, Ballot Processing Center, c/o Epiq Bankruptcy Solutions LLC, 10300 SW Allen Blvd., Beaverton, Oregon 97005; and/or (iv) emailing tabulation@epiqglobal.com with a reference to "GST AutoLeather" in the subject line; or (b) for a fee via PACER at http://www.deb.uscourts.gov.

As described above, certain holders of Claims may not be entitled to vote because they are Unimpaired or are otherwise conclusively presumed to accept the Plan under section 1126(f) of the Bankruptcy Code. In addition, certain holders of Claims and Interests may be Impaired but are receiving no distribution under the Plan, and are therefore deemed to reject the Plan and are not entitled to vote. Such holders will receive only the Confirmation Hearing Notice and a non-voting status notice. The Debtors are only distributing a Solicitation Package, including this Disclosure Statement and a Ballot to be used for voting to accept or reject the Plan, to the holders of Claims or Interests entitled to vote to accept or reject the Plan as of the Voting Record Date.

F. *Voting Procedures*

If, as of the Voting Record Date, you are a holder of a Claim in Class 4, Class 5, or Class 6—the Voting Classes—you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by completing the Ballot and returning it in the envelope provided. If your Claim or Interest is not included in the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package. Except as otherwise set forth herein, the Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' creditors and other parties in interest.

1. *Voting Deadline*

The Disclosure Statement Order established a deadline to vote on the Plan of [●], at 5:00 p.m., prevailing Eastern Time (the "Voting Deadline"). To be counted as a vote to accept or reject the Plan, a Ballot must be properly executed, completed, and delivered, whether by first class mail, overnight delivery, or personal delivery, so that the Ballot is **actually received** by the Notice, Claims, and Balloting Agent no later than the Voting Deadline.

2. *Voting Instructions*

As described above, the Debtors have retained Epiq Bankruptcy Solutions, LLC to serve as the Notice, Claims, and Balloting Agent for purposes of the Plan. The Notice, Claims, and Balloting Agent is available to answer questions, provide additional copies of all materials, oversee the voting process, and process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS
To be counted, all Ballots must be **actually received** by the Notice, Claims, and Balloting Agent by the Voting Deadline, which is [●], at 5:00 p.m., prevailing Eastern Time, at the following address: GST AutoLeather, Inc., *et al.*, Ballot Processing Center c/o Epiq Bankruptcy Solutions LLC 10300 SW Allen Blvd., Beaverton, Oregon 97005 If you have any questions on the procedure for voting on the Plan, please call the Debtors' restructuring hotline maintained by the Notice, Claims, and Balloting Agent at: (866) 897-6433 (toll free) or (646) 282-2500 (international).

More detailed instructions regarding the procedures for voting on the Plan are contained in the Ballots distributed to holders of Claims that are entitled to vote to accept or reject the Plan. All votes to accept or reject the Plan must be cast by using the appropriate Ballot. All Ballots must be properly executed, completed, and delivered according to their applicable voting instructions by: (a) first class mail, in the return envelope provided with each Ballot; (b) overnight courier; or (c) hand-delivery, so that the Ballots are **actually received** by the Notice, Claims, and Balloting Agent no later than the Voting Deadline at the return address set forth in the applicable Ballot. Any Ballot that is properly executed by the holder of a Claim entitled to vote that does not clearly indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted.

Each holder of a Claim entitled to vote to accept or reject the Plan may cast only one Ballot for each Claim in a Voting Class held by such holder. By signing and returning a Ballot, each holder of a Claim entitled to vote will certify to the Bankruptcy Court and the Debtors that no other Ballots with respect to such Claim have been cast or, if any other Ballots have been cast with respect to such Claim, such earlier Ballots are superseded and revoked.

All Ballots will be accompanied by postage prepaid return envelopes. It is important to follow the specific instructions provided on each Ballot, as failing to do so may result in your Ballot not being counted.

As described more fully on the applicable Ballots, holders who are entitled to vote on the Plan may opt out of the third party release provided in Article VIII.D of the Plan by (a) checking the box on the Ballot and (b) voting to reject the Plan or abstaining from voting on the Plan. If a holder votes to accept the Plan, such holder will be deemed to consent to the third party release. The election to withhold consent to grant such release is at such holder's option. Likewise, any such holder that votes to accept or reject the Plan and submits a Ballot without checking the box to opt out of the third party release will be deemed to consent to the third party release. Holders deemed to reject the Plan will be deemed to consent to the third party release unless they opt out. Accordingly, the Debtors urge holders permitted to vote on the Plan to thoroughly and carefully read their Ballots, including their right to opt out of the third party release.

3. *Disputed Claims Procedures*

The Disclosure Statement Order authorizes the Debtors to temporarily allow Claims against which an objection is pending as of the Voting Record Date in an amount that the Bankruptcy Court deems appropriate for purposes of permitting the holder of such Claim to vote to accept or reject the Plan. Pursuant to the Solicitation Procedures, if a Claim in a Voting Class is subject to an objection other than a "reduce and allow" objection that is Filed with the Court on or prior to ten days before the Voting Deadline: (i) the Debtors shall cause the applicable holder to be served with a disputed claim notice; and (ii) the applicable holder shall not be entitled to vote to accept or reject the Plan on account of such Claim unless a Resolution Event (as defined below) occurs. The holder of a Claim in a Voting Class that is the subject of a pending objection on a "reduce and allow" basis shall be entitled to vote such Claim in the reduced amount contained in such objection.

If a Claim in a Voting Class is subject to an objection other than a "reduce and allow" objection that is filed with the Bankruptcy Court fewer than ten days before the Voting Deadline, the applicable Claim shall be deemed

temporarily allowed *for voting purposes only*, without further action by the holder of such Claim and without further order of the Bankruptcy Court, unless the Bankruptcy Court orders otherwise.

A "Resolution Event" means the occurrence of one or more of the following events no later than two business days prior to the Voting Deadline: (i) an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (ii) an order of the Bankruptcy Court is entered temporarily allowing such Claim *for voting purposes only* pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (iii) a stipulation or other agreement is executed between the holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount; or (iv) the pending objection is voluntarily withdrawn by the objecting party. No later than one business day following the occurrence of a Resolution Event, the Debtors shall cause the Notice, Claims, and Balloting Agent to distribute via email, hand delivery, or overnight courier service a Solicitation Package and a pre-addressed, postage pre-paid envelope to the relevant holder.

G. *Plan Objection Deadline*

The Disclosure Statement Order established [●], at 4:00 p.m., prevailing Eastern Time, as the deadline to object to Confirmation of the Plan (the "Plan Objection Deadline"). All objections to the Plan must be Filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the Disclosure Statement Order so that they are **actually received** on or before the Plan Objection Deadline.

H. *Confirmation Hearing*

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek Confirmation of the Plan at the Confirmation Hearing. The Disclosure Statement Order scheduled the Confirmation Hearing to commence on [●], at [__] [_].m., prevailing Eastern Time, before the Honorable Laurie Selber Silverstein, United States Bankruptcy Judge, in Courtroom No. 2 of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment Filed with the Bankruptcy Court and served on the entities who have Filed objections to the Plan, without further notice to other parties in interest. The Bankruptcy Court, in its discretion and before the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

ARTICLE IV.

BUSINESS DESCRIPTION

A. *Corporate History*

1. *Introduction*

GST AutoLeather, Inc., is a leading global designer and manufacturer of automotive leather components. GST is the Company's main U.S. operating entity and is the direct or indirect parent of almost all of the foreign operating entities.

(a) *GST's Expansion Strategy*

GST, founded in 1933 as Garden State Tanning, and Seton Company ("Seton"), a company founded in 1906 and purchased by GST in 2011, form the core of GST. GST initially operated as a leather tannery providing leather to the upholstery and garment industries. GST did not enter the automotive industry until 1946. Seton, author of the first automotive leather specification, began servicing the automotive market in 1926. With the rise of automotive leather upholstery, both GST and Seton exited non-automotive leather markets to focus on developing their business as automotive leather suppliers.

In 1980, GST partnered with Toyota Motor Corp. to become the first American supplier to learn and implement the Toyota Production System, including the practice of continuous improvement, thereby setting the stage for future growth and expansion with Japanese and American original equipment manufacturers ("OEMs").

The Company began expanding internationally throughout the 1990s. Specifically, the Company opened a state-of-the-art leather cutting facility in Saltillo, Mexico and a world-class leather finishing operation in Nuevo Laredo, Mexico. To add to its business base and technical skill base, GST acquired Cuinba, an automotive leather supplier in Leon, Mexico. Concurrently, Seton—which, as described below, was later acquired by GST—acquired operations in Germany and South Africa in 1994 and 1998, respectively, which operations were well-established suppliers to German OEMs. In support of its supply to Asian OEM's, the Company opened facilities in Shanghai and Zhongshan, China. Similarly, Seton established distribution in Korea.

i. The Advantage Partners Acquisition

In 2008, Citibank Venture Capital and its affiliate SILLC Holdings, LLC, entered into an agreement with Advantage Partners, LLP, an Asia-based private equity firm ("Advantage Partners"), whereby Advantage Partners acquired 100 percent of GST for $310 million. This acquisition was intended to bolster the Company's market expansion strategies, specifically its pursuit of growth opportunities in the Chinese automotive market.

ii. Acquisition of Seton Company Assets

In September 2010 and January 2011, the Company entered into a two-part transaction to acquire certain assets and legal entities of Seton Acquisition, Inc., d/b/a Seton Company, a major supplier of automotive upholstery leather components, thereby cementing its position as one of the largest automotive leather manufacturers in the world. Through the transactions, the Debtors acquired Seton's assets in North America, and legal entities in China, South Korea, Germany, Hungary, and South Africa. In the North American, Chinese, and Japanese markets, the Debtors continued to market their products as the GST brand. The Company changed the branding with the Korean OEM's from Seton to GST. In the European and South African markets, products continued to be marketed under the name Seton AutoLeather, a GST AutoLeather Company.

iii. The Tata International Limited Joint Venture

In February 2014, the Company entered into a joint venture with Tata International, a manufacturer and exporter of non-automotive leather products based in India. The joint venture, Tata International GST AutoLeather, is headquartered in Mumbai, India with operations in Dewas, India. The joint venture provided the Company with an opportunity to better position itself to supply automotive leather products to the expanding Indian OEM market and other Asian export markets.

These acquisitions helped transform the Company from a primarily North American automotive leather operation into a global designer and manufacturer of automotive leather components

2. *The Company's Business Operations*

The Company operates across four continents and maintains its headquarters in Southfield, Michigan. As of the Petition Date, the Company employed approximately 5,600 employees worldwide, including the United States, Mexico, Japan, China, Korea, Germany, Hungary, South Africa, and Argentina. The Company supplies leather to virtually every major OEM in the automotive industry, including Audi, BMW/Mini, Daimler, Fiat Chrysler, Ford, General Motors, Hyundai, Honda, Porsche, PSA, Nissan, Kia, Toyota and Volkswagen. In 2016, GST had net sales of approximately $540 million, including approximately $273 million in North America, approximately $142 million in Europe, approximately $70 million in Asia, and approximately $55 million in South Africa.

B. *Prepetition Capital Structure*

1. *The Debtors' Prepetition Capital Structure*

As of the Petition Date, the principal amount of the Debtors' consolidated funded debt obligations (the "Prepetition Debt Obligations") totaled approximately $196 million, comprised of: (a) approximately $164 million of obligations under the Senior Credit Facility (as defined herein) and (b) approximately $32 million of obligations under the Mezzanine Loan (as defined herein).

2. *The Senior Credit Facility*

On July 11, 2014, the Debtors entered into the Credit Agreement by and among GST, as borrower, Royal Bank of Canada, as administrative agent, and the lenders from time to time party thereto (the "Senior Credit Facility"). The Senior Credit Facility provided for term B loans in an initial principal amount equal to $150 million and a revolving credit facility in an initial principal amount up to $24 million. The Senior Credit Facility is secured by liens on substantially all of the Debtors' assets, including that certain master intercompany note, dated as of July 11, 2014, by and among GST AutoLeather Cayman II, Ltd. ("Cayman II"), GST AutoLeather Cayman I, Ltd. ("Cayman I"), GST, and certain of GST's subsidiaries. Additionally, the Senior Credit Facility is fully and unconditionally guaranteed by GST, Cayman I, Cayman II, and Strategic Financial LLC, a wholly owned subsidiary of GST ("Strategic Financial"). The revolving credit facility accrues interest at a rate of 5.50/4.50 percent for Eurocurrency and base rate loans, respectively, payable monthly, and matures on July 11, 2019. The term B loans accrue interest at a rate of 5.50/4.50 percent for Eurocurrency and base rate loans, respectively, payable quarterly, and matures on July 11, 2020.

As of July 31, 2017, the maximum availability under the Senior Credit Facility had decreased to approximately $164 million, with approximately $140 million and $24 million between the term B loans and revolving credit facility, respectively. As of the Petition Date, the Debtors had fully drawn the revolving credit facility.

As discussed in greater detail herein, the Debtors entered into a forbearance agreement with respect to the Senior Credit Facility on September 6, 2017. The forbearance agreement included a 0.5 percent forbearance fee on all of the Debtors' outstanding borrowings under the Senior Credit Facility. The Debtors elected to increase the Senior Credit Facility's principal balance in lieu of a cash payment of the forbearance fee. As of the Petition Date, the Senior Credit Facility had accrued approximately $0.8 million of paid in kind fees.

3. *The Mezzanine Loan*

On July 11, 2014, the Debtors entered into that certain Loan Agreement by and among GST, as borrower, and the lenders from time to time party thereto (the "Mezzanine Loan"), pursuant to which the Company incurred approximately $30 million of initial principal indebtedness. The Mezzanine Loan accrues interest at a rate of 13.0 percent payable annually, between 11.0 percent cash interest and 2.0 percent paid-in-kind interest and matures on January 11, 2021. The Mezzanine Loan is unsecured and is fully and unconditionally guaranteed by GST, Cayman I, Cayman II, and Strategic Financial. Moreover, pursuant to that certain subordination agreement, dated as of July 11, 2014 (the "Subordination Agreement"), the Mezzanine Loan is subordinate to the Senior Credit Facility. The Mezzanine Loan had accrued approximately $2 million of paid-in-kind interest as of the Petition Date.

4. *Factoring Facilities*

Certain of the Debtors were previously party to a factoring facility with Branch Banking and Trust Company ("BB&T"), pursuant to which BB&T purchased certain of the Debtors' receivables in North America. The Debtors and BB&T entered into the factoring agreement on May 4, 2015 (as amended, the "BB&T Factoring Facility"). The BB&T Factoring Facility provided the Debtors with advances up to $10 million in consideration for BB&T's purchase of certain of the Debtors' receivables. Pursuant to the BB&T Factoring Facility, BB&T earned a factoring commission in the amount of 0.3 percent of the gross amount of each account factored thereunder, which amount was charged on the date such account is purchased by BB&T.

Shortly after the Petition Date, however, BB&T informed the Debtors that the BB&T Factoring Agreement was automatically terminated. Accordingly, the Debtors, in consultation with their advisors, began exploring alternatives to replace the BB&T Factoring Agreement. The Debtors engaged in arm's length negotiations with Rosenthal & Rosenthal, Inc. ("Rosenthal"), which were successful and resulted in an agreement with Rosenthal to provide factoring to GST on a postpetition basis on the terms and conditions set forth in the agreement (the "Rosenthal Factoring Agreement"). Notably, these terms and conditions were substantially similar to those of the BB&T Factoring Agreement.

5. *SRL Facility*

GST and three non-Debtor foreign affiliates are parties to that certain Debt Confirmation Agreement dated as of September 20, 2017 by and between Richina Leather Industrial Co., Ltd. ("RLI"), Zhongshan GST Autoleather Co., Ltd. ("GST Zhongshan"), GST (Shenyang) Autoleather Co., Ltd. ("GST Shenyang"), GST (Jiaxing) Autoleather Co., Ltd. ("GST Jiaxing" and, together with GST Zhongshan and GST Shenyang, the "PRC Entities"), and GST (the "Debt Confirmation Agreement"), pursuant to which RLI, a supplier of leather finishing services for the Company's Chinese operations, agreed to continue providing goods and services on credit not to exceed $7,000,000. RLI is GST's sole supplier of finishing services in China and integral to GST's Chinese operations. The Debt Confirmation Agreement is secured by mortgages on certain equipment of GST Zhongshan and GST Shenyang and pledges of equity in each of the PRC Entities. As of the Petition Date, GST had utilized approximately $4.1 million of the total outstanding credit available under the Debt Confirmation Agreement. Shortly after the Petition Date, GST repaid all outstanding amounts under the Debt Confirmation Agreement. RLI disputes this repayment.

6. *Equity*

The majority of GST's outstanding equity is owned by Advantage Partners. A minority portion of GST's outstanding equity is owned by the Pacific Alliance Group (PAG) and certain members of management, who made equity investments in GST.

ARTICLE V.

EVENTS LEADING TO THE CHAPTER 11 CASES

A. *The Company's Prepetition Liquidity Constraints*

The Company's global presence and loyal customer base were not enough to shield it from the effects of adverse market conditions, including selling price reductions and a decrease in new vehicle production. The principal factor behind the automobile industry's latest wane was the sharp decline in new vehicle manufacturing. Automobile output fell four percent over the year prior to the Petition Date. Automobile dealers are placing fewer manufacturing orders as they try to deplete overfull inventories. Also contributing to the decline in manufacturing are vehicles that survive longer on the road and the climbing popularity of ride-sharing services that diminish consumers' needs for their own cars.

Additionally, the Company experienced setbacks from the second quarter of 2016 through the second quarter of 2017 related to the launch of certain new European programs. Specifically, one of the tier suppliers violated the OEM's product validation process, resulting in the rejection by the OEM customer's supply chain of approximately 20 percent of products delivered by the Company to the OEM customer. Further, the Company incurred internal rejections due to the OEM customer changing the standards of product acceptance after the OEM design authority had already granted certain approvals. The Company was forced to redesign the product and ultimately relocate certain manufacturing processes supporting this program to its South Africa location to complete manufacturing in a manner that satisfied the changed customer leather specification. Certain similar program launches also faced obstacles due to quality related issues at the time of launch. Together, these challenges resulted in an approximately $8 million negative impact on cash flow over the 12-month period.

Further, the Company continued to experience significant liquidity constraints as a result of its strained relationship with one of its suppliers in China. In 2004, the Company entered into an agreement for leather re-

tanning and finishing services in China with a Chinese supplier. Beginning in late 2015, the counterparty to the Company's agreement had requested additional, above-contract payments. In response to these demands, and in an effort insulate itself from possible supply disruption and resulting damage to its customer relationships, the Company began to utilize its global operations to build up a finished hide inventory supply outside of its supplier's location. The additional payment requests coupled with the investment in the protective inventory reserve resulted in approximately $24 million in unprojected cash outlays.

At the same time, due to customer requirements to establish its own finishing operation, the Company began building its own finishing facility that would also eliminate its dependence on such supplier. In January 2016, the Company began planning for the new finishing facility, meeting with potential strategic partners and scouting potential locations for the plant. In November 2016, the Company entered into an agreement (the "Investment Agreement") with Jiaxing Economic Development Authority (the "JEDA") and a construction and rental agreement (the "Construction Agreement") with Shanghai Jindu Investment Co., Ltd. ("Jindu") for the construction of the finishing facility in Jiaxing, China. Pursuant to the Construction Agreement, Jindu is responsible for purchasing the land and for the cost of construction of the facility and the Company is responsible for purchasing the equipment for the facility and for renting the facility from Jindu. The Company committed to spend approximately $5 million for the new equipment, of which less than $1 million had been spent as of the Petition Date.

The Company also took additional measures to reduce its dependence on certain outside suppliers. For example, beginning in late first quarter 2017, the Company began building up hide inventories in Mexico and Germany, with the goal of building sufficient inventory by the end of third quarter 2017 to be independent from outside suppliers while continuing to satisfy demand from Chinese OEMs until the Jiaxing facility is fully operational. The Company also negotiated extended terms with major hide suppliers to support this production. However, the Company began to unwind its commitments to build an inventory surplus in late July 2017, as liquidity became constrained.

B. *Restructuring Negotiations*

In the months leading up to the Petition Date, the Debtors entered into comprehensive restructuring negotiations with the agent under the Senior Credit Facility (the "First Lien Agent") and the lenders under the Mezzanine Loan (the "Mezzanine Lenders"). In addition, the Debtors continued to engage potential purchasers regarding the terms of a potential out of court transaction.

Starting in July 2017, the Debtors' management and advisors, including Lazard, initiated discussions with the Secured Lenders regarding potential covenant relief. As these discussions progressed and A&M and the Debtors prepared a 13-week cash flow forecast, it became apparent that the Debtors' liquidity was severely constrained. The Debtors determined that they were unable to reach an agreement with the Secured Lenders to fund an out-of-court transaction, and the Debtors did not believe that the Secured Lenders (based on discussions with such lenders) would allow a third party, including other parties within the Debtors' capital structure, to provide funding for an out-of-court transaction on a *pari passu* or senior basis to the Senior Credit Facility.

As discussions continued, the Debtors and a majority of the Secured Lenders executed a forbearance agreement (the "Forbearance Agreement") on September 6, 2017, pursuant to which the Secured Lenders agreed to forbear from exercising remedies as a result of certain specified defaults through September 15, 2017.

In consideration for the Secured Lenders' willingness to forbear, the Debtors agreed to provide the Secured Lenders with certain customary reporting. The Debtors and the Secured Lenders subsequently amended the Forbearance Agreement on September 15, 2017 and September 22, 2017, extending the forbearance period through October 2, 2017. The Debtors used this additional time to negotiate and finalize documentation regarding a $40 million debtor in possession financing facility as described in greater detail below.

In parallel with the Debtors' discussions with the First Lien Agent and Secured Lenders, the Debtors engaged with the Mezzanine Lenders and their advisors regarding the terms of a potential restructuring. As part of these discussions, the Debtors solicited a proposal for potential debtor in possession financing and discussed potential out of court restructuring options. Unfortunately, these discussions did not result in a viable restructuring alternative.

C. *Customer Discussions*

In early September 2017, the Debtors approached certain key customers regarding GST's current situation and plan for a potential chapter 11 filing. Additionally, at this time, GST began discussions with customers regarding entering into accommodation agreements during the pendency of these chapter 11 cases to comply with certain covenants under the Debtors' DIP Facility (as defined below), including commitments not to resource or setoff. In response to these inquiries, several of the Debtors customers organized into an ad hoc customer committee and retained KPMG to serve as advisor to the group.

D. *The DIP Financing Solicitation Process*

In July 2017, the Debtors initiated a competitive marketing process designed to secure postpetition financing on the best available terms. As part of this process, Lazard solicited proposals for debtor in possession ("DIP") financing from six parties in addition to the Secured Lenders and Mezzanine Lenders. With regard to the six alternative lenders contacted, the lenders expressed concern with providing the DIP financing because, among other things, the Debtors' recent financial performance was negative, the Secured Lenders had a lien on substantially all of the Debtors' collateral, the amount of the DIP financing needed, and the fact that much of GST's collateral was located outside of the U.S. Additionally, these potential lenders were not willing to engage in a priming fight with the Secured Lenders. Further, the Secured Lenders were unwilling to provide unsecured administrative credit, credit secured only by junior liens, or credit secured by foreign unencumbered assets. They were, however, willing to provide debtor in possession financing on a senior-secured basis.

Following receipt of the Secured Lenders' proposal for a debtor in possession financing facility (the "DIP Facility"), the Debtors and the Secured Lenders entered into extensive, arm's-length negotiation regarding the terms and the amount of the proposed DIP Facility. Following these negotiations, the Debtors and certain of the Secured Lenders reached an agreement on the terms of a $40 million priming DIP Facility.

ARTICLE VI.

EVENTS OF THE CHAPTER 11 CASES

A. *First Day Pleadings and Other Case Matters*

1. *First and Second Day Relief*

The Debtors Filed on, or shortly after, the Petition Date certain motions and applications requesting various types of "first day" and "second day" relief. The relief granted enabled the Debtors to preserve value and efficiently administer the Chapter 11 Cases, including, among other things: (a) an order authorizing the Debtors to obtain postpetition secured financing, use cash collateral during the Chapter 11 Cases, and granting certain adequate protection to certain secured parties [Docket Nos. 73 and 264]; (b) an order authorizing the Debtors to continue using their existing cash management system, honor certain prepetition obligations related thereto, maintain existing business forms, and continue to perform intercompany transactions [Docket Nos. 58 and 253]; (c) an order directing joint administration of the Chapter 11 Cases [Docket No. 55]; (d) an order authorizing the Debtors to pay certain prepetition taxes and fees [Docket Nos. 57 and 170]; (e) an order authorizing the Debtors to pay their obligations under insurance policies entered into prepetition, continue paying brokerage fees, honor the terms of their premium financing agreement and pay premiums thereunder, enter into new premium financing agreements in the ordinary course of business, and renew, supplement, modify, and purchase insurance coverage in the ordinary course of business [Docket No. 71]; (f) an order granting authority to pay employees' wage Claims and related obligations in the ordinary course of business and continue certain employee benefit programs [Docket Nos. 64 and 174]; (g) an order authorizing the Debtors to make payment on account of prepetition Claims of certain foreign vendors, lien claimants, and 503(b)(9) claimants [Docket Nos. 60 and 255]; (h) an order approving notification and hearing procedures for certain transfers of common stock and preferred stock [Docket Nos. 103 and 172]; and (i) an order approving procedures for, among other things, determining adequate assurance for utility providers, prohibiting utility providers from altering, refusing, or discontinuing services, and determining that the Debtors are not required to provide additional adequate assurance [Docket Nos. 62 and 169].

2. *Retention of Chapter 11 Professionals*

To assist the Debtors in carrying out their duties as debtors-in-possession and to otherwise represent the Debtors' interests in the Chapter 11 Cases, the Bankruptcy Court entered Final Orders authorizing the Debtors to retain and employ the following professionals: (a) Epiq Bankruptcy Solutions, LLC, as the notice and claims agent and administrative advisor for the Debtors [Docket Nos. 63 and 167]; (b) Kirkland & Ellis LLP ("K&E"), as counsel [Docket No. 165]; (c) Pachulski Stang Ziehl & Jones LLP, as co-counsel [Docket No. 164]; (d) Lazard Middle Market LLC and Lazard Frères & Co. LLC, as investment banker [Docket No. 147], (e) Ernst & Young LLP as tax advisor [Docket No. 237]; and (f) Deloitte & Touche LLP as independent auditor [Docket No. 354]. On October 27, 2017, the Bankruptcy Court entered an order approving procedures for the interim compensation and reimbursement of expenses of retained professionals [Docket No. 173], and granted the Debtors the authority to retain and compensate certain professionals utilized by the Debtors in the ordinary course of business [Docket No. 168].

3. *Appointment of Official Committee of Unsecured Creditors*

On October 13, 2017, the Office of the U.S. Trustee appointed the Official Committee of Unsecured Creditors (the "Creditors' Committee") [Docket No. 111]. The members of the Creditors' Committee are: (a) Triangle Capital Corporation; (b) Americana De Cueros S De CV; (c) Curtiembre Arlei S.A.; (d) McAdoo & Allen, Inc., d/b/a Quaker Color; (e) George H. Elliot Company; (f) Ontario Die International SA de CV; and (g) Foreign Domestic Chemicals Corp.

B. *Claims Bar Date*

On December 4, 2017, the Debtors Filed the Schedules [Docket Nos. 317-328, 331] pursuant to section 521 of the Bankruptcy Code and in accordance with the Bankruptcy Court's order [Docket No. 171].

The Bankruptcy Code allows the Bankruptcy Court to fix the time within which Proofs of Claim must be filed in the Chapter 11 Cases. Any creditor whose Claim is not scheduled in the Schedules or whose Claim is scheduled as disputed, contingent, or unliquidated must File a Proof of Claim.

On November 29, 2017, the Debtors Filed a motion requesting the Bankruptcy Court to enter an order approving, among other things: (a) January 23, 2018, at 5:00 p.m. prevailing Eastern Time (the "Claims Bar Date") as the deadline for all non-Governmental Units to File Claims in the Chapter 11 Cases; (b) April 2, 2018, at 5:00 p.m. prevailing Eastern Time as the deadline for all Governmental Units to File Claims in the Chapter 11 Cases; (c) January 23, 2018, at 5:00 p.m. prevailing Eastern Time, as the deadline to request allowance of certain Administrative Claims; (d) procedures for filing Proofs of Claim; and (e) the form and manner of notice of the bar dates [Docket No. 306]. On December 18, 2017, the Bankruptcy Court granted such relief [Docket No. 355].

As of the General Claims Bar Date, approximately 160 Proofs of Claim were timely Filed in the Chapter 11 Cases. The Debtors are currently reviewing these Proofs of Claim to determine whether the asserted Claims should be Allowed, and if so, in what amount and priority. The Debtors or the Plan Administrator may file objections to certain Claims by the Claims Objection Bar Date that they believe should not be Allowed in the amount or priority asserted in the relevant Proofs of Claim.

C. *The DIP Motion*

The Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Secured Financing Pursuant to Section 364 of the Bankruptcy Code and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* [Docket No. 6] (the "DIP Motion"). The DIP Motion sought approval of the DIP Facility under that certain DIP Agreement entered into as of October 3, 2017, by and among GST, as borrower, GST AutoLeather Cayman I Ltd., GST AutoLeather Cayman II, Ltd., Strategic Financial LLC, and certain Debtors party thereto as guarantors (the "DIP Guarantors," and together with GST, the "DIP Loan Parties"), Royal Bank of Canada (the "DIP Facility

Agent"), as administrative agent and collateral agent, and the lenders thereunder (collectively, and together with the Royal Bank of Canada, in such capacity, the "DIP Facility Lenders").

The DIP Facility consists of up to $40 million in delayed draw term loan commitments, pursuant to which for each $1 of delayed draw commitments provided by a prepetition lender, $1 of indebtedness under the Senior Credit Facility owed to such prepetition lender would be rolled up into the DIP Facility. The DIP Motion requested approval of $25 million on an interim basis and $40 million in the aggregate on a final basis to provide the Debtors with sufficient liquidity to stabilize and fund the Debtors' general and corporate operations during the chapter 11 cases.

On November 2, 2017, the Creditors' Committee filed an objection [Docket No. 204] (the "Creditors' Committee Objection") to the DIP Motion. The Debtors subsequently adjourned the final hearing on the DIP Motion to November 13, 2017, to allow the Debtors, the Creditors' Committee, and other parties in interest to discuss an amicable resolution of the Creditors' Committee Objection and other disagreements.

Ultimately, the Debtors and other parties in interest were able to reach an agreement at the November 13, 2017 hearing. Following that hearing, the Court entered a final order approving the DIP Motion [Docket No. 264]. On December 21, 2017, the Court entered the *Stipulation and Agreed Order Amending the Final Order (I) Authorizing the Debtors to (A) Obtain Postpetition Secured Financing Pursuant to Section 364 of the Bankruptcy Code and (B) Utilize Cash Collateral; (II) Granting Liens and Superpriority Administrative Expense Claims; (III) Granting Adequate Protection; (IV) Modifying the Automatic Stay; and (V) Granting Related Relief* [Docket No. 369]. On January 26, 2018, the Debtors filed the *Notice of Filing of Waiver and Amendment No. 2 to Credit Agreement* [Docket No. 517]. On February 11, 2018, the Debtors filed the *Notice of Filing of Waiver and Amendment No. 2 to Credit Agreement* [Docket No. 548].

D. *Bid Procedures Motion and Sale Process*

On October 18, 2017, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Approving Bid Procedures for the Sale of Substantially All of the Debtors' Assets, (II) Scheduling an Auction and Hearing to Consider the Sale, (III) Approving the Form and Manner of Notice Thereof, (IV) Approving Certain Expense Reimbursement Provisions and Breakup Fee, and (V) Granting Related Relief* [Docket No. 132] (the "Bid Procedures Motion") seeking approval of the Bid Procedures in connection with the sale of substantially all of the Debtors' assets, establishment of certain dates and deadlines, including the bid deadlines and the date of the auction, and scheduling a hearing to approve the sale of substantially all of the Debtors' assets to the highest or otherwise best bidder and establishing deadlines for objections and responses to relief requested in the Sale Motion (as defined herein).

The Creditors' Committee filed an objection and reservation of rights [Docket No. 203] to the Debtors' request that the Bankruptcy Court enter an order approving the Bid Procedures (the "Bid Procedures Order"). Following a hearing on November 13, 2017, the Court entered the Bid Procedures Order [Docket No. 263].

The Bid Procedures Order established November 20, 2017 as the deadline for indications of interest, January 8, 2018 as the bid deadline, January 10, 2018 as the objection deadline to the Sale Motion, January 12, 2018 as the auction date, January 16, 2018 as the auction objection deadline, and January 17, 2018 as the hearing date on the Sale Motion.

An auction was held at the New York offices of Kirkland & Ellis LLP on January 12, 2018 and January 13, 2018, with three bidders: (i) an entity controlled by funds affiliated with Black Diamond Capital Management L.L.C.; (ii) Faurecia USA Holdings, Inc.; and (iii) GST Lender Acquisition Corp., an entity controlled by the Prepetition Secured Lenders. After over ten rounds of bidding, GST Lender Acquisition Corp. (the "Successful Bidder") emerged as the prevailing bidder.

E. *The Creditors' Committee's Standing Motion*

On December 27, 2017, the Creditors' Committee filed the *Motion of Official Committee of Unsecured Creditors for Entry of an Order Granting Derivative Standing and Authority to Prosecute and Settle Claims on Behalf of the Debtors' Estate* [Docket No. 383] (the "Standing Motion") seeking derivative standing to bring, allegedly for the benefit of the Debtors' estates, certain claims in connection with the Senior Credit Facility. On January 11, 2018, the Debtors filed an objection to the Standing Motion [Docket No. 417] (the "Debtors' Objection"). The Royal Bank of Canada, as administrative and collateral agent under the Senior Credit Facility, also filed an objection to the Standing Motion [Docket No. 418] (the "RBC Objection"). Pursuant to the terms of the Plan Support Agreement (described below), the Creditors' Committee has agreed to adjourn the Standing Motion pending the Effective Date of the Plan, when the Standing Motion will be dismissed with prejudice.

F. *The Sale Transaction*

A key event of these Chapter 11 Cases is the Sale Transaction pursuant to which the Debtors will sell substantially all of the assets of their chapter 11 estates. Pre- and postpetition, the Debtors engaged in arm's-length, good faith negotiations with interested parties regarding a potential sale of all or substantially all of the assets of their Estates. These negotiations culminated with the execution of that certain asset purchase agreement, dated as of February 13, 2018, by and among the Debtors and the Successful Bidder.

On December 27, 2017, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Approving the Successful Bidder's APA and Authorizing the Sale of Assets Outside the Ordinary Course of Business, (II) Authorizing the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances, and Interests, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* [Docket No. 385] (the "Sale Motion"). Pursuant to the Asset Purchase Agreement entered into by the Successful Bidder and the Debtors:

- the Successful Bidder agreed to purchase substantially all of the Debtors' assets for a Base Purchase Price of $166.9 million, including a Credit Bid, Cash Payment, assumption of Assumed Liabilities, and Settlement Payment (as each term is defined in the Asset Purchase Agreement);

- the parties agreed that the assets to be sold pursuant to the Asset Purchase Agreement were to be sold free and clear of all Interests pursuant to section 363(f) of the Bankruptcy Code, but subject to Permitted Encumbrances (as such term is defined in the Asset Purchase Agreement for conveyance purposes); and

- the Purchaser agreed to assume certain Assumed Liabilities in connection with the Debtors' businesses, including certain Cure Costs (as each term is defined in the Asset Purchase Agreement).

After considering the issues at a hearing, on February 14, 2018, the Bankruptcy Court entered an order approving the sale and the final Asset Purchase Agreement [Docket No. 485] (the "Sale Order"). Under the Plan, consummation of the Sale Transaction is a condition to the Effective Date.

G. *The Plan Support Agreement*

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan constitute a good-faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan. The Plan's foundation is established by that certain Plan Support Agreement, dated February 13, 2018, by and among the Debtors, the Creditors' Committee, holders of more than 50 percent of outstanding Prepetition Secured Lender Claims, and holders of 100 percent of outstanding Mezzanine Lender Claims (the "Plan Support Agreement"), which documents a global settlement among the parties thereto, pursuant to

which the parties thereto have agreed to support the Plan. The settlement set forth in the Plan Support Agreement and the form chapter 11 plan attached thereto provides for, among other things:

- a $2.1 million cash pool to fund distributions to unsecured creditors, 75 percent of which shall be for holders of Unsecured Claims and 25 percent of which shall be for holders of Mezzanine Lender Claims;

- a commitment by the Prepetition Secured Lenders, party to the Plan Support Agreement, to direct the Prepetition Secured Agent to amend the Subordination Agreement with the Mezzanine Lenders, as necessary to effectuate the distributions to holders of Claims contemplated in Article III of the Plan;

- a commitment by all holders of Claims or parties thereto to vote their Claims to accept the Plan, when properly solicited to do so under the Bankruptcy Code;

- an agreed, go-forward budget under the DIP Credit Agreement to fund the chapter 11 cases through consummation of the Sale Transaction and the Plan; and

- the continuance, dismissal, and withdrawal (as applicable) of the Standing Motion, the related adversary complaint, and the Committee's Motion for Entry of an Order Modifying the DIP Budget [Docket No. 414].

The Plan Support Agreement was the culmination of lengthy, good faith negotiations among the parties regarding potential plan treatments and resolution of certain litigation in connection therewith, including with respect to the Standing Motion.

A court may approve a proposed compromise or settlement, so long as the compromise or settlement is in the "best interest of the estate." *In re Neshaminy Office Bldg. Assocs.*, 62 B.R. 798, 803 (E.D. Pa. 1986). In making this determination, a court typically examines four factors: "(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors." *In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996) (citations omitted). Further, a court need only determine that the proposed settlement or compromise is above the "lowest point in the range of reasonableness." *In re Pa. Truck Lines, Inc.*, 150 B.R. 595, 598 (E.D. Pa. 1992), aff'd, 8 F.3d 812 (3d Cir. 1993); *see also In re World Health Alternatives, Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006) (noting that "the court does not have to be convinced that the settlement is the best possible compromise," rather the court need only "conclude that the settlement is 'within the reasonable range of litigation possibilities'" (citations omitted)).

The Debtors believe that the global compromise and settlement between the Debtors, the Creditors' Committee, holders of more than 50 percent of outstanding Prepetition Secured Lender Claims, and holders of 100 percent of outstanding Mezzanine Lender Claims, as reflected by the Plan, is a sound exercise of the Debtors' business judgment and is in the best interests of the Debtors' estates. Among other things, it resolves the material prospect of substantial litigation among the parties, which the Debtors believe would be expensive and lengthy due to the complexity of the issues presented. These include legal and factual issues regarding the validity, perfection, and other challenges to certain of the Prepetition Secured Lender's liens and claims. Accordingly, the Debtors believe that the global compromise and settlement avoids significant litigation costs, permits these chapter 11 cases to proceed expeditiously toward conclusion, and results in support for the Plan from: (a) a significant portion of the Debtors' Prepetition Secured Lenders, (b) the Creditors' Committee, as representatives and fiduciaries of the Debtors unsecured creditors, and (c) the Mezzanine Lenders. Therefore, the Debtors believe that the global compromise and settlement provided by the Plan is fair, reasonable, and in the best interests of the Debtors' estates.

ARTICLE VII.

SUMMARY OF THE PLAN

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan, and is qualified in its entirety by reference to the Plan (as well as any exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in the documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions of the Plan or documents referred to therein.

The Plan controls the actual treatment of Claims against, and Interests in, the Debtors under the Plan, and will, upon the occurrence of the Effective Date, be binding upon all holders of Claims against and Interests in the Debtors and the Debtors' Estates, all parties receiving property under the Plan, and other parties in interest. In the event of any conflict between this Disclosure Statement and the Plan or any other operative document, the terms of the Plan and/or such other operative document shall control.

A. *Means for Implementation of the Plan*

1. *Plan Administrator*

The Plan Administrator shall act for the Post-Effective Date Debtors in the same fiduciary capacity as applicable to a board of directors or managers and officers, subject to the provisions in the Plan (and all certificates of formation, membership agreements, and related documents are deemed amended by the Plan to permit and authorize the same). On the Effective Date, the authority, power, and incumbency of the persons acting as directors, managers, and officers of the Post-Effective Date Debtors shall be deemed to have resigned, solely in their capacities as such, and the Plan Administrator shall be appointed as the sole director or manager and the sole officer of the Post-Effective Date Debtors and shall succeed to the powers of the Post-Effective Date Debtors' managers and officers. From and after the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Post-Effective Date Debtors. For the avoidance of doubt, the foregoing shall not limit the authority of the Post-Effective Date Debtors or the Plan Administrator, as applicable, to continue the employment any former director, manager, or officer.

(a) Powers of the Plan Administrator

The powers of the Plan Administrator shall include any and all powers and authority to implement the Plan and to make distributions thereunder and wind down the Estates of the Debtors and the Post-Effective Date Debtors, as applicable, including: (1) liquidating, receiving, holding, investing, supervising, and protecting the assets of the Post-Effective Date Debtors remaining after consummation of the Sale Transaction; (2) taking all steps to execute all instruments and documents necessary to effectuate the distributions to be made under the Plan; (3) making distributions as contemplated under the Plan; (4) establishing and maintaining bank accounts in the name of the Post-Effective Date Debtors; (5) subject to the terms set forth herein, employing, retaining, terminating, or replacing professionals to represent it with respect to its responsibilities or otherwise effectuating the Plan to the extent necessary; (6) paying all reasonable fees, expenses, debts, charges, and liabilities of the Post-Effective Date Debtors; (7) administering and paying taxes of the Post-Effective Date Debtors, including filing tax returns; (8) representing the interests of the Post-Effective Date Debtors before any taxing authority in all matters, including any action, suit, proceeding, or audit; and (9) exercising such other powers as may be vested in it pursuant to an order of the Bankruptcy Court or pursuant to the Plan, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

The Plan Administrator may resign at any time upon 30 days' written notice delivered to the Bankruptcy Court, *provided* that such resignation shall only become effective upon the appointment of a permanent or interim successor Plan Administrator. Upon its appointment, the successor Plan Administrator, without any further act, shall become fully vested with all of the rights, powers, duties, and obligations of its predecessor and all

responsibilities of the predecessor Plan Administrator relating to the Post-Effective Date Debtors shall be terminated.

(b) Appointment of the Plan Administrator

The Plan Administrator shall be appointed by the Creditors' Committee, in consultation with the Debtors. The Plan Administrator shall retain and have all the rights, powers, and duties necessary to carry out his or her responsibilities under this Plan, and as otherwise provided in the Confirmation Order.

(c) Retention of Professionals

The Plan Administrator shall have the right to retain the services of attorneys, accountants, and other professionals that, in the discretion of the Plan Administrator, are necessary to assist the Plan Administrator in the performance of his or her duties. The reasonable fees and expenses of such professionals shall be paid by the Post-Effective Date Debtors, upon the monthly submission of statements to the Plan Administrator. The payment of the reasonable fees and expenses of the Plan Administrator's retained professionals shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court.

(d) Compensation of the Plan Administrator

The Plan Administrator's compensation, on a post-Effective Date basis, shall be as described in the Plan Supplement.

(e) Wind Down Amount

Notwithstanding anything to the contrary herein, all fees, expenses, and disbursements of the Plan Administrator in connection with the wind down and dissolution of the Debtors' Estates and the Post-Effective Date Debtors, as applicable, shall be funded from the Wind Down Amount and, the proceeds of any non-Cash assets held by the Post-Effective Date Debtors after consummation of the Sale Transaction, and any Excess Distributable Cash. For the avoidance of doubt, the Plan Administrator's compensation, and the payment of fees and expenses of any attorneys, accountants, and other professionals engaged by the Plan Administrator, shall be funded from the Wind Down Amount and the proceeds of any non-Cash assets held by the Post--Effective Date Debtors after consummation of the Sale Transaction.

(f) Wind Down

On and after the Effective Date, the Plan Administrator will be authorized to implement the Plan and any applicable orders of the Bankruptcy Court, and the Plan Administrator shall have the power and authority to take any action necessary to wind down and dissolve the Debtors' Estates.

As soon as practicable after the Effective Date, the Plan Administrator shall take any and all actions as the Plan Administrator may determine to be necessary or desirable to carry out the purposes of the Plan. From and after the Effective Date the Debtors (1) for all purposes shall be deemed to have withdrawn their business operations from any state in which the Debtors were previously conducting, or are registered or licensed to conduct, their business operations, and shall not be required to file any document, pay any sum, or take any other action in order to effectuate such withdrawal, (2) shall be deemed to have cancelled pursuant to this Plan all Interests, and (3) shall not be liable in any manner to any taxing authority for franchise, business, license, or similar taxes accruing on or after the Effective Date.

The filing of the final monthly report (for the month in which the Effective Date occurs) and all subsequent quarterly reports shall be the responsibility of the Plan Administrator.

(g) The Plan Administrator Exculpation, Indemnification, Insurance, and Liability Limitation

The Plan Administrator and all professionals retained by the Plan Administrator, each in their capacities as such, shall be deemed exculpated and indemnified, except for fraud, willful misconduct, or gross negligence, in all respects by the Post-Effective Date Debtors. The Plan Administrator may obtain, at the expense of the Post-Effective Date Debtors, commercially reasonable liability or other appropriate insurance with respect to the indemnification obligations of the Post-Effective Date Debtors. The Plan Administrator may rely upon written information previously generated by the Debtors.

(h) Tax Returns

After the Effective Date, the Plan Administrator shall complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and, pursuant to section 505(b) of the Bankruptcy Code, may request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws.

2. *Dissolution of the Post-Effective Date Debtor*

Upon a certification to be Filed with the Bankruptcy Court by the Plan Administrator of all distributions having been made and completion of all its duties under the Plan and entry of a final decree closing the last of the Chapter 11 Cases, the Post-Effective Date Debtors shall be deemed to be dissolved without any further action by the Post-Effective Date Debtors, including the filing of any documents with the secretary of state for the state in which the Post-Effective Date Debtors are formed or any other jurisdiction. The Plan Administrator, however, shall have authority to take all necessary actions to dissolve the Post-Effective Date Debtors in and withdraw the Post-Effective Date Debtors from applicable states.

3. *Disbursing Agent*

Distributions under the Plan shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. Additionally, in the event that the Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Post-Effective Date Debtors.

(a) Powers of the Disbursing Agent

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

(b) Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and out-of-pocket expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Post-Effective Date Debtors.

4. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

(a) Record Date for Distribution

On the Distribution Record Date, the Claims Register shall be closed and any party responsible for making distributions shall instead be authorized and entitled to recognize only those record holders listed on the Claims Register as of the close of business on the Distribution Record Date.

(b) Delivery of Distributions

Except as otherwise provided in the Plan, the Post-Effective Date Debtors shall make distributions to holders of Allowed Claims and Allowed Interests on the Effective Date at the address for each such holder as indicated on the Debtors' records as of the date of any such distribution; *provided that* the manner of such distributions shall be determined at the discretion of the Post-Effective Date Debtors; *provided*, *further*, that the address for each holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that holder.

(c) Minimum Distributions

Notwithstanding any other provision of the Plan, the Disbursing Agent will not be required to make distributions of Cash less than $100 in value, and each such Claim to which this limitation applies shall be discharged pursuant to **Error! Reference source not found.** of the Plan and its holder is forever barred pursuant to **Error! Reference source not found.** of the Plan from asserting that Claim against the Debtors or their property.

(d) Undeliverable Distributions and Unclaimed Property

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

B. *Settlement, Release, Injunction, and Related Provisions*

1. *General Settlement of Claims and Interests*

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, Causes of Action, and controversies released, settled, compromised, discharged, or otherwise resolved pursuant to the Plan, including, without limitation, any actual or potential dispute concerning the allowance of the Prepetition Secured Lender Claims pursuant to Article III.B.3 in the Plan. The Plan shall be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interests of the Debtors and their Estates. Subject to **Error! Reference source not found.** of the Plan, all distributions made to holders of Allowed Claims and Allowed Interests (as applicable) in any Class are intended to be and shall be final.

2. *Terms of Injunctions or Stays*

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 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 until 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.

3. ***Release of Liens***

Except as otherwise provided in the Plan, the Plan Supplement, or any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, and required to be satisfied pursuant to the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, compromised, and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert automatically to the applicable Debtor and its successors and assigns. Any holder of such Secured Claim (and the applicable agents for such holder) shall be authorized and directed to release any collateral or other property of any Debtor (including any cash collateral and possessory collateral) held by such holder (and the applicable agents for such holder), and to take such actions as may be reasonably requested by the Post-Effective Date Debtors to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases. The presentation or filing of the Confirmation Order to or with any federal, state, provincial, or local agency or department shall constitute good and sufficient evidence of, but shall not be required to effect, the termination of such Liens.

4. ***Releases by the Debtors***

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each Released Party is deemed released and discharged by each and all of the Debtors, the Post-Effective Date Debtors, and their 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, directly or derivatively, by, through, for, or because of the foregoing entities, from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of any of the Debtors, the Post-Effective Date Debtors, or their Estates, as applicable, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Post-Effective Date Debtors, or their Estates or affiliates 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, a Debtor or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the Debtors' in- or out-of-court sale and restructuring efforts, intercompany transactions, the Prepetition Secured Credit Agreement Documents, the Sale Transaction, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, filing, or consummation of the Disclosure Statement, the DIP Credit Agreement, the DIP Credit Agreement Documents, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the DIP Credit Agreement, the DIP Credit Agreement Documents, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date; *provided that* any right to enforce the Plan, the Confirmation Order, and the Asset Purchase Agreement is not so released.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Error! Reference source not found. **of the Plan by the Debtors, which includes by reference each of the related provisions and definitions contained in this Plan, and further, shall constitute the Bankruptcy Court's finding that each release described in** Error! Reference source not found. **of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, (2) a good-faith settlement and compromise of such Claims; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors or Post-Effective Date Debtors or**

their respective Estates asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

5. ***Releases by holders of Claims and Interests***

As of the Effective Date, in exchange for good and valuable consideration, including the obligations of the Debtors under the Plan and the contributions of the Released Parties to facilitate and implement the Plan, to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, each of the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged each Debtor, Post-Effective Date Debtor, and Released Party from any and all any and all Claims, interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, including any derivative claims, asserted or assertable on behalf of any of the Debtors, the Post-Effective Date Debtors, or their 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, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the Debtors' in- or out-of-court sale and restructuring efforts, intercompany transactions, the Prepetition Secured Credit Agreement Documents, the Sale Transaction, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, filing, or consummation of the Disclosure Statement, the DIP Credit Agreement, the DIP Credit Agreement Documents, the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement, the DIP Credit Agreement, the DIP Credit Agreement Documents, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of 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; *provided* that any right to enforce the Plan, the Confirmation Order, and the Asset Purchase Agreement is not so released.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Error! Reference source not found. **of the Plan, which includes by reference each of the related provisions and definitions contained in this Plan, and further, shall constitute the Bankruptcy Court's finding that each release described in** Error! Reference source not found. **of the Plan is: (1) in exchange for the good and valuable consideration provided by the Released Parties, (2) a good-faith settlement and compromise of such Claims; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Releasing Parties or the Debtors or Post-Effective Date Debtors or their respective Estates asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.**

The Debtors believe the third-party release is entirely consensual under the established case law in the United States Bankruptcy Court for the District of Delaware. *See Indianapolis Downs, LLC*, 486 B.R. 286, 304–06 (Bankr. D. Del. 2013). The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions provided by the Plan as part of Confirmation of the Plan.

As more fully explained above and in the Plan, the effect of this consensual third party release will be a full and final release of any and all causes of action and all other claims against certain parties as of the Effective Date of the Plan, to the extent such causes of action or claims relate, generally, to the subject matter of the holders' Claim or the prior or existing business or operations of the Debtors. Such consensual release will include both known and unknown causes of action and claims. As described more fully in the Plan, the parties receiving releases include (a) the Prepetition Secured Lenders; (b) the Prepetition Secured Agent; (c) the DIP Lenders; (d) the DIP Agent; (e) the Creditors' Committee and each of its members; and (f) with respect to each of the Debtors, the Post-Effective Date Debtors, and each of the foregoing entities in clauses (a) through (e), such Entity and its current and former Affiliates, and such Entities' and their current and former Affiliates' current and former directors, managers,

officers, principals, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, participants, successors, assigns, subsidiaries, affiliates, managed accounts or funds, and each of their respective current and former equity holders, officers, directors, managers, principals, shareholders, members, management companies, fund advisors, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals.

6. ***Exculpation***

Notwithstanding anything herein to the contrary, the Exculpated Parties shall neither have nor incur, and each Exculpated Party is released and exculpated from, any liability to any holder of a Cause of Action, Claim, or Interest for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, consummation of the Sale Transaction, the formulation, preparation, dissemination, negotiation, filing, or consummation of the Disclosure Statement, the Plan, the DIP Credit Agreement, the DIP Credit Agreement Documents, or any Restructuring Transaction, contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan or the distribution of property under the Plan or any other related agreement (whether or not such issuance or distribution occurs following the Effective Date), negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed hereunder, except for actions determined by Final Order to have constituted actual fraud or gross negligence, but 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. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

7. ***Injunction***

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been released, discharged, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Post-Effective Date Debtors, the Exculpated Parties, or the Released 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 or Interests; (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 or Interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; 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 or Interests released or settled pursuant to the Plan.

Upon entry of the Confirmation Order, all holders of Claims and Interests and their respective current and former employees, agents, officers, directors, managers, principals, and direct and indirect Affiliates shall be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan. Each holder of an Allowed Claim or Allowed Interest, as applicable, by accepting, or being eligible to accept, distributions under or Reinstatement of such Claim or Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Error! Reference source not found. **of the Plan.**

8. *Setoffs and Recoupment*

Except as expressly provided in this Plan, each Post-Effective Date Debtor may, pursuant to section 553 of the Bankruptcy Code, set off or recoup against any Plan distributions to be made on account of any Allowed Claim, any and all claims, rights, and Causes of Action that such Post-Effective Date Debtor may hold against the holder of such Allowed Claim to the extent such setoff or recoupment is either (1) agreed in amount among the relevant Post-Effective Date Debtor(s) and holder of Allowed Claim or (2) otherwise adjudicated by the Bankruptcy Court or another court of competent jurisdiction; *provided* that neither the failure to effectuate a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by a Post-Effective Date Debtor or its successor of any and all claims, rights, and Causes of Action that such Post-Effective Date Debtor or its successor may possess against the applicable holder. In no event shall any holder of Claims against, or Interests in, the Debtors be entitled to recoup any such Claim or Interest against any claim, right, or Cause of Action of the Debtors or the Post-Effective Date Debtors, as applicable, unless such holder actually has performed such recoupment and provided notice thereof in writing to the Debtors in accordance with **Error! Reference source not found.** of the Plan on or before the Effective Date, notwithstanding any indication in any Proof of Claim or otherwise that such holder asserts, has, or intends to preserve any right of recoupment.

ARTICLE VIII.

STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The following is a brief summary of the confirmation process. holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. **The Bankruptcy Court has scheduled the Confirmation Hearing for [____], at [___], prevailing Eastern Time.** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or the Filing of a notice of such adjournment served in accordance with the order approving this Disclosure Statement and Solicitation Procedures. Any objection to the Plan must: (1) be in writing; (2) conform to the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the District of Delaware; (3) state the name, address, phone number, and email address of the objecting party and the amount and nature of the Claim or Interest of such entity, if any; (4) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (5) be Filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the following notice parties set forth below no later than the Plan Objection Deadline. **Unless an objection to the Plan is timely served and Filed, it may not be considered by the Bankruptcy Court**.

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<tr><th colspan="2">U.S. Trustee</th></tr>
<tr><td colspan="2">Office of the United States Trustee
The District of Delaware
844 King Street, Suite 2207
Wilmington, Delaware 19801
Attn: Timothy J. Fox, Esq.</td></tr>
</table>

B. *Confirmation Standards*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code. Specifically, the Debtors believe that the Plan satisfies or will satisfy the applicable confirmation requirements of section 1129 of the Bankruptcy Code, including those set forth below.

1. *Feasibility*

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan.

The Plan provides for the liquidation and distribution of the Debtors' assets. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

2. *Best Interests of Creditors*

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such holder with a recovery that has a value at least equal to the value of the recovery that each such holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. Accordingly, if an Impaired Class does not unanimously vote to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Debtors were liquidated under chapter 7.

The Debtors believe that the Plan satisfies the best interests test because, among other things, the recoveries expected to be available to holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation, as discussed more fully below and as supported by the liquidation analysis attached hereto as **Exhibit B** (the "Liquidation Analysis").

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining sale proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

Substantially all of the assets of the Debtors' business were liquidated through the Sale Transaction in accordance with the Purchase Agreement. Although the Plan effects a liquidation of the Debtors' remaining assets and a chapter 7 liquidation would achieve the same goal, the Debtors believe that the Plan provides a greater recovery to holders of Allowed General Unsecured Claims than would a chapter 7 liquidation. Liquidating the Debtors' Estates under the Plan likely provides holders of Allowed General Unsecured Claims with a larger, more timely recovery in part because of the expenses that would be incurred in a chapter 7 liquidation, including the potential added time (thereby reducing the present value of any recovery for holders) and expense incurred by the chapter 7 trustee and any retained professionals in familiarizing themselves with the Chapter 11 Cases. *See, e.g.*, 11 U.S.C. § 326(a) (providing for compensation of a chapter 7 trustee); 11 U.S.C. 503(b)(2) (providing administrative expense status for compensation and expenses of a chapter 7 trustee and such trustee's professionals). The conversion to chapter 7 would also require entry of a new bar date. *See* Fed. R. Bankr. P. 1019(2); 3002(c). Thus, the amount of Claims ultimately filed and Allowed against the Debtors could materially increase, thereby further reducing creditor recoveries versus those available under the Plan.

Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

C. *Alternative Plans*

The Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Debtors' Estates. The Debtors believe that the Plan, as described herein, enables holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

D. *Acceptance by Impaired Classes*

The Bankruptcy Code requires, as a condition to Confirmation that, except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the plan. A class that is not

"impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (2) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question; or (3) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Votes that have been "designated" under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of claims. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance, subject to Article III of the Plan. Only holders of Claims in the Voting Classes will be entitled to vote on the Plan.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds in dollar amount of those interests who actually vote to accept or reject a plan. Votes that have been "designated" under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of interests. Thus, a Class of Interests will have voted to accept the Plan only if two-thirds in amount actually voting cast their Ballots in favor of acceptance, not counting designated votes, subject to Article III of the Plan. No Class including holders of Interests is entitled to vote on the Plan.

Article III.F of the Plan provides in full: "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 Debtors shall request the Bankruptcy Court to deem the Plan accepted by the holders of such Claims or Interests in such Class." Such "deemed acceptance" by an impaired class in which no class members submit ballots satisfies section 1129(a)(10) of the Bankruptcy Code. *See In re Tribune Co.*, 464 B.R. 126, 183 (Bankr. D. Del. 2011) ("Would 'deemed acceptance' by a non-voting impaired class, in the absence of objection, constitute the necessary 'consent' to a proposed 'per plan' scheme? I conclude that it may." (footnote omitted)); *see In re Adelphia Commc'ns Corp.*, 368 B.R. 14, 259–63 (Bankr. S.D.N.Y. 2007).

E. *Confirmation Without Acceptance by All Impaired Classes*

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if Impaired Classes entitled to vote on the plan have not accepted it or if an Impaired Class is deemed to reject the Plan; *provided* that the plan is 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, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cram down," 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.

1. *No Unfair Discrimination*

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of Classes of Claims of equal rank (*e.g.*, classes of the same legal character). The Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for nonconsensual Confirmation.

2. *Fair and Equitable Test*

This test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in

such class. As to the non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the "fair and equitable" requirement because, for each applicable Class, there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

(a) Secured Claims

The condition that a plan be "fair and equitable" to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

(b) Unsecured Claims

The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims requires that either: (i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

(c) Equity Interests

The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either: (i) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (A) the allowed amount of any fixed liquidation preference to which such holder is entitled; (B) any fixed redemption price to which such holder is entitled; or (C) the value of such interest; or (ii) if the class does not receive the amount as required under (i) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

ARTICLE IX.

CERTAIN RISK FACTORS TO BE CONSIDERED BEFORE VOTING

holders of Claims should read and carefully consider the risk factors set forth below, as well as the other information set forth in this Disclosure Statement and the documents delivered together with this Disclosure Statement, referred to or incorporated by reference in this Disclosure Statement, before voting to accept or reject the Plan. 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. *Risk Factors that May Affect Recoveries Available to holders of Allowed Claims Under the Plan*

1. *Actual Amounts of Allowed Claims May Differ from Estimated Amounts of Allowed Claims, Thereby Adversely Affecting the Recoveries of Some holders of Allowed Claims*

The estimates of Allowed Claims and recoveries for holders of Allowed Claims set forth in this Disclosure Statement are based on various assumptions. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may significantly vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the recoveries to holders of Allowed Claims and Allowed Interests under the Plan. Some holders are not entitled to any recovery pursuant to the terms of the Plan, and, depending on the

accuracy of the Debtors' various assumptions, even those holders entitled to a recovery under the terms of the Plan may ultimately receive no recovery.

2. *The Debtors Cannot State with Certainty What Recovery Will Be Available to holders of Allowed Claims in the Voting Classes*

The Debtors cannot know with certainty, at this time, the number or amount of Claims in the Voting Classes that will ultimately be Allowed and how the amount of Allowed Claims will compare to the estimates provided herein. For example, a number of Proofs of Claim allege Claims in an unliquidated amount that will require future resolution, making the amount of any Allowed Claim based on such Proof of Claim entirely speculative as of the date of this Disclosure Statement. In addition, the Debtors are continuing to review the Proofs of Claim filed in their Chapter 11 Cases. As such, the estimated amount of Claims may materially change due to the Debtors' ongoing review. Accordingly, because certain Claims under the Plan will be paid on a Pro Rata basis, the Debtors cannot state with certainty what recoveries will be available to holders of Allowed Claims in the Voting Classes.

3. *Any Valuation of Any Assets to be Distributed under the Plan Is Speculative and Could Potentially Be Zero*

The valuation of certain of the assets to be distributed under the Plan is necessarily speculative, and the value of such assets could potentially be zero. Accordingly, the ultimate value, if any, of these assets could materially affect, among other things, recoveries to the Debtors' creditors, including holders of Claims in the Voting Classes.

4. *The Debtors Cannot Guaranty Recoveries or the Timing of Such Recoveries*

Although the Debtors have made commercially reasonable efforts to estimate Allowed Claims, including Administrative Claims, Priority Tax Claims, and Other Priority Claims, it is possible that the actual amount of such Allowed Claims is materially higher than the Debtors' estimates. Creditor recoveries could be materially reduced or eliminated in this instance. In addition, the timing of actual distributions to holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, the Debtors cannot guaranty the timing of any recovery on an Allowed Claim.

5. *Certain Tax Implications of the Debtors' Bankruptcy*

Holders of Allowed Claims should carefully review Article X of this Disclosure Statement, "Certain United States Federal Income Tax Consequences," for a description of certain tax implications of the Plan and the Chapter 11 Cases.

B. *Certain Bankruptcy Law Considerations*

The occurrence or nonoccurrence of any or all of the following contingencies, and any others, may affect distributions available to holders of Allowed Claims and Allowed Interests 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.

1. *Parties in Interest May Object to the Plan's Classification of Claims and Interests or the Amount of Such Claims or Interests*

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Furthermore, certain parties in interest, including the Debtors, reserve the right, under the Plan, to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim when such Claim is or may be subject to an objection or is not yet Allowed. Any holder of a Claim that is or may be subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

2. *Failure to Satisfy Vote Requirements*

In the event that votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to pursue another strategy to wind down the Estates, such as an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and an out-of-court dissolution, an assignment for the benefit of creditors, a conversion to a chapter 7 case, or other strategies. There can be no assurance that the terms of any such alternative strategies would be similar or as favorable to the holders of Allowed Claims and Allowed Interests as those proposed in the Plan.

3. *The Debtors May Not Be Able to Secure Confirmation of the Plan*

The Debtors will need to satisfy section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a chapter 11 plan and requires, among other things, a finding by a bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim or an Allowed Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests. The Bankruptcy Court, as a court of equity, may exercise substantial discretion.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications may result in a less favorable treatment of any Class than the treatment currently provided in the Plan. Such a less favorable treatment may include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

4. *Nonconsensual Confirmation*

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the Bankruptcy Court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation of the Plan may result in, among other

things, increased expenses and the expiration of any commitment to provide support for the Plan, financially or otherwise.

5. *Risk of Nonoccurrence of the Effective Date*

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether such an Effective Date will, in fact, occur.

6. *Contingencies May Affect Votes of Impaired Classes to Accept or Reject the Plan*

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Claims to be Allowed. The occurrence of any and all such contingencies, which may affect distributions available to holders of Allowed Claims and Allowed Interests under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

7. *Risk Affecting Potential Recoveries of holders of Claims in the Voting Classes*

The Debtors cannot state with any degree of certainty what recovery will be available to holders of Allowed Claims in the Voting Classes. In particular, the Debtors cannot know, at this time, the number or size of Claims in the Voting Classes which will ultimately be Allowed or how many assets will remain after paying all Allowed Claims which are senior to the Claims of holders in the Voting Classes. The ultimate amount of Allowed Claims in the Voting Classes could materially reduce the recovery available to holders of Allowed Claims in the Voting Classes.

C. *Disclosure Statement Disclaimer*

1. *The Financial Information Contained in this Disclosure Statement Has Not Been Audited*

In preparing this Disclosure Statement, the Debtors and their advisors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information, and any conclusions or estimates drawn from such financial information, provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant that the financial information contained herein, or any such conclusions or estimates drawn therefrom, is without inaccuracies.

2. *Information Contained in this Disclosure Statement Is for Soliciting Votes*

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

3. *This Disclosure Statement Was Not Reviewed or Approved by the United States Securities and Exchange Commission*

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibit or the statements contained in this Disclosure Statement.

4. *This Disclosure Statement May Contain Forward Looking Statements*

This Disclosure Statement may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "will," "might,"

"expect," "believe," "anticipate," "could," "would," "estimate," "continue," "pursue," or the negative thereof or comparable terminology. All forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The information contained herein is an estimate only, based upon information currently available to the Debtors.

5. *No Legal or Tax Advice Is Provided to You by this Disclosure Statement*

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

6. *No Admissions Made*

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, holders of Allowed Claims or Allowed Interests, or any other parties in interest.

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

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Plan Administrator may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

8. *No Waiver of Right to Object to Claim or Interest*

The vote by a holder of a Claim or Interest for or against the Plan does not constitute a waiver or release of any claims, causes of action, or rights of the Debtors (or any entity, as the case may be) to object to that holder's Claim or Interest, regardless of whether any claims or causes of action of the Debtors or their respective Estates are specifically or generally identified in this Disclosure Statement.

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

The Debtors' advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained in this Disclosure Statement.

10. *Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update*

The statements contained in this Disclosure Statement are made by the Debtors as of the date of this Disclosure Statement, unless otherwise specified in this Disclosure Statement, and the delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth in this Disclosure Statement since that date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

11. *No Representations Outside this Disclosure Statement Are Authorized*

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and the U.S. Trustee.

D. *Liquidation under Chapter 7*

If no plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. As discussed above, conversion to chapter 7 would require the Debtors to incur expenses related to the chapter 7 trustee and additional retained professionals, and such expenses may decrease recoveries for holders of Allowed Claims in the Voting Classes. *See, e.g.*, 11 U.S.C. §§ 326(a), 503(b)(2). The conversion to chapter 7 would require entry of a new bar date, which may increase the amount of Allowed Claims and thereby reduce Pro Rata recoveries. *See* Fed. R. Bankr. P. 1019(2), 3002(c). Moreover, the GUC Reserve may not be available in a chapter 7 liquidation.

ARTICLE X.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain holders of Allowed Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), Treasury Regulations thereunder ("Treasury Regulations"), and administrative and judicial interpretations, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the United States federal income tax consequences of the Plan described below.

This summary does not apply to holders of Allowed Claims that are not United States persons, as such term is defined in the Internal Revenue Code ("Non-U.S. holders"), or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons holding Allowed Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction, and regulated investment companies). Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors and holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local, or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF ALLOWED CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. *Certain United States Federal Income Tax Consequences to holders of Allowed Claims*

1. *Consequences to holders of Allowed Class 4 Claims*

Pursuant to the Plan, all Allowed Prepetition Secured Lender Claims will be satisfied, compromised, settled, released and discharged in exchange for the Purchaser Credit Bid, and each holder of a remaining Allowed Prepetition Secured Lender Claim shall receive its Pro Rata share (not to exceed the amount of such holder's remaining Allowed Prepetition Secured Lender Claim) of Class 4's Pro Rata share of any Excess Distributable Cash. The extent to which a holder of such Prepetition Secured Lender Claim recognizes gain or loss as a result of such exchange depends, in part, on whether the Purchaser Credit Bid qualifies as a tax-free exchange of securities in pursuit of a plan of reorganization (within the meaning of applicable tax rules), which in turn depends on whether the debt instruments underlying the Prepetition Secured Lender Claim surrendered are treated as a "security" for the reorganization provisions of the Tax Code.

(a) *Treatment of a Debt Instrument as a "Security"*

Whether a debt instrument constitutes a "security" for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. This discussion assumes that each class of debt instruments issued pursuant to the Prepetition Secured Credit Agreement Documents is treated as a "security" under the applicable guidance, however, if all such debt instruments were not treated as a security, the discussion below applicable to fully taxable exchanges would apply to the exchange of the Prepetition Secured Lender Claims for the Purchaser Credit Bid and Excess Distributable Cash.

(b) Treatment of a Holder of an Allowed Prepetition Secured Lender Claim if the Exchange of Its Claim Is Treated as an Exchange of Securities Pursuant to a Reorganization

If any class of debt instrument constituting a surrendered Prepetition Secured Lender Claim is treated as a "security" for U.S. federal income tax purposes, then, while not free from doubt, the exchange of such holder's Claim for the Purchaser Credit Bid and Excess Distributable Cash could be treated as a partially tax-free exchange pursuant to a plan of reorganization. In such case, a holder of an Allowed Prepetition Secured Lender Claim should not recognize loss with respect to the exchange (subject to "Accrued Interest" discussed herein) and should not recognize gain except to the extent of the Excess Distributable Cash received. Such holder's tax basis in its interest in the Purchaser should be equal to the holder's tax basis in the Allowed Prepetition Secured Lender Claim surrendered therefor (other than with respect to accrued interest) increased by any gain recognized in the transaction and reduced by the amount of Excess Distributable Cash received in exchange therefor, and such holder's holding period for its interest in the Purchaser should include the holding period for the surrendered Allowed Senior Secured Lender Claim; *provided* that the tax basis of any Purchaser interest treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for any such Purchaser interest should not include the holding period of the surrendered Allowed Senior Secured Lender Claim.

If the exchange of Prepetition Secured Lender Claims for the Purchaser Credit Bid and Excess Distributable Cash is treated as a reorganization, the Purchaser will succeed to the Debtors' tax attributes (including net operating losses, tax basis in assets, and tax credits) and tax accounting methods (such as current depreciation and amortization schedules) after giving effect to any reduction pursuant to excluded CODI (as described in further

detail below). After giving effect to the reduction in tax attributes pursuant to excluded CODI, the Purchaser's ability to use any remaining tax attributes after consummation of the Plan may be subject to certain limitations under the IRC.

Under section 382 of the IRC, if a corporation undergoes an "ownership change," the amount of its net operating losses and certain recognized built-in losses (collectively, "Pre Change Losses") that may be utilized to offset future taxable income generally is subject to an annual limitation. The Debtors anticipate that the holders' ownership of the Purchaser will result in an "ownership change" of the Debtors for these purposes, and that the Purchaser's use of their Pre Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the IRC applies.

(c) Treatment of a Holder of an Allowed Prepetition Secured Lender Claim if the Exchange of Its Claim Is Not Treated as an Exchange of Securities Pursuant to a Reorganization

If the exchange of a Prepetition Secured Lender Claim for the Purchaser Credit Bid and Excess Distributable Cash is not treated as a tax-free exchange of securities pursuant to a plan of reorganization for U.S. federal income tax purposes, a holder of an Allowed Prepetition Secured Lender Claim should be treated as exchanging its Allowed Prepetition Secured Lender Claim for the Purchaser Credit Bid and Excess Distributable Cash in a fully taxable exchange.

Such holders generally will recognize income, gain or loss for federal income tax purposes in an amount equal to the difference between (x) the aggregate value of the Excess Distributable Cash and Purchaser Credit Bid received in exchange for such holder's Claim and (y) such holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the holder previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations. See discussions of "Accrued Interest", "Market Discount", and "Limitations of Use of Capital Losses" below.

2. Consequences to holders of Allowed Class 5 Claims

Pursuant to the Plan, each holder of an Allowed Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of such holder's Allowed Unsecured Claim) of (i) the Unsecured Cash Pool and (ii) Class 5's Pro Rata share of any Excess Distributable Cash. Each holder of an Allowed Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of such holder's Allowed Unsecured Claim) of (i) 75% of the Unsecured Cash Pool (equal to $1,575,000.00); (ii) 75% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $2,175,000); and (iii) Class 5's Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 *minus* the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6). Each such holder generally will recognize income, gain or loss for federal income tax purposes in an amount equal to the difference between (x) the aggregate amount received in exchange for such holder's Claim and (y) such holder's adjusted tax basis in its Claim.

The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the holder previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations. See discussions of "Accrued Interest", "Market Discount", and "Limitations of Use of Capital Losses" below.

3. Consequences to holders of Allowed Class 6 Claims

Pursuant to the Plan, Each holder of an Allowed Mezzanine Lender Claim shall (i) receive its Pro Rata share (not to exceed the amount of such holder's Allowed Mezzanine Lender Claim) of 25% of the Unsecured Cash

Pool (equal to $525,000.00) and (ii) 25% of all proceeds of Retained Causes of Action up to the Retained Causes of Action Threshold Amount (that is, up to $725,000). In addition, each holder of an Allowed Mezzanine Lender Claim shall be deemed to have received its Pro Rata share of the Class 6 Pro Rata share of any (A) Excess Distributable Cash and (B) proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount (in each case calculated based on the total aggregate amount of (x) Allowed Claims in Class 4 minus the Purchaser Credit Bid, (y) Allowed Claims in Class 5, and (z) Allowed Claims in Class 6); provided, however, that any Excess Distributable Cash and/or proceeds of Retained Causes of Action in excess of the Retained Causes of Action Threshold Amount deemed to be received by a holder of an Allowed Mezzanine Lender Claim pursuant to this sentence shall actually be delivered to the Prepetition Secured Agent for subsequent distribution to holders of Prepetition Secured Lender Claims in accordance with the Prepetition Secured Credit Agreement Documents and Mezzanine Loan Documents; provided further, however, that, notwithstanding anything in the Mezzanine Loan Documents to the contrary, no holder of an Allowed Mezzanine Lender Claim shall be required to turn over to the Prepetition Secured Agent any distribution it receives pursuant to the first sentence of this Article III.B.6(b). Each such holder generally will recognize income, gain or loss for federal income tax purposes in an amount equal to the difference between (x) the aggregate amount received or deemed received in exchange for such holder's Claim and (y) such holder's adjusted tax basis in its Claim.

The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the holder previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations. See discussions of "Accrued Interest", "Market Discount", and "Limitations of Use of Capital Losses" below.

2. *Accrued Interest*

A portion of the consideration received by holders of Allowed Claims may be attributable to accrued interest on such Claims. Such amount should be taxable to that holder as interest income if such accrued interest has not been previously included in the holder's gross income for United States federal income tax purposes. Conversely, holders of Claims may be able to recognize a deductible loss to the extent any accrued interest on the Claims was previously included in the holder's gross income but was not paid in full by the Debtors.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for United States federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest and then as a payment of principal. The Internal Revenue Service could take the position that the consideration received by the holder should be allocated in some way other than as provided in the Plan.

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

3. *Market Discount*

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

(equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the holder (unless the holder elected to include market discount in income as it accrued).

5. *Limitations of Use of Capital Losses.*

A holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (1) $3,000 annually ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. A non-corporate holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, capital losses may only be used to offset capital gains. A corporate holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

6. Information Reporting and Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a holder of a Claim may be subject to backup withholding (currently at a rate of 24%) with respect to distributions or payments made pursuant to the Plan unless that holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding (generally on Form W-9). Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided that* the required information is timely provided to the Internal Revenue Service.

The Debtors, or the applicable withholding agent, will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Service. In addition, from an information reporting perspective, U.S. Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders of Allowed Claims are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

B. *Certain United States Federal Income Tax Consequences to the Debtors*

1. *Cancellation of Debt Income*

Under the Internal Revenue Code, a taxpayer generally recognizes cancellation of debt income ("CODI") to the extent that indebtedness of the taxpayer is cancelled for less than the amount owed by the taxpayer, subject to certain judicial or statutory exceptions. The most significant of these exceptions with respect to the Debtors is that taxpayers who are operating under the jurisdiction of a federal bankruptcy court are not required to recognize such income. In that case, however, the taxpayer must reduce its tax attributes, such as its net operating losses, general business credits, capital loss carryforwards, and tax basis in assets, by the amount of the CODI avoided. In this case, the Debtors expect that they may recognize significant CODI from the implementation of the Plan. As a result, the Debtors expect that their tax attributes may be reduced on account of such CODI. However, because the Debtors intend to liquidate, any remaining net operating losses will have no ongoing value to the Debtors or to the holders of Claims (other than the holders of Allowed Prepetition Secured Lender Claims as described above).

ARTICLE XI.

RECOMMENDATION OF THE DEBTORS

The Debtors believe that the Plan is in the best interests of all holders of Claims against and Interests in the Debtors, and urge all holders of Claims against and Interests in the Debtors entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Notice, Claims, and Balloting Agent by the Voting Deadline.

Dated: _____, 2018

GST AutoLeather, Inc. and its Debtor Affiliates

By: _____
Name: Jonathan Hickman
Title: Chief Restructuring Officer

Prepared by:

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EXHIBIT A

Joint Chapter 11 Plan of GST AutoLeather, Inc. and Its Debtor Affiliates

The Plan has been filed at Docket No. 574

EXHIBIT B

Liquidation Analysis

[Intentionally Omitted]