UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION

IN RE	**:**	**CASE NO. 15-50748**
	:	
HARVEST OIL & GAS, LLC, *ET AL*[1]	**:**	**CHAPTER 11**
	:	
DEBTORS.	**:**	**JOINTLY ADMINISTERED**

DISCLOSURE STATEMENT FOR JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR HARVEST OIL & GAS, LLC AND FILED AFFILIATES AS OF JULY 22, 2016

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE JOINT CHAPTER 11 PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THERE WILL BE A HEARING ON THIS DISCLOSURE STATEMENT TO DETERMINE IF IT PROVIDES ADEQUATE INFORMATION. IF THE DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT, THERE WILL BE A SUBSEQUENT HEARING TO CONSIDER CONFIRMATION OF THE JOINT PLAN. ALL CREDITORS AND EQUITY INTEREST HOLDERS WILL BE NOTIFIED OF THE DATE OF SUCH CONFIRMATION HEARING.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

[1] Saratoga Resources, Inc. (15-50749); The Harvest Group LLC (15-50750); LOBO Operating, Inc. (15-70751); and LOBO Resources, Inc. (15-50752)(collectively, the "Filed Entities") are being jointly administered with Harvest Oil & Gas, LLC (15-50748) pursuant to a court order [Dkt. No. 4] entered on June 19, 2015.

EXHIBITS

EXHIBIT D-1 Joint Chapter 11 Plan of Reorganization For Harvest Oil & Gas, LLC and Filed Affiliates as of July 22, 2016

EXHIBIT D-2 Sources and Uses of Plan Related Funds

EXHIBIT D-3 Letter from the Official Committee of Unsecured Creditors to the Debtors' D&O insurer dated July 1, 2016, which attaches as an exhibit the *Stipulation by and Between Debtors and the Official Committee of Unsecured Creditors for Entry of an Order Granting the Committee Leave, Standing and Authority to Commence, Prosecute and Settle Claims on Behalf of the Debtors' Estates* [Dkt. 997].

INTRODUCTION

NOW INTO COURT, through undersigned counsel, comes Harvest Oil & Gas, LLC, Saratoga Resources, Inc. ("Saratoga"), The Harvest Group LLC, Lobo Operating, Inc. and Lobo Resources, Inc., each a debtor and debtor-in-possession (individually referred to herein as a "Debtor" and collectively referred to herein as the "Debtors" or "Companies"), which, in conjunction with the Official Committee of Unsecured Creditors, have filed a joint plan of reorganization for the Debtors in the above captioned bankruptcy cases.

The Debtors submit this Disclosure Statement for the Joint Plan of Reorganization for Harvest Oil & Gas, LLC and Filed Affiliates (the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code"). The Disclosure Statement is submitted in connection with, upon approval of the Disclosure Statement, (i) the solicitation of acceptances or rejections of the Joint Plan of Reorganization for Harvest Oil & Gas, LLC and Filed Affiliates (the "Plan") filed by the Debtors with the United States Bankruptcy Court for the Western District of Louisiana, Lafayette Division (the "Bankruptcy Court") and (ii) the hearing to consider approval of the Plan (the "Confirmation Hearing") scheduled for the date set forth in the accompanying notice. Unless otherwise defined herein or unless the context requires

otherwise, all capitalized terms contained herein have the meanings ascribed to them in the Plan. In the event of a conflict or difference between the definitions used in the Disclosure Statement and the Plan, the definitions contained in the Plan shall control.

I. PURPOSE AND SUMMARY OF PLAN

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. CREDITORS, HOLDERS OF EQUITY INTERESTS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW AND ANALYZE THE PLAN IN ITS ENTIRETY.

The principal features of the Plan:

- Provide for the distribution of Plan Related Funds to holders of Allowed Administrative Expense Claims, Allowed Professional Administrative Expense Claims and other Agreed Disbursements set forth in the Plan, the Final CCO or other agreements between the Debtors, the UCC and ERG II;
- Establish a Convenience Fund in the amount of $100,000 and distribute the Convenience Fund to the holders of Convenience Claims;
- Establish a Litigation Trust to hold the Litigation Trust Assets, pursue the Litigation Trust Causes of Action and to distribute any Litigation Trust Net Proceeds to the holders of superpriority claims, Administrative Expense Claims and General Unsecured Claims;
- If Classes 1 (First Lien Lenders), 3 (Convenience Claims) and 4 (General Unsecured Claims) vote to accept the Plan, ERG II will subordinate the payment of its ERG II Superpriority Claim[2] to the payment of up to $2.6 million of unsecured pre-petition trade debt and $600,000 of the Albrecht Claims from net proceeds of the Litigation Trust;
- If Classes 1, 3 and/or 4 do not vote to accept the Plan, then ERG II will not subordinate the recovery of the ERG II Superpriority Claim to the payment of the unsecured pre-petition trade debt or Albrecht Claims;
- Provide that certain assets—the Excluded Assets—of the Debtors which are not transferred to the Litigation Trust will be retained by the Reorganized Debtors;

[2] The amount of the $3.2 million ERG II Superpriority Claim is the agreed amount of a superpriority claim for plan purposes, and represents the approximate amount of the diminution of (only) cash on hand during the cases and is considerably less than the actual amount which could be established by ERG II. For example, it does not include other components which would substantially increase the ERG II Superpriority Claim, such as (1) the diminution in the amount of account receivables of the Debtors from the Petition Date (Petition Date balance approximately $3,685,265) to confirmation (the Debtors will have used all of the account receivables generated through May 31, 2016, such that the value of ERG II's lien rights on this collateral would be zero as of the effective date of the sale to ERG II), and (2) the value of the production run off during the cases, which ERG II could argue depleted its collateral base because of lease operating expenses and administrative costs that as a lienholder with the right to foreclose it would not have borne). The ERG II Superpriority Claim is secured by adequate protection liens under the *Final Cash Collateral Order* [Dkt. No. 481].

- Provide for the continued operation of the Debtors' business on account of and using the Excluded Assets for the Reorganized Debtors on a scaled down version after confirmation;
- Provide that, if Classes 1, 3 and 4 vote to accept the Plan, the existing stockholders of Saratoga will retain their equity interests in Reorganized Saratoga.
- Provide that, if Classes 1, 3 and/or 4 do not vote to accept the Plan, the Existing Equity Interests in Saratoga will be cancelled and New Equity Interests in Reorganized Saratoga will be issued to the Litigation Trust, LLC; and
- Provide for the cancellation of the liens securing the First Lien Claims and Second Lien Claims and any other Secured Claims (to the extent not already cancelled at the time of the Sale to ERG II).

A. MANAGEMENT OF THE DEBTORS, BOARD OF DIRECTORS AND INDEPENDENT COMMITTEE

Thomas F. Cooke, Chairman and Chief Executive Officer, and Andrew C. Clifford, President, have served as senior management of the Debtors throughout the Chapter 11 Cases and are expected to do so until the Effective Date.

The Board of Directors of the parent company, Saratoga Resources, Inc., consists of the following six individuals: (i) Thomas F. Cooke; (ii) Andrew C. Clifford; (iii) J. W. Rhea, IV; (iv) Rex H. White, Jr., (v) Kevin Smith; and (vi) Richard Nevins. The Debtors' Independent Restructuring Committee (which is more fully discussed below) consists of the following four members of the board of Saratoga: (i) J. W. Rhea, IV; (ii) Rex H. White, Jr., (iii) Kevin Smith; and (iv) Richard Nevins.

B. POST-EFFECTIVE DATE BOARD OF DIRECTORS AND OFFICERS OF THE REORGANIZED DEBTORS;

The Debtors anticipate that, if Classes 1, 3 and 4 accept the Plan, on and after the Effective Date, (i) the initial board of directors of the Reorganized Saratoga will consist of Rex White Jr., Thomas Cooke and Andrew Clifford and (ii) the initial officers of each of the Reorganized Debtors upon the Effective Date will be Thomas Cooke and Andrew Clifford, who will retain the same offices which they currently hold in the Debtors. Prior to the Confirmation

Hearing, the Debtors will disclose, to the extent then known, the identity and affiliations of any other persons then proposed to serve on the initial board of directors of the Reorganized Saratoga and the nature of any compensation for any insiders who will serve as directors and/or officers of the Reorganized Debtors, as required by section 1129(a)(5) of the Bankruptcy Code. It is expected that each such director or officer shall serve from and after the Effective Date pursuant to the terms of the respective Certificates of Incorporation and the applicable law of the state in which each Reorganized Debtor is organized.

In the event Classes 1, 3 and/or 4 do not accept the Plan and the Existing Equity Interests are cancelled and New Equity Interests are issued to the Litigation Trust, LLC, it is expected that the initial officers and directors of the Reorganized Debtors will be selected or appointed by the Litigation Trustee and the disclosures required by section 1129(a)(5) of the Bankruptcy Code will be filed as promptly as reasonably practicable.

II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLASSES

The following is a Summary of Classification and Treatment of Classes:

CLASSES OF CLAIMS AND EQUITY INTERESTS	TREATMENT OF CLASSES
Class 1. Allowed First Lien Claims. The total estimate of Allowed First Lien Claims as of the Petition Date, consists of: (i) aggregate principal amount of not less than $54,600,000.00 on account of the notes issued under the First Lien Indenture; (ii) accrued and unpaid interest in an aggregate amount of not less than $2,614,248.00 on account of the notes issued under the First Lien Indenture as of the Petition Date plus any interest accruing thereafter at the penalty rate provided in the First Lien Indenture through the Effective Date; and (iii) unpaid fees, expenses,	Class 1 is Impaired by the Plan. The holders of Class 1 Claims are entitled to vote to accept or reject the Plan. The holders of Class 1 Claims are also entitled to vote their deficiency Claims to accept or reject the Plan as holders of Class 4 General Unsecured Claims. <u>Treatment under the Plan</u>: (a) General Terms (i) Secured Claim The First Lien Noteholders shall receive a credit of $10.7 million on the outstanding obligations under the First Lien Indenture in connection with the sale of the Subject Assets to Purchaser. The First Lien Noteholders shall retain their Liens on the cash and

CLASSES OF CLAIMS AND EQUITY INTERESTS	TREATMENT OF CLASSES
disbursements, indemnifications, obligations, and charges or claims of whatever nature, whether or not contingent, whenever arising, due or owing under the First Lien Indenture or applicable law.	receivables of the Debtors securing the obligations outstanding under the First Lien Indenture and the ERG II Superpriority Claim except to the extent such Liens are otherwise released with the consent of the First Lien Noteholders pursuant to the Final CCO or the Plan. (ii) Deficiency Claim of First Lien Noteholders The First Lien Noteholders shall have an Allowed General Unsecured Claim in the amount of approximately $49 million, which deficiency claim shall be classified in Class 4, and the First Lien Noteholders' Allowed General Unsecured Claim shall be treated in accordance with Section 3.4 of the Plan. (b) Collateral To the extent not cancelled in connection with the Closing, the First Lien Noteholders' Liens and security interests in the Debtors' assets granted pursuant to the First Lien Indenture or the Final CCO securing the obligations outstanding under the First Lien Indenture and/or the ERG II Superpriority Claim shall be cancelled as of the Effective Date pursuant to the Plan and the Litigation Trust Agreement, except as may otherwise be provided in the Final CCO. On the Effective Date, the First Lien Trustee and/or the First Lien Noteholders shall execute and deliver to the Reorganized Debtors and the Litigation Trust any and all documents reasonably necessary to effectuate the cancellation of any liens and security interests except as such are retained under this Plan as against Excess Remaining Funds or other Collateral recognized under the CCO, but not as against the Excluded Assets (and the Reorganized Debtors and Litigation Trust, as applicable, are hereby authorized to execute, file and deliver any documents reasonably necessary to effectuate the cancellation and termination of such Liens in the event the First Lien Trustee and the First Lien Noteholders decline to do so). Estimated percentage recovery of secured claim: 100% Estimated deficiency Claim: $43.3 million.
Class 2. Allowed Second Lien Claims. The total estimate of Allowed Second Lien Claims as of the Petition Date, consists of: (i) aggregate principal amount of not less than $125,200,000.00 on account of the notes issued under the Second Lien	Class 2 is not a voting Class. The holders of Class 2 Claims are entitled to vote to accept or reject the Plan solely as holders of Class 4 General Unsecured Claims.

CLASSES OF CLAIMS AND EQUITY INTERESTS	TREATMENT OF CLASSES
Indenture; (ii) accrued and unpaid interest in an aggregate amount of not less than $16,099,527.53 on account of the notes issued under the Second Lien Indenture as of the Petition Date plus any interest accruing thereafter at the penalty rate provided in the Second Lien Indenture through the Effective Date; and (iii) unpaid fees, expenses, disbursements, indemnifications, obligations, and charges or Claims of whatever nature, whether or not contingent, whenever arising, due or owing under the Second Lien Indenture or applicable law.	Treatment under the Plan: (a) General Terms *General Terms.* Class 2 is not entitled to vote to accept or reject the Plan. Because the Allowed First Lien Claims will not be paid in full under the Plan, the Liens securing the Second Lien Claims have no value under section 506(a)(1) of the Bankruptcy Code. Accordingly, the entirety of the Second Lien Claims shall be treated as deficiency Class 4 General Unsecured Claims for all purposes, including voting and distributions under the Plan. From and after the Effective Date, the Second Lien Indenture shall continue in effect solely for purposes of allowing the Second Lien Trustee to make any distributions to the Second Lien Noteholders on account of their Class 4 General Unsecured Claims in accordance with the Plan, and permitting the Second Lien Trustee to maintain any rights it may have against the Second Lien Noteholders under the Second Lien Indenture. (b) Collateral To the extent not already cancelled in connection with the Closing, the Second Lien Noteholders' Liens and security interests in the Debtors' assets granted pursuant to the Second Lien Indenture shall be cancelled as of the Effective Date. On the Effective Date, the Second Lien Trustee and/or the Second Lien Noteholders shall execute and deliver to the Reorganized Debtors and the Litigation Trust any and all documents reasonably necessary to effectuate the cancellation of any liens and security interests (and the Reorganized Debtors and the Litigation Trust as applicable are hereby authorized to execute, file and deliver any documents reasonably necessary to effectuate the cancellation and termination of such Liens in the event the Second Lien Trustee and the Second Lien Noteholders decline to do so). The estimated deficiency Claim is $141.3 million and is to be treated as a Class 4 General Unsecured Claims.

CLASSES OF CLAIMS AND EQUITY INTERESTS	TREATMENT OF CLASSES
Class 3. Allowed Convenience Claims. The total estimate of Allowed Convenience Claims is $2 million.	Class 3 is Impaired by the Plan. The holders of Class 3 Claims are entitled to vote to accept or reject the Plan. The holders of Class 3 Claims are also entitled to vote their Residual Claims to accept or reject the Plan as holders of Class 4 General Unsecured Claims. Treatment under the Plan: Each holder of an Allowed Convenience Claim shall be paid its Pro Rata share of the Convenience Fund on the Effective Date. Any Residual Claim held by the holder of an Allowed Convenience Claim after receiving its Pro Rata share of the Convenience Fund shall be a Class 4 Allowed General Unsecured Claim. Estimated percentage recovery of 5% as Convenience Claim.
Class 4. Allowed General Unsecured Claims (including deficiency Claims of First Lien Noteholders and Second Lien Noteholders, Residual Claims, the Albrecht Claims and any other unsecured Claims) The total estimate of Allowed General Unsecured Claims is $192 million.	Class 4 is Impaired by the Plan. The holders of Class 4 Claims are entitled to vote to accept or reject the Plan. Treatment under the Plan: Each holder of a Class 4 Allowed General Unsecured Claim shall be paid its Pro Rata share of any distributions from the Litigation Trust on such terms and in such priority as provided for in Section 6.2 of the Plan or as otherwise provided therein. Estimated percentage recovery: Unknown
Class 5: Equity Interests in Saratoga.	Class 5 is either Unimpaired, in which case the holders of such Class 5 Equity Interests conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, or Impaired and not receiving any distribution under the Plan, in which case the holders of such Class 5 Equity Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, the holders of Class 5 Equity Interests are not entitled to vote to accept or reject the Plan. Treatment under the Plan: Provided that Classes 1, 3 and 4 vote to accept the Plan, Allowed Existing Equity Interests shall be retained by the holders thereof and shall automatically constitute Equity Interests in Reorganized Saratoga. In the event that Classes 1, 3 and/or 4 do not vote to accept the Plan, then Existing Equity Interests will be cancelled and extinguished as of the Effective Date and the New Equity Interests in Reorganized Saratoga will be issued to the Litigation Trust LLC.

The Claims and Claim amounts listed above are amounts estimated by the Debtors as of the filing of this Disclosure Statement. A listing of Claims or any amounts with respect thereto above or elsewhere in this Disclosure Statement shall not constitute, or be deemed to constitute, allowance of such Claims and all such Claims and amounts are subject, and will remain subject, to challenge and objection by the Debtors and the Reorganized Debtors prior to voting on the Plan and at any time thereafter as provided in the Plan.

III. GENERAL OVERVIEW AND BACKGROUND INFORMATION

A. 2009 CHAPTER 11 FILING

On March 31, 2009, the Debtors each filed a voluntary petition in this Court for reorganization relief under chapter 11 of title 11 of the Bankruptcy Code, Case Nos. 09-50397 through 09-50401 ("2009 Bankruptcy").

On April 19, 2010, this Court entered an order [Dkt. No. 1101, 09-50397] confirming the *Debtors' Third Amended Plan of Reorganization (as Modified as of March 31, 2010)* [Dkt. No. 1074, 09-50397] (the "2010 Plan"). On May 14, 2010 (the "2010 Effective Date"), the Debtors filed a notice of the occurrence of the Effective Date with the Bankruptcy Court [Dkt. No. 1129, 09-50397] and the 2010 Plan became effective and was substantially consummated.

B. EMERGING FROM 2009 BANKRUPTCY

On the 2010 Effective Date, the Debtors emerged from chapter 11. The Debtors and Wayzata, as administrative agent for various lenders, entered into a First Amendment to Amended and Restated Credit Agreement ("Amended Wayzata Credit Agreement") which, among other things, amended the Revolving Credit Agreement.

The Amended Wayzata Credit Agreement fixed the amount owing at $127.5 million, limited acceptable commodity hedging agreements to 60% of projected monthly production,

reduced the interest rate of loans to 11.25%, and extended the maturity date of the loans to April 30, 2012.

Under the 2010 Plan, (1) warrants (the "Warrants") to purchase up to 2,000,000 shares of common stock were issued to Wayzata and (2) 483,310 shares of newly issued common stock, par value $0.001 per share ("Common Stock"), were distributed pro rata among the holders of allowed oil lien creditor claims, other secured claims and unsecured claims. The Warrants were exercisable at $0.01 per share, vested and became exercisable 111,111 shares on the 2010 Effective Date and 111,111 shares per month over the following seventeen months unless all amounts payable under the Amended Wayzata Credit Agreement were paid in full, in which case any unvested portion of the Warrants on the date of repayment in full would be forfeited, and expired May 14, 2015. The issuance of the Warrants and the Common Stock pursuant to the 2010 Plan was exempt from registration under the Securities Act of 1933 (as amended the "1993 Act") pursuant to section 1145 of the Bankruptcy Code.

C. RAISING CAPITAL AFTER THE 2009 BANKRUPTCY

(1) 2011 Equity Placements

After the conclusion of the 2009 Bankruptcy, Saratoga closed two private placements of equity securities (the "2011 Equity Placements") raising approximately $34.7 million during 2011. The first private placement raised $7.4 million from the sale of units comprised of two shares of common stock and one warrant offered at $6.00 per unit. A total of 2,481,316 shares of common stock and 1,240,658 warrants were sold in the private placement to U.S. and non-U.S. accredited investors. The warrants included in the placement were exercisable for two years to purchase shares of common stock at $5.00 per share. The second private placement raised $27.3 million from the sale 5,650,000 shares of common stock at $5.00 per share.

(2) 12½% Second Lien Notes

In July 2011, the Debtors entered into a Purchase Agreement with Imperial Capital, LLC ("Imperial Capital"), relating to the issuance and sale of $127.5 million in aggregate principal amount of 12½% Senior Secured Notes due 2016 ("Second Lien Notes"). Imperial Capital, in turn, resold the Second Lien Notes to qualified institutional buyers in reliance on Rule 144A of the 1933 Act and to persons outside of the U.S. pursuant to Regulation S under the 1933 Act. The proceeds from this offering, together with a portion of the proceeds from the 2011 Equity Placements, were used to pay in full the outstanding indebtedness under the Amended Wayzata Credit Agreement. As a consequence of the payment and discharge of the Amended Wayzata Credit Agreement, the obligations of the Companies due at the time of the 2009 Bankruptcy have been paid in full.

In December 2012, the Debtors entered into another Purchase Agreement with Imperial Capital relating to the issuance and sale of an additional $25 million in aggregate principal amount of the Second Lien Notes. Imperial Capital again resold the additional Second Lien Notes acquired under that Purchase Agreement to qualified institutional buyers and persons outside of the U.S. Net proceeds from the offering were used for general working capital and capital expenditures.

The Second Lien Notes were issued pursuant to the Second Lien Indenture (as defined herein) among the Debtors and the Second Lien Trustee (as defined herein), as trustee and collateral agent and, with respect to the Second Lien Notes issued in 2012, a First Supplemental Indenture dated December 4, 2012. The Second Lien Notes are the senior secured obligations of Saratoga, are fully and unconditionally guaranteed on a senior secured basis by Saratoga's subsidiaries, and rank equally in right of payment with the Debtors' existing and future senior

indebtedness, subject, however, to the Intercreditor Agreement (as defined herein) pursuant to which the First Lien Notes (as defined herein) are senior in right, priority, operation and effect to the lien securing the Second Lien Notes.

The Second Lien Notes mature on July 1, 2016, and interest under the Second Lien Notes is payable on January 1 and July 1 of each year.

The Second Lien Indenture includes customary events of default and places restrictions on the Debtors with respect to additional indebtedness, liens, dividends and other payments to shareholders, repurchases or redemptions of Saratoga's common stock, redemptions of senior notes, investments, acquisitions, mergers, asset dispositions, transactions with affiliates, hedging transactions and other matters.

(3) 2012 Equity Issuances

In May 2012, Saratoga closed a private placement of common stock at $6.25 per share, raising approximately $18.5 million, net of expenses, from the sale of 3,089,360 shares to select institutional and accredited investors. In a separate transaction, also in May 2012, Saratoga received $1.07 million of proceeds from the exercise of outstanding warrants, at $5.00 per share, resulting in the issuance of 213,996 shares of common stock.

(4) 10.0% First Lien Notes

In November 2013, the Debtors issued $54.6 million in aggregate principal amount of 10.0% Senior Secured Notes due 2015 (the "First Lien Notes") to two institutional accredited investors (the "Purchasers"). The First Lien Notes were issued pursuant to Purchase Agreements (the "Purchase Agreement"), and under an Indenture (the "First Lien Indenture"), by and among the Debtors and The Bank of New York Mellon Trust Company, N.A., as trustee (the "First Lien Trustee"). The First Lien Notes are senior secured obligations of Saratoga, are fully and

unconditionally guaranteed (the "Guarantees") on a senior secured basis by Saratoga's subsidiaries, and rank equally in right of payment with the Debtors' existing and future senior indebtedness and senior in right of payment to the Second Lien Notes.

The purchase price for the First Lien Notes and Guarantees was 100% of their principal amount. Saratoga received net proceeds from the issuance and sale of the First Lien Notes of approximately $25.4 million, after commissions and estimated offering expenses, and the surrender for retirement by the Purchasers of $27.3 million in face amount of Second Lien Notes.

The First Lien Notes matured on December 31, 2015, and interest, accruing at 10% per annum, is payable under the First Lien Notes on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2013.

The First Lien Indenture includes customary events of default and places restrictions on the Debtors with respect to additional indebtedness, liens, dividends and other payments to shareholders, repurchases or redemptions of Saratoga's common stock, redemptions of senior notes, investments, acquisitions, mergers, asset dispositions, transactions with affiliates, hedging transactions and other matters.

In connection with the issuance and sale of the First Lien Notes, the Debtors, the First Lien Trustee and Wilmington Saving Funds Society, FSB, successor to Bank of New York Mellon Trust Company, N.A., in its capacity as trustee and collateral agent under the Second Lien Indenture (as defined below) (the "Second Lien Trustee") entered into an Intercreditor Agreement (the "Intercreditor Agreement"). Pursuant to the Intercreditor Agreement, the parties thereto agreed that the lien with respect to collateral securing obligations under the First Lien Indenture and related First Lien Notes and Guarantees (the "First Lien Obligations") shall be senior in right, priority, operation, effect and all other respects to any lien with respect to

collateral securing the obligations under that certain Indenture dated as of June 12, 2011, as supplemented or amended from time to time thereafter (the "Second Lien Indenture"), by and among the Debtors and the Second Lien Trustee, and the related Second Lien Notes (the "Second Lien Obligations").

As of the Petition Date, the First Lien Obligations were held 100% by Blackstone / GSO Capital Solutions Overseas Master Fund L.P., Blackstone / GSO Capital Solutions Fund LP and Stonehill Capital Management, LLC (the "Majority First Lien Noteholders").

On March 14, 2016, Energy Reserves Group II, LLC ("ERG II") purchased the approximately $175 million in First Lien Notes and Second Lien Notes held by the Majority First Lien Noteholders for approximately $10 million. Based on this transfer, ERG II now owns 100% of the First Lien Notes in the approximate amount of $54.6 million, plus accrued interest, and approximately 75% of the Second Lien Notes in the approximate amount of $97.6 million, plus accrued interest. The remainder of the Second Lien Notes are held by approximately 20 financial institutions or funds.

(5) NYSE Listing

On July 20, 2011, Saratoga's common stock was approved for listing on the NYSE Amex (subsequently became NYSE MKT) stock exchange with its common stock beginning trading on the exchange under the trading symbol 'SARA.' When Saratoga encountered the financial problems which prompted the present bankruptcy, Saratoga was de-listed from the NYSE and since then has been listed on the "pink sheets" under the name and symbol "SARAQ".

D. OVERVIEW OF SARATOGA'S ASSETS AND OPERATIONS

Prior to the sale of substantially all of the Debtors' assets to ERG II, as discussed below, the Debtors operated, or had interests in, 105 producing wells across 11 fields in the transitional

coastline and protected in-bay environment on parish and state leases in south Louisiana, as well as in shallow waters of the Gulf of Mexico. The Debtors owned an approximately 100% working interest in substantially all of their properties with net revenue interests ranging from 70% to 82% and averaging, on a net acreage leasehold basis, approximately 75%. As operators of over 99% of the wells that comprise the Debtors' PV-10 value, the Debtors exercised management control of operating costs, capital expenditures and the timing and method of development of properties.

The Debtors' properties were characterized by multiple stacked reservoir objectives with a large drilling inventory ranging from as shallow as 1,000 feet to the ultra-deep prospects below 20,000 feet, in water depths ranging from less than 10 feet to a maximum of approximately 80 feet.

(1) Field Operating Issues, Production Optimization and Cost Cutting Initiatives

Following the emergence from the 2009 Bankruptcy, the Debtors initially enjoyed the dual benefits of increasing oil and gas production (2,400 barrels of Oil Equivalent Daily ("BOED") to a peak of 3,530 BOED at year end 2012) and increasing commodity prices. By the end of 2013, however, production had dropped to below 1,850 BOED. The early part of 2014 presented challenges relating to the Debtors' field operations, while the latter part of 2014 presented challenges relating to commodity prices, which peaked in June 2014, but then rapidly deteriorated. Initiatives undertaken in the field remedied many field operating issues (thus arresting production declines and stabilizing production at +/- 1,700 BOED) and a cost containment program brought down operating costs. The Debtors also reduced lease operating expenses ("LOE") and general and administrative expenses ("G&A"). However, cutting expenses was not sufficient to compensate for the loss of revenues as a result of the

unprecedented collapse of commodity prices beginning in the second half of 2014 and continuing until the present time.

(2) Collapse of Commodity Prices

Beginning in the third quarter of 2014, accelerating late in 2014 and until the present time, projected oil supplies outstripped projected oil demand on a global basis, reflecting a slowing in the global economy coupled with substantial new supplies of oil, particularly from U.S. shale resources, as well as production coming back on line in Libya and Iran. The Debtors' realized prices from oil sales dropped to near six-year lows from an average of $102.93 per barrel of crude oil and $5.90 per thousand cubic feet ("MCF") of natural gas in the first quarter of 2014, to an average of $45.72 per barrel of crude oil and $3.29 per MCF in the first quarter of 2015, 55% and 44% lower, respectively, than in prior quarters. Crude oil prices have never recovered in full and, as of the date of filing this Disclosure Statement, are approximately $45.84 per barrel of oil and $2.765 per MCF of natural gas. The revenues from the operation of the Debtors' business in the Chapter 11 Cases have been insufficient to pay the operating costs of the Debtors and to pay the administrative expenses of the Estates, and ultimately, during the course of the Chapter 11 Cases, the Debtors have sold substantially all of their assets—other than the Excluded Assets—to ERG II.

E. EVENTS LEADING TO BANKRUPTCY AND NEED FOR RELIEF

As noted, by the end of 2014, the collapse in global crude oil prices, coupled with lagging natural gas prices and production declines, led to significantly lower cash flow for the Debtors, with realized crude oil and gas prices from sales dropping by 55% and 46% respectively between the third and fourth quarters of 2014.

In anticipation of negotiations with the First Lien Noteholders and Second Lien Noteholders regarding the restructuring of their debts, the Debtors created an Independent Restructuring Committee (the "IRC") on January 6, 2015, consisting of three board members, J. W. Rhea, IV, Rex H. White, Jr. and Kevin Smith. The IRC was vested with the authority of the Board of Directors of Saratoga for the restructuring of the Debtors.

The Debtors entered into forbearance agreements in January 2015 with the First Lien Noteholders and Second Lien Noteholders. These forbearance agreements were subsequently extended for several months with consent of the First Lien Noteholders and Second Lien Noteholders. During the course of ongoing negotiations in connection with receiving a series of forbearances, the Debtors also took several steps requested by the Majority First Lien Noteholders, including the retention of a financial advisor who would report to the IRC, the election of Richard Nevins as an additional independent director and member of the IRC, weekly financial reporting, and frequent updates on discussions with third parties, bonding, insurance and legal matters.

While the Debtors were in negotiations with the Majority First Lien Noteholders to achieve a possible out-of-court restructuring, Harvest Operating LLC ("Harvest Operating")[3] obtained a judgment against Saratoga based on an arbitration award in favor of Harvest Operating and against Saratoga, The Harvest Group, LLC, and Harvest Oil & Gas, LLC. The arbitration proceedings addressed two separate disputes — (1) a "Royalty Dispute" between Saratoga and Brian Albrecht, individually, and (2) a "Pipeline Use Dispute" between Harvest Operating on the one hand, and Saratoga and its affiliated entities on the other hand. Both disputes were consolidated for purposes of the arbitration hearing. In the Royalty Dispute, Saratoga prevailed and the arbitrator awarded Saratoga an arbitration award of $355,879.15

[3] Harvest Operating is a non-related entity to the Debtors and is controlled by Brian Albrecht.

against Brian Albrecht. In the Pipeline Use Dispute, Harvest Operating prevailed and the arbitrator awarded Harvest Operating an arbitration award of $3,757,050.00 against Saratoga, the Harvest Group, LLC, and Harvest Oil & Gas, LLC Thus, the unfavorable (to the Debtors) net result of the two arbitration awards, if they were to be offset against each other, is approximately $3,401,170.85, plus interest (at the judicial rate), in favor of Harvest Operating, Mr. Albrecht's company.

On May 8, 2015, Judge Michael Caldwell of the 19th JDC of the State of Louisiana confirmed both of the arbitration awards and entered judgment (the "Albrecht Judgment") against Saratoga, The Harvest Group, LLC, and Harvest Oil & Gas, LLC in the amount of the arbitration award of $3,757,050.00. In response to the arbitration award against Saratoga, Saratoga filed a lawsuit, captioned *Saratoga Resources, Inc. v. Brian Albrecht*, 24th Judicial District Court for the Parish of Jefferson, State of Louisiana, No. 744-327, Section L (the "24th JDC Suit"), claiming that if in fact Harvest Operating was entitled to the use of the pipeline as decided in arbitration (which Saratoga contests), then Harvest Operating and Mr. Albrecht failed to disclose the existence of the contract providing for any such alleged use, which was material to the Purchase Sale Agreement ("PSA") (through which the membership interest of The Harvest Group, LLC and Harvest Oil & Gas, LLC—and therefore the ownership rights in the pipeline—were sold to Saratoga) and which should have been disclosed prior to the execution of the PSA. The 24th JDC Suit claims that Harvest Operating and Mr. Albrecht are liable to Saratoga for damages as a result of the non-disclosure including an amount in respect of the Albrecht Judgment. After the Chapter 11 Cases were filed, the Debtors filed a Notice of Removal of the 24th JDC Suit in the Eastern District of Louisiana and filed a motion requesting that the 24th JDC

Suit be transferred to the Bankruptcy Court, which was done. The 24th JDC Suit is currently pending in the Bankruptcy Court.

To summarize the outcome, so far, of the disputes between Saratoga, Albrecht, and Harvest Operating (owned by Mr. Albrecht), Harvest Operating has a judgment against Saratoga for approximately $3.8 million, part of which has been transferred to Mr. Albrecht. Saratoga has a judgment against Albrecht for approximately $360,000, and Saratoga has a pending lawsuit (the 24th JDC Suit) for damages against Albrecht and Harvest Operating. Saratoga has been attempting to collect its judgment against Albrecht (because of the Chapter 11 Cases, the automatic stay prevents Albrecht from attempting to collect the Albrecht Judgment from Saratoga) and Albrecht has defended against those collection efforts, arguing that, by virtue of a partial assignment of the judgment against Saratoga which Harvest Operating made to him, he is personally entitled to offset Saratoga's smaller ($360,000) judgment against him personally and the assigned part of Harvest Operating's larger judgment ($3.8 million) against Saratoga, with the net result being that the Saratoga judgment against him personally is cancelled out via offset. This offset issue is presently pending before the Bankruptcy Court.

As more fully set forth herein, Albrecht and the Debtors have agreed to a full, final, and complete compromise, settlement, release, and resolution of, among other matters, disputes and pending or potential litigation (including any appeals) regarding the following: (a) *Saratoga Resources, Inc. v. Brian Albrecht*, No. 744-327, Section L, 24th JDC for the Parish of Jefferson, State of Louisiana; (b) *Saratoga Resources, Inc. v. Brian C. Albrecht*, Adversary Proceeding No. 15-05024 originally filed in the 24th Judicial District Court designated as Case No. 744-327, (c) appeal of the arbitration award in the Court of Appeal, First Circuit, State of Louisiana, Case No. 15-CA1423; (d)(i) any and all claims and litigation arising from the royalty dispute between

Saratoga and Brian Albrecht, individually, now known or hereafter discovered, (ii) any and all claims and litigation arising from the pipeline use dispute between Harvest Operating LLC, on the one hand, and Saratoga and its affiliated entities on the other hand, now known or hereafter discovered, and (iii) any and all claims and litigation arising from the PSA between Brian Albrecht and other former owners of The Harvest Group LLC and Harvest Oil & Gas LLC and Saratoga Resources, Inc. now known or hereafter discovered, and (e) *Brian Albrecht's Motion for Setoff and to Lift Stay* [Dkt. No. 763] (collectively (a)-(e), "Albrecht Litigation").

F. FILING OF CHAPTER 11 PETITION BY DEBTORS

On June 19, 2015, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. William H. Patrick, III of Heller, Draper, Patrick, Horn, & Dabney L.L.C. ("Heller Draper") [Dkt. No. 318] and Louis Phillips, formerly of Gordon Arata McCollam Duplantis & Eagan, LLC ("Gordon Arata") [Dkt. No. 317], have been serving as lead bankruptcy co-counsel for all of the Debtors. On April 14, 2016, as a result of Mr. Phillips moving from Gordon Arata to Kelly Hart & Pitre ("Kelly Hart"), Kelly Hart replaced Gordon Arata as bankruptcy co-counsel [Dkt. No. 719]. All of the Debtors' chapter 11 cases have been consolidated for procedural purposes and are being jointly administered [Dkt. No. 4].

G. SIGNIFICANT POST-PETITION EVENTS

(1) First Day Pleadings

Following the filing of the chapter 11 petitions, the Debtors filed, among other pleadings, the following with the Bankruptcy Court:

(1) *Debtors' Emergency Motion for Order Under Fed.R.Bankr.P. 1015(b) Directing Joint Administration of Chapter 11 Cases* [Dkt. No. 3];[4]

(2) *Debtors' Emergency Motion To Limit Notice* [Dkt. No. 6];[5]

[4] This Motion was granted by Order entered by the Bankruptcy Court on June 19, 2015 (Dkt. No. 4).
[5] This Motion was granted by Order entered by the Bankruptcy Court on June 24, 2015 (Dkt. No. 38).

(3) *Motion for Authority To Pay Employees' Pre-Petition Wages, Related Expenses, Benefits and Taxes* [Dkt. No. 7];[6]

(4) *Motion for Entry of an Order Under 11 U.S.C. §§ 105, 363, 364, 1107 and 1108 Authorizing Maintenance of Existing Bank Accounts, Continued Use of Existing Business Forms, Continued Use of Existing Cash Management System and for Related Relief* [Dkt. No. 8];[7]

(5) *Motion for an Order Authorizing the Debtor To Pay Prepetition Taxes* [Dkt. No. 9];[8]

(6) *Debtors' Motion for Order (A) Prohibiting Utilities from Altering, Refusing or Discontinuing Services to, or Discriminating Against, the Debtors on Account of Prepetition Amounts Due; and (B) Establishing Procedures for Adequate Assurance for Determining Requests* [Dkt. No. 10];[9]

(7) *Debtors' Emergency Motion for an Order: (I) Granting Extension of Time for Filing Lists, Schedules and Statements of Financial Affairs; and (II) Allowing the Debtors to File a Consolidated List of Top 20 Unsecured Creditors* [Dkt. No. 11]; [10]

(8) *Motion for Authority To Approve Compensation and Payments To Insiders* [Dkt. No. 12]; [11]

(9) *Amended Application for Order Authorizing Employment of Heller, Draper, Patrick, Horn & Dabney, L.L.C. as Co-Counsel for Debtors Nunc Pro Tunc To the Petition Date* [Dkt. No. 89]; [12]

(10) *Motion for Administrative Order Under Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Dkt. No. 17];[13]

(11) *Debtors' Application for Entry of an Order Pursuant to 11 U.S.C. §§105(a) and 363 Authorizing (I) Debtors' Designation of Jeffrey N. Huddleston as the Chief Financial Officer and John T. Young, Jr. as Strategic Alternatives Officer, and (II) Retention and Employment of Conway MacKenzie Management Services, LLC, Nunc Pro Tunc To the Petition Date* [Dkt. No. 29];[14]

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[6] This Motion was granted by Order entered by the Bankruptcy Court on June 25, 2015 (Dkt. No. 47).
[7] This Motion was granted by Order entered by the Bankruptcy Court on August 3, 2015 (Dkt. No. 224).
[8] This Motion was granted by Order entered by the Bankruptcy Court on August 3, 2015 (Dkt. No. 225).
[9] This Motion was granted by Order entered by the Bankruptcy Court on August 3, 2015 (Dkt. No. 222).
[10] This Motion was granted by Order entered by the Bankruptcy Court on June 25, 2015 (Dkt. No. 56).
[11] This Motion was granted by Order entered by the Bankruptcy Court on August 3, 2015 (Dkt. No. 223).
[12] This Application was granted by Order entered by the Bankruptcy Court on August 19, 2015 (Dkt No. 318).
[13] This Motion was granted by Order entered by the Bankruptcy Court on June 30, 2015 (Dkt. No. 93).
[14] This Application was granted by Order entered by the Bankruptcy Court on September 25, 2015 (Dkt No. 492).

(12) *Emergency Motion for Entry of an Order Pursuant to Sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001 for Interim and Final Orders: (I) Authorizing Use of Cash Collateral; (II) Granting Adequate Protection; (III) Modifying the Automatic Stay; (4) Scheduling and Approving the Method of Notice for Final Hearing; and (5) Providing Related Relief* [Dkt. No. 19].[15]

(2) Employment of Professionals of Debtors

On August 19, 2015, the Bankruptcy Court entered final orders approving the employment of Heller Draper [Dkt. No. 318] and Gordon Arata [Dkt. No. 317] as bankruptcy co-counsel for the Debtors. On April 14, 2016, as noted above, Kelly Hart replaced Gordon Arata as bankruptcy co-counsel [Dkt. No. 719].

On September 4, 2015, the Bankruptcy Court entered a final order granting the application to employ Adams & Reese, LLP [Dkt. No. 396] as special counsel for the Debtors with respect to (i) the Albrecht Litigation, (ii) *Gemini Insurance Company v. Saratoga Resources, Inc. and Contractors, Inc.*, C.A. No. 14-942, pending in the United States District Court for the Eastern District of Louisiana (the "Gemini Litigation") and advising the Company on officer and director duties and responsibilities and related matters arising from or related to the Gemini Litigation; and (iii) representing and advising the Company on officer and director duties and responsibilities and related matters arising from or related to that Second Bareboat Charter Agreement dated October 1, 2011, of a certain cement production handling barge by and between Harvest Holdings, LLC, as the vessel owner and The Harvest Group, LLC as charterer. On March 1, 2016, the Bankruptcy Court entered an order amending the scope of the employment of Adams& Reese, LLP [Dkt.No.759] as special counsel for the Debtors.

[15] This Motion was granted by Final Order entered by the Bankruptcy Court on September 22, 2015 (Dkt No. 481).

(3) Other Professionals Employed by the Debtors

On June 19, 2015, the Debtors filed an application [Dkt. No. 29] seeking entry of an order pursuant to sections 105(a) and 363 of the Bankruptcy Code authorizing the Debtors' designation of Jeffrey N. Huddleston as the Chief Financial Officer, John T. Young, Jr. as the Debtors' Strategic Alternatives Officer and the retention of the firm of Conway MacKenzie Management Services, LLC ("Conway MacKenzie") *nunc pro tunc* to the Petition Date to provide restructuring, management, and financial advisory services. On June 30, 2015, the Bankruptcy Court entered an interim order [Dkt. No. 92] authorizing the employment and retention of Conway MacKenzie. Thomas Cooke and Andrew Clifford filed an objection to the employment of Conway MacKenzie, arguing among other things, that Conway MacKenzie should not be employed under sections 105(a) and 363 of the Bankruptcy Code. On September 25, 2015, the Bankruptcy Court entered a final order granting the application to employ Conway MacKenzie [Dkt. No. 492], overruling the objection filed by senior management of the Debtors.

(4) Unsecured Creditors Committee

On July 24, 2015, the United States Trustee filed a *Notice of Appointment of Creditors Committee* [Dkt. No. 171], appointing an Official Committee of Unsecured Creditors (the "UCC" or "Unsecured Creditors Committee"). The Unsecured Creditors Committee initially consisted of Harvest Operating, Buras Oilfield Services, LLC,[16] M & M Wireline & Offshore Service, and X-Chem, LLC. The UCC received Bankruptcy Court authority to employ Lugenbuhl, Wheaton, Peck, Rankin & Hubbard as general bankruptcy counsel [Dkt. No. 397].

[16] Buras later resigned from the UCC after it was disclosed that Mr. Berghman, the representative of Buras on the UCC, had provided confidential and attorney-client privileged materials to Thomas Cooke. Upon motion by the United States Trustee, the Bankruptcy Court has scheduled a hearing on July 26, 2016 on its order to show cause [Dkt. Nos. 778 and 846] directed to Mr. Ross, Mr. Cooke, Mr. Clifford and Mr. Berghman why sanctions should not be imposed in connection with the disclosure by Mr. Berghman of confidential and privileged information and its subsequent use.

(5) Appointment of Equity Committee

Early in the Chapter 11 Cases, an ad hoc committee of equity security holders (the "Ad Hoc Committee") was formed and was representing the holders of Equity Interests. On July 14, 2015, the Ad Hoc Committee filed a motion [Dkt. No. 113] (the "Appointment Motion") seeking the appointment of an official committee of equity security holders ("Equity Committee"). The Debtors agreed not to object to the appointment of an Equity Committee; however, they filed a response disputing many of the allegations contained in the Appointment Motion and reserving their rights. The Majority First Lien Noteholders filed an objection [Dkt. No. 143] to the Appointment Motion, arguing, among other things, that there was no equity in the Debtors. On August 3, 2015, the Bankruptcy Court overruled the objection and granted the Appointment Motion [Dkt. No. 226].

On August 11, 2015, the United States Trustee appointed the Equity Committee. In the *Notice of Appointment of Equity Committee* [Dkt. No. 290] and *Amended Notice of Appointment of Equity Committee* [Dkt. No. 346], the United States Trustee gave notice of the appointment of Joseph R. Dancy, Chairman, Phillip Patrick Carroll IV, Wade Davis, William D. Fletcher, and Eugene Greenstein to the Equity Committee. The Equity Committee retained Gardere Wynne Sewell LLP ("Gardere") [Dkt. No. 508], which had previously represented the Ad Hoc Committee, as counsel, and Loretta R. Cross and Stout Risius Ross, Inc., as consulting experts [Dkt. No. 493].

(6) Litigation Over Disclosure of Confidential and Attorney-Client Privileged Information

Shortly before the appointment of the Equity Committee, it became known to the Debtors' bankruptcy counsel that, in connection with its representation of the Ad Hoc Committee, Gardere had come into possession of confidential and/or attorney-client privileged

documents of the Debtors and engaged in communications with certain officers and directors of the Debtors.

Documents (produced by Gardere in response to a subpoena) established that Gardere was in possession of (i) confidential non-public information of the Debtors which had been obtained through open access to a "drop box" created by one of the Debtors' officers and provided to Gardere; (ii) internal memoranda of the Debtors, including clearly marked attorney-client privileged information; (iii) confidential and non-public information (including copies of the actual settlement proposals) regarding settlement discussions between the Debtors and the lenders, the Debtors' consultants' comparative analysis of same, and information related to the Debtors' strategy regarding those discussions; and (iv) confidential, non-public and privileged communications between the Debtors and their counsel regarding Debtors' legal matters relevant to the conduct by the Debtors in these cases.

Based on Gardere's receipt of privileged and confidential documents of the Debtors and Gardere's communications with certain directors and officers of the Debtors without the knowledge of bankruptcy counsel to the Debtors, the IRC authorized the Debtors to file a motion to disqualify Gardere [Dkt. No. 194]. Gardere took the position that the Debtors' management had waived the attorney-client privilege and voluntarily produced the information. After considerable litigation, on August 19, 2015, the Debtors and Gardere entered into a consent order and the Bankruptcy Court granted the *Stipulated Order Regarding (I) Motion To Disqualify Counsel for Ad Hoc Committee of Equity Security Holders and Any Representation of The Official Committee of the Equity Security Holders [P-194]; (II) Motion To Issue Protective Order Quashing Notices of Deposition Issued To Rex H. White and Thomas Cooke by the Ad Hoc Committee of Equity Security Holders [P-196]; and (III) Ex Parte Motion To Shorten*

Deadline for Debtors To Respond to Requests for Production of Documents by the Ad Hoc Committee of Equity Security Holders [P-191] [Dkt. No. 319] pursuant to which, among other things, (1) the Debtors withdrew the motion to disqualify, and (2) the parties agreed that there had been no waiver of the attorney-client privilege or waiver of any protection against disclosure of any information protected by the attorney work-product doctrine as a result of the disclosure of information and documents by Thomas Cooke and Andrew Clifford to Gardere and since the Equity Committee had the information, it would be made available to the UCC and Majority First Lien Noteholders.[17]

(7) Cash Collateral/Corporate Governance Issues

i. Interim Order

After an interim hearing on June 23, 2015, the Bankruptcy Court entered an interim order [Dkt. No. 39] on the Debtors' *Emergency Motion for Entry of Order Pursuant to Sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001 for Interim and Final Orders: (1) Authorizing Use of Cash Collateral; (2) Granting Adequate Protection; (3) Scheduling and Approving the Form and Method of Notice for Final Order; and (4) for Related Relief* [Dkt. No. 19] ("Cash Collateral Motion"). As a result of this order, the Debtors were allowed to use their ongoing revenue and cash on hand to pay their operating and administrative expenses (as detailed in a budget) on an interim basis until a final hearing could be held on the Cash Collateral Motion.

ii. Objections to Final Proposed Cash Collateral Order

There were numerous objections filed to the relief sought in the Cash Collateral Motion:

[17] The Majority First Lien Noteholders filed an objection to the retention of Gardere by the official Equity Committee. After a hearing, the Bankruptcy Court found that Gardere's Initial 2016 Disclosures in connection with its application for retention were insufficient and ordered that Gardere waive $20,000 in fees. The Bankruptcy Court then overruled the objection and approved Gardere's retention as counsel to the Equity Committee.

(I) *Ad Hoc Committee of Equity Security Holders' Objection to Cash Collateral Motion* [Dkt. No. 190] filed by the Ad Hoc Committee,

(II) *Official Committee of Equity Security Holders' Joinder to Ad Hoc Committee's Objection to Cash Collateral Motion* [Dkt. No. 354] filed by the Equity Committee,

(III) *Official Committee of Equity Security Holders' Supplemental Objection to Cash Collateral Motion* [Dkt. No. 438] filed by the Equity Committee,

(IV) *Limited Response to Proposed Cash Collateral Order and Joinder to Objection of Equity Committee* [Dkt. No. 444] filed by Thomas Cooke and Andrew Clifford, and

(V) *Joinder to Objection of Thomas Cooke and Andy Clifford* [Dkt. No. 459] filed by Rex White.

iii. Objection Based on Corporate Governance Issues

Messrs. Cooke, Clifford and White objected to the entry of the proposed final cash collateral order, which had been negotiated by bankruptcy counsel for the Debtors with counsel for the Majority First Lien Noteholders and approved by the Debtors' IRC, arguing, among other things, that only the Board of Directors of Saratoga, and not the IRC, had the authority to approve the proposed final cash collateral order, and the Board of Directors of Saratoga had not approved the final cash collateral order.

At the final hearing on the Cash Collateral Motion held on September 21, 2015, the Bankruptcy Court ruled that the IRC had the full and complete authority of the Board of Directors over the restructuring of the Debtors, including in bankruptcy, and that the filing of the proposed final consensual cash collateral order by the Debtors, as approved by the IRC, was fully authorized.[18]

[18] On October 6, 2015, the objectors filed the *Motion for Additional Findings Pursuant to Bankruptcy Rule 7052* [Dkt. No. 507], which the Bankruptcy Court denied. [Dkt. No. 604].

iv. Final Order on Cash Collateral Motion

At the final hearing on the Cash Collateral Motion, in addition to ruling that the IRC had authority over the restructuring of the Debtors, the Bankruptcy Court also overruled the objections to the final order, but expressed concern regarding an objection of the Equity Committee related to the fact that the proposed budget did not provide for a carve out or a line item for the payment of its professionals' fees and expenses. Ultimately, the objection was resolved and the budget attached to the Final Cash Collateral Order provided a line item for payment of $80,298 in fees of the professionals for the Equity Committee. On September 22, 2015, the Bankruptcy Court entered the *Final Cash Collateral Order* [Dkt. No. 481] ("Final CCO"), approving the Cash Collateral Motion. Pursuant to the Final CCO and the budget attached thereto, the Debtors were authorized to use cash collateral until October 30, 2015. The meaning and scope of the Final CCO is in dispute insofar as it relates to the payment of the fees and expenses of the Equity Committee. The Equity Committee has advanced the argument that the Bankruptcy Court, in approving the Final CCO, intended to allow a continuing Carve Out (as defined in the Final CCO) to secure the professional fees of the Equity Committee equal to the amount of any fees which have been paid or are payable to the UCC under any budgets throughout the entirety of the Chapter 11 Cases.[19] Other parties contend that the Final CCO provided for the payment to the Equity Committee's professionals only of the fees of $80,298 which were included in the budget which was then before the Bankruptcy Court (and in any other budget where there was a specific budget line item for fees for the professionals of the Equity Committee). The Equity Committee has indicated that it has unpaid fees in the amount of approximately $380,000 and that those fees are protected by the Carve Out at least up to the

[19] Many of the budgets did not contain a line item for payment of the fees of the professionals of the Equity Committee because the Majority First Lien Noteholders refused to agree to allow them to be paid from their cash collateral.

amount of any fees payable under any budget to the professionals of the UCC. Other parties disagree.

Since the entry of the Final CCO, there have been a series of Stipulations signed by the Majority First Lien Noteholders (and more recently ERG II) and the Debtors establishing additional and revised budgets and extending the use of Cash Collateral through the present time.

(8) Bar Date for Filing Proofs of Claim

On the Motion of the Debtors [Dkt. No. 320], the Bankruptcy Court entered an order on August 24, 2015 setting October 15, 2015 as the bar date for the filing of proofs of Claim, except that proofs of Claim by Governmental Entities must be filed by December 15, 2015 [Dkt. No. 338].

(9) The 341 Meeting

On August 17, 2015 the United States Trustee conducted and concluded the meeting of creditors pursuant to section 341 of the Bankruptcy Code in these cases.

(10) Exclusivity

Pursuant to section 1121(d) of the Bankruptcy Code, the Debtors had the exclusive right to file a plan of reorganization until October 16, 2015 and the exclusive right to obtain acceptances of a plan of reorganization until December 15, 2015.

On September 23, 2015, the Debtors filed a *Motion for an Order Extending the Time Periods Within Which the Debtors Have the Exclusive Right To File a Plan of Reorganization and To Obtain Acceptances for a Plan of Reorganization* [Dkt. No. 483] ("Exclusivity Motion"), requesting that the Bankruptcy Court extend the time within which the Debtors had the exclusive right to file a plan until December 15, 2015 and to obtain acceptances of a plan until February 15, 2016.

On September 21, 2015, the Equity Committee filed a *Motion of the Official Committee of Equity Security Holders To Terminate Exclusivity Period Under 11 U.S.C. §1121(d)* [Dkt. No. 473] (the "Termination Motion"), requesting that the Bankruptcy Court terminate the Debtors' exclusive right to file a plan and obtain acceptances of a plan.

On October 13, 2015, the Bankruptcy Court entered the *Stipulated Order Regarding (I) Motion of the Official Committee of Equity Security Holders To Terminate Exclusivity Period Under 11 U.S.C. §1121(d) and (II) Motion for an Order Extending the Time Periods Within Which the Debtors Have the Exclusive Right To File a Plan of Reorganization and To Obtain Acceptances for a Plan of Reorganization* [Dkt. No. 522] (the "Equity Committee Stipulated Order"), pursuant to which the Equity Committee agreed not to object to the Debtors' request for an extension of their exclusive periods to file a plan through December 15, 2015 and to obtain acceptances of a plan through February 15, 2016, subject to the Equity Committee's right to prosecute the Termination Motion as set forth in the Equity Committee Stipulated Order.

Since then, the Bankruptcy Court has entered a series of unopposed motions to continue the exclusivity periods. Most recently, on May 17, 2016, the Bankruptcy Court extended the Debtors' exclusive right to file a plan of reorganization until and through June 14, 2016 and to obtain acceptances of a plan of reorganization through August 15, 2016.

IV. THE SALE OF THE SUBJECT ASSETS AND THE PLAN

A. SALE OF SUBJECT ASSETS

As discussed above, on March 14, 2016, ERG II purchased the First Lien Notes and the Second Lien Notes owned by the Majority First Lien Noteholders (having an aggregate face amount of approximately $175 million) for approximately $10 million. Based on this transfer, ERG II became the owner of 100% of the First Lien Notes (in the approximate amount of $54.6

million, plus accrued interest), and 75% of the Second Lien Notes (in the approximate amount of $97.6 million, plus accrued interest). Upon information and belief, the remaining Second Lien Notes are held by approximately 20 financial institutions or funds.

Immediately after purchasing the First Lien Notes and Second Lien Notes owned by the Majority First Lien Noteholders, on March 16, 2016, ERG II filed the *Motion of Energy Reserves Group II, LLC To Convert Chapter 11 Cases to Chapter 7 Cases Pursuant to Bankruptcy Code § 1112* [Dkt. No. 792] (the "Motion to Convert"), requesting that the Bankruptcy Court convert the Debtors' chapter 11 cases to cases under chapter 7.[20]

In response to the Motion to Convert, on April 1, 2016, the Debtors filed the *Motion of Debtors (1) To Sell Property of the Estates Free and Clear of All Liens, Claims, Encumbrances, and Interests Under 11 U.S.C. § 363; and (2) To Assign (or Assume and Assign to the Extent Necessary) Certain Leases and Executory Contracts Pursuant to 11 U.S.C. § 365* [Dkt. No. 827] (the "Sale Motion"), seeking entry of orders authorizing the sale of all or substantially all (the "Subject Assets") of the Debtors' oil, gas and mineral assets other than the Debtors' federal oil and gas leases and any other assets agreed to be excluded (the "Excluded Assets") to ERG II, or if not to ERG II, to the Winning Bidder (as defined in the Sale Motion), free and clear of all liabilities, liens, claims, encumbrances and interests other than the Carve-Out (defined in the Sale Motion) and any ad valorem taxes on the Subject Assets, and (2) authorizing the assignment (or assumption and assignment to the extent necessary) to ERG II (or the Winning Bidder) of certain identified leases and executory contracts. In connection with the Sale Motion, the Debtors filed, and the Bankruptcy Court approved, bid procedures [Dkt No. 881] for an auction of the Subject Assets.

[20] On June 10, 2016, ERG II filed a motion to withdraw [Dkt. No. 990] the Motion to Convert.

On May 5, 2016, an auction was held before the Bankruptcy Court and at the conclusion of the auction the Bankruptcy Court determined that ERG II's bid for the Subject Assets of $14,000,000 (the total of the credit bid against its First Lien Notes and ERG II's assumption of liabilities for ad valorem taxes and Carve Out fees) was the winning bid. The Bankruptcy Court also approved the bid of CIBCO Exploration, LLC in the amount of $13,800,000 as the backup bid.

On May 6, 2016, the Bankruptcy Court entered an *Order (A) Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances, and Interests, (B) Authorizing the Debtors To Assign (or Assume and Assign to the Extent Necessary) Certain Leases and Executory Contracts, and (C) Granting Related Relief* [Dkt. No. 932], approving the sale of the Subject Assets and the assignment (or assumption and assignment to the extent necessary) of certain executory contracts and unexpired leases to ERG II (or the backup bidder at the auction, to the extent ERG II failed to close the sale).

The closing of the sale of the Subject Assets to ERG II occurred on May 25, 2016 with an effective date of June 1, 2016. ERG II acquired all of the Debtors' interest in property, equipment, facilities, and assets related to the Grand Bay, Breton Sound, Main Pass and Vermilion fields including:

Grand Bay
Breton Sound 18
Breton Sound 31
Breton Sound 32
Breton Sound 51
Main Pass 25
Main Pass 46
Main Pass 47
Main Pass 52
Vermilion 16

The consideration for the sale of the Subject Assets was (i) a credit against the First Lien Claims held by ERG II, (ii) the assumption and payment of all ad valorem liabilities related to properties purchased through the sale, and (iii) the payment or agreement to pay the unpaid professional fees and expenses protected under the Carve Out incurred through the effective date of the sale.

The Debtors and ERG II have agreed to the Debtors' use of ERG's Cash Collateral to pay ongoing expenses as provided in the Asset Purchase Agreement with ERG II and to fund certain payments under the Plan as provided in the Plan.

B. THE PLAN

The Debtors and the UCC have proposed the Plan and believe that the classification and treatment of Claims and Equity Interests provided by the Plan are consistent with the requirements of the Bankruptcy Code. Under the Bankruptcy Code, only holders of Allowed Claims and Equity Interests that are impaired and that receive distributions under the Plan are entitled to vote on the Plan. A copy of the Plan is attached hereto as Exhibit "D-1". A Summary of the Classification and Treatment of Claims and Equity Interests is set forth above in this Disclosure Statement.

The Debtors believe that with the remaining cash on hand and receivables (and with the agreement of ERG II to allow the use of such Cash Collateral), and subject to successful settlement or resolution or reduction or disallowance of certain claims for fees and expenses, they will be in a position to implement the Plan.

V. DESCRIPTION OF PROFESSIONAL ADMINISTRATIVE EXPENSE CLAIMS AND PROVISIONS FOR PAYMENT OF PROFESSIONAL ADMINISTRATIVE EXPENSE CLAIMS

The principal administrative Claims known to the Plan Proponents at the present time are the fees and expenses of the Debtors' attorneys and financial advisor, Conway MacKenzie, and the fees and expenses of attorneys and other professionals engaged by the Unsecured Creditors Committee and the Equity Committee.

Except to the extent that a holder of an Allowed Professional Administrative Expense Claim has agreed to a different treatment of such claim, which may include payment by the Litigation Trustee from Litigation Trust Assets as provided in Section 6.2 of the Plan, on the Effective Date or as soon as such claim is Allowed, the holder of such claim will receive on account of such claim Cash equal to the Allowed amount of such claim. The Plan includes agreed treatment on the part of the Equity committee with respect to the Allowed Professional Administrative Expense Claims of its professionals as follows:

> Any unpaid Allowed Professional Administrative Expense Claims of the Equity Committee professionals shall be paid, in the aggregate, the amount of $290,000 on the Effective Date toward satisfaction thereof ("Effective Date Payment"). For the avoidance of doubt, the Effective Date Payment shall be in addition to any interim payments received by the Equity Committee professionals during the pendency of the Chapter 11 Cases. Any remaining Allowed Equity Committee Professional Administrative Expense Claims of the Equity Committee professionals unpaid after the Effective Date Payment shall be paid as Administrative Expense Claims by the Litigation Trust under Article 6, Section 6.2(i) of the Plan, unless otherwise sooner paid by agreement of the Debtors, the UCC and ERG II.

VI. IMPLEMENTATION OF PLAN

A. PLAN RELATED FUNDS.

Attached hereto as Exhibit "D-2" is the estimated sources and uses of the Plan Related Funds on the Effective Date. Section 6.1 of the Plan provides that the Plan Related Funds shall be used solely for Agreed Disbursements. Plan Related Funds that are Excess Remaining Funds

shall be transferred by the Debtors to the Litigation Trustee on the Effective Date.

B. LITIGATION TRUST: PRIORITY OF PAYMENTS.

Section 6.2 of the Plan provides that any Litigation Trust Assets shall be distributed in the following priority as may be more fully stated in the Litigation Trust Agreement:

i. First, from the amount of the Excess Remaining Funds transferred to the Litigation Trustee less the Initial Litigation Trust Funds, which shall be retained by the Litigation Trustee for administration of the Litigation Trust, the amount of approved Administrative Expense Claims Allowed by the Bankruptcy Court after the Effective Date;[21]

ii. Second, as necessary, from funds ordinarily payable on account of the ERG II Superpriority Claim, to the extent Allowed Administrative Expense Claims not paid in full on the Effective Date exceed the amount of the Excess Remaining Funds transferred by the Debtors to the Litigation Trustee, *Pro Rata* to the holders of Allowed Administrative Expense Claims until such Claims are paid in full;

iii. Third, to the holders of Allowed Class 4 General Unsecured Claims as follows:

a. if Classes 1, 3 and 4 vote to accept the Plan, (1) first, payment from funds ordinarily payable on account of the ERG II Superpriority Claim, of up to $2.6 million on a *Pro Rata* basis to holders of Allowed Residual Claims and $600,000 of the Albrecht Claims, (2) second, payment of $600,000 to ERG II on account of the ERG II Superpriority Claim and (3) third, payment on a *Pro Rata* basis to Holders of remaining Allowed Class 4 Claims; or

b. if Classes 1, 3 and/or 4 do not vote to accept the Plan, payment in full of the ERG II Superpriority Claim and then payment on a *Pro Rata* basis to the holders of General Unsecured Claims, including the Residual Claims, and the deficiency Claims of the First Lien Noteholders and the Second Lien Noteholders, of any distributions of Litigation Trust Net Proceeds made by the Litigation Trust.

C. SETTLEMENT OF ALBRECHT LITIGATION

Section 6.3 of the Plan provides for the settlement of the Albrecht Litigation.

[21] Any Excess Remaining Funds transferred by the Debtors to the Litigation Trustee that are not used in payment of Administrative Expense Claims Allowed after the Effective Date shall after payment in full of such Administrative Claims be paid by the Litigation Trustee to ERG II.

(i) Pursuant to Bankruptcy Code sections 1123(a)(5), 1123(b)(3), and 1123(b)(6), as well as Bankruptcy Rule 9019, as of the Effective Date, the Plan constitutes a full, final, and complete compromise, settlement, release, and resolution of, among other matters, disputes and pending or potential litigation (including any appeals) of the Albrecht Litigation.

(ii) In full, final, and complete compromise, settlement, release and resolution of the Albrecht Litigation, on the Effective Date:

(1) Albrecht shall pay the Reorganized Debtors $70,000.00 in Cash (the "Albrecht Payment").

(2) The Albrecht Claims shall be Allowed Claims in the amounts set forth in the Plan and receive the treatment as provided in the Plan, subject to Albrecht making the Albrecht Payment.

(3) All proceedings comprising the Albrecht Litigation shall be dismissed with prejudice, but Albrecht shall retain the Albrecht Claims and all rights accorded the Albrecht Claims under the Plan, subject to Albrecht making the Albrecht Payment.

(4) Except for rights arising under this Plan, including the right of the Reorganized Debtors to compel the Albrecht Payment and the suspension of the Allowance of the Albrecht Claim until Albrecht makes the Albrecht Payment, the Plan shall constitute the release and settlement by Debtors, including any rights of officers and directors which are assertable by the Debtors or the Estates, of any and all claims, warranties, accounts, controversies, suits, actions, interpleaders, privileges, remedies, obligations, causes of actions, appeals, demands, costs, principal, interest, damage, attorneys' fees, contract rights, liability, whether strict, criminal or otherwise, negligence, tort claims, sums, etc. of every kind and character whatsoever, now known or hereafter discovered, whether arising out of the Albrecht Litigation, any relationship

heretofore existing between the Debtors and Albrecht, or otherwise.

(5) Except for rights arising under this Plan, the Plan shall constitute the release and settlement by Albrecht, including any rights of officers and directors which are assertable by Albrecht, of any and all claims, warranties, accounts, controversies, suits, actions, interpleaders, privileges, remedies, obligations, causes of actions, appeals, demands, costs, principal, interest, damage, attorneys' fees, contract rights, liability, whether strict, criminal or otherwise, negligence, tort claims, sums, etc. of every kind and character whatsoever, now known or hereafter discovered, whether arising out of the Albrecht Litigation, any relationship heretofore existing between the Debtors and Albrecht, or otherwise.

(6) Subject to the prior approval by the Bankruptcy Court of the Disclosure Statement, Albrecht shall timely vote the Albrecht Claims in favor of the Plan.

(7) Albrecht shall fully cooperate with the Litigation Trustee to prosecute the Litigation Trust Causes of Action.

(iii) The settlement of the Albrecht Litigation shall be binding on the Debtors, the Litigation Trust and Albrecht upon the occurrence of the Effective Date. If the Effective Date does not occur, the settlement set forth herein shall not be binding and the Debtors and Albrecht reserve any and all rights in connection with the Albrecht Litigation.

D. IMPLEMENTATION.

Section 6.4 of the Plan provides that upon confirmation of the Plan and preparatory to the occurrence of the Effective Date, the Debtors shall take all necessary steps, and perform all necessary acts, to consummate the terms and conditions of the Plan including, without limitation, the execution and filing of all documents required or contemplated by the Plan. In connection with the occurrence of the Effective Date, the Debtors shall execute, deliver, or record such

contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

On or before the Effective Date, the Debtors may file with the Bankruptcy Court such other agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, all of which shall be deemed approved by the Bankruptcy Court, as of the Effective Date, without further order of the Bankruptcy Court. The Debtors or the Litigation Trustee, as the case may be, shall execute the agreements and documents and take such other actions as are necessary to effectuate the transactions provided for in the Plan, without the need for any corporate formalities, approvals, authorizations or consents, and all such documents and actions shall be deemed adopted, ratified and approved by the Reorganized Debtors without any further action of any kind or nature of the board of directors of the Reorganized Debtors or other corporate formality upon the occurrence of the Effective Date. For the avoidance of doubt, the Debtors shall execute and consummate any and all agreements contemplated by the Plan without further order of this Bankruptcy Court or the need for any other corporate formality which may otherwise be required under applicable state law, and the Confirmation Order shall constitute full authority for the taking of any and all such actions and the execution and delivery of any and all such documents. All documents or agreements entered into or filed in connection with the consummation of the Plan by the Debtors shall be valid, binding and enforceable and shall be deemed not to be in conflict with any applicable law or with any contracts or agreements in existence on the Effective Date and to the extent of any such conflict, the terms of the Plan and the Confirmation Order shall prevail.

J. W. Rhea, IV, as Chairman of the IRC, John T. Young, Jr., or Jeffry Huddleston, or

such other person as the Bankruptcy Court may appoint on motion of the Debtors and the UCC, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and to take such actions as may be necessary or appropriate, for and on behalf of the Debtors, to effectuate and further evidence the terms and conditions of the Plan pursuant to the Plan without the need for any corporate formalities, approvals, authorizations or consents and this Confirmation Order shall constitute full authority for the taking of any and all such actions and the execution and delivery of any and all such documents.

E. CORPORATE ACTION.

Section 6.5 of the Plan provides that for the avoidance of doubt, on the Effective Date, all actions of the Debtors contemplated by and as provided in the Plan, including without limitation the corporate authority provisions of the Plan, shall be deemed, without further action of any kind or nature, to be authorized, approved and ratified in all respects without the need for any further corporate formalities, approvals, authorizations or consents, and any corporate action required of the Debtors and the Reorganized Debtors in connection with the implementation of the Plan, shall be deemed to have timely occurred as of the Effective Date in accordance with applicable state law and shall, as of the Effective Date be in full force and effect, without any requirement of further action by any holders of Existing Equity Interests or, as applicable, New Equity Interests or directors or officers of the Debtors or the Reorganized Debtors.

F. CANCELLATION OF EXISTING EQUITY INTERESTS IN SARATOGA.

Section 6.6 of the Plan provides that in the event that Classes 1, 3 and/or 4 do not vote to accept the Plan, on the Effective Date, all Existing Equity Interests (whether issued and outstanding or held in treasury) shall, without any further action, be automatically cancelled,

annulled and extinguished and any certificated or electronic shares representing such Existing Equity Interests shall become null, void and of no force or effect, and all such Existing Equity Interests and shares shall immediately be delisted from all exchanges and other trading facilities. Notwithstanding any other provision of the Plan, holders of Existing Equity Interests shall not be required to surrender such Existing Equity Interests.

G. CANCELLATION OF FIRST LIEN INDENTURE.

Section 6.7 of the Plan provides that on the Effective Date, the First Lien Indenture shall be deemed automatically cancelled, annulled, extinguished, retired, terminated and of no further force or effect without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under the agreements, indentures, and certificates of designations governing such Claims shall be discharged.

H. CANCELLATION OF SECOND LIEN INDENTURE.

Section 6.8 of the Plan provides that on the Effective Date, the Second Lien Indenture shall be deemed automatically cancelled, annulled, extinguished, retired, terminated and of no further force or effect without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under the agreements, indentures, and certificates of designations governing such Claims shall be discharged; provided, however, that from and after the Effective Date, the Second Lien Indenture shall continue in effect solely for purposes of allowing the Second Lien Trustee to make any distributions to the Second Lien Noteholders on account of their Class 4 General Unsecured Claims in accordance with the Plan and permitting the Second Lien Trustee to maintain any rights it may have against the Second Lien Noteholders under the Second Lien Indenture.

I. DIRECTORS AND OFFICERS OF THE REORGANIZED DEBTORS.

Section 6.9 of the Plan provides that in the event the holders of Existing Equity Interests retain such Existing Equity Interests under the Plan, then on the Effective Date, the terms of the existing directors of the Debtors, other than Rex White, Jr., Andrew Clifford and Thomas Cooke, shall be deemed to have expired and they shall not be a member of the Board of Reorganized Saratoga or of any offices and/or committees thereof, including the IRC, effective immediately and automatically as of the occurrence of the Effective Date without the need for any acceptance or other corporate formality. Reorganized Debtors may thereafter elect board members and manage the business and affairs of Reorganized Saratoga under applicable state law but subject in all respects to any provisions of the Plan or the Confirmation Order. Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in the Plan Supplement, to the extent then known, the identity and affiliations of all persons proposed to serve on the initial board of directors of the Reorganized Saratoga in addition to Thomas Cooke, Andrew Clifford and Rex White, Jr. To the extent known, the officers of each of the Reorganized Debtors upon the Effective Date shall be identified in the Plan Supplement**.** To the extent any proposed officer or director of any or all of the Reorganized Debtors is an insider, the nature of any compensation for such person shall be disclosed. Each such director or officer shall serve from and after the Effective Date pursuant to the terms of the respective Certificates of Incorporation and the law of the state in which the applicable Reorganized Debtor is organized.

In the event Classes 1, 3 and/or 4 do not vote to accept the Plan and the Existing Equity Interests are cancelled, then New Equity Interests will be issued to the Litigation Trust LLC, the

Litigation Trust LLC shall be managed by the Litigation Trustee, effective as of the Effective Date, and the disclosures required by section 1129(a)(5) of the Bankruptcy Code will be made.

J. VESTING OF ASSETS AND CAUSES OF ACTION.

1. Excluded Assets.

The Excluded Assets to be retained by the Reorganized Debtors shall mean assets of the Debtors (i) comprised of (a) the NOLs, (ii) those assets that are included within the Excluded Leases and Contracts, and (iii) the D&O Liability Insurance Policies, and shall not include the Subject Assets or the Litigation Trust Assets. Excluded Assets shall also include the right granted by Section 6.12.1 of the Plan that Reorganized Saratoga shall be given access to the books and records of the Debtors as such exist as of the Effective Date and (x) relate specifically to the Excluded Assets or (y) are necessary for financial, regulatory and administrative reporting, and preparation of tax returns of the Debtors and Reorganized Debtors.

2. Retained Causes of Action

On June 14, 2016, the Court approved [Dkt. No. 998] a *Stipulation by and Between Debtors and the Official Committee of Unsecured Creditors for Entry of an Order Granting the Committee Leave, Standing and Authority to Commence, Prosecute and Settle Claims on Behalf of the Debtors' Estates* [Dkt. 997] ("Claims Stipulation"), which authorizes the Official Committee of Unsecured Creditors to "take any and all steps to preserve and pursue claims on behalf of the bankruptcy estate[s] of the Debtors against the directors, officers and insurers of the Debtors."

On July 1, 2016, counsel for the Official Committee of Unsecured Creditors notified the Debtors' D&O carriers of various claims asserted against the Thomas Cooke, Andrew Clifford and the Debtors' D&O insurers. Attached hereto as Exhibit "D-3" is a Letter dated July 1, 2016

from Benjamin Kadden, counsel for the UCC, RSUI Group, Inc., the Debtors' primary D&O insurer, which attaches the Claims Stipulation as an exhibit ("D&O Letter").[22] The specific claims set forth in the D&O Letter are Retained Causes of Action which are specifically set forth in Exhibit B to the Plan which lists the Retained Causes of Action.

3. Vesting of Assets and Causes of Action under the Plan.

Section 6.12 of the Plan provides the following with respect to the vesting of Assets and Causes of Action:

(i) *Vesting of Assets and Causes of Action*

With the exception of the Excluded Assets, all property of the Debtors and the Estates under section 541(a) of the Bankruptcy Code including, but not limited to, all Litigation Trust Causes of Action, the Initial Litigation Trust Funds, and Excess Remaining Funds, if any, shall vest in the Litigation Trust as of the Effective Date. After the Effective Date the Litigation Trustee shall be the representative of the Estates as regards the assets and property of the Estates as of the Effective Date except for the Excluded Assets, and including but not limited to with respect to the Litigation Trust Causes of Action. The Litigation Trust Causes of Action shall be pursued, litigated, compromised or settled by the Litigation Trustee as it deems appropriate, in accordance with the terms of the Litigation Trust Agreement, all without further approval of the Bankruptcy Court.

Only the Excluded Assets of the Debtors shall vest in the Reorganized Debtors.

The attorney-client privilege, the attorney work product doctrine and any similar privilege against disclosure, and all other similar immunities, including all documents and confidential documents, including, but not limited to, confidential and/or privileged internal communications of the Board of Directors or Officers of the Debtors and any Professional or

[22] Counsel for UCC sent similar letters to the Debtors' three other D&O insurers.

committee, of the Debtors, that concern or relate in any way to the Chapter 11 Cases, any Claims, any actions or matters prior to the filing of or during the Chapter 11 Cases, or any matters or Claims or actions dealt with or related to any releases or exculpations set forth in the Plan, or relating to property of the Debtors under section 541(a) of the Bankruptcy Code including, but not limited to, all Litigation Trust Causes of Action, the Initial Litigation Trust Funds, and Excess Remaining Funds, if any, excepting only the Excluded Assets, shall vest on the Effective Date exclusively in the Litigation Trust as the representative and successor of the Estates and the Debtors and shall be subject to the sole control of the Litigation Trust. The attorney-client privilege, the attorney work product doctrine and any similar privilege against disclosure, and all other similar immunities, including all documents and confidential documents, of the UCC shall vest on the Effective Date in the Litigation Trust. The Reorganized Debtors shall maintain an attorney client privilege, the attorney work product doctrine and any similar privilege against disclosure, only with respect specifically to the Excluded Assets. Any dispute over whether such privileges, immunities or documents are subject to the sole control of the Litigation Trust shall be determined by the Bankruptcy Court. Reorganized Saratoga shall be given access to the books and records of the Debtors as such exist as of the Effective Date and (x) relate specifically to the Excluded Assets or (y) are necessary for financial, regulatory and administrative reporting, and preparation of tax returns of the Debtors and Reorganized Debtors.

(ii) *No Waiver or Relinquishment.*

The Debtors do not waive, relinquish, or abandon (nor shall the Litigation Trust be estopped or otherwise precluded from asserting) any right, claim, Cause of Action, defense, or counterclaim that constitutes property of the Estates: (a) whether or not such right, claim, Cause of Action, defense, or counterclaim has been listed or referred to in the Plan, the Schedules, or

any other document filed with the Bankruptcy Court; (b) whether or not such right, claim, Cause of Action, defense, or counterclaim is currently known to the Debtors; and (c) whether or not a party in any litigation relating to such right, claim, cause of action, defense or counterclaim filed a proof of Claim in the Chapter 11 Cases, filed a notice of appearance or any other pleading or notice in the Chapter 11 Cases, voted for or against the Plan, or received or retained any consideration under the Plan. Without in any manner limiting the generality of the foregoing, notwithstanding any otherwise applicable principle of law or equity including, without limitation, any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, THE FAILURE TO LIST, DISCLOSE, DESCRIBE, IDENTIFY, OR REFER TO A RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, OR POTENTIAL RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, IN THE PLAN, THE SCHEDULES, OR ANY OTHER DOCUMENT FILED WITH THE BANKRUPTCY COURT SHALL IN NO MANNER WAIVE, ELIMINATE, MODIFY, RELEASE, OR ALTER ANY RIGHT OF THE LITIGATION TRUST TO COMMENCE, PROSECUTE, DEFEND AGAINST, SETTLE, AND REALIZE UPON ANY RIGHTS, CLAIMS, CAUSES OF ACTION, DEFENSES, OR COUNTERCLAIMS THAT THE DEBTORS HAVE, OR MAY HAVE, AS OF THE EFFECTIVE DATE. In addition, the Debtors expressly reserve and as of the Effective Date, (i) the Litigation Trust shall have the right to pursue or adopt any claim alleged in any lawsuit in which the Debtors are a party and (ii) the Reorganized Debtors shall have the right to pursue or adopt any claim which relates solely to Excluded Assets.

Except as is otherwise expressly provided herein or in the Confirmation Order, nothing in the Plan or the Confirmation Order shall preclude or estop (i) the Litigation Trust from bringing

a subsequent action in any court or adjudicative body of competent jurisdiction, to enforce any or all of its or their respective rights in connection with the Litigation Trust Causes of Action or the Excess Remaining Funds, if any, and any other assets vested in the Litigation Trust under the Plan, or (ii) the Reorganized Debtors from bringing a subsequent action in any court or adjudicative body of competent jurisdiction, to enforce any or all of their respective rights in connection with any claim which relates solely to Excluded Assets, irrespective of the identity of any interest, cause of action, or nexus of fact, issues or events which is now or which could have been asserted in these Chapter 11 Cases, the present litigation, and those which may be asserted in any subsequent litigation brought by any interested party. Moreover, the failure to commence any of the Retained Causes of Action prior to the Confirmation Date shall not constitute res judicata, judicial or collateral estoppel with respect to any Retained Cause of Action.

K. EXISTING EQUITY INTERESTS OF SARATOGA IN SUBSIDIARIES

Section 6.13 of the Plan provides that The Existing Equity Interests of Saratoga in all Debtor subsidiaries will be retained by Reorganized Saratoga on the Effective Date and such Existing Equity Interests will not be affected by the Plan, except that any Lien or security interest therein shall be canceled and of no force and effect as of the Effective Date.

VII. EFFECT OF PLAN ON CLAIMS AND INTERESTS

A. TERM OF CERTAIN INJUNCTIONS AND AUTOMATIC STAY.

Section 11.1 of the Plan provides the following with respect to injunctions and/or automatic stays in connection with the Plan:

(i) All of the injunctions and/or automatic stays provided for in or in connection with the Chapter 11 Cases, whether pursuant to section 105, 362, or any other provision of the Bankruptcy Code or other applicable law, in existence immediately prior to the Confirmation

Date shall remain in full force and effect until the injunctions set forth in the Plan become effective, and thereafter if so provided by the Plan, the Confirmation Order, or by their own terms. In addition, on and after Confirmation Date, the Debtors may seek such further orders as they may deem necessary or appropriate to preserve the *status quo* during the time between the Confirmation Date and the Effective Date.

(ii) Each of the injunctions provided for in the Plan shall become effective on the Effective Date and shall continue in effect at all times thereafter unless otherwise provided by the Plan. Notwithstanding anything to the contrary contained in the Plan, all actions in the nature of those to be enjoined by such injunctions shall be enjoined during the period between the Confirmation Date and the Effective Date.

(iii) **THE PROVISIONS OF THE PLAN SHALL BIND THE DEBTORS, THE REORGANIZED DEBTORS, THE LITIGATION TRUSTEE, ANY ENTITY ACQUIRING PROPERTY UNDER THE PLAN, AND ANY CREDITOR OR EQUITY SECURITY HOLDER IN THE DEBTORS, WHETHER OR NOT THE CLAIM OR EQUITY INTEREST OF SUCH CREDITOR OR EQUITY SECURITY HOLDER IS IMPAIRED UNDER THE PLAN AND WHETHER OR NOT SUCH CREDITOR OR EQUITY SECURITY HOLDER HAS FILED A PROOF OF CLAIM OR INTEREST OR ACCEPTED THE PLAN. THEREFORE, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR PRIOR ORDERS OF THE BANKRUPTCY COURT, FROM AND AFTER THE EFFECTIVE DATE, ALL PERSONS WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS PRIOR TO THE EFFECTIVE DATE ARE PROHIBITED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST THE RELEASED PARTIES OR ANY OF THEIR**

RESPECTIVE MEMBERS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, ADVISORS, OR THEIR ESTATES, ASSETS, PROPERTIES, OR INTERESTS IN PROPERTY, ON ACCOUNT OF ANY SUCH CLAIMS OR INTERESTS: (A) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING TO ENFORCE SUCH CLAIM; (B) ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER REGARDING SUCH CLAIM; (C) CREATING, PERFECTING OR ENFORCING ANY LIEN OR ENCUMBRANCE RELATING TO SUCH CLAIM; AND (D) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PRECLUDE SUCH PERSONS FROM EXERCISING THEIR RIGHTS PURSUANT TO AND CONSISTENT WITH THE TERMS OF THE PLAN.

B. DISCHARGE OF THE DEBTORS.

Section 11.2 provides that except as otherwise provided in the Plan, the rights afforded in the Plan and the treatment of all Claims and Existing Equity Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims against the Debtors and Existing Equity Interests in Saratoga of any nature whatsoever, including any interest accrued thereon from and after the Petition Date, against or in the Debtors and the Debtors in Possession, or their assets, properties, or interests in property. Except as otherwise provided herein, on the Effective Date, all Claims (including those arising under sections 502(g), 502(h) or 502(i) of the Bankruptcy Code) against the Debtors and the Debtors in Possession **(including any based on**

acts or omissions that constituted or may have constituted ordinary or gross negligence or reckless, willful, or wanton misconduct of any of the Debtors, or any conduct for which any of the Debtors may be deemed to have strict liability under any applicable law) shall be discharged and released.

For the avoidance of doubt, the Reorganized Debtors shall not be responsible for any Claims against the Debtors or the Debtors in Possession except (1) those payments and distributions expressly provided for or due under in the Plan and (2) Claims, if any, that pass through the Plan Unimpaired pursuant to specific and express provisions of the Plan. All Entities shall be and are precluded and forever barred from asserting against the Debtors, the Reorganized Debtors, or their assets, properties, or interests in property, any other or further Claims or Causes of Action based upon any act or omission, transaction, or other activity, event, or occurrence of any kind or nature that occurred prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date, except for (1) those payments and distributions expressly provided for or due under in the Plan and (2) Claims, if any, that pass through the Plan Unimpaired pursuant to specific and express provisions of the Plan.

Notwithstanding anything in the Plan to the contrary, nothing in the Plan will restrict the U. S. Securities and Exchange Commission from pursuing any regulatory or police enforcement action against the Debtors, the Reorganized Debtors, and their current and former officers, directors, shareholders or employees, other than any action or proceeding to recover monetary Claims, damages or penalties against the Debtors for any act or omission occurring prior to Confirmation, except pursuant to a properly and timely filed proof of Claim. The discharge provisions in the Plan are not intended, and shall not be construed, to bar a governmental entity

from pursuing any police or regulatory action against the Debtors to the extent excepted from the automatic stay provisions of section 362 of the Bankruptcy Code.

C. RELEASE OF DEBTORS' ESTATES' CLAIMS.

Section 11.3 of the Plan provides the following:

AS OF THE EFFECTIVE DATE, AND SUBJECT TO ITS OCCURRENCE, FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, ANY AND ALL CAUSES OF ACTION OF THE DEBTORS, DEBTORS IN POSSESSION, THE DEBTORS' ESTATES AND THE REORGANIZED DEBTORS AGAINST ANY OF THE RELEASED PARTIES AND ONLY THE RELEASED PARTIES, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE SHALL BE FOREVER RELEASED AND DISCHARGED. THE FOREGOING RELEASES, HOWEVER, SHALL NOT (1) WAIVE ANY DEFENSES TO ANY CLAIMS ASSERTED AGAINST THE DEBTORS BY ANY RELEASED PARTIES EXCEPT TO THE EXTENT SUCH CLAIMS HAVE BEEN SPECIFICALLY ALLOWED IN THE PLAN OR BY A FINAL ORDER OF THE BANKRUPTCY COURT, OR (2) RELEASE ANY CLAIMS OR CAUSES OF ACTION BASED ON GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY RELEASED PARTY.

D. RELEASE BY HOLDERS OF CLAIMS.

Section 11.4 of the Plan provides:

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ON AND AFTER THE EFFECTIVE DATE, EACH

HOLDER OF A CLAIM WHO HAS VOTED TO ACCEPT THE PLAN SHALL BE DEEMED TO HAVE UNCONDITIONALLY RELEASED THE RELEASED PARTIES, FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY), BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE ON ACCOUNT OF ANY RELATIONSHIP WITH THE DEBTORS OR ON ACCOUNT OF ANY CLAIM, EXCEPT FOR (I) WITH RESPECT TO THE REORGANIZED DEBTORS, CLAIMS WHICH ARE OR BECOME ALLOWED CLAIMS AND ARE TO BE PAID AS PROVIDED PURSUANT TO THE PLAN, AND (II) ANY CLAIMS OR CAUSES OF ACTION BASED ON GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY RELEASED PARTY.

E. NO LIABILITY FOR CLAIMS.

Section 11.5 of the Plan provides the following:

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR THE ASSET PURCHASE AGREEMENT NEITHER THE DEBTORS, NOR THE RELEASED PARTIES, WILL, PURSUANT TO THE PLAN OR OTHERWISE, HAVE ANY RESPONSIBILITIES FOR ANY LIABILITIES OR OBLIGATIONS OF THE DEBTORS OR ANY OF THE DEBTORS' SUBSIDIARIES RELATING TO OR ARISING OUT OF

THE OPERATIONS OF OR ASSETS OF THE DEBTORS OR ANY OF THE DEBTORS' SUBSIDIARIES, WHETHER ARISING PRIOR TO, OR RESULTING FROM ACTIONS, EVENTS, OR CIRCUMSTANCES OCCURRING OR EXISTING AT ANY TIME PRIOR TO THE EFFECTIVE DATE AND FURTHER NONE OF THE RELEASED PARTIES SHALL HAVE ANY SUCCESSOR OR TRANSFEREE LIABILITY OF ANY KIND OR CHARACTER, FOR ANY CLAIMS EXCEPT THAT THE REORGANIZED DEBTORS SHALL HAVE THE OBLIGATIONS SPECIFICALLY AND EXPRESSLY PROVIDED IN THE PLAN AND THE PURCHASER SHALL HAVE THE OBLIGATIONS SPECIFICALLY AND EXPRESSLY PROVIDED IN THE ASSET PURCHASE AGREEMENT.

F. EXCULPATION.

Section 11.6 of the Plan provides:

NONE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR THE RELEASED PARTIES SHALL HAVE OR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY ACT OR OMISSION IN CONNECTION WITH OR ARISING OUT OF THE NEGOTIATION OF THE PLAN, THE GOOD FAITH SOLICITATION OF THE PLAN IN ACCORDANCE WITH SECTION 1125(E) OF THE BANKRUPTCY CODE, THE PURSUIT OF CONFIRMATION OF THE PLAN, THE PURSUIT OF APPROVAL OF THE DISCLOSURE STATEMENT, THE CONSUMMATION OF THE PLAN, THE TRANSACTIONS CONTEMPLATED AND EFFECTUATED BY THE PLAN, THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN OR ANY OTHER ACT OR OMISSION DURING THE ADMINISTRATION OF THE CHAPTER 11 CASES OR THE DEBTORS' ESTATES

(EXCLUDING CAUSES OF ACTION BASED ON FRAUD, GROSS NEGLIGENCE, RECKLESS, WILLFUL, OR WANTON MISCONDUCT).

VIII. LITIGATION TRUST

Pursuant to the Plan, a Litigation Trust will be established on the Effective Date. The purpose of the Litigation Trust is (i) to receive as of the Effective Date, the Litigation Trust Assets, which shall include without limitation, all assets of the Estates of the Debtors other than the Excluded Assets, included without limitation, the Litigation Trust Causes of Action, the Initial Litigation Trust Funds, any Excess Remaining Funds, any and all other information, documents, electronic information, stored information and documents, communications, all as may be specifically described in the Litigation Trust Agreement (excluding only such as are specifically and directly related to the Excluded Assets), and the membership interests in the Litigation Trust LLC (if the New Equity Interests are issued), (ii) to pursue the Litigation Trust Causes of Action and to distribute any Litigation Trust Net Proceeds to the holders of superpriority Claims, Administrative Expense Claims and General Unsecured Claims. ERG II has agreed to allow the Debtors to use Cash Collateral in the amount of $25,000 to establish and operate the Litigation Trust.

In furtherance of and consistent with the purpose of the Litigation Trust and the Plan, the Litigation Trustee shall (i) hold the Litigation Trust Assets for the benefit of the holders of Allowed Claims described herein, (ii) reconcile Claims (including to object to, seek to subordinate, recharacterize or settle such Claims) and (iii) without further order of the Bankruptcy Court (a) have the power and authority to prosecute and resolve, in the names of the Debtors and/or the Litigation Trustee, any Litigation Trust Causes of Action, (b) calculate and make distributions of the Litigation Trust Assets to holders of Allowed Claims described herein

(c) liquidate, transfer or otherwise dispose of the Litigation Trust Assets or any part thereof or any interest therein upon such terms as the Litigation Trustee determines to be necessary, appropriate or desirable, (d) terminate the Litigation Trust in accordance with the terms of the Plan and the Litigation Trust Agreement, (e) provide the holders of beneficial interests in the Litigation Trust, annually, with unaudited financial statements, and (f) sell, liquidate, dispose of or abandon Litigation Trust Assets.

The Litigation Trustee shall be responsible for all decisions and duties with respect to the Litigation Trust and the Litigation Trust Assets. In all circumstances, the Litigation Trustee shall act in the best interests of all current beneficiaries of the Litigation Trust and in furtherance of the purposes of the Litigation Trust.

All fees, expenses, and costs of the Litigation Trust shall be paid from any Litigation Trust Assets, and the Reorganized Debtors shall not be responsible for any fees, expenses, and costs of the Litigation Trust.

The Plan provides that the any Litigation Trust Net Proceeds recovered by the Litigation Trust shall be distributed in the following priority as may be more fully stated in the Litigation Trust Agreement:

i. First, from the amount of the Excess Remaining Funds transferred to the Litigation Trustee less the Initial Litigation Trust Funds, which shall be retained by the Litigation Trustee for administration of the Litigation Trust, the amount of approved Administrative Expense Claims Allowed by the Bankruptcy Court after the Effective Date;[23]

ii. Second, as necessary, from funds ordinarily payable on account of the ERG II Superpriority Claim, to the extent Allowed Administrative Expense Claims not paid in full on the Effective Date exceed the amount of the Excess Remaining Funds transferred by the Debtors to the Litigation Trustee, *Pro Rata* to the holders of Allowed Administrative Expense Claims until such Claims are paid

[23] Any Excess Remaining Funds transferred by the Debtors to the Litigation Trustee that are not used in payment of Administrative Expense Claims Allowed after the Effective Date shall after payment in full of such Administrative Claims be paid by the Litigation Trustee to ERG II.

in full;

iii. Third, to the holders of Allowed Class 4 General Unsecured Claims as follows:

a. if Classes 1, 3 and 4 vote to accept the Plan, (1) first, payment from funds ordinarily payable on account of the ERG II Superpriority Claim, of up to $2.6 million on a *Pro Rata* basis to holders of Allowed Residual Claims and $600,000 of the Albrecht Claims, (2) second, payment of $600,000 to ERG II on account of the ERG II Superpriority Claim and (3) third, payment on a *Pro Rata* basis to Holders of remaining Allowed Class 4 Claims; or

b. if Classes 1, 3 and/or 4 do not vote to accept the Plan, payment in full of the ERG II Superpriority Claim and then payment on a *Pro Rata* basis to the holders of General Unsecured Claims, including the Residual Claims, and the deficiency Claims of the First Lien Noteholders and the Second Lien Noteholders, of any distributions of Litigation Trust Net Proceeds made by the Litigation Trust.

IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. GENERAL TREATMENT FOR ASSUMPTION/REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

Section 5.1 of the Plan provides:

(i) *For the avoidance of doubt, nothing contained in the Plan shall impact, impair or alter the rights of ERG II or any counter parties to any leases and executory contracts assumed and assigned to ERG II pursuant to the Asset Purchase Agreement or the Sale Order.*

(ii) On the Effective Date, each executory contract or unexpired lease of the Debtors that (i) has not expired by its own terms, (ii) has not been assumed by and/or assigned to ERG II pursuant to the terms of the Asset Purchase Agreement, or (iii) does not directly relate to any Excluded Assets which are being retained by the Reorganized Debtors and either assumed by separate order of the Bankruptcy Court (which, for the avoidance of doubt, may include the Confirmation Order) or specifically designated to "ride through" the bankruptcy case under the Plan, shall be deemed rejected by the applicable Debtor as of the Effective Date pursuant to

sections 365 and 1123 of the Bankruptcy Code. Excluded Leases and Contracts which have been assumed by separate order of the Bankruptcy Court (which, for the avoidance of doubt, may include the Confirmation Order) or specifically designated to "ride through" the bankruptcy case, shall, as applicable, ride through the bankruptcy cases and/or be assumed as provided in the Confirmation Order or any other with respect to such assumption. Nothing in the Plan, any exhibit to the Plan, or any document executed or delivered in connection therewith creates any obligation or liability on the part of the Debtors, the Reorganized Debtors, or any other person or entity that is not currently liable for such obligation, with respect to any executory contract or unexpired lease except as may otherwise be provided in the Plan.

Attached to the Plan as Exhibit A is the list of Excluded Leases and Contracts which shall have been assumed, will be assumed as of the Effective Date or that shall ride through these Bankruptcy Cases, as indicated on Exhibit A to the Plan and shall include all related rights and interests of the Debtors in property specifically related and pertaining thereto.

B. EFFECT OF CONFIRMATION ORDER ON EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

Section 5.2 of the Plan provides that entry of the Confirmation Order shall constitute the approval, pursuant to sections 365(a) and 1123(b) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 5.1(ii) of the Plan, with the rejection effective as of the day before the Petition Date, as being burdensome and not in the best interest of the Debtors' Estates.

C. REJECTION DAMAGE CLAIMS; DEADLINE FOR FILING.

Section 5.3 of the Plan provides:

(i) *Treatment*: Except as may otherwise be provided in the Plan, Allowed

Rejection Damage Claims, if any, will be treated as General Unsecured Claims in Class 4.

(ii) ***Deadline: Each Person who is a party to a contract or lease rejected under the Plan must file with the Bankruptcy Court and serve on the Debtors or, if after the Effective Date, on the Litigation Trustee, a proof of Claim for damages alleged to arise from the rejection of the applicable contract or lease or be forever barred from filing a Claim, or sharing in distributions under the Plan, related to such alleged rejection damages no later than the later of (i) thirty (30) days after the entry of an order for the rejection of such contract or lease or (ii) thirty (30) days after the Effective Date.***

D. D&O LIABILITY INSURANCE POLICIES

Section 5.4 of the Plan provides that notwithstanding anything in the Plan to the contrary, effective as of the Effective Date, the Reorganized Debtors shall be deemed to have assumed all D&O Liability Insurance Policies (including tail coverage liability insurance) pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will constitute the Court's approval of the Reorganized Debtors' assumption of each such D&O Liability Insurance Policies, to the extent they are executory contracts. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan shall not discharge, impair, or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an executory contract that has been assumed by the Reorganized Debtors under the Plan as to which no Proof of Claim need be filed, and shall survive the Effective Date.

E. FEDERAL LEASES

Section 5.5 of the Plan provides that with respect to the Debtors' interests in any federal oil and/or gas leases ("Federal Lease Interests"), including leases identified as lease numbers

G34828 and G34802, the vesting and prior-Court approved assumption of a Federal Lease Interest in connection with the Plan shall be effective if and as necessary with consent of the United States, which may be granted or denied in accordance with the agency's authority under existing regulations and applicable non-bankruptcy law.

To obtain approval from the United States Department of Interior if and as necessary for the vesting and prior-Court approved assumption of the Federal Lease Interests to the Reorganized Debtors, the Reorganized Debtors shall, among other things, comply with all financial assurance requirements in accordance with existing regulations and applicable non-bankruptcy law.

Any reference to Debtors in bonds maintained in connection with the Federal Lease Interests ("Lease Bonds") shall, if and as necessary, be modified to mean Reorganized Debtors upon Interior's approval of the vesting and prior-Court approved assumption of the Federal Lease Interests to the Reorganized Debtors. The Debtors and Reorganized Debtors shall execute any document(s) necessary at Interior's request to amend the Lease Bonds in a manner consistent with this paragraph.

X. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and certain U.S. holders of Claims and Interests. The following summary does not address the U.S federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in cash under the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in

effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Certain tax aspects of the Plan are uncertain due to the lack of applicable regulations and other tax precedent. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt.

This summary generally does not address foreign, state or local tax consequences of the Plan, nor does it address the U.S. federal income tax consequences of the Plan to the particular circumstances of any holder or to holders subject to special income tax rules (such as S corporations, regulated investment companies, insurance companies, financial institutions, small business investment companies, broker-dealers and tax-exempt organizations). In addition, the discussion does not apply to holders of Claims and Interests that are not "U.S. Persons" (as such phrase is defined in the Tax Code). The use of the terms "holder" or "U.S. holder" herein shall refer to a "holder of a Claim or Interest that is a U.S. Person."

The following discussion is a general summary of certain federal income tax aspects of the Plan to U.S. holders, and should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Equity Interest.

EACH HOLDER OF A CLAIM OR EQUITY INTEREST AFFECTED BY THE PLAN SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT

HOLDER'S CLAIM OR INTEREST AND TO DETERMINE THE AMOUNT AND TIMING OF ANY INCOME OR LOSS SUFFERED AS A RESULT OF THE CANCELLATION OF THE CLAIMS OR EQUITY INTERESTS HELD BY SUCH PERSON, WHETHER SUCH INCOME OR LOSS IS AN ORDINARY OR CAPITAL.

THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH ANY OFFERING FOR SALE OF SECURITIES.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND ANY EQUITY INTERESTS ARE HEREBY NOTIFIED THAT (i) ANY DISCUSSION OF TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE TAX CODE, AND (ii) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OF THE PLAN.

THE DISCUSSION CONTAINED HEREIN IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, ALL HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

A. NET OPERATING LOSS CARRY FORWARDS

The amount of the Debtors' net operating loss carryforwards ("NOLs") for federal

income tax purposes (estimated to be $120 million), and possibly certain other tax attributes, may be reduced or eliminated upon implementation of the Plan. In addition, the Reorganized Debtors' and the Litigation Trust's subsequent utilization of any net built-in losses with respect to their assets and NOLs remaining, and possibly certain other tax attributes, may be restricted or eliminated as a result of and upon the implementation of the Plan.

B. CANCELLATION OF INDEBTEDNESS INCOME

Under the Tax Code, a taxpayer generally must recognize income from the cancellation of debt ("COD Income") to the extent that its indebtedness is discharged during the taxable year. Section 108(a)(1)(A) of the Tax Code provides an exception to this rule, however, where a taxpayer is in bankruptcy and where the discharge is granted by, or is effected pursuant to a plan approved by, the bankruptcy court. In this case, instead of recognizing income, the taxpayer is required, under section 108(b) of the Tax Code, to reduce certain of its tax attributes by the amount of COD Income. The attributes of the taxpayer are to be reduced in the following order: NOLs, general business and minimum tax credit carryforwards, capital loss carryforwards, the basis of the taxpayer's assets, and finally, foreign tax credit carryforwards (collectively, "Tax Attributes"). Section 108(b)(5) of the Tax Code permits a taxpayer to elect to first apply the reduction to the basis of the taxpayer's depreciable assets, with any remaining balance applied to the taxpayer's other Tax Attributes in the order stated above. In addition to the foregoing, section 108(e)(2) of the Tax Code provides a further exception to the realization of COD Income upon the discharge of debt, providing that a taxpayer will not recognize COD Income to the extent that the taxpayer's satisfaction of the debt would have given rise to a deduction for federal income tax purposes.

As a result of having its debt reduced in connection with its bankruptcy, the Debtors generally will not recognize COD Income from the discharge of indebtedness pursuant to the

Plan; however, certain Tax Attributes of the Debtors will be reduced or eliminated. The Debtors do not currently anticipate that it will make the election under 108(b)(5) of the Tax Code to apply any required attribute reduction first to the basis of the Debtors' depreciable property. Only to the extent that the discharge is of amounts that the Debtors would have been entitled to deduct if the Debtors had paid such amounts, will the Debtors avoid recognition of COD Income and reduction of Tax Attributes pursuant to section 108(e)(2) of the Tax Code.

C. TAX CONSEQUENCES TO HOLDERS OF CLAIMS

A creditor who receives cash or other consideration in satisfaction of any Claim may recognize ordinary income. The impact of such ordinary income, as well as the tax year for which the income shall be recognized, shall depend upon the individual circumstances of each claimant, including the nature and manner of organization of the claimant, the applicable tax bracket for the claimant, and the taxable year of the claimant. Each creditor is urged to consult with its tax advisor regarding the tax implications of any payments or distributions under the Plan.

In general, the principal federal income tax consequents of the Plan to holders of Claims will be (a) recognition of loss or a bad debt deduction to the extent that the total payments received under the Plan with respect to the Claim are less than the adjusted basis of the holder in such Claim, or (b) recognition of taxable income by the holder of the Claim to the extent of the excess of the amount of any payments made under the Plan in respect of the Claim over the holder's adjusted basis therein.

The amount and character of any resulting income or loss recognized for federal income tax consequences to a holder of any Claim as a result of implementation of the Plan will, however, depend on many factors. The most significant of these factors include (a) the nature and origin of the Claim, (b) whether the holder is a corporation, (c) the extent to which the Plan

provides for payment of the particular Claim, (d) the extent to which any payment made is allocable to pre-petition interest which is part of such Claim, and (e) the prior tax reporting positions taken by the holder with respect to the item that constitutes the Claim. As to the last factor, relevant tax reporting positions include whether the holder had to report under its method of accounting any portion of the Claim (including accrued and unpaid interest) as income prior to receipt and whether the holder previously claimed a bad debt or worthlessness deduction with respect to the Claim, which would affect the adjusted basis of the holder in the Claim.

General rules for the deduction of bad debts are provided in section 166 of the Tax Code as follows:

> If either (a) the creditor is a corporation, or (b) the debt is a business bad debt in the hands of the creditor, and the creditor demonstrates that the debt is collectable only in part, a deduction for partial worthlessness of the debt will be allowed to the extent that the debt is charged off in the accounting records of the creditor.
>
> For a creditor not described in the previous paragraph, a bad debt deduction is allowable only in the year that the debt becomes wholly worthless.
>
> If a creditor is not a corporation and the debt is a nonbusiness bad debt, the bad debt deduction is treated as a short-term capital loss, which can offset only capital gain income and a limited amount of ordinary income.

For purposes of section 166 of the Tax Code, a "nonbusiness debt" means a debt other than (i) a debt created or acquired in connection with the creditor's trade or business, or (ii) a debt the loss from the worthlessness of which was incurred during the operation of the creditor's trade or business.

The time that a debt becomes worthless (or partially worthless), and therefore the tax year in which a creditor may claim a bad debt deduction, is a question of fact. Pursuant to Treasury Regulation section 1.166-2(c), as a general rule, bankruptcy is an indication of the worthlessness of at least a part of an unsecured, non-priority debt. In bankruptcy cases, a debt may become

worthless before settlement in some instances, and only when a settlement in bankruptcy has been reached in other instances. The mere fact that bankruptcy proceedings instituted against the debtor are terminated in a later year, thereby confirming the conclusion that the debt is worthless (or partially worthless), does not necessarily shift the deduction to such later year. Thus, even though the precise amount that holders of General Unsecured Claims or other Claims will receive under the Plan may not be known until the final distribution date, the determination of the precise amount that will be paid under the Plan with respect to a Claim, or that no amount will be paid, does not necessarily establish that any resulting bad debt deduction is properly allowable in the Creditor's tax year in which the final distribution is made, rather than in an earlier year. Accordingly, to the extent that a Creditor may claim a bad debt deduction which it has not previously claimed, it is possible that the Creditor will be required to amend its return for a prior year and claim the deduction in that year, rather than in the year in which the final distribution is made. Creditors should consult with their individual tax advisors with respect to this issue.

The extent to which gain or loss may be recognized by a holder of a Claim upon implementation of the Plan may be significantly affected by any bad debt deduction that may have been claimed by the holder in a prior year with respect to the debt on which the Claim is based. If the holder took a bad debt deduction in a prior year which is recovered in whole or part through a payment made to the holder pursuant to the Plan, the holder will generally be required to include in income the amount recovered in the year the holder receives the payment. An exception to this rule permits exclusion of a recovery of a prior bad debt deduction to the extent that the earlier bad debt deduction did not produce a tax benefit to the holder.

XI. LIQUIDATION ANALYSIS UNDER CHAPTER 7

Under the Bankruptcy Code, in order for a plan to be confirmed, each impaired creditor or equity holder (unless such creditor or equity holder has agreed to accept less) must receive or retain under the Plan a recovery that has a value at least equal to the value of any distribution that such creditor or equity holder would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. Because ERG II holds a superpriority Claim as a result of the diminution of its collateral during the Chapter 11 Cases, in the event of a conversion to a chapter 7, any distributions from the chapter 7 trustee would first be used to pay the ERG II Superpriority Claim and, as a consequence, other holders of administrative Claims and unsecured Claims would receive nothing in a chapter 7 liquidation (at least until the ERG II Superpriority Claim is paid in full). In contrast, under the Plan, ERG II has agreed to subordinate the ERG II Superpriority Claim to certain payments to be made under the Plan under certain circumstances. In a chapter 7, there is no such agreement of subordination by ERG II. Accordingly, the distributions to creditors and equity holders under the proposed Plan are at least as much as any creditors or equity holders would receive in a chapter 7 liquidation of the Debtors.

XII. CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. VOTING AND OTHER PROCEDURES

A ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan. The Debtors are not soliciting acceptances from the holders of Existing Equity Interests in Saratoga for reasons explained elsewhere in this Disclosure Statement.

After notice and a hearing, on July 20, 2016, the Bankruptcy Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtors' creditors to make an informed judgment whether to accept or reject (including whether to change their acceptance or rejection of) the Plan.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN OR WHETHER IT CAN BE CONFIRMED. ALL CREDITORS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

Pursuant to the provisions of the Bankruptcy Code, only holders of Claims in classes of Claims that are impaired under the terms and provisions of a Chapter 11 plan and are to receive distributions thereunder are entitled to vote to accept or reject the Plan. Classes of Claims or interests in which the holders of Claims and Existing Equity interests will not receive or retain any property under a Chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. Classes of Claims or Existing Equity Interests in which the holders are unimpaired under a Chapter 11 plan are deemed to have accepted the Plan and also are not entitled to vote to accept or reject the plan.

Any creditor in an impaired Class (i) whose Claim has been listed by the Debtors in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated) or (ii) who filed a proof of Claim on or before the Bar Date (or, if not filed by such date, any proof of claim filed within any other applicable period of

limitations or with leave of the Bankruptcy Court), which Claim has not been disallowed, is not the subject of an objection, and is classified in a voting Class, is entitled to vote. Holders of Claims that are disputed, contingent and/or unliquidated are entitled to vote their Claims only to the extent that such Claims are Allowed solely for the purpose of voting pursuant to an order of the Bankruptcy Court.

If a Class of Claims or Equity Interests rejects the Plan or is deemed to reject the Plan, the Plan Proponents have the right to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the confirmation of a plan notwithstanding the nonacceptance of such plan by one or more impaired classes of Claims. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class.

If one or more of the Classes entitled to vote on the Plan votes to reject the Plan, the Plan Proponents intend to request confirmation of the Plan over the rejection of the Plan by such Class or Classes and will demonstrate that the Plan complies with the best interest of creditors test with respect to any such Class or Classes.

After carefully reviewing this Disclosure Statement, including any Exhibits, each holder of an Allowed Claim entitled to vote may vote whether to accept or reject the Plan. A ballot for voting on the Plan accompanies this Disclosure Statement. If you hold a Claim in more than one Class and you are entitled to vote Claims in more than one Class, you may receive a ballot or ballots, which will permit you to vote in all appropriate Classes of Claims. Please vote and return your ballot(s) by fax, email or mail to the "Voting Agent" as follows:

Heller, Draper, Patrick, Horn & Dabney, L.L.C.
Attn: Cherie Nobles
650 Poydras Street, Suite 2500
New Orleans, Louisiana 70130-6175
Telephone: 504-299-3300
Fax: 504-299-3399
Email: cnobles@hellerdraper.com

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE. ANY OBJECTIONS TO THE CONFIMRATION OF THE PLAN MUST BE FILED IN ACCORDANCE WITH AND NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

If you are entitled to vote on the Plan and you did not receive a ballot, received a damaged ballot or lost your ballot, or if you have any questions concerning the procedures for voting on the Plan, please call the Voting Agent at the telephone number set forth above.

B. DISCLAIMERS AND ENDORSEMENTS

This Disclosure Statement contains information about the Plan. Creditors are urged to study the text of the Plan carefully to determine the Plan's impact on their claims or interests and to consult with their financial, tax and legal advisors.

Nothing contained in this Disclosure Statement or the Plan shall be deemed an admission or statement against interest that can be used against the Plan Proponents in any pending or future litigation. Any reference to creditor Claims in this Disclosure Statement is not an admission that such creditors hold Allowed Claims as defined in the Bankruptcy Code, or shall be an admission with respect to the validity, priority, or extent of any alleged lien, Claim, priority or encumbrance.

Certain statements and assertions in this Disclosure Statement may be subject to dispute by parties in interest.

C. THE CONFIRMATION HEARING

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing with respect to the accompanying Plan. The Confirmation Hearing in respect of the Plan has been scheduled for the date and time set forth in the accompanying notice before the Honorable Robert Summerhays, United States Bankruptcy Judge, at the United States Bankruptcy Court, Western District of Louisiana – Lafayette Division, 214 Jefferson Street, Suite 100, Lafayette, Louisiana 70501. 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. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim against or a description of the interest in the Debtors held by the objector, and must be made in accordance with any pre-trial or scheduling orders entered by the Bankruptcy Court. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court, and the following parties on or before the date and time set forth in the accompanying notice:

Counsel to the Debtors:
Heller, Draper, Patrick, Horn & Dabney, LLC
William H. Patrick, III, La. Bar Roll No. 10359
Cherie Nobles, La. Bar Roll No. 30476
650 Poydras Street, Suite 2500
New Orleans, LA 70130-6103
Telephone: (504) 5299-3300
Fax: (504) 299-3399
wpatrick@hellerdraper.com
cnobles@hellerdraper.com

KELLY HART & PITRE
Louis M. Phillips (#10505)
Peter A. Kopfinger (#20104)
One American Place
301 Main Street, Suite 1600
Baton Rouge, LA 70801-1916
Telephone: (225) 381-9643
Facsimile: (225) 336-9763
Email: louis.phillips@kellyhart.com
Email: peter.kopfinger@kellyhart.com

D. CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of Claims and equity interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors that are impaired under the plan.

E. UNFAIR DISCRIMINATION AND FAIR AND EQUITABLE TESTS

To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each impaired, non-accepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cram down" tests for secured creditors and unsecured creditors, as follows:

(1) Secured Creditors

Either (i) each impaired secured creditor retains its liens securing its secured Claim and receives on account of its secured Claim deferred cash payments (x) totaling at least the allowed amount of the secured Claim and (y) having a present value at least equal to the value of the secured creditor's collateral, (ii) each impaired secured creditor realizes the "indubitable

equivalent" of its allowed secured claim, or (iii) the property securing the Claim is sold free and clear of liens with the secured creditor's lien to attach to the proceeds of the sale and such lien on proceeds is treated in accordance with clause (i) or (ii) of this subparagraph.

(2) Unsecured Creditors

Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed Claim, or (ii) the holders of Claims and Interests that are junior to the claims of the dissenting class will not receive any property under the plan, and the "best interest" test is met so that each impaired unsecured creditor recovers at least what that creditor would receive if the case was converted to a chapter 7 case.

(3) Equity Interest Holders

Either (i) each impaired interest holder receives or retains under the plan property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest or (ii) no junior interest receives or retains any property, and the "best interest" test is met so that each impaired interest holder recovers at least what that interest holder would receive if the case was converted to a chapter 7 case.

(4) No Unfair Discrimination

In addition, the "cram down" standards of the Bankruptcy Code prohibit "unfair discrimination" with respect to the Claims of an impaired, nonaccepting class. While the existence of "unfair discrimination" under a plan of reorganization depends upon the particular facts of a case and the nature of the Claims at issue, in general, courts have interpreted the standard to mean that the impaired, nonaccepting class must receive treatment under a plan of

reorganization which allocates value to such class in a manner that is consistent with the treatment given to other classes with similar legal Claims against the debtor.

The Plan Proponents believe that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

F. FEASIBILITY

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization unless the liquidation of the debtor is provided for in the plan. The Plan provides that in the event the Reorganized Debtors are not able to satisfy their obligations under the Plan, the Reorganized Debtors are authorized to liquidate under applicable state law in accordance with section 1129(a)(11) of the Bankruptcy Code.

G. BEST INTEREST TEST

In order to confirm a plan of reorganization, the Bankruptcy Court must determine that the plan is in the best interests of all classes of creditors and equity security holders impaired under that plan. The "best interest" test requires that the Bankruptcy Court find that the plan provides to each member of each impaired class of Claims and Interests (unless each such member has accepted the plan) a recovery which has a value at least equal to the value of the distribution that each creditor or interest holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code. As reflected in the discussion above, the Plan provides a value at least equal to the value of the distribution that each creditor or interest holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

H. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN (AND ANY DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

(1) Certain Bankruptcy Considerations

i. Risk of Liquidation of Debtors' Estates

If the Plan is not confirmed and consummated, it is expected that the Debtors' Chapter 11 Cases will be converted to chapter 7 cases. It is likely that a liquidation of the operations of the Debtors would produce no distributions to holders of Claims or Equity Interests.

ii. Risk of Non-Occurrence of Effective Date

The occurrence of the Effective Date is conditioned upon the happening of certain events. There can be no assurance, however, that all of these events will occur or that those that do not occur will be waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court there can be no assurance that the Effective Date will occur.

iii. Uncertainty Regarding Objections to Claims

The Plan provides that certain objections to Claims can be filed with the Bankruptcy Court after the Effective Date. A Creditor may not know that its Claim will be objected to until after the Effective Date.

(2) Adverse SEC Action after the Effective Date

It is possible that following the Effective Date the Securities and Exchange Commission may take adverse action relating to Reorganized Saratoga. Such adverse action could have a material negative impact on Reorganized Saratoga.

XIII. CONCLUSION AND RECOMMENDATION

The Debtors and the Unsecured Creditors Committee believe that confirmation and implementation of the Plan are preferable to any alternative because the Plan provides the best alternative for resolving the Debtors' financial difficulties and allowing creditors an opportunity for recovery. The Debtors and the Unsecured Creditors Committee urge holders of impaired Claims in Classes 1, 3 and 4, which are the only voting classes, to vote in favor of the Plan.

[signatures on the following page]

Dated: July 22, 2016

DISCLOSURE STATEMENT FILED BY:

HARVEST OIL AND GAS, LLC, SARATOGA RESOURCES, INC., THE HARVEST GROUP LLC, LOBO OPERATING, INC. AND LOBO RESOURCES, INC.

BY: */s/ J.W. Rhea, IV*
J. W. Rhea, IV
Chairman, Independent Restructuring Committee

Respectfully submitted,

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