IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION

IN RE:	CASE NO. 17-51014
KNIGHT ENERGY HOLDINGS, LLC, *ET AL* [1]	(JOINTLY ADMINISTERED)
DEBTORS	CHAPTER 11
	JUDGE ROBERT SUMMERHAYS

DISCLOSURE STATEMENT AS OF OCTOBER 17, 2017
FOR THE DEBTORS' JOINT CHAPTER 11 PLAN OF
REORGANIZATION AS OF _OCTOBER _17, 2017

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 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] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Knight Energy Holdings, LLC (1930) (Case No. 17-51014); Knight Oil Tools, LLC (2667) (Case No. 17-51015); Knight Manufacturing, LLC (0600) (Case No. 17-51016); KDCC, LLC, f/k/a Knight Well Services, LLC (4156) (Case No. 17-51017); Tri-Drill, LLC (4957) (Case No. 17-51018); Advanced Safety & Training Management, LLC, (0510) (Case No. 17-51019); Knight Security, LLC (0923) (Case No. 17-51020); Knight Information Systems, LLC (9787) (Case No. 17-51021); El Caballero Ranch, Inc. (7345) (Case No. 17-51022); Rayne Properties, LLC (7235) (Case No. 17-51023); Knight Aviation, LLC (3329) (Case No. 17-51024); Knight Research & Development, LLC (3760) (Case No. 17-51025); Knight Family Enterprises, LLC (7190) (Case No. 17-51026); HMC Leasing, LLC (0814) (Case No. 17-51027) and HMC Investments, LLC (8254) (Case No. 17-51029). The Debtors' service address is 2727 SE Evangeline Thruway, Lafayette, Louisiana 70508 other than Knight Manufacturing, LLC and Advanced Safety & Training Management, LLC. Knight Manufacturing, LLC's service address is 2810-A Melancon Road, Broussard, Louisiana 70518 and Advanced Safety & Training Management, LLC's service address is 2725 SE Evangeline Thruway, Lafayette, Louisiana 70508.

EXHIBITS

EXHIBIT D-1	Debtors' Joint Chapter 11 Plan of Reorganization
EXHIBIT D-2	List of Debtors' Real Property
EXHIBIT D-3	Distributions/Payments from the Debtors to the Consenting Holders and their trusts since 2014
EXHIBIT D-4	Schedule of Retained Causes of Action
EXHIBIT D-5	Liquidation Analysis
EXHIBIT D-6	Financial Projections

INTRODUCTION

Knight Energy Holdings, LLC ("Holdings"), Knight Oil Tools, LLC, Knight Manufacturing, LLC, KDCC, LLC, f/k/a Knight Well Services, LLC, Tri-Drill, LLC, Advanced Safety & Training Management, LLC, Knight Security, LLC, Knight Information Systems, L.L.C., El Caballero Ranch, Inc., Rayne Properties, LLC, Knight Aviation, LLC, Knight Research & Development, LLC, Knight Family Enterprises, LLC ("Enterprises"), HMC Leasing, LLC ("Leasing"), and HMC Investments, LLC (collectively, the "Debtors") have filed a plan in the above captioned bankruptcy cases. The Debtors submit this *Disclosure Statement for the Debtors' Joint Chapter 11 Plan of Reorganization as of October 17, 2017* (the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of Claims and Interests in the Debtors. The Disclosure Statement is submitted in connection with (i) the solicitation of acceptances or rejections of the *Debtors' Joint Chapter 11 Plan of Reorganization as of October 17, 2017* (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 definition 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 INTERESTS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW AND ANALYZE THE PLAN IN ITS ENTIRETY.

A. OVERVIEW OF THE PLAN

The Plan provides a framework to substantially reduce the Debtors' prepetition funded debt obligations and the Debtors' interest burden. Importantly, the Plan resolves on a consensual basis over $200[2] million of Senior Credit Facility Claims[3] against the Debtors, provides for payment in full over time of the secured JPM Loan Claims and Iberia Loans Claims which total an approximate aggregate principal amount of $20 million, provides for payment in full at consummation of all Administrative Claims, Priority Tax Claims, and Other Priority Claims, provides for payment in full at consummation of all Unsecured Convenience Class Claims ($1,000 or less), establishes a fund of $2.6 million minus the aggregate amounts paid to the Unsecured Convenience Class and certain expenses to be incurred in the resolution of Claims for the *pro rata* payment of General Unsecured Claims, and substantially deleverages the Debtors' balance sheets.

The Plan contains the following material terms:

- each holder of an Allowed Secured Senior Credit Facility Claim will receive its *pro rata* share of the (i) Reorganized Knight Interests, and (ii) the Initial New First Lien Term Loans issued on the Effective Date by Reorganized Knight to the Senior Credit Facility Lenders (collectively, the "First Lien Distribution") under the New First Lien Facility on terms and conditions acceptable to the Debtors and the Majority Consenting Lenders;

[2] Including interest and fees, etc.

[3] Capitalized terms used but not defined herein shall have the meaning assigned such terms in the Plan.

- each holder of an Allowed DIP Financing C laim shall receive, in full satisfaction of its Allowed DIP Financing Claim payment in full in cash from the proceeds of advances of Additional New First Lien Term Loans under the New First Lien Facility to be entered into on the Effective Date, or a dollar-for-dollar exchange for Additional New First Lien Term Loans;
- each holder of an Allowed JPM Loan Claim will receive repayment from the net sale proceeds or conveyance of certain non-core property, will retain any valid, perfected, and nonavoidable Liens securing the JPM Loans on any unsold collateral, and will restructure or replace the JPM Loans in full or in part with a JPM Takeback Loan on terms and conditions acceptable to the Debtors and the Majority Consenting Lenders;
- each holder of an Allowed Iberia Loan Claim will receive repayment from the net sale proceeds or conveyance of certain non-core property, will retain any valid, perfected, and nonavoidable Liens securing the Iberia Loans on any unsold collateral, and will restructure or replace the Iberia Loans in full or in part with an Iberia Takeback Loan on terms and conditions acceptable to the Debtors and the Majority Consenting Lenders;
- each holder of an Allowed Priority Tax Claim shall receive treatment in a manner consistent with section 1129(a)(9)(C) of the Bankruptcy Code;
- each holder of an Allowed Other Priority Claim shall receive either: (a) cash equal to the full allowed amount of its Claim or (b) payments over time as permitted under Section 1129(a)(9) of the Bankruptcy Code or (c) such other treatment as may otherwise be agreed to by such holder and the Debtors with the consent of the Majority Consenting Lenders;
- each holder of an Allowed Other Secured Claim, shall receive, at the Debtors' election and with the consent of the Majority Consenting Lenders, either: (a) reinstatement of such holder's Claim, (b) the return or abandonment of the collateral securing such Claim to such holder, (c) payment in full of such Allowed Other Secured Claim, (d) with respect to Secured Tax Claims, such treatment that renders such Claim as Unimpaired and meets the requirements of section 1129(a)(9)(D) of the Bankruptcy Code, or (e) such other treatment as may otherwise be agreed to by such holder and the Debtors with the consent of the Majority Consenting Lenders;
- except to the extent that a holder of an Allowed Mineral Contractor Claim agrees to a less favorable treatment, each holder of an Allowed Mineral Contractor Claim shall receive cash in an amount equal to such Allowed Claim on the later of: (i) the Effective Date, or (ii) the date due in the ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Claim;

- each holder of an Allowed Convenience Class Claim shall receive cash in an amount equal to the lesser of (a) their Allowed Claim, and (b) $1,000;
- each holder of an Allowed General Unsecured Claim shall receive their *pro rata* share from the General Unsecured Claims Fund of $2.6 million minus the aggregate amounts paid to holders of Unsecured Convenience Class Claims and certain expenses to be incurred in the resolution of Claims. The Holders of the Senior Credit Facility Deficiency Claim shall forego their right to receive any recovery from the General Unsecured Claims Fund on account of their Senior Credit Facility Deficiency Claim, and the Senior Credit Facility Deficiency Claim shall be excluded from the calculation of the *pro rata* recoveries of the other holders of General Unsecured Claims from the General Unsecured Claims Fund. For the avoidance of doubt, the Senior Credit Facility Deficiency Claim shall be classified as a General Unsecured Claim and the Holders thereof shall be permitted to vote such Claims to accept or reject the Plan;
- in consideration for the entry into the New Leases, the Related Party Transaction Resolutions, the Releases, and the other compromises and settlements embodied in the Plan, the Consenting Holders will retain and/or receive a distribution (the "Comprehensive Settlement Distribution") comprised of: (i) 20% of the Reorganized Knight Interests which includes (1) the retention by the Consenting Holders of a portion of their Interests in Reorganized Holdings; and (2) the receipt by the Consenting Holders of additional Reorganized Knight Interests on the Effective Date (the "Reorganized Knight Settlement Interests") (subject to dilution by the Management Incentive Plan); and (ii) the receipt by the Consenting Holders of two classes of 5-year warrants (or other equity equivalents) of Reorganized Knight Interests that entitles the holders of such warrants to: (a) 7% of Reorganized Knight Interests with an exercise price equivalent to a $120 million equity valuation ("Warrant Tranche 1"), and (b) 6% of Reorganized Knight Interests with an exercise price equivalent to a $175 million equity valuation ("Warrant Tranche 2" and together with Warrant Tranche 1, the "Warrants") (subject to dilution by the Management Incentive Plan);
- Intercompany Claims shall, in a tax and business efficient manner, be reinstated, compromised, or cancelled at the option of the Debtors and with the consent of the Majority Consenting Lenders; and
- provide for: (a) a discharge of Claims against the Debtors (the "Discharge"), (b) customary releases of certain Claims and Causes of Action held by the Debtors and their Estates (the "Debtor Releases") and certain third parties (the "Third Party Releases" and together with the Debtor Releases, the "Releases") against the Released Parties; (c) the exculpation of certain Restructuring Support Parties (the "Exculpations"); and (d) an injunction barring prosecution of such discharged, released, and exculpated Claims and Causes of Action (the "Injunction"), in each case

(a)-(d) to the fullest extent permitted by law and on terms and conditions acceptable to the Debtors and the Majority Consenting Lenders. Under no circumstances shall any Non-Consenting Holder receive the benefit of the Releases, Exculpations, or the Injunction.

B. POST EFFECTIVE DATE MANAGEMENT OF THE REORGANIZED DEBTORS AND BOARD OF DIRECTORS/OFFICERS

On the Effective Date, the Reorganized Holdings Board will consist of five members. The members of the Reorganized Holdings Board shall be determined in accordance with the terms of the RSA and designated as follows: (i) the Majority Consenting Lenders are entitled to designate four (4) directors; and (ii) the Consenting Holders shall designate one (1) board director, mutually agreeable to the Majority Consenting Lenders and the Consenting Holders, who shall serve as a director on the Reorganized Holdings Board and Chairman Emeritus thereof (the "Chairman Emeritus"). In addition, the Consenting Holders may designate one (1) individual, mutually agreeable to the Majority Consenting Lenders and the Consenting Holders, to serve as an observer on the Reorganized Holdings Board. The members of the board of directors of any Reorganized Debtor subsidiary of Reorganized Knight shall be acceptable to the Reorganized Holdings Board. From and after the Effective Date, each director, officer, or manager of Reorganized Knight and the Reorganized Debtors shall serve pursuant to the terms of their respective charters and bylaws or other formation and constituent documents, and applicable laws of Reorganized Knight's and/or the respective Reorganized Debtor's jurisdiction of formation.

It is expected that the Consenting Holders will propose Kelly Knight Sobiesk to serve as Chairman Emeritus of the Reorganized Debtors, subject to approval of the Majority Consenting Lenders pursuant to Article "IV.O" of the Plan.

It is further anticipated that the Debtors' senior officers (who are not equity holders) will continue to serve in their present capacities through the Effective Date of the Plan. Any

employment thereafter will be subject to approval of the board of Reorganized Holdings. Compensation of any such senior officer after the Effective Date will be set pursuant to the corporate policies of the Reorganized Debtors. It is not contemplated that Kelly Knight Sobiesk or Bryan Knight will continue to serve as employees of the Reorganized Debtors after the Effective Date. Neither Kelly Knight Sobiesk nor Bryan Knight has an employment contract with any of the Debtors.

Any additional information regarding the proposed officers and directors of the Reorganized Debtors required by Section 1129(a)(5) will be provided in the Plan Supplement or other filing prior to the Confirmation Hearing.

II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMANTS

The following is a Summary of Classification and Treatment of Claimants as estimated by the Debtors' management:

Class	Claim or Interest	Treatment	Impaired or Unimpaired	Voting Rights	Approx. % Recovery
N/A	**Allowed Administrative Claims** The total estimate of outstanding unpaid Administrative Claims as of Effective Date will be approximately $4.75 million (inclusive of outstanding ordinary course of business liabilities and $1 million in accrued professional fees).[4]	Payment in full in Cash	N/A	N/A	100%
N/A	**Priority Tax Claims** The total estimate of	Payment in full in Cash	N/A	N/A	100%

[4] The Debtors have not evaluated the validity of these asserted Claims and reserve their rights to challenge the validity, amount, and classification of such Claims.

Class	Claim or Interest	Treatment	Impaired or Unimpaired	Voting Rights	Approx. % Recovery
	Allowed Priority Tax Claims approximately $5.6 million (exclusive of use taxes).[5]				
N/A	**DIP Financing Claims** The total estimate of DIP Financing Claims is up to $10.0 million (excluding interest and fees).[6]	Payment in full in Cash or exchange on a dollar for dollar basis for Additional New First Lien Term Loans	N/A	N/A	100%
1	**Other Secured Claims** The total estimate of Other Secured Claims is to be determined.[7]	Payment in full in Cash, Reinstatement, return or abandonment of the collateral securing such Allowed Other Secured Claim to such holder, or such other treatment as may be agreed to by the holder, the Debtors, and the Majority Consenting Lender	Unimpaired	Presumed to Accept	100%
2 .	**Other Priority Claims** The total estimate of Other Priority Claims is to be determined. [8]	Payment in full in Cash or such other treatment as may be agreed to by the holder, the Debtors, and the Majority Consenting Lenders	Unimpaired	Presumed to Accept	100%
3	**JPM Commercial Loan Claims**. The total estimate of JPM Loan Commercial Claims is approximately $5.2 million plus accrued interest and fees.	Repayment in whole or in part from the net sale proceeds or conveyance of certain non-core property, and to the extent not repaid prior to the Effective Date exchanged on a dollar-for-dollar basis for the JPM Commercial Loans	Impaired	Entitled to Vote	100%
4	**JPM Consumer Loan Claims**.	Repayment in whole or in part from the net sale proceeds or conveyance of certain non-core property, and to the	Impaired	Entitled to Vote	100%

[5] The Governmental Bar Date is February 5, 2018. The Debtors have not evaluated the validity of these asserted Claims and reserve their rights to challenge the validity, amount, and classification of such Claims.

[6] The DIP Order approved debtor-in-possession financing to be extended to the Debtors over the course of the Chapter 11 Cases which would provide for up to a total aggregate principal amount of $14.5 million. If the Debtors use the proceeds of the DIP Loan to pay property taxes, then the amount of the DIP Loan will increase from the estimated $10.0 million to approximately $14.5 million; however, in that scenario, the amount of the Priority Tax Claims will decrease by approximately $4.5 million.

[7] The amounts of the Other Secured Claims are uncertain at this time but the Debtors do not expect that the ultimately Allowed amounts of any such Claims will be material. The Debtors have not evaluated the validity of these asserted Claims and reserve their rights to challenge the validity, amount, and classification of such Claims.

[8] The amounts of the Other Priority Claims are uncertain at this time but the Debtors do not expect that the ultimately Allowed amounts of any such Claims will be material. The Debtors have not evaluated the validity of these asserted Claims and reserve their rights to challenge the validity, amount, and classification of such Claims

Class	Claim or Interest	Treatment	Impaired or Unimpaired	Voting Rights	Approx. % Recovery
	The total estimate of JPM Consumer Loan Claims is approximately $3.4 million plus accrued interest and fees.	extent not repaid prior to the Effective Date exchanged on a dollar-for-dollar basis for the JPM Takeback Consumer Loans			
5	**Iberia Loan Claims** The total estimate of Iberia Loan Claims is approximately $11.2 million plus accrued interest and fees.	Repayment in whole or in part from the net sale proceeds or conveyance of certain non-core property, and to the extent not repaid prior to the Effective Date exchanged on a dollar-for-dollar basis for the Iberia Takeback Loans	Impaired	Entitled to Vote	100%
6	**Secured Senior Credit Facility Claims** The total estimate of Secured Senior Credit Facility Claims is approximately $203.7 million including principal, interest and fees.	*Pro rata* share of the First Lien Distribution	Impaired	Entitled to Vote	To be determined at confirmation to the extent applicable
7	**Mineral Contractors Claims** The total estimate of Mineral Contractor Claims is approximately $200,000.[9]	To the extent not previously repaid pursuant to an order of the Bankruptcy Court, payment in Cash in full on the later of (i) the date such Claim is Allowed in accordance with the Plan and (ii) the date such payment is due in the ordinary course of business	Unimpaired	Presumed to Accept	100%
8	**Unsecured Convenience Class Claims** The total estimate of Unsecured Convenience Class Claims is approximately $200,000.[10]	Payment in Cash in an amount equal to the lesser of (1) the Allowed Unsecured Convenience Class Claim, and (2) $1,000, paid on or after the Effective Date on the later of (i) the date such Claim is Allowed in accordance with the Plan and (ii) the date such payment is due in the ordinary course of business	Unimpaired	Presumed to Accept	100%

[9] The total amount of Mineral Contractor Claims is an estimate and may vary significantly based on the total Claims asserted by holders of Mineral Contractor Claims before the Bar Date and the amounts paid pursuant to orders entered by the Bankruptcy Court.

[10] The total amount of Unsecured Convenience Class Claims is an estimate and may vary significantly based on number of Holders of General Unsecured Claims in excess of $1,000 who elect to have their Claims treated as Unsecured Convenience Class Claims.

Class	Claim or Interest	Treatment	Impaired or Unimpaired	Voting Rights	Approx. % Recovery
9	**General Unsecured Claims** The total estimate of General Unsecured Claims is approximately $14.2 million (excluding the Senior Credit Facility Deficiency Claim).[11]	*Pro rata* share of the General Unsecured Claims Fund	Impaired	Entitled to Vote	Up to 17.4%[12]
10	**Debtor Intercompany Claims and Intercompany Interests**	Reinstated, or at the Reorganized Debtors' option cancelled	Unimpaired / Impaired	Not Entitled to Vote	N/A
11	**Debtor Interests**	A portion of Class 11 Interests in Reorganized Holdings will be retained by the Consenting Holders while all other Class 11 Interests shall be deemed transferred and contributed to Reorganized Knight on the Effective Date. The Consenting Holders will receive the Comprehensive Settlement Distribution as consideration for the Comprehensive Settlement.	Impaired	Entitled to Vote[13]	0%
12	**Section 510(b) Claims**	No distribution	Impaired	Deemed to Reject	0%

The Claims and Claim amounts listed above are amounts estimated by the Debtors' management as of the filing of this Disclosure Statement and all such Claims are still being reviewed by the Debtors. Accordingly, and as noted in the footnotes, the estimated amounts for each Class listed above and the estimated percentage recoveries are subject to change (which

[11] The Governmental Bar Date is February 5, 2018. The estimate of the amount of General Unsecured Claims is based on a number of assumptions and, and may vary significantly depending on, among other things, (a) the total amount of rejection damages Claims asserted, (b) the number of Holders of General Unsecured Claims in excess of $1,000 who elect to have their Claims treated as Unsecured Convenience Class Claims, and (c) the allowance of certain non-trade debt Claims. For the avoidance of doubt, Class 9 includes the holders of the Senior Credit Facility Deficiency Claim who are permitted to vote to accept or reject the Plan.

[12] The estimated percentage recovery of up to 17.4% assumes (1) certain non-trade debt unsecured claims are Disallowed, and (2) the factors noted in footnote 11 above. The estimated amount of Unsecured Convenience Class Claims and Mineral Contractors Claims is not included in the estimate of General Unsecured Claims.

[13] The holders of the Debtor Interests will be permitted to vote to accept or reject the Plan including for the purpose of accepting the Comprehensive Settlement.

may be material) depending on the ultimate amount of the Allowed Claims and other factors. 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 prior to voting on the Plan and at any time thereafter as provided in the Plan.

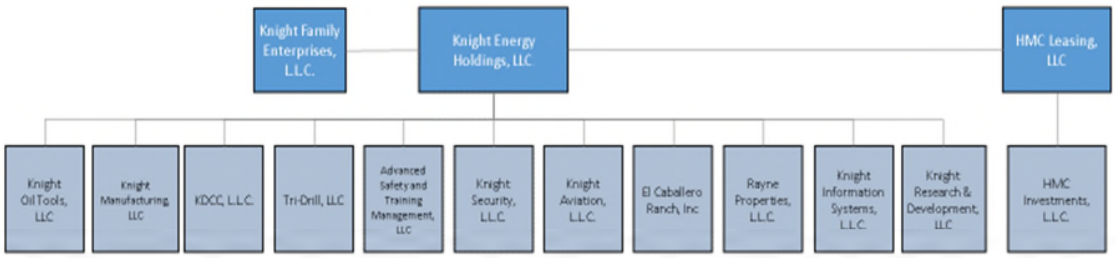
III. GENERAL OVERVIEW AND BACKGROUND INFORMATION

A. OVERVIEW OF BUSINESS

1. Debtors' Corporate Structure

The Debtors are depicted in the corporate organization chart set forth below. Each of the entities listed are "filing entities."

Debtors' Corporate Structure - Knight Energy Holdings, LLC And Filing Affiliates



There are certain affiliated entities that are not "filing entities" because they (1) have no business activity, (2) have been discontinued, or (3) are not core to the future operations of the

Reorganized Debtors. These entities include: (1) Knight International LLC ("Knight International"), (2) Knight Dutch Holdings LLC, (3) Knight Oil Tools Netherlands Cooperatief U.A., (4) Knight Oil Tools (Dutch Holdings) B.V., (5) Knight Oil Tools Do Brasil Servicos Ltda, (6) KOT Knight Oil Tools Oilfield Services Limited, (7) Knight Resources, LLC ("Knight Resources"), (8) Knight Oil Tools Colombia SAS, (9) Knight Oil Tools U.K. Acquisition Company Limited, (10) Cool Group Limited, (11) Global Rentals U.K. Limited, (13) Knight Oil Tools Norway A.S., (14) Pedem Norway A.S., (15) Knight Oil Tools Holland B.V., (16) Knight Oil Tools (Australia) PTY LTD, (17) Knight Oil Tools Middle East DMCC, (18) Knight Oil Tools Switzerland GmbH, (19) Knight International Acquisitions, LLC (collectively entities (1) thorough (19), the "Non-Vesting Entities"), as well as (20) Knight Acquisitions, LLC, and (21) Le Chevalier, LLC (together, entities (20) and (21), the "Vesting Entities" and together with the Non-Vesting Entities, the "Non-Filing Entities"). The Debtors' equity Interests in the Non-Vesting Entities shall be abandoned on the Effective Date pursuant to the Plan.

2. Knight's Business

The Debtors currently employ approximately 330 persons spread throughout the eighteen (18) active business locations. Knight supplies a wide offering of rental equipment and services for drilling, completion and well control activities, serving a diverse base of oil and gas operators. Knight is a multi-basin service provider with operations in approximately nine (9) states**.** The Debtors make their services available to clients in the most prolific producing geographies in the United States, including the Permian, Eagle Ford, San Juan, Bakken, Cotton Valley, Haynesville, Alaska, and the Gulf Coast. In the past, the Debtors have also provided services internationally in Norway, the Netherlands, Iraq, UAE, Australia, and Colombia. There are presently no international operations.

Many of the Debtors' clients are some of the largest oil and gas producers in the industry. The Debtors have built strong relationships with their clients, and in some cases have been serving some of the same clients for over twenty years.

3. Historical Background

In 1972, Knight originated as Knight Specialties in Morgan City, Louisiana, out of the trunk of founder Eddy Knight's car. Through organic growth and acquisitions, the Company's chief operating affiliate became Knight Oil Tools in 1984, now part of Holdings. Since then, Knight's core business has expanded into a company that provides complete rental, fishing, manufacturing, drilling jars, inspection, hardbanding and safety training to the oil and gas industry in selected markets throughout the United States. In addition to expanding its core business, Knight has extended its geographic reach as well. With its beginnings in Louisiana, Knight expanded into Texas, Mississippi, Alabama, Arkansas, Oklahoma, New Mexico and on into the Rocky Mountains, Alaska, and North Dakota. Knight has wound down its international operations.

Beginning in 2012, Knight also began expanding through strategic acquisitions. For example, in 2012: (i) Knight Resources (a non-Debtor) acquired the Challenger oil and gas properties, a group of non-operated working interest in various properties in the Gulf of Mexico; (ii) Knight acquired Tri State Tools and Inspection, headquartered in Corpus Christi, Texas and primarily provides inspection and testing services in the oil and gas industry; and (iii) Knight acquired the Cool Group, a company based in the United Kingdom.[14] The Challenger Minerals and Tri-State acquisitions were funded by draws on the Debtors' prior credit facility with PNC Bank, which was refinanced into the Senior Credit Facility, and available cash.

[14] Like the other international operation, the Cool Group has been wound down and is no longer operating.

4. The Debtors' Corporate Governance and Ownership Structure

As previously mentioned, Knight was established in 1972. Eddy Knight served as CEO until his death in 2002. Subsequently, Mark Knight, Eddy Knight's son, served as CEO until his resignation in December, 2014. Following Mark Knight's resignation, Earl Blackwell was named as CEO on December 14, 2014 and served in that role until the appointment of D. Lyndon James as Interim CEO in January 2016. D. Lyndon James was replaced by D. Wayne Elmore in March 2016 for a one year term. Currently, there is no acting CEO and Jeff W. Elmore is the current acting President of Holdings. Mark Knight, Bryan Knight, and Kelley Knight Sobiesk, Eddy Knight's three children, and certain family trusts, currently own all of the membership interests in the Debtors. [15] The board of directors of Holdings is comprised of Bryan Knight, Kelley Knight Sobiesk and Mark Knight.

The Debtors' operating entities consist of Knight Oil Tools, LLC; Knight Manufacturing, LLC; Tri-Drill, LLC; and Advanced Safety & Training Management, LLC. Leasing owns or leases real estate, most of which are core assets leased to Holdings for use in the Debtors' business operations. Enterprises owns real estate that is used in the Debtors' Core Business (defined below), including Knight's corporate headquarters.

While the Debtors are separate entities, they have common ownership and are operated together as an integrated business. Bryan Knight, Mark Knight, and Kelly Knight Sobiesk and/or various family trusts, own more than twenty percent of the membership interests in Enterprises. They also own more than 20% of the membership interests in Holdings and Leasing which in turn own the membership interests in the other Debtors. The Debtors are therefore

[15] Ms. Ann Knight, the mother of Mark Knight, Bryan Knight, and Kelley Knight Sobiesk, owns 10% of KFE.

"affiliates" as that term is defined in the Bankruptcy Code § 101(2), and thus qualify for joint administration pursuant to Bankruptcy Rule 1015(b).[16]

The value of Holdings is enhanced by real estate owned by Enterprises and Leasing. Similarly, in large degree, the value ascribed to the real estate of Enterprises and Leasing is a direct result of the fact that the real estate is largely leased and operated by the Debtors' business. The business relationship among the Debtors is also critical to the overall value of the Knight business. If liquidated separately, the value of the Debtors' assets and real estate would be much lower than the going concern value of the Debtors as a consolidated business. In addition, many of the obligations of the various Debtors are cross-collateralized. For example, Leasing and Enterprises are obligors under the Senior Credit Facility (defined below).

5. Current Assets, Operations, and Capital Structure

The Debtors' operations and assets are divided into two general categories: (i) core real estate assets (the "Core Assets") and operations (the "Core Operations" and together with the Core Assets, the "Core Business") and (ii) non-core real estate assets (the "Non-Core Assets") and operations (the "Non-Core Operations" and together with the Non-Core Assets, the "Non-Core Business").

[16] Bankruptcy Code § 101(2) defines the term "affiliate" in relevant part as follows:

> (B) Corporations 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor, or by an *entity that directly or indirectly owns, controls, or holds with power to vote, twenty percent or more of the outstanding voting securities of the debtor*….

11 U.S.C. § 101(2)(B) (emphasis added). Over 20% of the outstanding voting securities of each of the Debtors are owned, either directly or indirectly, by Mark Knight, Bryan Knight, and Kelley Sobiesk and as a result, the Debtors Holdings, Leasing, and Enterprises are "affiliates" for purposes of the Bankruptcy Code and are eligible for joint administration.

Properties that are designated as Core Assets are properties that are used in the Debtors' Core Operations. Non-Core Assets are those properties that may not necessarily be essential to the Core Business and are currently offered for sale, or may in the near future be offered for sale.

As more fully discussed below, the Debtors are currently in the process of either winding down the various components of the Non-Core Business, or seeking buyers to whom the Debtors may sell the Non-Core Assets and/or Non-Core Business. The Debtors may seek permission to sell certain of the Non-Core Assets during the Chapter 11 Cases. Otherwise, the Non-Core Assets and/or Non-Core Business may be sold or liquidated after the Effective Date of the Plan.

a. The Debtors' Core Operations and Assets

All of the Debtors' Core Operations are conducted through the Debtors. The majority of the Debtors' Core Assets are held by Leasing and Enterprises. The Core Assets held by Leasing and Enterprises were generally purchased using funds advanced by Holdings prior to 2013 or through loans from Iberia Bank or JP Morgan.

Holdings has multiple operating subsidiaries whose services fall under the following six general categories:

a. **Knight Oil Tools** – provides for rental of an extensive selection of highly specialized tools with both surface and down-hole application for drilling, completion, remedial work, and well control.

b. **Knight Fishing Services** (a division of Knight Oil Tools) – provides both highly experienced supervisors and specialized tools used for "fishing" (the process of retrieving equipment that becomes lost or stuck in a wellbore).

c. **Knight Manufacturing** – offers a range of fabrication and repair including the manufacture of accumulators, hydrostatic testers, drilling jars, conveyor equipment, whipstocks, API Kelly valves, downhole tools, and a complete assortment of fishing tools. The Debtors' manufacturing arm enhances the tool rental and fishing segments of the business by

allowing the Debtors to provide rapid specialized service to meet its customer's specific needs.

d. **Advanced Safety and Training Management** – specializes in building custom safety and training programs, safety inspections and comprehensive consulting services to meet customers' needs in the oilfield communications/tower, utility, construction, food and manufacturing industries.

e. **Inspection Services** – provides non-destructive inspection and "casing friendly" hard-banding for drill pipe, tubing, bottom hole assembly component and heavy handling equipment.

f. **Knight Information Systems, LLC** – is an intellectual property holding company that is the assignee of certain oil tool patents.

Aside from the quality of the tools the Debtors rent and manufacture, one of the most compelling features of their business is their unique, and interactive electronic catalog system (the "KIP Program") that tracks the over 275,000 pieces of individually serialized equipment in the Debtors' rental inventory. In addition to aiding the Debtors in keeping track of their inventory, the KIP Program helps the Debtors track and inspect their equipment insuring consistent performance and regular maintenance.

b. The Debtors' Non-Core Operations

The Debtors are currently in the process of either selling or winding down their Non-Core Businesses.[17] The Non-Core Businesses are comprised of the operations conducted by the following Debtors:

a. **Knight Aviation, LLC** – is the entity that held and maintained aircraft which have been sold or otherwise liquidated.

b. **El Caballero Ranch, Inc.** – is a Texas business corporation with the sole shareholder being Knight Energy Holdings, LLC. The Company owns a ranch and recreational hunting facility in Texas.

[17] The Debtors had previously wound down Knight International, LLC and as discussed herein, filed a chapter 7 liquidation for Knight Resources.

The Debtors' Non-Core Assets are listed below:

Non-Core Properties			
Address	**City**	**State**	**Description**
5610 Haujuco Ranch Rd.	Cotulla	TX	10,247 acre hunting ranch
2288 East County Road-30A	Seaside	FL	Condominium
113 Fouet Rd.	Lafayette	LA	1.2 acres, raw land
2631 SE Evangeline Thruway	Lafayette	LA	0.51 acres, raw land
2637 SE Evangeline Thruway	Lafayette	LA	1.13 acres, raw land
3218 Captain Cade Road	Broussard	LA	3.77 acres, raw land
415 Washington Avenue	Williston	ND	Employee Lodging
417 Washington Avenue	Williston	ND	Employee Lodging
5970 Highway 64	Farmington	NM	8.82 acres, raw land
Highway 40 and N. Cimarron Rd.	Oklahoma City	OK	154.75 acres, raw land
No municipal address	Odessa	TX	44 acres, raw land
No municipal address	Odessa	TX	4 acres, raw land
104 Baltusrol Drive	Broussard	LA	Vacant residential lot
507 Park Road	Frierson	LA	14.045 acres, facility south of Shreveport, LA
4120 West Carlsbad Highway	Hobbs	NM	17.95 acres, current rental tool facility
620 Technology Circle	Windsor	CO	3.2 acres, raw land

The Debtors have listed for sale the following Non-Core Assets: the Seaside Collateral, the Oklahoma City Collateral, and the Frierson Collateral.

c. Core and Non-Core Assets

Attached hereto as **Exhibit "D-2"** is a chart setting forth all of the Debtors' real property (Core and Non-Core), the acquisition date, purchase price, and the source of funds in connection with the purchase of the real property.

The liquidation values used to estimate the proceeds that each secured lender would receive if the Core and Non-Core Assets it possesses a security interest on were liquidated is based on the methodology described in the narrative at Paragraph E of the Liquidation Analysis.

The fair market value estimated by the Debtors for each secured lender's security interest in Core and Non-Core Assets is based on the following: (1) if a property is listed for sale, the listing price was used as fair market value, (2) where a property will be used in the operation of the Debtors' business or is not presently listed for sale, the estimated fair market value is based on an assumed 24 month holding period. As a result of the additional 12-month holding period

(compared to the presumed "high" liquidation value with a 12-month liquidation period) the increase in value is estimated to be 10 percent.

Since 2015, the Debtors have sold eight properties for an aggregate sales price of $14.0 million which were used to pay down debt owed to Wells Fargo, Iberia Bank and consumed in the operations of the Debtors. Set forth below is a chart setting the property sold between 2015 and the Petition Date, the sale price for such property, the names of the seller entity and the purchaser, and how the sale proceeds were used.

Property Address	City	State	Description	Owner	Purchaser	Sale Date	Sale Price ($)	Use of Proceeds
743 Bayou Natchitochas Rd.	Bordelonville	LA	4,040 acre Ranch	KEH	Vie Sauvage, LLC	Oct-15	10,300,000	Pay down of Wells Fargo loan
13718 S Ellis Bridge Rd.	Gueydan	LA	552.62 acres, Duck Camp	HMC	Gielen Farms LLC	Jul-16	2,000,000	Pay down of Iberia Bank Loan
111 Exchange Place	Lafayette	LA	Office Building	HMC	Nicholas Rader	Mar-16	425,000	KEH Corporate Uses
325 Beverly Drive	Lafayette	LA	Residential Property	HMC	Bryan Matthew Daire	Apr-16	400,000	KEH Corporate Uses
502 Gulfshore Drive #204	Destin	FL	Condo Unit	KEH	Stephen & Tina Thomas	Jan-16	199,500	Pay down of Wells Fargo loan
502 Gulfshore Drive #205	Destin	FL	Condo Unit	KEH	Richard and Cindy Forth	Feb-16	199,500	Pay down of Wells Fargo loan
706 N. Apache Trail	Toledo Bend	LA	Residential Property	KEH	Russell & Tammie Louviere	Nov-15	180,000	KEH Corporate Uses
5920 Cunningham Rd.	Houston	TX	2.5 acres land	HMC	Anderson Nguyen & Keving Lee	May-16	325,000	KEH Corporate Uses

In 2015, the Debtors retained Houlihan Lokey as an investment banker to conduct a process to sell the Debtors, obtain refinancing of the existing bank debt or obtain equity investors. In connection with the Houlihan Lokey process, a teaser to generate interest in the market place was sent to potential buyers, equity sources or refinancing sources (the "Teaser"). The Teaser contained certain information about the potential value of the Debtors' Core and Non-Core Assets. The Debtors' view of the value of their Core and Non-Core Assets (based upon a liquidation value and an estimated fair market value) in this Disclosure Statement representing 2017 values is different than the valuation of the Core and Non-Core Assets reflected in the Teaser. The $122.1 million difference in the value of the Debtors' Core and Non-Core Assets today as compared to the potential value for Core and Non-Core Assets owned by the Debtors in 2015 and listed in the Teaser is attributable to, *inter alia*: (1) the fact that several of the parcels of real estate included in the Houlihan Lokey sale teaser in 2015 at a suggested value of $16.6 million have been sold for slightly in excess of $14 million, (2) recent

appraisals have indicated a reduction of $2.7 million in the estimated value of several properties, and (3) the Debtors' view that the downturn in the oil and gas industry has had a significant negative impact on the estimated value of 6 properties which are located in areas of vastly decreased drilling activities (such as Broussard, LA, Frierson, LA, Hobbs, NM, Rock Springs, WY, and Williston, ND.).

d. Equipment, Tools, Vehicles, Rolling Stock, Other Personal Property

As described in the Global Notes to the Debtors' Schedules & Statements, the Debtors provided the Net Book Values for all rental tools, inventory, fixed assets, furniture & fixtures, rolling stock, machinery, and equipment.

The Debtors' estimated value for all rental tools, inventory, fixed assets, furniture & fixtures, rolling stock, machinery and equipment at or associated with the Debtors' facilities is based upon a Gordon Brothers analysis. The Liquidation Analysis contained in this Disclosure Statement (*See* **Exhibit "D-5"**) provides a liquidation value of $17.0 million to $25.0 million for all rental tools, inventory, fixed assets, furniture & fixtures, rolling stock, machinery and equipment at or associated with the Debtors' facilities. The Debtors do not believe that their rental tools, inventory, fixed assets, furniture & fixtures, machinery and equipment have an independent fair market value.[18]

[18] It should be noted that the Gordon Brothers liquidation analysis included the value of the rolling stock in its estimation of liquidation value, therefore, the value attributed by Gordon Brothers to the rolling stock should be deducted from the Debtors' liquidation estimate of $17.0 million to $25.0 million to determine a liquidation value of the Debtors' rental tools, inventory, fixed assets, furniture, fixtures and equipment, machinery and equipment. A separate analysis of the Debtors Rolling Stock has been performed by the Debtors fleet manager. The estimated value of the Rolling Stock as reflected in the Liquidation Analysis is $1.1 million to $1.3 million.

e. Insider Notes and Claims Against Insiders

The Schedules and the Disclosure Statement disclose that the Debtors have claims based on notes against Knight Family Members ("Insider Notes") which are listed in the Liquidation Analysis as follows:

> The approximate receivable balances owed from the Knight Family Members are as follows: Mark Knight and Mark Knight 2010 and 2012 Trusts - $7.1 million, Bryan Knight and Bryan Knight 2010 and 2012 Trusts - $1.0 million, Kelley Knight Sobiesk and Kelley Knight Sobiesk 2010 and 2012 Trusts - $1.4 million. Substantially all of the receivables from Mark Knight, Bryan Knight, Kelley Knight Sobiesk, the three 2010 trusts and the three 2012 trusts were recorded between the years 2004 through 2014. The receivables from the 2010 trusts were for insurance premiums paid and, receivables from the 2012 trusts were for loans made to purchase stock in Knight Energy Holdings.

In addition, the Debtors have a separate note claim against Mark Knight for approximately $500,000 based on a vacation home loan. Ignoring the cost of litigation and any potential defenses to payment of the obligations, the Plan and Liquidation Analysis assume that these Insider Notes and the $500,000 vacation note claim against Mark Knight are recoverable at par. The holders of the Senior Credit Facility have a lien on the Insider Notes and the vacation note from Mark Knight.

The Debtors have also disclosed a potential claim against Mark Knight for violation of corporate duties ("Insider Claim"), and valued this Insider Claim at $2 million, net of any attorneys' fees for purposes of the Plan and Liquidation Analysis. Based on the information available to the Debtors after a preliminary investigation by outside litigation counsel, the Debtors value the Insider Claim at $0 to $5 million (the amount of D&O coverage) and are using a mid-point value of $2 million as a net recovery after payment of legal fees and expenses. The Plan provides for a compromise and settlement of the Insider Claim, the $500,000 vacation note,

and Insider Notes. The Debtors are unaware of any credible and enforceable claims against other Consenting Holders.

f. Unencumbered Assets

The estimated liquidation value of the Core and Non-Core Assets of Leasing and Holdings and Rolling Stock that the Debtors assert are unencumbered totals $4,220,750 on the low range and $4,913,500 on the high range.

***i.* Leasing**

Leasing		
113 Fouet Rd.	Lafayette	LA
2631 SE Evangeline Thruway	Lafayette	LA
2637 SE Evangeline Thruway	Lafayette	LA
2814 Melancon Road	Broussard	LA
3218 Captain Cade Road	Broussard	LA
415 Washington Avenue	Williston	ND
417 Washington Avenue	Williston	ND
2720 W. 81st. Street	Odessa	TX
3302 Rembrandt Ave.	Odessa	TX
3632 N FM 1936	Odessa	TX
3816 N FM 1936	Odessa	TX
5920 Cunningham Rd.	Houston	TX
No municipal address	Odessa	TX

***ii.* Holdings**

Holdings		
Car Fleet		
104 Baltusrol Drive	Broussard	LA

In addition to the Core and Non-Core Assets listed above, the only other unencumbered assets as of the Petition Date are the rolling stock and the Insider Claims against Mark Knight.

g. Debt Structure

Set forth below is a chart generally setting forth the Debtors' debt structure as of the Petition Date:

DEBT STRUCTURE: **AT FILING**

AUGUST 8, 2017

BUSINESS OPERATIONS

Cantor Fitzgerald, Agent First Lien on Substantially All Business Assets / + Miscellaneous Real Estate	$203.7 million[1]
Property Taxes	$4.5 million
Critical Vendors, 503(b)(9), Mineral Liens Utilities	$2.9 million
General Prepetition Unsecured Debt[2]	$14.2 million
Total Business Operations Debt at Filing	$225.3 million

REAL ESTATE LOANS

JP Morgan Real Estate (Headquarters, Florida House)	$8.6 million
Iberia Bank (Various Properties)	$11.2 million
Total Real Estate Loans at Filing	$19.8 million

[1] Including estimated interest on $180 million principal debt.

[2] Excluding First Lien Holders' deficiency claim and certain non-trade debt claims.

i. Senior Credit Facility

Holdings, Leasing, Enterprises, and certain of Holdings' subsidiaries entered into that certain Credit Agreement dated as of June 26, 2013 (as amended, the "Senior Credit Facility"), with Wells Fargo Bank, National Association ("Wells Fargo") acting as administrative agent, and the lenders party thereto. The Senior Credit Facility has been amended several times between 2013 and 2016.

The Senior Credit Facility provided for a term loan as well as a revolving credit facility. In March 2016, the majority of the debt under the Senior Credit Facility was purchased by Clearlake Capital Partners IV Finance, L.P. ("Clearlake"). Shortly thereafter, Cantor Fitzgerald Securities ("Cantor Fitzgerald") replaced Wells Fargo as the Administrative Agent on the Senior Credit Facility. Cantor Fitzgerald is also a lender under the Senior Credit Facility.

As of August 8, 2017, the aggregate principal amount outstanding under Senior Credit Facility was at least $180.6 million, and the estimated amount of accrued and unpaid interest and fees under the Senior Credit Facility is approximately $23.1 million. The Debtors estimate that the deficiency claim of the Senior Credit Facility to range between $136.9 million and $151.3 million. The Senior Credit Facility is secured by substantially all of the assets and property of the Debtors with the exception of the real estate collateral pledged to JP Morgan and Iberia to secure the JPM Loans and the Iberia Loans, respectively, and the de minimis unencumbered assets set forth above.

The Debtors estimate the liquidation value of the collateral securing the Senior Credit Facility is approximately $58.9 million at the low range and $75.2 million at the high range. The Debtors estimate that the fair market value of the Senior Credit Facility real property collateral is approximately $43.2 million (exclusive of any second mortgages). The Senior Credit Facility

Administrative Agent and the Senior Credit Facility Lenders have not adopted or agreed to the Debtors' estimate of the deficiency claim of the Senior Credit Facility or to the estimated liquidation value or estimated fair market value of the Senior Credit Facility's underlying collateral and the Senior Credit Facility Administrative Agent and the Senior Credit Facility Lenders reserve all rights with respect thereto. The Senior Credit Facility Administrative Agent and the Senior Credit Facility Lenders have not adopted and reserve all rights with respect to all Debtor estimates of the value of the Debtors' assets as well as the right to dispute the Debtors' and the Committee's assessment of encumbered and unencumbered assets.

ii. JP Morgan Secured Debt

The JPM Commercial Loans payable from Enterprises to JP Morgan Chase Bank, N.A. ("JP Morgan") are secured on a first priority basis by the Headquarters Collateral, secured on a second priority basis by the Seaside Collateral, and are guaranteed by Holdings. The Debtors estimate the liquidation value of the collateral securing the JP Morgan Commercial Loans is $15.5 million on the low range and $17.9 million on the high range. Based on the Liquidation Values, the Debtors' estimate the equity in the collateral securing the JPM Commercial Loans to be approximately $10.0 million at the low range and $12.4 million at the high range. The Debtors estimate the fair market value of the JP Morgan Commercial Loan collateral is approximately $19.7 million.

The JPM Consumer Loans payable from Leasing to JP Morgan are secured on a first priority basis by the Seaside Collateral. As of August 7, 2017, the aggregate principal amount outstanding on all JPM Loans is $8,565,623. The Debtors estimate the liquidation value of the collateral securing the JP Morgan Consumer Loans is $4.7 million on the low range and $5.5 million on the high range. Based on the Liquidation Values, the Debtors estimate the equity in

the collateral securing the JPM Consumer Loans to be approximately $1.2 million at the low range and $1.9 million at the high range. The Debtors estimate the fair market value of the JP Morgan Consumer Loan collateral is approximately $5.5 million.

iii. Iberia Secured Debt

Leasing entered into that certain secured mortgage loan dated as of March 28, 2011 with IberiaBank ("Iberia"), which is secured by the Iberia Collateral and is guaranteed by Holdings. As of August 7, 2017, the aggregate principal amount outstanding is $11,183,036.

The Debtors estimate the liquidation value of the collateral securing the Iberia Loans is $15.4 million on the low range and $19.0 million on the high range. Based on the Liquidation Values, the Debtors' estimate the equity in the collateral securing the Iberia Loans to be approximately $1.8 million at the low range and $4.4 million at the high range. The Debtors estimate the fair market value of the Iberia Loans collateral is approximately $22.3 million.

iv. Taxes

The Debtors also owe real estate and *ad valorem* taxes in the principal amount of approximately $3.6 million and Claims have been asserted for interest and penalties totaling approximately $900,000. Additionally, the Debtors are currently assessing their liabilities in respect of approximately $6.1 million of various asserted and in some instances assessed use and sales and other taxes from state and local taxing authorities some or all of which the Debtors may successfully reduce or eliminate.

v. General Unsecured Claims

The Debtors estimate that the General Unsecured Claims could be approximately $14.2 million, excluding the deficiency Claims arising from the Senior Credit Facility and certain non-trade debt Claims. This estimate includes $8.7 million of potential trade claims, $300,000 of

potential litigation claims which are not already accounted for in the Debtors' accounts payable, $2 million estimate of potential unpaid use taxes, and $3.2 million for potential contract damages, which is comprised of $1.4 million in potential guaranty claims, $1.3 million in potential employee contract claims, and $500,000 in potential contract rejection damages. The methodology used to reach this estimate is the following:

a) The Debtors compared the filed proofs of claim to their books and records and determined that the filed proofs of claim were grossly overstated. It is the belief of the Debtors that their books and records are accurate and that the use of a 5% contingency factor on the entire estimated Class 9 pool will account for any deficiency in the Debtors' books and records. Such books and records reflect the payments already made to certain critical vendors and potential mineral contractor claimants

b) The estimate includes potential litigation claims of approximately $300,000, which represents personal injury claims and other litigation not accounted for in the Debtors' accounts payables, and is limited to the Debtors' insurance deductible amount.

c) The Debtors have included in the estimate approximately $1.4 million of potential Claims resulting from the Debtors' limited guarantee of certain debts to a few creditors owed by non-debtor affiliates such as Knight Resources. This estimate may be reduced by the well operator netting the proceeds of production attributable to Knight Resources against the Knight Resources' guaranteed obligations. The Debtors do not believe they have any liability for the plugging and abandonment of any Knight Resources' wells and therefore the estimate does not include any estimated liability for plugging and abandonment of any wells.

d) The Debtors have included in the estimate potential contract rejection damages of approximately $500,000. At this time, the Debtors have not completed a full contract analysis and ultimately expect the amount to be lower, but out of an abundance of caution, have included a conservative estimate.

e) The estimate includes approximately $2 million of assessed (on appeal) potential unpaid use taxes for the periods 2009 through 2014.

f) The estimate includes potential employment contract claims of approximately $1.3 million. This estimate is based upon reducing the filed proofs of claim for employment contracts to the maximum amount allowable under the Bankruptcy Code.

The originally-filed Liquidation Analysis included a Class 9 General Unsecured Claims estimate made prior to the Bar Date. When that Liquidation Analysis was filed, the Debtors estimated the General Unsecured Claims for purposes of the Liquidation Analysis to be between approximately $10 million and $29 million for purposes of the Plan. The approximately $29 million in Class 9 General Unsecured Claims estimated in the originally-filed Liquidation Analysis included a $14.3 million Claim asserted by Radiance Capital Receivables Twenty, LLC (as successors to GE Capital with respect to certain litigation claims) against several Debtors which has since been settled as well as additional contract amounts for which it has been determined the Debtors are not liable. As noted elsewhere in the Disclosure Statement, the estimate is based on a number of assumptions and the actual amount of General Unsecured Claims may be materially higher.

Since the passage of the Bar Date for non-governmental entities, the Debtors have completed a high-level reconciliation of the Claims. Based on that reconciliation, the Debtors now estimate that the amount of the General Unsecured Claims for purposes of the Liquidation Analysis and the Plan is approximately $14.2 million.

The amounts of the General Unsecured Claims are estimated by the Debtors' management as of the filing of this Disclosure Statement and all such General Unsecured Claims are still being reviewed by the Debtors. Accordingly, the estimated amounts for General Unsecured Claims and the estimated percentage recovery are subject to change depending on the ultimate amount of the Allowed General Unsecured Claims.

6. Knight Resources

Knight Resources is a wholly-owned subsidiary of Holdings. Knight Resources owns non-operating working interests in certain oil and gas properties. Knight Resources will not be

part of the Reorganized Debtors. On September 29, 2017, Knight Resources filed a chapter 7 petition in the United States Bankruptcy Court, Western District of Louisiana, Lafayette Division, Case No. 17-51280. Holdings' equity Interests in Knight Resources will be abandoned on the Effective Date pursuant to the Plan.

Knight Resources' bankruptcy filing is not expected to have a material impact on the Debtors; however, certain creditors of Knight Resources have guaranties by Knight Oil Tools, a debtor, and have filed proofs of claim on those guaranties. Any potential liability on those guaranties is being analyzed as part of the estimation of a range of the claims which may be Class 9 General Unsecured Claims. The resolution of the guaranties may affect the amount of Allowed Class 9 General Unsecured Claims.

In the two years prior to the Petition Date, Knight Resources transferred approximately $1.8 million in to Holdings in partial repayment of approximately $14 million of intercompany debt owed by Knight Resources to the Debtors. The funds were used in the operations of Holdings.

7. Knight International

Holdings is the 100% owner of Knight International, LLC. As noted previously, Knight International has been wound down, is dormant and has no operations. Knight International has made transfers in the two years prior to the Petition Date totaling approximately $2.8 million in partial repayment of intercompany debt owed to the Debtors. Holdings' equity Interests in Knight International will be abandoned on the Effective Date pursuant to the Plan.

8. Distributions/Payments to Consenting Holders and Former Officers

Since 2014, the Debtors have made distributions/payments to the Consenting Holders and their trusts for tax distributions, equity distributions, salary, benefits, expense reimbursement,

and rental amounts paid on behalf of the Consenting Holders. Attached hereto as **Exhibit "D-3"** is a schedule setting forth the distributions/payments made from the Debtors to the Consenting Holders and their trusts since 2014. Distributions made more than two years prior to the Petition Date do not appear to be recoverable under applicable Louisiana law.

Any distributions/payments made to officers who are not Consenting Holders from 2014 through the Petition Date represent reasonable compensation and expense reimbursements made in the ordinary course of business.

9. Litigation

Prior to the Petition Date, the Debtors were defendants in numerous collection lawsuits including foreclosure suits. Additionally, in the ordinary course of business, the Debtors are parties to a number of lawsuits, legal proceedings, collection proceedings, and Claims arising out of their business operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and Claims.

With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Chapter 11 Cases generally is subject to discharge, settlement, and release upon confirmation of a plan under chapter 11, with certain exceptions. Therefore, certain litigation Claims against the Debtors may be subject to discharge in connection with the Chapter 11 Cases. The outcome of litigation could increase the amount of Class 9 General Unsecured Claims.

10. Financial Operations of the Business

In the twelve (12) months prior to the Petition Date, the Debtor had gross revenue of $45.7 million, gross expenses of $83.3 million, and net loss of $37.8 million.

11. Events Leading up to Bankruptcy

Over the last decade, in part due to the development of fracking technology, the production of oil and gas in the U.S. has increased significantly. While the gas industry has been plagued by low gas prices for several years, beginning in mid-2014, the price of oil also began a steep decline. During the week of February 11, 2016, the price of oil reached a near thirteen-year low of below $26.19 a barrel. Futures prices suggest that the price of both oil and gas may remain low for the foreseeable future. Energy companies have been especially hard hit in the credit markets. Financing alternatives for middle market companies in the energy sector have become even more tenuous.

The decline in oil and gas prices has placed substantial pressure on oil and gas companies and caused a substantial decrease in exploration, new drilling, and new production. This decrease in activity has led to a reduced demand for the services the Debtors offer. In addition to a decline in the demand for services, the average retail rental price for many of the Debtors' product offerings, such as drill pipe, tubing, and blowout preventers, has declined substantially since late 2014. The combined impact of decreased demand and reduced pricing has led to a steady fall in monthly revenues since November 2014.

Before the problems facing the oil and gas business, the Debtors in recent more robust years had revenues in the range of $250 million per year. At the present time, the Debtors' revenue is approximately $50 million per year. The decline in revenue does not impact the ability of the Debtors to continue to provide "best in class" service to its clientele and customers - which

it does every day. The decline in revenue simply reflects the problems of a particular business sector and those problems are shared by companies world-wide.

To address the precipitous decline in revenues, the Debtors have undertaken targeted and strategic cost cutting measures to manage cash and maintain operations. For example, the Debtors have reduced expenditures on employee car allowances, travel reimbursements, insurance, and other miscellaneous expenses. In addition, the Debtors have substantially reduced its payroll to bring the Debtors' service needs in line with current demand, but without laying off essential employees. The wind-down of the Debtors' Non-Core Businesses has also provided cost savings. The cost cutting measures implemented by management have reduced the cost of the Debtors' infrastructure thereby bringing the Debtors' service needs in line with the overall demand in the oil and gas industry.

The Debtors' financial condition largely mirrors that of other companies in its industry over the last three years. Like many companies facing severe financial distress, there have been reductions of staff and turnover of executive management as the Debtors have attempted to address their deteriorating financial condition. Other than claims against Mark Knight, the Debtors are not aware of any claims or causes of action against their management team for the last three years in connection with the Debtors' financial condition.

C. FILING OF CHAPTER 11 PETITIONS BY DEBTORS

On August 8, 2017, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. All of the Debtors' Chapter 11 cases have been consolidated for procedural purposes and are being jointly administered [Dkt. No. 22].

D. SIGNIFICANT POST-PETITION EVENTS

1. First Day Motions

On August 8, 2017, the Debtors filed the following "first day" motions and pleadings, and soon thereafter the following orders were entered:

a. *Emergency Motion for Order Under Bankruptcy Rule 1015(b) Directing Joint Administration of Chapter 11 Cases* [ECF Doc. 2]; Final Order [ECF Doc. 22] entered on August 8, 2017;

b. *Motion to Limit Notice* [ECF Doc. 3]; Final Order [ECF Doc. 46] entered on August 10, 2017;

c. *Motion for Entry of an Order Authorizing the Debtors to (I) File a Consolidated List of the Debtors' 30 Largest Unsecured Creditors, (II) File a Consolidated List of Creditors, and (III) Mail Notices* [ECF Doc. 4]; Final Order [ECF Doc. 47] entered on August 10, 2017;

d. *Motion for Entry of an Order Authorizing Debtors (A) to Pay All Outstanding Pre-Petition Wages, Salaries, Other Accrued Compensation, Expense Reimbursements, Benefits, and Related Amounts; and (B) to Continue Specified Benefit Programs in the Ordinary Course of Business* [ECF Doc. 5]; Final Order [ECF Doc.48] entered on August 10, 2017;

e. *Motion for Entry of an Order Under 11 U.S.C. §§ 105 and 363(c) Authorizing the Debtors to Pay Insurance Premium Financing Payments and Related Relief* [ECF Doc. 6]; Interim Order [ECF Doc. 50] entered on August 10, 2017;

f. *Motion for Entry of an Order Under 11 U.S.C. §§105(a), 363(b), 507(a)(8) and 541 (I) Authorizing Debtors to Pay Taxes and Fees and (II) Directing Financial Institutions to Honor and Process Cash Related Checks and Transfers [ECF Doc. 7]; Interim Order* [ECF Doc.7];

g. *Motion for Interim and Final Orders Under §§ 105(a) and 366 (I) Prohibiting Utility Companies from Altering or Discontinuing Service, (II) Determining that the Utility Companies Are Adequately Assured of Future Payment; and (III) Establishing Procedures for Determining Requests for Additional Assurance* [ECF Doc. 8]; Interim Order [ECF Doc. 52] entered on August 10, 2017;

h. *Debtors' Motion for Entry of an Order Authorizing Compensation and Payments to Insiders* [ECF Doc. 9]; Interim Order [ECF Doc. 54] entered on August 10, 2017;

i. *Motion for an Order (I) Approving Continued Use of Cash Management System, (II) Authorizing Maintenance of Pre-Petition Bank Accounts and Continued Use of Existing Business Forms, and (III) Waiving the Requirements of Bankruptcy Code §345(b)* [ECF Doc. 10]; Interim Order [ECF Doc. 56] entered on August 10, 2017;

j. *Motion for Entry of Interim and Final Orders Authorizing Debtors to Pay or Honor Prepetition Obligations to Critical Vendors* [ECF Doc. 11]; Interim Order [ECF Doc. 59] entered on August 10, 2017;

k. *Motion for Entry of Interim and Final Orders Authorizing Payment of Claims on Account of Mineral Contractor Liens That May be Filed Against the Debtors' Customers and Granting Related Relief* [ECF Doc. 12]; Interim Order [ECF Doc. 61] entered on August 10, 2017;

l. *Application by Debtors for Entry of an Order Authorizing the Employment and Retention of Heller, Draper, Patrick, Horn & Dabney LLC Nunc Pro Tunc to the Petition Date* [ECF Doc. 13]; Interim Order [ECF Doc. 62] entered on August 10, 2017;

m. *Application of the Debtors Pursuant to Section 363(b) of the Bankruptcy Code to Employ and Retain (I)) Opportune LLP as Crisis Managers and (II) Gary L. Pittman as Chief Restructuring Officer and Certain Additional Personnel, In Each Instance Nunc Pro Tunc to the Petition Date* [ECF Doc. 15]; Interim Order [ECF Doc. 64] entered on August 10, 2017;

n. *Application for an Order Appointing Donlin, Recano & Company, Inc. Nunc Pro Tunc as of the Petition Date as Claims, Noticing, and Solicitation Agent for the Debtors Pursuant to 28 U.S.C.* [ECF Doc. 16]; Interim Order [ECF Doc. 69] entered on August 10, 2017

o. *Motion for Administrative Order Under Bankruptcy Code Sections 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [ECF Doc. 17]; Interim Order [ECF Doc. 67] entered on August 10, 2017;

p. *Debtors' Motion for an Order Authorizing the Debtors to (A) Use Cash Collateral, (B) Obtain Post-Petition Financing, (C) Granting Security Interests and Superpriority Administrative Expense Status to the DIP Agent and the DIP Lenders, (D) Granting Adequate Protection to Existing Lienholders, (E) Scheduling a Final Hearing, and (F) Granting Related Relief* [ECF Doc. 18]; Interim Order [ECF Doc.72] entered on August 10, 2017; and

q. *Motion for an Order (A) Establishing a Bar Date and Governmental Bar Date for Filing of Proofs of Claim, Including Claims Arising Under Section 503(b)(9) of the Bankruptcy Code (B) Approving the Bar Date Notice, (C) Authorizing the Debtors to Provide Notice of the Bar Date, and (D) Providing for Other Relief Sought Herein* [ECF Doc. 19]; Final Order [ECF Doc.45] entered on August 10, 2017.

2. Employment of Professionals of Debtors

On August 28, 2017, the Bankruptcy Court entered final orders approving the employment of (1) Heller, Draper, Patrick, Horn, & Dabney L.L.C. as bankruptcy counsel for the Debtors, and (2) (i) Opportune LLP ("Opportune") as crisis managers to the Debtors to provide interim management and restructuring advisory services, and (ii) Gary L. Pittman of Opportune as Chief Restructuring Officer ("CRO") for the Debtors and certain other personnel from Opportune to assist the CRO in the performance of his duties. On September 20, 2017, the Bankruptcy Court entered an order [Dkt. No. 319] authorizing the Debtors to employ certain additional professionals to perform ordinary course of functions for the Debtors including audit and accounting services, review of certain tax filings and appeals, legal services, and other specialized services.

The Debtors also filed an application to employ Bayshore Partners, LLC ("Bayshore Application") as their Investment Banker. The Committee filed an objection to the Bayshore Application, and the parties have reached a resolution on the Bayshore Application on an interim basis.

3. Unsecured Creditors Committee

On August 24, 2017, the United States Trustee appointed an Official Committee of Unsecured Creditors (the "Committee"), originally consisting of (a) NLB Corp., and (b) EDI Environmental Services, Inc. *See*, *Notice of Appointment of Unsecured Creditors' Committee* [Dkt. No. 154]. On October 2, 2017, the United States Trustee added the following members to the Committee: (a) American Eagle Logistics, LLC, (b) National Oilwell Varco & Affiliates, and (c) Quail Tools, Incorporated. The Committee retained Baker, Donelson, Bearman, Caldwell, &

Berkowitz, PC as its bankruptcy counsel and Huron Consulting Services, LLC as its financial advisor.

4. DIP Motion

On the Petition Date, the Debtors filed *Debtors' Motion for an Order Authorizing the Debtors to (A) Use Cash Collateral, (B) Obtain Post-Petition Financing, (C) Granting Security Interests and Superpriority Administrative Expense Status to the DIP Agent and the DIP Lenders, (D) Granting Adequate Protection to Existing Lienholders, (E) Scheduling a Final Hearing, and (F) Granting Related Relief* [Dkt. No. 18] ("DIP Motion"), seeking among other things,

a) authority for the Debtors to obtain post-petition loans and other extensions of credit from Cantor Fitzgerald Securities, as administrative agent and collateral agent (in such capacities, the "DIP Agent") and the lenders (the "DIP Lenders") under the Senior Secured Debtor-in-Possession Credit Agreement by and among, *inter alia*, the Debtors, the DIP Lenders from time to time party thereto, and the DIP Agent (as subsequently amended, restated, or otherwise modified from time to time, the "DIP Financing Agreement") in an amount not to exceed $14,500,000.00, and including, without limitation, principal, interest, fees, expenses, and other costs of the DIP Agent and the DIP Lenders in these bankruptcy cases, in accordance with the terms and conditions set forth herein and in the DIP Financing Agreement, the other Credit Documents (as defined in the DIP Financing Agreement), and all other related agreements and documents (collectively, the "DIP Financing");

b) authority for the Debtors to use Cash Collateral (as defined in the DIP Motion) of Cantor Fitzgerald Securities, as administrative agent and collateral agent (in such capacities, the "Prepetition Agent" and together with the DIP Agent, the "Agents") and the Prepetition Lenders (as defined below) under that certain credit agreement dated as of June 26, 2013, by and among, *inter alia*, the Debtors, the lenders from time to time party thereto (the "Prepetition Lenders", and together with the DIP Lenders, the "Lenders"), and the Prepetition Agent (as subsequently amended, restated, or otherwise modified from time to time, the "Prepetition Senior Credit Agreement") in accordance with the terms and conditions set forth in the DIP Motion, which Cash Collateral currently secures the Prepetition Senior Credit Agreement Claims;

c) granting of superpriority administrative Claims and automatically perfected priming liens, first priority liens, junior liens, and security interests to the DIP Agent and the DIP Lenders to secure the obligations and indebtedness to the DIP Agent and the DIP Lenders under the DIP Financing Documents

After a contested interim hearing on the DIP Motion on August 10, 2017, the Bankruptcy Court entered an interim order [Dkt. No. 72], authorizing the Debtors to obtain DIP Financing in the amount of $3.2 million and to use the DIP Financing and Cash Collateral to pay their operating and administrative expenses (as detailed in a budget) on an interim basis until a final hearing.

Prior to the final hearing, the Committee filed a limited objection [Dkt. No. 227] to the DIP Motion. The parties resolve the limited objection, and the Bankruptcy Court granted the DIP Motion on a final basis. *See*, Final Order [Dkt. No. 276].

5. Bar Date for Filing Proofs of Claim

On the motion of the Debtors [Dkt. No. 19], the Bankruptcy Court entered an order on August 10, 2017 setting **September 29, 2017 at 5:00 p.m. CST** as the bar date for the filing of Proofs of Claim, except that Proofs of Claim by Governmental Entities is **February 5, 2018 at 5:00 p.m. CST** [Dkt. No. 45].

6. The 341 Meeting

The 341 Meeting in these Chapter 11 Cases was held on September 12, 2017 at 11:30 a.m. CST.

E. MOTION TO ASSUME RESTRUCTURING SUPPORT AGREEMENT

Prior to the Petition Date, the Debtors worked diligently with their largest debt holders and equity holders on a consensual solution to adjust the Debtors' current debt structure so that Knight would be better able to operate their business through a depressed market. On August 8, 2017, the Debtors entered into a Restructuring Support Agreement ("RSA") with certain Consenting Lenders under the Senior Credit Facility and Consenting Holders of the Debtors' Interests.

The Debtors believe that the RSA and the contemplated restructuring of the Debtors as set forth in the Plan are in the best interests of the Debtors, their employees, and all stakeholders. The RSA provides for a substantial deleveraging transaction pursuant to which the Debtors will meaningfully improve their balance sheet by equitizing a substantial portion of over $200 million of its existing secured obligations and will substantially bolster their liquidity position through an exit financing facility.

In connection with the RSA, the Consenting Lenders agreed to provide the DIP Financing to accomplish the Restructuring Transactions on the terms and conditions of the DIP Financing Agreement attached to the DIP Motion. Drawings under the DIP Financing to fund fees and expenses of legal counsel and financial advisors to the Debtors and any official committee may not exceed $4.625 million without the consent of the Majority Consenting Lenders.

The RSA also provides that on the Effective Date, new membership interests (the **"**Reorganized Knight Interests") in either (a) a newly established holding company, or (b) one of the reorganized Debtors shall be issued by Reorganized Knight. The organizational documents of the Debtors shall be amended as necessary to give effect to the Restructuring Transactions and the organization documents of Reorganized Knight and the other Reorganized Debtors will be executed.

The Board of Directors (the "Reorganized Knight Board") of Reorganized Knight shall initially have 5 members, with appointment as follows: (i) four Reorganized Knight Board members appointed by the Majority Consenting Lenders and (ii) one family member of the Consenting Holders or such family member's designee to be agreed upon by the Consenting Holders and the Majority Consenting Lenders, who shall serve as a Reorganized Knight Board member and as Chairman Emeritus of Reorganized Knight. In addition to the Reorganized

Knight Board members, one family member of the Consenting Holders or such family member's designee to be agreed upon by the Consenting Holders and the Majority Consenting Lenders shall serve as an observer of the Reorganized Knight Board.

On the Effective Date, Reorganized Knight and Reorganized Holdings shall issue 100% of the Reorganized Knight Interests as set forth in and in the manner described in the Description of Transaction Steps pursuant to the Plan and give effect to the First Lien Distribution and the Comprehensive Settlement Distribution.

In consideration for the entry into the New Leases, the Related Party Transaction Resolutions, the Releases, and the other compromises and settlements embodied in the Plan, the Consenting Holders will retain and/or receive a distribution (the "Comprehensive Settlement Distribution") comprised of: (i) 20% of the Reorganized Knight Interests which includes (1) the retention by the Consenting Holders of a portion of their Interests in Reorganized Holdings; and (2) the receipt by the Consenting Holders of additional the Reorganized Knight Interests on the Effective Date (the "Reorganized Knight Settlement Interests") (subject to dilution by the Management Incentive Plan); and (ii) the receipt by the Consenting Holders of two classes of 5-year warrants (or other equity equivalents) of Reorganized Knight Interests that entitles the holders of such warrants to: (a) 7% of Reorganized Knight Interests with an exercise price equivalent to a $120 million equity valuation ("Warrant Tranche 1"), and (b) 6% of Reorganized Knight Interests with an exercise price equivalent to a $175 million equity valuation ("Warrant Tranche 2" and together with Warrant Tranche 1, the "Warrants") (subject to dilution by the Management Incentive Plan). The Warrants will be exercisable on a cashless basis and as otherwise provided in the Warrants, including upon an appropriate change-of-control transaction.

The Reorganized Knight Interests and the Warrants will be subject to dilution by the Management Incentive Plan as well as any future equity interest issuances by Reorganized Knight. Additional terms and restrictions of the Reorganized Knight Interests and Warrants will be reasonably acceptable to the Majority Consenting Lenders.

Prior to the Effective Date, the Majority Consenting Lenders may negotiate the terms and conditions of new, or amended and restated, employment agreements of existing or new management of Reorganized Knight (the "New Management").

Six percent (6%) of the Reorganized Knight Interests will be reserved for a management incentive plan (the "Management Incentive Plan"), with the form, vesting and allocation of the Management Incentive Plan to members of the New Management to be determined by the Reorganized Knight Board of Directors, following the Effective Date, with consultation rights for the Chairman Emeritus. Reorganized Knight Interests allocated pursuant to the Management Incentive Plan will be subject to dilution by further allocations under the Management Incentive Plan as well as any future equity interest issuances by Reorganized Knight.

Under the RSA, the Debtors are marketing for sale the following non-core real property securing loans made by lenders of the Debtors:

(i) real property located at 2288 E. County Rd. 30-A, Santa Rosa Beach, FL securing JPM Loans (the "Seaside Collateral");

(ii) real property located at the SE Corner of Interstate Hwy. 40 and N. Cimarron Rd., Oklahoma City, OK securing the Iberia Loan (the "Oklahoma City Collateral"); and

(iii) real property located at 507 Park Road, Frierson, LA securing the Iberia Loan (the "Frierson Collateral").

In each case such sales shall be on terms acceptable to the Debtors and the Majority Consenting Lenders.

Debtors shall discharge any other existing and potential Claims against the Debtors (the "Other Claims"), including, but not limited to Claims (if any) arising out of the winding down or other disposition of Knight Resources and Knight International in each case in a manner and on terms and in such amounts acceptable to the Majority Consenting Lenders and the Debtors.

Reorganized Knight shall continue to have a substantial presence in Lafayette, Louisiana at its present campus (or at any successor campus in Lafayette, Louisiana) and continue to use the "Knight" name in its present and any future business combinations as long as the Majority Consenting Lenders are majority equity interest holders in Reorganized Knight.

The Plan provides for a comprehensive resolution of issues and disputes with the Consenting Holders (the "Comprehensive Settlement") that includes:

a. Entry into five (5) year leases (the "New Leases") on mutually agreeable terms (including the amount of rent) for certain to be agreed upon operating locations currently owned or affiliated with the family members of certain Consenting Holders (excluding properties owned by Leasing and Enterprises) subject to the Majority Consenting Lenders' discussion with management about long term plans and updated diligence on the performance of those facilities.

b. Resolution on terms acceptable to the Debtors, the Consenting Holders, and the Majority Consenting Lenders of any other related party transactions or Claims (the "Related Party Transaction Resolutions").

c. The grant of the Releases, Exculpations, and Injunctions under the Plan, which shall be subject in all respects to the consummation of the Restructuring Transactions on terms satisfactory to the Restructuring Support Parties.

The RSA contains the following key milestones:

a. no later than September 1, 2017, the Bankruptcy Court shall have entered the Final Cash Collateral/DIP Financing Order;

b. no later than October 23, 2017 (i) the Bankruptcy Court shall have entered an order approving the Disclosure Statement; and (ii) no later than five (5) business days after entry of the order approving the Disclosure Statement, the Company shall have commenced solicitation on the Plan by mailing solicitation materials to the creditors and Interest holders eligible to vote on the Plan;

c. no later than October 23, 2017, the Bankruptcy Court shall have entered an order authorizing the assumption of the RSA;

d. no later than December 5, 2017, the Bankruptcy Court shall have commenced the Confirmation Hearing;

e. no later than December 8, 2017, the Bankruptcy Court shall have entered the Confirmation Order; and

f. no later than December 23, 2017, the Effective Date shall have occurred.

On August 11, 2017, the Debtors filed a *Motion to Authorize the Debtors to Assume the Restructuring Support Agreement* [Dkt. No. 87] ("RSA Motion"), requesting the Bankruptcy Court authorize the Debtors to assume the RSA. On September 5, 2017, the Committee filed an objection to the RSA Motion. The hearing on the RSA Motion has been continued to the same date and time as the Confirmation Hearing on the Plan.

F. FINANCIAL BRIDGE TO CONSUMMATION OF PLAN

Assuming the Plan is confirmed, the Plan provides for a New First Lien Facility under which (1) the Senior Credit Facility Lenders will receive $25.5 million in aggregate principal amount of Initial New First Lien Term Loans and (2) the New First Lien Facility Lenders will make available to Restructured Knight up to $30 million in aggregate principal amount of advances of Additional New First Lien Term Loans. Advances of Additional New First Lien Term Loans at Consummation of the Plan will be used to implement the Plan as follows: (1) pay off the DIP Financing, (2) pay the $4.5 million in property taxes, (3) pay any allowed priority sales and use taxes if there is actually any liability for those Claims, (4) pay Unsecured Convenience Class Claims in full, and (4) for the benefit of holders of General Unsecured Claims, create the General Unsecured Claims Fund in the amount of $2.6 million minus the aggregate amounts paid to the Unsecured Convenience Class and certain expenses to be incurred in the resolution of Claims, and (5) to reimburse the reorganization costs and expenses of the Majority Consenting Lenders. Of great importance to the Company and its 330 employees, after those payments are made in order to consummate the Plan, the Reorganized Knight will still have access under the New First Lien Facility to millions of dollars of additional funds to draw down for capital improvements and working capital. Set forth below is a chart depicting the estimated sources and uses of the New First Lien Facility on the Effective Date to consummate the Plan.

BRIDGE TO CONSUMMATION

LIABILITIES INCURRED DURING CASE

DIP Financing During Case	$10 million[1]

FINANCING FROM ADDITIONAL NEW FIRST LIEN TERM LOANS

SOURCE:

$30 million Additional New First Lien Term Loans	$30 million

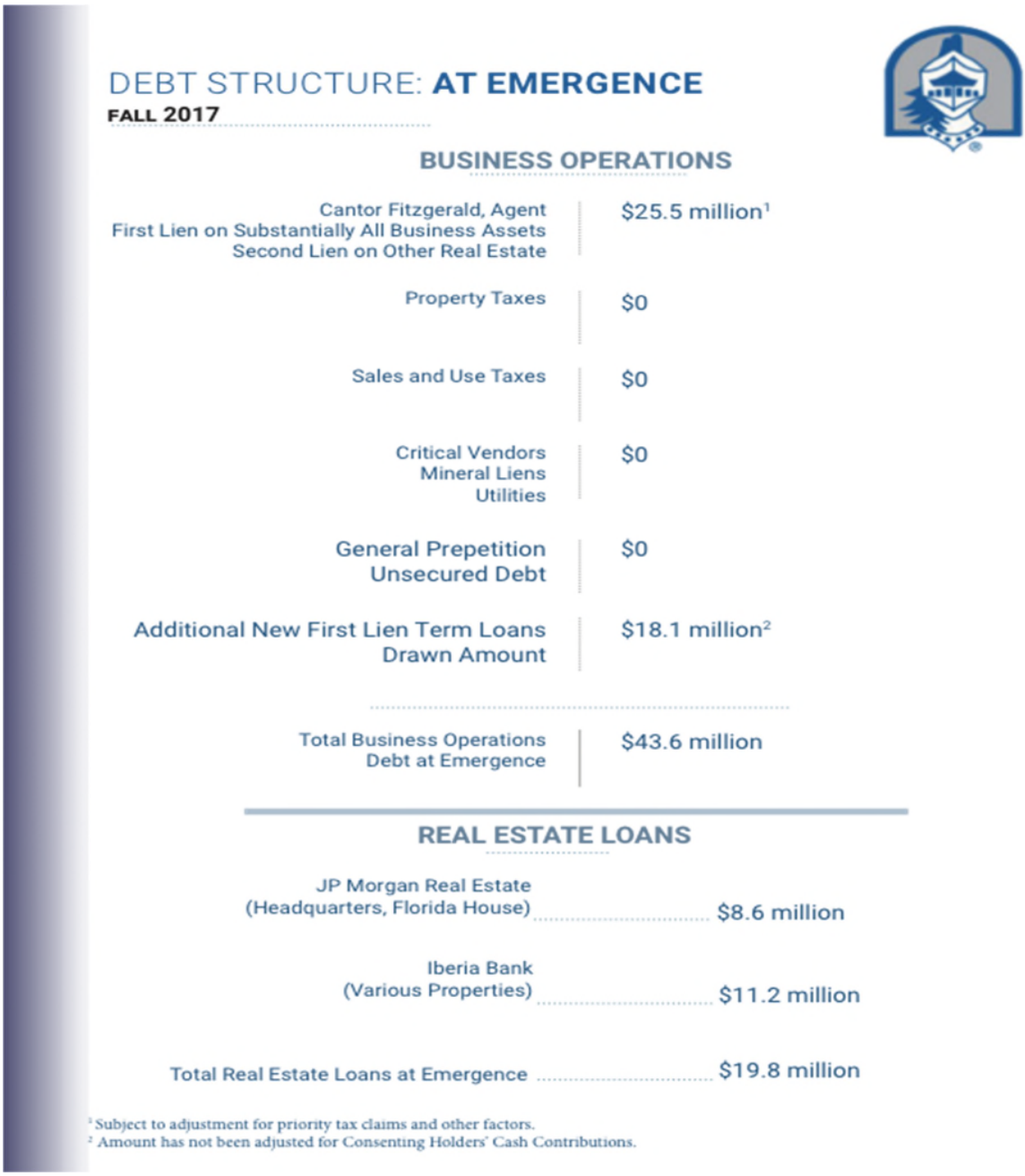
USES:

Pay DIP	$10 million
Pay Property Taxes	$4.5 million
Pay Allowed Priority Sales and Use Taxes	TBD
Pay Accrued Professional Fees	$1 million
General Unsecued Claims Fund	$2.4 million
Pay Convenience Class[2]	$200,000
Pay Cure Payments	TBD
Total Uses From Additional First Lien Term Loans	$18.1 million[3]
Remaining Additional First Lien Term Loans	$11.9 million[4]

[1] Can be increased if pay property taxes before consummation.
[2] Pays 493 creditors in full.
[3] Estimate does not take into account receipt of the Consenting Holders' Cash Contributions.
[4] Remaining availability for general corporate purposes, to pay Majority Consenting Lenders' reorganization costs and expenses, working capital, and capital improvements.

G. DEBT STRUCTURE POST-EMERGENCE

Assuming the Plan is confirmed and the Effective Date occurs, the chart below illustrates the Debtors' estimated debt structure at emergence on the Effective Date:



IV. THE PLAN

The Debtors have proposed a Plan and believe that the classification and treatment of Claims provided by the Plan are consistent with the requirements of the Bankruptcy Code. Under the Bankruptcy Code, only holders of Allowed Claims 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 Interests is set forth above in this Disclosure Statement.

V. DESCRIPTION OF PROBABLE ADMINISTRATIVE CLAIMS AND PROVISIONS FOR PAYMENT OF ADMINISTRATIVE CLAIMS

Other than obligations arising in the ordinary course of the Debtors' business, the principal administrative Claims known to the Debtors at the present time are the fees and expenses, as allowed by the Bankruptcy Court and payable by the Debtors, of the Debtors' attorneys, Heller Draper, and the Debtors' Crisis Manager and Chief Restructuring Officer, Opportune and Gary L. Pittman, and Bayshore Partners. These fees and expenses may be paid during the Chapter 11 Cases from the DIP Financing. Unpaid fees and expenses due as of the Effective Date of the Plan are to be paid in full from advances under the New First Lien Facility and/or the Debtors' Cash.

VI. PROVISIONS FOR IMPLEMENTATION OF PLAN

A. GENERAL SETTLEMENT OF CLAIMS AND INTERESTS.

Article IV.A. of the Plan provides that pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies

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

B. COMPREHENSIVE SETTLEMENT

1. Terms of the Comprehensive Settlement

The Debtors and the other Restructuring Support Parties have mutually agreed to a comprehensive resolution of issues and disputes between and among the Debtors and the other Restructuring Support Parties (the "Comprehensive Settlement") which shall include:

1. The payment of the Consenting Holders Cash Contribution to the Debtors;
2. Entry into the New Leases;
3. Consummation of the Related Party Transaction Resolutions;
4. The mutual grant of the Releases included in Article VIII.B and Article VIII.C of the Plan;
5. The other compromises, settlements, and covenants embodied in the Plan and the RSA;
6. In order to preserve the tax attributes and benefits of the Debtors for the Reorganized Debtors, to the extent required in the Description of Transaction Steps, the retention by the Consenting Holders of a portion of their Class 11 Interests in Holdings, and the contribution and transfer of all other Interests in Holdings, Leasing, and

Enterprises held by the Consenting Holders to Reorganized Knight as set forth and in the manner described in the Description of Transaction Steps; and

7. The provision of the Comprehensive Settlement Distribution to the Consenting Holders.

The Comprehensive Settlement is subject in all respects to the consummation of all the Restructuring Transactions on terms satisfactory to the Restructuring Support Parties and in accordance with the description of the Restructuring Transactions steps (the "Description of Transaction Steps") which shall be included in the Plan Supplement. By voting to accept the Comprehensive Settlement Distribution, Consenting Holders will grant the Releases provided for in Article VIII.C of the Plan and may not opt out of granting such Releases. No portion of the Comprehensive Settlement Distribution shall be made to or retained by Non-Consenting Holders.

The Debtors shall estimate the Consenting Holders Cash Contribution within two (2) Business Days after the entry of the Confirmation Order. The Consenting Holders shall pay the Consenting Holders Cash Contribution to the Debtors in the amount of such estimate within four (4) Business Days of the entry of the Confirmation Order. In the event that the Effective Date does not occur, the Consenting Holders Cash Contribution shall be returned by the Debtors to the Consenting Holders. On the Effective Date, the final amount of the Consenting Holders Cash Contribution shall be calculated and agreed upon by the Debtors, the Consenting Holders, and the Majority Consenting Lenders, and Cash shall be contributed by or returned to the Consenting Holders, as applicable, such that the Debtors shall have received the correct and actual amount of the Consenting Holders Cash Contribution as of the Effective Date.

2. New Leases Under the Comprehensive Settlement

Entities owned or controlled by the Consenting Holders own the properties described below. These leased properties, which were acquired in the mid-1990s, are used in the operations of the Debtors' business as follows:

1. Cunningham Property

This property located in Houston, Texas contains three facility structures. The property located at 6003 Cunningham Road, Houston, Texas currently houses Knight Oil Tools, the Debtors' rental tool service operation, and Robinson Tubular Services, the Debtors' in-house inspection service. The front of the facility contains twenty corporate offices utilized for sales and G&A needs in the Houston area. There is a third structure formally used by Fishing Service adjacent to the rental facility which may be placed in operation again. The remaining yard space is used for rental pipe and equipment storage. There is approximately 1.3 acres of undeveloped land on the property for future growth.

2. Alice I Property

This property located in Alice, Texas contains four facility structures. The property located at 1270 Airport Road, Alice, Texas houses Knight Oil Tools, the Debtors' rental tool service operation and Robinson Tubular Services, Knight's in-house inspection service. The property located at 1001 Fesco Ave, Alice, Texas houses Knight Fishing Services. The property located at 2401 Energy Ave, Alice, Texas houses Hub City Ironworks, the Debtors' manufacturing and rethreading machine shop. All four facilities are currently operational. The yard space in between the four facilities is used for rental pipe and equipment storage. There is approximately 6 acres of undeveloped land on the property for future growth.

Under the Plan, as part of the Comprehensive Settlement, new five-year leases are contemplated to be executed for the continued lease of the above properties by the Debtors. The terms and conditions of the leases have not yet been finalized but the intention is that the New Leases will provide for below market lease payments and that any prior rent obligations will be waived. The form of the New Leases or a term sheet setting forth the terms will be included in the Plan Supplement.

3. Value of Consideration for New Equity and Comprehensive Settlement Given By Consenting Holders

The value of the 20% of the Reorganized Knight Interests to be retained and received by the Consenting Holders is difficult to quantify. It does not appear that there is any readily ascertainable market for the equity interests and it is a minority interest in a private company which will be under the control of third parties.

The value of the consideration (or cause under Louisiana law) for the compromise and settlement embodied in the Plan is difficult for the Debtors to quantify. There are several components of consideration or cause for the compromise and settlement under Louisiana law. The Consenting Holders have agreed to lease properties they own or control (Alice and Cunningham Road) which are presently being used in the Debtors' operations to the Reorganized Debtors at below market rent. The Debtors don't know how the Majority Consenting Lenders value the agreement of the Consenting Holders to lease properties to the Reorganized Debtor, what value the Reorganized Debtors or Consenting Lenders ascribe to their ability to continue to occupy and lease the property at below market rent, how much below market the rent will be, or what value the Consenting Lenders attribute to avoiding the cost of relocate or what the impact any such relocation might have on the business.

The Consenting Holders have also agreed as part of the compromise to cooperate with the Reorganized Debtors and the Consenting Lenders in implementing the Restructuring Transactions which are beneficial to the Consenting Lenders and the Reorganized Debtors and which may result in personal financial risk to the Consenting Holders. The Consenting Lenders have not indicated what value they ascribe to this part of the consideration. One of the Consenting Holders, presumably Kelley Knight Sobiesk, is agreeing to serve on the board as Chairman Emeritus of the Reorganized Debtors. The Debtors do not know what value, if any, the Consenting Lenders or the Reorganized Debtors place on her continued role.

C. RESTRUCTURING TRANSACTIONS

Article IV.C. of the Plan provides that on or after the Confirmation Date, or as soon as reasonably practicable thereafter, the Debtors may take all actions to become effective on the Effective Date as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, consistent with and pursuant to the terms and conditions of the RSA and the Description of Transaction Steps (together, the "*Restructuring Transactions*") including: (a) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, contribution, restructuring, reorganization, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan, including such transactions as are acceptable to the Majority Consenting Lenders to cause Reorganized Knight and Reorganized Holdings to become the parent companies of all of the Reorganized Debtors and to effect (i) the issuance and distribution of the Reorganized Knight Interests, Equity Warrants, and any equity or equity-linked interests associated with the Management Incentive Plan and execution and delivery of the New Organizational Documents, (ii) the execution and delivery of the New First Lien Facility Documents and all drawings of the New First Lien Term Loans, and (iii) the guaranty of the New First Lien Facility by the Reorganized Debtors; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, contribution, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms to which the applicable parties agree; (c) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution or other certificates or documentation for other transactions as described in clause (a),

pursuant to applicable state law; (d) the execution and delivery of the New Mortgage Loans and the New Leases, as applicable; (e) the funding of the General Unsecured Claims Fund, and payment of amounts due for all Allowed Mineral Contractor Claims and Allowed Unsecured Convenience Claims pursuant to the Plan; (f) the securing of all third party approvals, including those required by any government or regulatory authority to effect the Restructuring Transactions; and (g) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with the Restructuring Transactions.

Each of the matters provided for by the Plan involving the corporate structure of Reorganized Knight and/or the Debtors or corporate or related actions to be taken by or required of Reorganized Knight, the Reorganized Debtors, and/or the Consenting Holders whether taken prior to or as of the Effective Date, shall be deemed authorized and approved in all respects without the need for any further action and without any further action by Reorganized Knight, the Debtors, the Consenting Holders, or the Reorganized Debtors, as applicable. Such actions may include, among others, the following: (a) the adoption and filing of the New Organizational Documents; (b) the selection of the directors, managers, and officers for Reorganized Knight and the Reorganized Debtors, including the appointment of the Reorganized Holdings Board; (c) the authorization, issuance, and distribution of Reorganized Knight Interests, Equity Warrants, and any equity or equity-linked interests associated with the Management Incentive Plan; (d) the assumption of Executory Contracts or Unexpired Leases; (e) the entry into the New First Lien Facility and the execution and delivery of the New First Lien Facility Documents; (f) the payment of the Consenting Holders Cash Contribution to the Debtors; and (g) the adoption of the

Management Incentive Plan, at the discretion of (and on terms and conditions determined by) the Reorganized Holdings Board in accordance with the RSA.

D. SOURCES OF CONSIDERATION FOR PLAN DISTRIBUTIONS AND THE COMPREHENSIVE SETTLEMENT DISTRIBUTION

Article IV.D. of the Plan provides:

Cash on Hand

On the Effective Date, the Reorganized Debtors will deposit the General Unsecured Claims Fund in a segregated account. The Reorganized Debtors shall use Cash on hand, the Consenting Holders Cash Contribution, and the Initial Restructuring Claim Advance to fund the General Unsecured Claims Fund and to make distributions to certain holders of Claims entitled to receive Cash including distributions to holders of Allowed Mineral Contractor Claims and Unsecured Convenience Class Claims on the respective distribution date for such Claims.

Property Sale Proceeds

The Debtors shall continue to market for sale the Seaside Collateral, the Oklahoma City Collateral, and the Frierson Collateral. If the sale of any property is effected prior to the Effective Date, such sale shall be consummated pursuant to section 363 of the Bankruptcy Code and the proceeds of such sale applied in accordance with Article III.B.3 and Article III.B.4 of the Plan.

New First Lien Facility

On the Effective Date, the Reorganized Debtors shall enter into the New First Lien Facility Documents forms of which shall be included in the Plan Supplement and are summarized below. The indebtedness and obligations under the New First Lien Facility shall be the joint and several obligations of Reorganized Holdings and all other Reorganized Debtors, fully secured by substantially all property (personal, real, or mixed) of the Reorganized Debtors

on a first priority basis (except with respect to property securing (i) *ad valorem* taxes for the current year, and (ii) the Iberia Takeback Loans and the JPM Takeback Loans, and on those properties the New First Lien Facility shall be secured by a second priority Lien), and comprised of the Initial New First Lien Term Loan and the Additional New First Lien Term Loans issued from time to time thereunder. The New First Lien Term Loans will have a maturity date of five (5) years from the Effective Date and will bear interest at an annual rate of 8.5%. At Reorganized Holdings' option, until the date falling three (3) years after the Effective Date, the payment of interest on the New First Lien Term Loans may be satisfied through the payment-in-kind issuance of Additional New First Lien Term Loans. No amortization of the New First Lien Term Loans shall be required until after the date falling three (3) years from the Effective Date. The New First Lien Term Loans shall include such additional terms and conditions as required by the Majority Consenting Lenders (with the consent of the Debtors).

Initial New First Lien Term Loan

On the Effective Date, pursuant to the New First Lien Facility Agreement (a substantially final form of which shall be attached to the Plan Supplement) and consistent with Article III.B of the Plan, Lenders under the Senior Credit Facility shall receive Pro Rata on account of their Allowed Secured Senior Credit Facility Claims, a New First Lien Term Loan (the "***Initial New First Lien Term Loan***") in an amount equal to the New First Lien Term Loans Initial Amount. The Initial New First Lien Term Loan shall be an amendment and restatement (but without novation) of the Senior Credit Facility Claims in an amount equal to the New First Lien Term Loans Initial Amount.

Additional New First Lien Term Loans

In addition to the New First Lien Term Loans Initial Amount, the Senior Credit Facility Lenders shall provide commitments to extend Additional New First Lien Term Loans of up to $30.0 million in aggregate principal amount (the "***Total Commitments***") to fund the (x) Initial Restructuring Claims Advance and the Secondary Restructuring Claims Advance as needed to provide for payment of Allowed Claims and other amounts that are required to be paid under the Plan and (y) after the Effective Date, the working capital needs of Reorganized Holdings and the other Reorganized Debtors.

The Additional New First Lien Term Loans shall (a) have maturity and interest payment terms identical to those of the Initial New First Lien Term Loan, and (b) require each draw of Additional New First Lien Term Loans to be in an amount of at least $1.0 million and funded after three (3) Business Days' notice (except as otherwise provided below).

On the Effective Date, the Reorganized Debtors will be permitted to draw an initial amount (the "***Initial Restructuring Claim Advance***") of up to $18.0 million aggregate principal amount (the "***Restructuring Claims Advance Cap***") of Additional New First Lien Term Loans, to be used as follows:

- to repay in full the DIP Financing;
- to pay in full any and all Allowed and outstanding property and *ad valorem* taxes for years prior to 2017;
- to pay any and all Allowed Other Secured Claims that are payable in Cash in accordance with Art. III.B.1 of the Plan;
- to pay professional fees and costs associated with the Restructuring Transactions including (but not limited to) professional fees and costs payable under the Plan on account of the JPM Loan Claims, and the Iberia Loan Claims, and Allowed professional fees and costs of the Debtors and any official committee appointed in the Chapter 11 Cases;
- to pay Allowed Administrative Claims (including, without limitation, claims under Bankruptcy Code § 503(b)(9)), Priority Tax Claims, and Other Priority Claims;
- to pay Allowed Claims required to be paid as a condition to assumption of executory contracts and unexpired leases under Bankruptcy Code § 365 and Allowed Mineral Contractor Claims; and
- to fund (1) payments under the Plan on account of the Unsecured Convenience Class Claims, and (2) the General Unsecured Claims Fund.

Subsequent to the Initial Restructuring Claim Advance, the Reorganized Debtors may pay Allowed Claims of the types described in (iii) through (vi) of the definition of Initial Restructuring Claims Advance either by (I) subsequent advances of Additional New First Lien Term Loans, or (II) free cash flow (any and all of which payments made from free cash flow shall be deemed to be an advance of Additional New First Lien Term Loans on a dollar-for-dollar basis *except* as provided in Article IV.D.3(c) of the Plan)(collectively, all advances or deemed advances under clauses (I) and (II) of Article IV.D.3(b) of the Plan, the "***Secondary Restructuring Claims Advance***") *and* to the extent a Secondary Restructuring Claim Advance is funded by an advance under clause (I) of Article

IV.D.3(b) of the Plan, the Total Commitments shall be reduced on a dollar-for-dollar basis.

Incremental Tax Costs Gross-Up

Each payment of any Allowed Priority Tax Claim for sales, use, or excise taxes for any tax years prior to 2017, whether paid out of :

(i) advances under the New First Lien Facility (including to refinance advances under the DIP Financing to fund such sales, use, or excise tax payments), or

(ii) the Debtors' or Reorganized Debtors' free cash flow,

shall:

(x) in the case of clause (i) above, upon the advance of such funds under the New First Lien Facility, and

(y) in the case of clause (ii) above, upon the later of the Effective Date and the date of such payment,

(I) be deemed an advance of Additional New First Lien Term Loans in an amount equal to the Incremental Tax Costs Gross-Up (for the avoidance of doubt, no payment shall be counted as satisfying more than one of clauses (i) and (ii)); and

(II) to the extent such payment is funded by an advance under clause (i) of Article IV.D.3(c) of the Plan reduce the Total Commitments on a dollar-for-dollar basis.

Continuance of Liens. Notwithstanding anything to the contrary herein, all Liens securing the Senior Credit Facility Claims (i) are unaltered by the Plan, (ii) shall remain attached to the property of the Reorganized Debtors and their existing and former Affiliates after the Effective Date to the same extent such Liens were attached to the property of the Debtors and their existing and former Affiliates prior to the Effective Date, and (iii) shall be deemed assigned on the Effective Date to the New First Lien Facility Agent for the benefit of the New First Lien Facility Lenders to continue to secure the joint and several obligations of the Reorganized Debtors under New First Lien Facility Documents.

Payment of Expenses. Additionally, on the Effective Date, the Reorganized Debtors shall be permitted to draw upon the New First Lien Facility to pay all fees, expenses and

disbursements of (a) the Senior Credit Facility Administrative Agent, (b) the DIP Financing Agent, and (c) the Consenting Lenders, in each case, that have accrued and are unpaid as of such date (including the fees and out-of-pocket expenses incurred by Deloitte Tax LLP, Intrepid Financial Partners, McGlinchey Stafford PLLC, Shipman & Goodwin LLP, and Vinson & Elkins LLP).

New First Lien Facility Approval. Confirmation of the Plan shall be deemed to constitute approval of the New First Lien Facility, the New First Lien Facility Documents, and, subject to the occurrence of the Effective Date, authorization for the Reorganized Debtors to enter into and perform their joint and several obligations in connection with the New First Lien Facility.

Legal Effect of Confirmation on the New First Lien Facility. On the Effective Date, the New First Lien Facility Documents shall constitute legal, valid, binding, and authorized joint and several obligations of the Reorganized Debtors, enforceable in accordance with their terms. The financial accommodations to be extended pursuant to the New First Lien Facility Documents are being extended, and shall be deemed to have been extended, in good faith, for legitimate business purposes, are reasonable, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever, and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law. The Reorganized Knight Organizational Documents shall authorize the execution and delivery of the New First Lien Facility Documents, the incurrence of the Initial New First Lien Term Loan, and the issuance of the Additional New First Lien Term Loans and no further corporate or limited liability company action shall be required nor any further action by the holders of Claims or

Interests or the Debtors or the Reorganized Debtors be required. On the Effective Date, all of the Liens and security interests retained and to be granted in accordance with the New First Lien Facility Documents (a) shall be legal, binding and enforceable Liens on, and security interests in, the Collateral granted thereunder in accordance with the terms of the New First Lien Facility Documents, (b) shall be deemed automatically perfected on the Effective Date, subject only to such Liens and security interests as may be permitted under the New First Lien Facility Documents, and (c) except as expressly permitted in the New First Lien Facility Documents, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law. The Reorganized Debtors and the Entities granted such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary to establish and perfect such Liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

Issuance and Distribution of the Reorganized Knight Interests

Except as set forth in and in the manner described in the Description of Transaction Steps, all existing Interests in the Debtors shall be contributed to Reorganized Knight or Reorganized Holdings on the Effective Date such that Reorganized Knight and Reorganized

Holdings shall be the parent companies of all other Reorganized Debtors and their respective subsidiaries (if any). On the Effective Date, Reorganized Knight and Reorganized Holdings shall issue 100% of the Reorganized Knight Interests as set forth in and in the manner described in the Description of Transaction Steps pursuant to the Plan and to give effect to the First Lien Distribution and the Comprehensive Settlement Distribution. The issuance of the Reorganized Knight Interests shall be authorized without the need for any further corporate or limited liability company action and without any further action by the holders of Claims or Interests or the Debtors or the Reorganized Debtors, as applicable. The Reorganized Knight Organizational Documents shall authorize the issuance and distribution on the Effective Date of the Reorganized Knight Interests to the Distribution Agent for the benefit of Entities entitled to receive the Reorganized Knight Interests on the Effective Date pursuant to the Plan. All of the Reorganized Knight Interests issued under the Plan shall be duly authorized and validly issued, and the holders of Allowed Secured Senior Credit Facility Claims that will receive Reorganized Knight Interests shall execute the Reorganized Knight Interests Documents immediately prior to receiving their respective distributions of Reorganized Knight Interests under the Plan.

Any such Senior Credit Facility Lender or Consenting Holder who does not execute one or all of the Reorganized Knight Interests Documents shall be automatically deemed to have executed and accepted the terms of each such unexecuted Reorganized Knight Interests Document (in such Person's capacity as an equity Interest holder of Reorganized Knight, Reorganized Holdings, Reorganized Leasing, or Reorganized Enterprises) and to be party thereto without further action. Each of the Reorganized Knight Interests Documents shall be adopted on the Effective Date and shall be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of Reorganized Knight Interests shall be bound thereby, in each case

without the need for execution by any party thereto other than Clearlake Capital Partners IV Finance, L.P. Each distribution and issuance of the Reorganized Knight Interests under the Plan or the Comprehensive Settlement Distribution shall be in the manner and as described in the Description of the Transaction Steps and governed by the terms and conditions set forth in the Plan applicable to such distribution, issuance, or settlement and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance. From and after the Effective Date, Reorganized Knight Interests will be subject to dilution by the MIP Equity as well as future issuances of Reorganized Knight Interests.

On the Effective Date, none of the Reorganized Knight Interests will be registered under the Securities Act or listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports with the Bankruptcy Court after the Effective Date. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Exchange Act, except in connection with a public offering, the New Organizational Documents may impose certain trading restrictions, and the Reorganized Knight Interests may be subject to certain transfer and/or other restrictions pursuant to the New Organizational Documents designed to maintain the Reorganized Debtors as private, non-reporting companies.

The Equity Warrants

On the Effective Date, Reorganized Holdings shall issue the Equity Warrants to the Distribution Agent who shall execute the Comprehensive Settlement Distribution by delivering

the Equity Warrants to the Consenting Holders as consideration for the Comprehensive Settlement. The terms of the Equity Warrants shall be substantially similar in all respects with those provided in the RSA. For the avoidance of doubt, the Equity Warrants shall consist of (i) Warrant Tranche 1, comprised of warrants exercisable into Reorganized Knight Interests constituting 7.0% of the total equity of Reorganized Holdings (calculated as of the Effective Date and subject to dilution on account of the MIP Equity and future equity issuances), at an initial strike price implying a total equity value of the Reorganized Debtors of $120 million, and (ii) Warrant Tranche 2, comprised of warrants exercisable into Reorganized Knight Interests constituting 6.0% of the total equity of Reorganized Holdings (calculated as of the Effective Date and subject to dilution on account of the MIP Equity and future equity issuances), at an initial strike price implying a total equity value of the Reorganized Debtors of $175 million. The strike price on each of the Equity Warrants shall be increased or decreased to reflect appropriate adjustments on account of any capital contributions made to (whether in Cash, cash equivalents, promissory obligations, or the fair market value of other property which is contributed or deemed to have been contributed) or distributions or dividends, other than redemptions, from (whether in Cash, cash equivalents, promissory obligations, or the fair market value of other property which is distributed or deemed to have been distributed, but excluding payment of any yield on any preferred equity securities) Reorganized Holdings from and after the Effective Date. Each class of the Equity Warrants shall have a five (5) year tenor, contain customary change of control exercise rights, and otherwise be exercisable without cash payment at the implied values set forth above, provided that the holder of such Equity Warrants shall be entitled only to participation in the portion of the proceeds in excess of the applicable strike price. For the avoidance of doubt, the Consenting Holders entitled to receive the Equity Warrants hereunder shall not be attributed

any ownership of Reorganized Knight Interests on account of such Equity Warrants for the purposes of calculating any future dividends, distributions, or participation pursuant to any New Organizational Documents until the exercise of the Equity Warrants in accordance with their terms. For the further avoidance of doubt, the holders of the Equity Warrants shall, upon exercise of the Equity Warrants, execute or be deemed to have executed and accepted, and be bound by, the Reorganized Knight Interests Documents.

E. MANAGEMENT INCENTIVE PLAN

Article IV.E. of the Plan provides that after the Effective Date, the Reorganized Debtors, including Reorganized Holdings, shall implement the Management Incentive Plan on terms approved by the directors of the Reorganized Holdings Board, but which shall provide for the award of up to 6.0% of the equity interests of Reorganized Knight to management (the "***MIP Equity***"). The form, vesting, and allocation of the MIP Equity along with the other terms of the Management Incentive Plan will be negotiated in good faith and determined by the Reorganized Holdings Board following the Effective Date in consultation with the Chairman Emeritus. For the avoidance of doubt, eligible parties under the Management Incentive Plan shall, in their capacity as such, neither execute, nor be deemed to have executed and accepted the terms of, the Reorganized Knight Interests Documents as of the Effective Date. For the further avoidance of doubt, such eligible parties shall, upon allocation and full vesting of the MIP Equity, execute or be deemed to have executed and accepted, and be bound by, the Reorganized Knight Interests Documents.

F. NEW MORTGAGE LOANS

Article IV. F. of the Plan provides that on or prior to the Effective Date, certain of the Reorganized Debtors shall enter into the Iberia Takeback Loans and the JPM Takeback Loans

(collectively, the "***New Mortgage Loans***"). On the Effective Date, the New Mortgage Loans shall constitute legal, valid, binding, and authorized obligations of each applicable Reorganized Debtor party thereto, enforceable in accordance with their terms certain of which are summarized below:

a. JPM Commercial Loans

To the extent the JPM Commercial Loans Claims are not repaid from the net proceeds from the sale of the Seaside Collateral, on the Effective Date, the JPM Commercial Loans Claims shall be modified, amended, and restated, but without novation, to include: (i) a bullet (final) maturity five years from the Effective Date, (ii) no provision for amortization during the first 12 months following the Effective Date, (iii) provision for monthly amortization payments in cash commencing in the 13th month following the Effective Date in an amount equal to then-remaining outstanding principal balance of the JPM Commercial Loans divided by 108, (iv) payment in cash on a monthly basis (1) during the first twenty-four (24) calendar months following the Effective Date, interest at a rate equal to the non-default rate of interest currently set forth in the JPM Commercial Loans (*i.e.*, a variable rate equal to the one month LIBOR Rate plus 2.5%), and (2) beginning in the twenty-fifth (25th) calendar month following the Effective Date, interest at a variable rate equal to the one month LIBOR Rate plus 3.5%, (v) provision for a default premium of 200 basis points, (vi) a provision for full retention of all Liens on all unsold property that currently secures the JPM Commercial Loans, (vii) authorization for the grant of a second priority Lien in favor of the New First Lien Facility on the JPM Equipment Collateral and the Headquarters Collateral, subject to a customary intercreditor agreement providing for market-standard "silent" second lien treatment, and (viii) inclusion of such other terms and conditions acceptable to the Debtors, the Majority Consenting Lenders and JPM. The first interest payment to be made by Reorganized Enterprises to JPM after the Effective Date pursuant to the JPM Commercial Loans shall be due on the thirtieth (30th) day after the Effective Date and each subsequent interest payment (and amortization of principal once begun) payable to JPM shall be due on the same day of each month thereafter. Late fees will be owed by, due from, and payable by Reorganized Enterprises with respect to interest payments and amortization of principal on the JPM Commercial Loans after the Effective Date on the same terms as provided for late fees in the JPM Commercial Loans.

Under the JPM Commercial Loans, JPM, Reorganized Enterprises, and Reorganized Holdings shall covenant as follows:

i. that the Seaside Collateral shall continue to be listed for sale by ResortQuest Real Estate;

ii. that if the Seaside Collateral is not under contract to sell on or before February 8, 2018, Reorganized Enterprises will consult with JPM regarding a potential new listing agent and listing price;

iii. that Reorganized Leasing shall use all commercially reasonable efforts to sell the Seaside Collateral at a fair market value and shall keep JPM reasonably informed of the sale process, including delivery to JPM of any written offers received;

iv. that any actual sales proceeds (net of customary closing costs and amounts paid on any senior secured loan or property tax claim) received by Reorganized Leasing for the sale of the Seaside Collateral shall be used to pay down the then-outstanding principal balance of the JPM Commercial Loans;

v. that JPM shall not withhold its consent to a sale of the Seaside Collateral that provides for payment in full of the senior secured loan on such property;

vi. that JPM shall execute commercially reasonable release of Lien documentation on the Seaside Collateral in connection with the closing of any such sale of the Seaside Collateral, such release documentation to be prepared and recorded at the sole expense of Reorganized Leasing;

vii. that JPM consents to the transfer of Debtor equity interests to the Reorganized Debtors under the Plan; and

viii. that JPM waives any default or event of default under the JPM Commercial Loans existing as of the Effective Date, including, without limitation, any default arising as a result of the filing of the Chapter 11 Cases.

After the Effective Date, to the extent that property securing the JPM Commercial Loans (including the Seaside Collateral) is sold and the principal balance of the JPM Commercial Loans is reduced by the actual sale proceeds therefrom, the amortization payments on the JPM Commercial Loans shall be recalculated such that the amortization payments will be made on the then-remaining outstanding principal balance of the JPM Commercial Loans divided by 108.

In no event shall the JPM Commercial Loans be treated as, or deemed to be, a novation of the JPM Commercial Loan such that the superior lien priority position of JPM as to the Headquarters Collateral or the JPM Equipment Collateral is impaired. JPM shall retain as security for the JPM Commercial Loans all of its rights as a holder of perfected Liens (not subject to voidability) on the Seaside Collateral, the JPM Equipment Collateral, and the Headquarters Collateral to the fullest extent set forth in the JPM Commercial Loans inclusive of the mortgages and security agreements and with respect to the Lien priorities applicable to such

property. The substantially final form of the JPM Commercial Loans, as modified, amended, and restated, shall be filed as part of the Plan Supplement.

JPM Takeback Consumer Loans

To the extent the JPM Consumer Loans Claims are not repaid from the net proceeds from the sale of the Seaside Collateral, on the Effective Date, holders of the JPM Consumer Loans Claims shall receive JPM Takeback Consumer Loans which shall: (i) have a bullet (final) maturity five years from the Effective Date, (ii) provide for no amortization during the first 12 months following the Effective Date, (iii) provide for monthly amortization payments commencing in the 13th month following the Effective Date in an amount equal to then-remaining outstanding principal balance of the JPM Takeback Consumer Loans divided by 108, (iv) pay an interest rate equal to the non-default rate of interest currently set forth in the JPM Consumer Loans on a monthly basis, (v) be secured by continuing Liens on all unsold property that currently secures the JPM Consumer Loans, and (vi) have such other terms and conditions acceptable to the Debtors and the Majority Consenting Lenders. After the Effective Date, to the extent that property securing the JPM Takeback Consumer Loans is sold and the principal balance of the JPM Takeback Consumer Loans is reduced by the actual sale proceeds therefrom, the amortization payments shall be recalculated such that the amortization payments will be made on the then-remaining outstanding principal balance of the JPM Takeback Consumer Loans divided by 108.

The Plan may be amended at or prior to the hearing set by the Bankruptcy Court to consider approval of the Disclosure Statement to reflect any alternative agreement regarding the JPM Takeback Consumer Loans' terms and conditions reached between the Debtors, JPM, and the Majority Consenting Lenders. Failing an agreement on a consensual treatment, the Debtors reserve their right to seek confirmation of the Plan (including with respect to the issuance of the JPM Takeback Consumer Loans in satisfaction of the JPM Consumer Loans Claims) pursuant to section 1129 (b)(2)(A)(i)(I) and (II) of the Bankruptcy Code on the terms outlined above or such other terms as approved by the Bankruptcy Court which treatment must be satisfactory to the Majority Consenting Lenders.

b. Iberia Takeback Loans

From the Petition Date, interest shall accrue on the Iberia Loans at the Wall Street Journal Prime Rate plus 200 basis points (the "***Iberia Interest Rate***"), calculated and paid in cash on a monthly basis. Upon the Effective Date, any interest that has accrued or been capitalized at an interest rate greater than the Iberia Interest Rate prior to the Effective Date shall be recalculated based on the Iberia Interest Rate and any excess waived.

To the extent the Iberia Loan Claims are not repaid from the net proceeds from the sale of the Frierson Collateral and/or the Oklahoma City Collateral, on the Effective Date, holders of the Iberia Loan Claims shall receive Iberia Takeback

Loans which shall: (i) have a bullet (final) maturity on October 1, 2022; (ii) provide for no amortization prior to September 30, 2018, (iii) provide for monthly amortization payments in cash commencing in October of 2018 in an amount equal to then-remaining outstanding principal balance of the Iberia Takeback Loans divided by 108, (iv) pay in cash an interest rate equal to the Iberia Interest Rate on a monthly basis, (v) be secured by continuing Liens on the Iberia Collateral, and (vi) have such other terms and conditions acceptable to the Debtors, the Majority Consenting Lenders, and Iberia. The first interest payment to be made by Reorganized Leasing to Iberia after the Effective Date pursuant to the Iberia Takeback Loans shall be due on the earlier of the last day or the thirtieth (30th) day of the following month and each subsequent interest payment (and amortization of principal once begun) payable to Iberia shall be due on the earlier of the last day or the thirtieth (30th) day of each month.

Under the Iberia Takeback Loans, Iberia, Reorganized Leasing, and Reorganized Holdings shall covenant, *inter alia*, as follows:

i. that Reorganized Leasing shall continue to list for sale the following collateral securing the Iberia Takeback Loans: (1) the Oklahoma City Collateral and (2) the Frierson Collateral (collectively, the "***Non-Core Properties***");

ii. that listing price of the Non-Core Properties shall not be greater than an agreed upon percentage[19] of the appraised value of the Non-Core Properties;

iii. that Reorganized Leasing shall continue to use all commercially reasonable efforts to sell the Non-Core Properties at a fair market value and shall keep Iberia reasonably informed of the sale process, including promptly delivering to Iberia any and all written offers received and providing Iberia with reasonable access to persons involved in the sale process with Reorganized Leasing and any brokerage firms utilized by Reorganized Leasing;

iv. that should Reorganized Leasing receive any bona fide purchase offers from a third party for any of the Non-Core Properties which exceed the sum of an agreed upon percentage of such property's appraised value *plus* any property taxes due for tax periods prior to the year of sale, Reorganized Leasing shall use all commercially reasonable efforts to enter into definitive documentation to consummate the sale of such Non-Core Property as soon as reasonably practicable;

v. that should Reorganized Leasing receive any bona fide purchase offers from a third party for any of the Non-Core Properties which less than an agreed upon percentage of such property's appraised value, the

[19] The "agreed upon percentages" shall be incorporated into the final form of the Iberia Takeback Loans included in the Plan Supplement subject to redaction as may be necessary.

Reorganized Leasing and Iberia shall agree on the course of action to with respect to the sale of such property;

vi. that any actual sales proceeds (net of customary closing costs) received by Reorganized Leasing for the sale of any of the Non-Core Properties or any other collateral securing the Iberia Takeback Loans shall be used to pay down the then-outstanding principal balance of the Iberia Takeback Loans;

vii. that Iberia shall execute commercially reasonable partial release of Lien documentation in connection with the closing of any such sale of collateral securing the Iberia Takeback Loans;

viii. that Iberia consents to the transfer of Debtor equity interests to the Reorganized Debtors under the Plan; and

ix. that Iberia waives any default or event of default under the Iberia Loans existing as of the Effective Date, including, without limitation, any default arising as a result of the filing of the Chapter 11 Cases.

To the extent that property securing the Iberia Takeback Loans is sold prior to September 30, 2018 and the principal balance of the Iberia Takeback Loans is reduced by the actual sale proceeds therefrom, the amortization payments shall be recalculated such that the amortization payments will be made on the then-remaining outstanding principal balance of the Iberia Takeback Loans divided by 108. For the avoidance of doubt, any sale of the Non-Core Properties prior to the Effective Date shall be subject to approval of the Bankruptcy Court. The substantially final form of the Iberia Takeback Loans shall be filed as part of the Plan Supplement.

G. PROFESSIONAL FEES AND EXPENSES

Article IV.G. of the Plan provides that upon the occurrence of the Effective Date, the Reorganized Debtors pay all fees, expenses and disbursements of (a) the Senior Credit Facility Administrative Agent, (b) the DIP Financing Agent, and (c) the Consenting Lenders, in each case, that have accrued and are unpaid as of such date (including the fees and out-of-pocket expenses incurred by Deloitte Tax LLP, Intrepid Financial Partners, McGlinchey Stafford PLLC, Shipman & Goodwin LLP, and Vinson & Elkins LLP).

H. EXEMPTION FROM REGISTRATION REQUIREMENTS

Article IV.H. of the Plan provides that the offering, issuance, and distribution of any Securities, including the Reorganized Knight Interests, any of the Equity Warrants, and the equity and equity-linked interests associated with the Management Incentive Plan, pursuant to the Plan will be exempt from the registration requirements of section 5 of the Securities Act pursuant to section 1145 of the Bankruptcy Code or any other available exemption from registration under the Securities Act, as applicable, as further described below. Pursuant to section 1145 of the Bankruptcy Code, the Reorganized Knight Interests and Equity Warrants issued under the Plan will be freely transferable under the Securities Act by the recipients thereof, subject to: (a) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act and compliance with any applicable state or foreign securities laws, if any, and the rules and regulations of the United States Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Securities or instruments; and (b) any other applicable regulatory approval.

Equity and equity-linked interests associated with the Management Incentive Plan will be issued pursuant to an exemption from registration under the Securities Act]

I. CORPORATE EXISTENCE

Article IV.I. of the Plan provides that except as otherwise provided in the Plan (including, for the avoidance of doubt, the Restructuring Transactions), each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective

certificate of incorporation and by-laws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and by-laws (or other formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

J. VESTING OF ASSETS IN THE REORGANIZED DEBTORS

Article IV.J. of the Plan provides that except as otherwise provided in the Plan (including, for the avoidance of doubt, the Restructuring Transactions) or in the Confirmation Order, or in any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, other than with respect to all Non-Vesting Assets, all property in each Debtor's Estate, all Causes of Action, and any property acquired by any of the Debtors under the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens, Claims, charges, or other encumbrances securing the New First Lien Facility, the JPM Takeback Loans, the Iberia Takeback Loans, or Other Secured Claims reinstated pursuant and only as provided in the Plan). On and after the Effective Date, except as otherwise provided herein, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

The Plan shall constitute a motion to abandon the Non-Vesting Assets. The Confirmation Order shall (i) constitute an authorization of the Bankruptcy Court to abandon the Non-Vesting Assets under section 554 of the Bankruptcy Code and (ii) an order of abandonment of the Non-

Vesting Assets as of the Effective Date. The Non-Vesting Assets shall not vest in any of the Reorganized Debtors, and the Reorganized Debtors shall have no ownership interest in the Non-Vesting Assets.

K. CANCELATION OF NOTES, INSTRUMENTS, CERTIFICATES AND OTHER DOCUMENTS

Article IV.K. of the Plan provides that on the Effective Date, except to the extent otherwise provided herein or in the Description of Transaction Steps, all notes, instruments, certificates, plans, agreements and other documents evidencing Claims or Interests, shall be canceled and the obligations thereunder (or in any way related thereto) of the Debtors or, the Reorganized Debtors, shall be deemed satisfied in full, discharged, canceled, and of no further effect; *provided, however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the holder of a Claim or Interest shall continue in effect solely for purposes of allowing holders of Allowed Claims to receive distributions under the Plan.

Pursuant to the Comprehensive Settlement, any Claims (the following, collectively, "***Old Equity Claims***") arising from the retention of Interests or the cancelation or rejection of any prepetition organizational documents, shareholders' agreement or investor rights agreement, and any related-party consulting or management services agreements, shall be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and holders of Old Equity Claims shall not pursue and shall not receive any distribution on account of such Claims other than the Comprehensive Settlement Distribution.

L. NEW ORGANIZATIONAL DOCUMENTS

Article IV.I. of the Plan provides that on the Effective Date, the Debtors shall enter into new or amended formation, organizational, and constituent documents (including those

formation, organizational, and constituent documents relating to limited partnerships and limited liability companies) as may be necessary to effectuate the transactions contemplated by the Plan and shall be in form and substance acceptable to the Debtors and the Majority Consenting Lenders. The Debtors' respective formation, organizational, and constituent documents (including those formation, organizational, and constituent documents relating to limited partnerships and limited liability companies) shall be amended, canceled, or otherwise modified as may be required to be consistent with the provisions of the Plan and the Bankruptcy Code. The New Organizational Documents shall be included as exhibits to the Plan Supplement and shall, among other things: (a) be in form and substance acceptable to the Debtors and Majority Consenting Lenders; and (b) authorize the issuance of the Reorganized Knight Interests. After the Effective Date, each of Reorganized Knight and each of the Reorganized Debtors may amend and restate its formation, organizational, and constituent documents as permitted by the laws of its respective jurisdiction of formation and the terms of such documents.

M. EFFECTUATING DOCUMENTS; FURTHER TRANSACTIONS

Article IV.M. of the Plan provides that on and after the Effective Date, Reorganized Knight and the Reorganized Debtors, and the officers and members of the boards of directors and managers thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the New First Lien Facility Documents, the New Organizational Documents, the Equity Warrant Agreement, any equity or equity-linked interests issued pursuant to the Management Incentive Plan and/or to the holders of Reorganized Knight Interests, and any other Securities issued pursuant to the Plan in the name of and on behalf of

Reorganized Knight and/or the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required under the Plan.

For the avoidance of doubt, the Chief Restructuring Officer (as defined in the *Interim Order Authorizing the Debtors to Employ and Retain (I) Opportune LLP as Crisis Managers and (II) Gary L. Pittman as Chief Restructuring Officer and Certain Additional Personnel, in Each Instance Nunc Pro Tunc to the Petition Date* [Docket No. 64] or any subsequent order of the Bankruptcy Court), or any successor named or appointed by the Board of Directors of the Debtors or the Reorganized Debtors, is authorized to take all measures (including execution of all definitive documentation) necessary to effectuate the Plan and the Restructuring Transactions without further notice to or action, approval, or order of the Bankruptcy Court and without the need for any approvals, authorizations, or consents except for those expressly required under the Plan.

N. SECTION 1146(a) EXEMPTION

Article IV.N. of the Plan provides that to the fullest extent permitted by section 1146(a) of the Bankruptcy Code, any transfers (whether from a Debtor to a Reorganized Debtor or to any other Person) of property under the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors or the Reorganized Debtors; (b) the Restructuring Transactions; (c) the creation, modification, consolidation, termination, refinancing, and/or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (d) the making, assignment, or recording of any lease or sublease; (e) the grant of collateral as security for any or all of the New First Lien Facility; or (f) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any

deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment. All filing or recording officers (or any other Person with authority over any of the foregoing), wherever located and by whomever appointed, shall comply with the requirements of section 1146(c) of the Bankruptcy Code, shall forego the collection of any such tax or governmental assessment, and shall accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

O. INCENTIVE PLANS AND EMPLOYEE AND RETIREE BENEFITS

Article IV.P. of the Plan provides that except as otherwise provided herein, on and after the Effective Date, subject to any Final Order and, without limiting any authority provided to the Reorganized Holdings Board under the Debtors' respective formation and constituent documents, the Reorganized Debtors shall with the consent of the Majority Consenting Lenders: (a) amend, adopt, assume, and/or honor in the ordinary course of business, any contracts, agreements, policies, programs, and plans, in accordance with their respective terms, for, among other things, compensation, including any incentive plans (other than any equity incentive plan (if any) or other prepetition senior management incentive plan, which in each case shall be

replaced by the Management Incentive Plan), health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity from and after the Petition Date; and (b) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date and not otherwise paid pursuant to a Bankruptcy Court order. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, from and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

P. PRESERVATION OF RIGHTS OF ACTION

Article IV.Q. of the Plan provides that in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Disclosure Statement or the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the Causes of Action released by the Debtors and the Estates pursuant to the releases and exculpations contained in the Plan, which shall be deemed released and waived by the Debtors, the Estates, and the Reorganized Debtors as of the Effective Date, except for Causes of Action brought as counterclaims or defenses to claims asserted against the Reorganized Debtors and their Affiliates.

The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against it. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided herein**. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or by a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor or an Estate may hold against any Entity shall vest in the Reorganized Debtors. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, or to decline to do any of the foregoing, without the consent or approval of any third party or any further notice to or action, order, or approval of the Bankruptcy Court.

Notwithstanding anything herein to the contrary, Preference Actions shall be preserved solely for purposes of setoff or recoupment against a Claim that would otherwise be Allowed, and in no event shall Preference Actions be pursued for purposes of seeking affirmative recoveries. Notwithstanding anything herein to the contrary, for the avoidance of doubt, the Reorganized Debtors shall not pursue any Preference Actions other than for purposes of setoff or recoupment against a Claim that would otherwise be Allowed.

Attached hereto as **Exhibit "D-4"** is a Schedule of the Retained Causes of Action.

VII. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. ASSUMPTION/REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Article V.A. of the Plan provides that except as otherwise provided herein or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, the Plan shall serve as a motion under Sections 365 and 1123(b)(2) of the Bankruptcy Code to reject Executory Contracts and Unexpired Leases, and all Executory Contract and Unexpired Leases shall be rejected without the need for any further notice to or action, order, or approval of the Bankruptcy Court, as of the Effective Date *except* for any Executory Contract or Unexpired Lease that (1) previously has been assumed or rejected by the Debtors in the Chapter 11 Cases; (2) is specifically identified on the Schedule of Assumed Executory Contracts and Unexpired Leases; or (3) is the subject of a separate motion to assume or reject such Executory Contract or Unexpired Lease filed by the Debtors under section 365 of the Bankruptcy Code that is pending as of the Effective Date. The Confirmation Order will constitute an order of the Bankruptcy Court approving the rejection of all Executory Contracts and Unexpired Leases to the extent provided above.

The Schedule of Assumed Executory Contracts and Unexpired Leases shall designate

whether each of the Executory Contracts and Unexpired Leases to be assumed shall be (1) assumed by the Reorganized Debtor corresponding to the Debtor counterparty to such Executory Contract or Unexpired Lease or (2) assumed and assigned to a different Reorganized Debtor or a newly-formed Affiliate entity of such Reorganized Debtor. The Schedule of Assumed Executory Contracts and Unexpired Leases shall also include the proposed Cure payment sufficient to satisfy section 365(b) with respect to each assumed Executory Contract or Unexpired Lease. The Confirmation Order will constitute an order of the Bankruptcy Court approving all above-described assumptions and assignments and the Cures included in the Schedule of Assumed Executory Contracts and Unexpired Leases or otherwise provided for in the Plan or the Confirmation Order. For the avoidance of doubt, the Debtors shall seek to assume or reject Executory Contracts and Unexpired Leases in consultation with and with the consent of the Majority Consenting Lenders.

Except as otherwise provided herein or agreed to by the Debtors, the Majority Consenting Lenders, and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority, or amount of any Claims that may arise in connection therewith.

Entry of the Confirmation Order by the Bankruptcy Court shall constitute a Bankruptcy Order approving the assumptions or rejections of the Executory Contracts and Unexpired Leases

as provided for in the Plan or as identified in the Schedule of Assumed Executory Contracts and Unexpired Leases pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Any motions to assume or reject Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order and shall be effective *nunc pro tunc* to the Effective Date *provided, however*, that any Claims for rejection damages shall be classified as General Unsecured Claims and shall be treated in accordance with Article III.B of the Plan. Each Executory Contract and Unexpired Lease assumed pursuant to Article V.A of the Plan or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Notwithstanding anything to the contrary in the Plan, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the Schedule of Assumed Executory Contracts and Unexpired Leases identified in Article V of the Plan and in the Plan Supplement at any time prior to the Effective Date.

B. CURE OF DEFAULTS AND OBJECTIONS TO CURE AND ASSUMPTION

Article V.B. of the Plan provides that the Debtors or the Reorganized Debtors, as applicable, shall pay Cures, if any, on the Effective Date or as soon as reasonably practicable thereafter. If the non-Debtor party to the executory contract or unexpired lease objects to the Cure scheduled in the Plan Supplement or in a separate notice of assumption, by the Reorganized Debtors for such executory contract or unexpired lease, such executory contract or unexpired lease non-Debtor party must file an objection with the Bankruptcy Court to such Cure on or

before five (5) days prior to the Confirmation Hearing Date. **Any such request and/or objection that is not timely filed shall be disallowed and forever barred, estopped, and enjoined from assertion, and shall not be enforceable against any Reorganized Debtor, without the need for any objection by the Reorganized Debtors or any other party in interest or any further notice to or action, order, or approval of the Bankruptcy Court**. Any Cure shall be deemed fully satisfied, released, and discharged upon payment by the Debtors or the Reorganized Debtors of the Cure; *provided, however,* that nothing herein shall prevent the Reorganized Debtors from paying any Cure despite the failure of the relevant counterparty to file such request for payment of such Cure. The Reorganized Debtors also may settle any Cure without any further notice to or action, order, or approval of the Bankruptcy Court. **Any counterparty to an Executory Contract or Unexpired Lease that fails to timely object to the proposed assumption of any Executory Contract or Unexpired Lease will be deemed to have consented to such assumption**.

If there is any dispute regarding any Cure, the ability of the Reorganized Debtors or any assignee to provide "***adequate assurance of future performance***" within the meaning of section 365 of the Bankruptcy Code, or any other matter pertaining to assumption, then payment of such Cure shall occur as soon as reasonably practicable after entry of a Final Order resolving such dispute, approving such assumption (and, if applicable, assignment), or as may be agreed upon by the Debtors or the Reorganized Debtors, as applicable, and the counterparty to the Executory Contract or Unexpired Lease.

To the extent that any dispute with respect to the amount of any Cures regarding any default with respect to any Executory Contract and Unexpired Lease to be assumed pursuant to the Plan is resolved or determined, including by entry of an order by the Bankruptcy Court, in a

manner that is not acceptable to the Debtors or Reorganized Debtors, as applicable, the Debtors or Reorganized Debtors, as applicable, may reject the applicable Executory Contract or Unexpired Lease within twenty (20) days after such resolution or determination by filing and serving upon the counterparty to such Executory Contract or Unexpired Lease a notice of rejection. Upon service of such notice of rejection, such Executory Contract or Unexpired Lease shall be deemed to be rejected without the need for further action or an order from the Bankruptcy Court, and such counterparty may thereafter file a Proof of Claim in the manner set forth in Article V.G of the Plan.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Cures, Claims, or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. **Any and all Proofs of Claim (but, for the avoidance of doubt, not including Cures) based upon Executory Contracts or Unexpired Leases that have been assumed in the Chapter 11 Cases, including pursuant to the Confirmation Order, shall be deemed disallowed and expunged as of the Effective Date without the need for any objection thereto or any further notice to or action, order, or approval of the Bankruptcy Court**.

C. CONTRACTS, INTERCOMPANY CONTRACTS, AND LEASES ENTERED INTO AFTER THE PETITION DATE

Article V.C. of the Plan provides that contracts, Intercompany Contracts, and leases entered into after the Petition Date by any Debtor and any Executory Contracts and Unexpired Leases assumed by any Debtor may be performed by the applicable Reorganized Debtor in the ordinary course of business.

D. INSURANCE POLICIES

Article V.D. of the Plan provides that each of the Debtors' Insurance Policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. Unless otherwise provided in the Plan or the Plan Supplement, on the Effective Date, (1) the Debtors shall be deemed to have assumed all Insurance Policies and any agreements, documents, and instruments relating to coverage of all insured Claims, and (2) such Insurance Policies and any agreements, documents, or instruments related thereto shall vest in the Reorganized Debtors.

E. REJECTION

Article V.E. of the Plan provides that in the event that the rejection of an Executory Contract or Unexpired Lease hereunder results in damages to the other party or parties to such contract or lease, any Claim for such damages shall be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtor or the Reorganized Debtor, or their respective Estate, properties or interests in property, unless a Proof of Claim is filed with the Bankruptcy Court no later than thirty (30) days after the later of (i) the Effective Date or (ii) the effective date of the rejection of such Executory Contract or Unexpired Lease, as set forth in an order of the Bankruptcy Court. Except as expressly provided otherwise in the Plan, the Confirmation Order shall constitute the Bankruptcy Court's approval of the rejection of all the Executory Contracts and Unexpired Leases not included in the Schedule of Assumed Executory Contracts and Unexpired Leases. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III.B of the Plan.

F. NON-OCCURRENCE OF EFFECTIVE DATE

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

G. RESERVATION OF RIGHTS

Article V.G. of the Plan provides that nothing contained in the Plan or the Plan Supplement shall constitute an admission by the Debtors or any other party that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption, the Debtors or the Reorganized Debtors, as applicable, shall have forty-five (45) days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

VIII. EFFECT OF CONFIRMATION OF THE PLAN

A. DISCHARGE OF CLAIMS AND TERMINATION OF INTERESTS

Article VIII.A. of the Plan provides that pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether

known or unknown, against, liabilities of, liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment, any contingent or non contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the holder of such a Claim or Interest has accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the occurrence of the Effective Date.

B. RELEASES BY THE DEBTORS

Article VIII.B. of the Plan provides that notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Causes of Action, including any derivative Claims, asserted or which could be asserted on behalf of the Debtors or the Estates, that the Debtors, the Reorganized Debtors, or their Estates (or any trustee on behalf of the Debtors, the Reorganized Debtors, or their

Estates) would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including management, ownership, or operation thereof), the Debtors' in or out of court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the Senior Credit Facility, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Plan, the DIP Financing, the New First Lien Facility, or any Restructuring Transaction, contract, instrument, release, or other Plan Transaction Document, agreement, or document created or entered into in connection with the RSA, the Disclosure Statement, or the Plan, the filing of the Chapter 11 Cases, the DIP Financing, the New First Lien Facility, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, (i) the releases set forth herein do not release any post-Effective Date obligations of any party or Entity under the Plan, including under any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan and (ii) nothing in this provision shall, nor shall it be deemed to, release any Released Party from any Claims or Causes of Action that are found, pursuant to a Final Order, to be the result of such Released Party's gross negligence, fraud, or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Article VIII.B of the Plan, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that such releases are: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims and Causes of Action released by such releases; (3) in the best interests of the Debtors and their Estates; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to asserting any Claim or Cause of Action released pursuant to such releases.

Without limiting the foregoing, the Confirmation Order shall include a finding that any Causes of Actions arising under, or in any way related to, the Senior Credit Facility are property of the Debtors' bankruptcy Estates, and by the terms of the release contained within Article VIII.B of the Plan such Causes of Action, if any, are released and barred from being asserted in any manner by the Debtors, the Reorganized Debtors, Reorganized Knight, any holder of Claims against the Debtors or any current or former holder of Interests in the Debtors. For the avoidance of doubt, Causes of Action against the Senior Credit Facility Administrative Agent and the Senior Credit Facility Lenders, if any, are also being released by the Releasing Parties pursuant to Article VIII.C of the Plan and such Causes of Action are not retained by, or conveyed to, any party pursuant to this Plan or any Plan Transaction Document.

C. RELEASES BY HOLDERS OF CLAIMS AND INTERESTS

Article VIII.C. of the Plan provides that notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, for good and valuable consideration, each

Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Causes of Action, whether known or unknown, existing or hereinafter arising, in law, equity, or otherwise including any derivative Claims asserted or which may be asserted on behalf of the Debtors or their Estates, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including management, ownership, or operation thereof), the Debtors' in or out of court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the Senior Credit Facility, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Plan, the DIP Financing, the New First Lien Facility, if applicable, or any Restructuring Transaction, contract, instrument, release, or other Plan Transaction Document, agreement, or document created or entered into in connection with the RSA, the Disclosure Statement, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the DIP Financing, the New First Lien Facility, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, (i) the releases set forth herein do not release any post-Effective Date obligations of any party or Entity under the Plan, including under any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan and (ii) nothing in this provision shall, nor shall it be deemed to, release any Released

Party from any Claims or Causes of Action that are found, pursuant to a Final Order, to be the result of such Released Party's gross negligence, fraud, or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Article VIII.C of the Plan, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that such releases are: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims and Causes of Action released by such releases; (3) in the best interests of the Debtors and their Estates; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to asserting any Claim or Cause of Action released pursuant to such releases.

D. EXCULPATION

Article VIII.D. of the Plan provides that except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is released and exculpated from, any Cause of Action for any Claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA and related prepetition transactions, the Disclosure Statement, the Plan, the DIP Financing, the New First Lien Facility, or any Restructuring Transaction, contract, instrument, release or other Plan Transaction Document, agreement, or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the DIP Financing, the New First Lien Facility, the administration and implementation of the Plan, including the issuance of

securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, except for Claims related to any act or omission that is determined in a Final Order to have constituted actual fraud, gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

E. INJUNCTION

Article VIII.E. of the Plan provides that except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been released, discharged, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Exculpated Parties, or the Released Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any

encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such holder has filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

F. PROTECTION AGAINST DISCRIMINATORY TREATMENT

Article VIII.F. of the Plan provides that in accordance with section 525 of the Bankruptcy Code, and consistent with paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against any Reorganized Debtor, or any Entity with which a Reorganized Debtor has been or is associated, solely because such Reorganized Debtor was a Debtor under chapter 11, may have been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before such Debtor was granted or denied a discharge), or has not paid a debt that is dischargeable in the Chapter 11 Cases.

G. RECOUPMENT

Article VIII.G. of the Plan provides that in no event shall any holder of Claims or Interests be entitled to recoup any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such holder actually has

performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such holder asserts, has, or intends to preserve any right of recoupment.

H. DOCUMENT RETENTION

Article VIII.F. of the Plan provides that on and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with their standard document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors.

I. REIMBURSEMENT OR CONTRIBUTION

Article VIII.I. of the Plan provides that if the Bankruptcy Court disallows a Claim for reimbursement or contribution of an Entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the time of allowance or disallowance, such Claim shall be forever disallowed and expunged notwithstanding section 502(j) of the Bankruptcy Code, unless prior to the Confirmation Date: (1) such Claim has been adjudicated as non-contingent; or (2) the relevant holder of a Claim has filed a non-contingent Proof of Claim on account of such Claim and a Final Order has been entered prior to the Confirmation Date determining such Claim as no longer contingent.

J. RELEASE OF LIENS

Article VIII.J. of the Plan provides that except (a) with respect to the Liens securing the New First Lien Facility, the JPM Takeback Loans, the Iberia Takeback Loans, and the Other Secured Claims (depending on the treatment of such Claims), or (b) as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be deemed fully released, discharged, and

cancelled, *provided however* that at the written request of the Debtors, the Majority Consenting Lenders, or the Reorganized Debtors, the holders of such mortgages, deeds of trust, Liens, pledges, or other security interests shall promptly execute such documents as may be reasonably requested by the Debtors, the Majority Consenting Lenders, or the Reorganized Debtors, as applicable, to reflect or effectuate such releases, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns.

Notwithstanding anything to the contrary herein, all Liens securing the Senior Credit Facility Claim (i) are unaltered by the Plan, (ii) shall remain attached to the property of the Reorganized Debtors and their existing and former Affiliates after the Effective Date to the same extent such Liens were attached to the property of the Debtors and their existing and former Affiliates prior to the Effective Date, and (iii) shall be deemed assigned on the Effective Date to the New First Lien Facility Agent for the benefit of the New First Lien Facility Lenders to secure the joint and several obligations of the Reorganized Debtors under New First Lien Facility Documents.

IX. 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 Interest.

EACH HOLDER OF A CLAIM OR 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. 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 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.

A. TAX CONSEQUENCES TO THE DEBTORS

The Debtors are members of an affiliated group of corporations for U.S. federal income tax purposes and file a single consolidated federal income tax return. As discussed below, in connection with the implementation of the Plan, the amount of the Debtor group's consolidated net operating loss ("NOL") carryforwards and current year losses may be significantly reduced and, possibly, eliminated. In addition, the Debtor group's tax basis in its assets may be reduced and the group's subsequent utilization of any NOL carryforwards remaining and certain other tax attributes (particularly, the deduction for depreciation and amortization) may be substantially restricted following the Effective Date.

B. CANCELLATION OF INDEBTEDNESS

Under the Tax Code, taxpayers in bankruptcy do not recognize income on account of cancellation of indebtedness ("COD") but are generally required to reduce certain tax attributes---such as NOL carryforwards and current year losses, tax credits, and the tax basis in assets--by

the amount of COD. In general, COD is the amount by which the indebtedness discharged exceeds the amount of cash and the fair market value of any other consideration given in exchange therefor. Special statutory rules and Treasury Regulations may apply to limit the amount of COD and attribute reduction in certain circumstances.

The required reduction in tax attributes occurs after the determination of tax for the taxable year that includes the COD. Thus, COD that arises in bankruptcy generally does not limit the debtor's ability to use its tax attributes to reduce tax liabilities relating to the tax year of the debtor that includes the Effective Date as well as prior tax years. While a debtor is generally required to reduce its NOLs first, the debtor may elect to reduce the tax basis of its depreciable assets (including the tax basis in the stock of its subsidiaries) prior to any reduction in its NOL carryforwards or other tax attributes. In general, reduction in the tax basis of any subsidiary stock requires a corresponding reduction in that subsidiary's tax basis in its assets.

In the event there is any COD, the Debtors will be required to reduce their tax attributes by the amount of the COD.

C. LIMITATIONS ON THE USE OF NOLS AND OTHER TAX ATTRIBUTES

In addition to a potential for reduction of tax attributes as a result of COD, the implementation of the Plan may result in an ownership change for purposes of Section 382 of the Tax Code, which generally limits a corporation's ability to use NOL carryforwards and other tax attributes such as built-in losses following an ownership change. These limitations apply from and after the Effective Date, in addition to the attribute reduction discussed above on account of COD.

D. TAX CONSEQUENCES TO CERTAIN HOLDERS OF CLAIMS AND INTERESTS

EACH HOLDER OF CLAIMS AND INTERESTS SHOULD CONSULT ITS OWN TAX ADVISOR TO DETERMINE THE AMOUNT AND TIMING OF ANY INCOME OR LOSS SUFFERED AS A RESULT OF THE CANCELLATION OF THE CLAIMS OR COMMON STOCK HELD BY SUCH PERSON, WHETHER SUCH INCOME OR LOSS IS AN ORDINARY OR CAPITAL AND THE TAX EFFECT OF ANY RIGHT TO, AND RECEIPT OF, THE EQUITY AND SUBORDINATED CLAIMS DEFERRED PAYMENT.

THE FOREGOING DISCUSSION 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.

X. LIQUIDATION ANALYSIS UNDER CHAPTER 7

Under the Bankruptcy Code, in order for a plan to be confirmed, each holder of a Claim (unless such holder has accepted the Plan) must receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that the creditor would receive if the debtors were liquidated under Chapter 7 of the Bankruptcy Code.

If these bankruptcy cases were converted to Chapter 7 cases, a trustee would be appointed to liquidate the assets of each of the Debtors. In a liquidation under Chapter 7, before

unsecured or priority creditors receive any distributions, additional (to those already incurred in the Chapter 11 Cases) administrative expenses involved in the appointment of a trustee, including the statutory fee to a Chapter 7 trustee under Section 326(a), and attorneys, accountants and other professionals to assist a trustee, would cause a substantial increase in the administrative expenses of the Debtors' estates. The Debtors' assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the Chapter 7 liquidation of the Debtors.

A Liquidation Analysis is attached as **Exhibit "D-5"** to this Disclosure Statement. The Liquidation Analysis demonstrates that creditors will receive no less on account of the Plan than they would receive in a Chapter 7 liquidation of the Debtors.

Due to the uncertainty of the consideration to be received from the sale by a Chapter 7 trustee of the Debtors' assets and the possibility of disputes over the distribution to be made by a Chapter 7 trustee, it is impossible to predict precisely how the proceeds of the liquidation under Chapter 7 would be distributed to the respective holders of Claims against the Debtors in Chapter 7 bankruptcy cases. However, it is clear that if the Debtors were forced to liquidate under Chapter 7, the liquidation of the Debtors' assets would produce less value for distribution to all creditors than is recoverable under the Plan in the chapter 11 bankruptcy cases. In the opinion of the Debtors and as reflected in the Liquidation Analysis, the recoveries available in Chapter 7 liquidation would not afford holders of Claims a greater return than that in the proposed Plan. Accordingly, the Plan provides a value of 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.

The Liquidation Analysis is premised on a hypothetical liquidation in a Chapter 7 case.

In the analysis, the Debtors have taken into account the nature, status, and underlying value of their assets, the ultimate realizable value of their assets, and the extent to which such assets are subject to liens and security interests. Based on this analysis, it is likely that a liquidation of the Debtors' assets would produce distributions to unsecured holders of Claims no greater than those provided by the Plan and that holders of Interests would not receive any distributions.

XI. 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.

After notice and a hearing, 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. 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 in which the holders of Claims and 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 in which the holders of Claims or Interests 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.

The Bankruptcy Code defines "acceptance" of a plan by a class of:

(x) Claims as acceptance by creditors actually voting in that class that hold at least two-thirds in dollar amount and more than one-half in number of the Claims; and

(y) Equity interests (such as the shareholders) as acceptance by interest holders in that class actually voting that hold at least two-thirds in number of the shares of the common stock of a debtor.

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

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 and is not the subject of an objection, 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 rejects the Plan or is deemed to reject the Plan, the Debtors have requested 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.

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 mail to the "Voting Agent" as follows:

If by First Class Mail:	**If by Hand Delivery or Overnight Mail:**
Donlin, Recano & Company, Inc. **Re: Knight Energy Holdings, LLC, et al.** Attn: Voting Department PO Box 192016 Blythebourne Station Brooklyn, NY 11219 **212.771.1128**	Donlin, Recano & Company, Inc. **Re: Knight Energy Holdings, LLC, et al.** Attn: Voting Department 6201 15th Ave Brooklyn, NY 11219 **212.771.1128**

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 CONFIRMATION 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 and the holders of Interests 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 Debtors 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 or as reflected in the record of the Chapter 11 Cases. 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 or a description of the interest in the Debtor 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 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
Tristan Manthey, La. Bar Roll No. 24539
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D. CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan 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 or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such non-accepting 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. 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 Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

F. GOOD FAITH

Section 1129(a)(3) of the Bankruptcy Code requires that the plan be "proposed in good faith and not by any means forbidden by law." The Debtors believe that that the Bankruptcy Court will find after considering the evidence at the Confirmation Hearing that the Plan was filed in good faith and can be confirmed.

The Plan is the culmination of evolving and lengthy negotiations involving arms-length negotiations between representatives of the Debtors, the Majority Consenting Lenders, and Consenting Holders.

Originally, there was a non-binding proposal or letter of intent ("LOI") which set forth a proposed framework for a restructuring and recapitalization of the Debtors which did not

necessarily require a Chapter 11 bankruptcy proceeding for the Debtors but did require that several conditions had to be met for the restructuring to possibly occur.

For example, the LOI anticipated, among other items, that (1) current trade payables would be paid in full in the ordinary course of business; (2) a block of stale, long overdue trade payables would voluntarily agree to receive a discounted payment to compromise and settle their old stale claims in exchange for a discounted payment; (3) the $20 million of secured debt to IberiaBank and J.P. Morgan would be restructured on terms satisfactory to the Majority Consenting Lenders; (4) the $14 million suit by GE Capital over a defaulted aircraft lease would be settled; and (5) there would be a compromise and settlement of various issues with the Consenting Holders.

The LOI was also based on a number of assumptions and subject to due diligence. As the parties were working on the due diligence to evaluate the ultimate restructuring and try to satisfy the conditions of the LOI, it became apparent that it would be impossible to consummate the LOI for various reasons, including without limitation: (1) the difficulty of negotiating with IberiaBank and J.P. Morgan outside of the context of a chapter 11 bankruptcy proceeding, (2) the inability to reach a settlement of the $14 million GE Capital lawsuit, (3) the increased exposure to potential liabilities of the Debtors including ongoing audits for millions of dollars of state and local tax liabilities, (4) the prospect of other contingent liabilities being asserted against the Debtors, (5) the rapidly deteriorating financial situation of the Debtors, and (6) the need for significant increased liquidity under the proposed “exit facility”.

Because it was clear that no rational entity would run these risks and uncertainties, it became apparent to the Debtors that the only way forward to avoid the imminent financial collapse of the Debtors was to commence the Chapter 11 Cases (where the Debtors could obtain

debtor-in-possession financing from the Consenting Lenders) and, with respect to unsecured creditors (including the GE Capital lease claim), file a "pot" plan in which holders of allowed unsecured claims would share in a fund to be funded by the Consenting Lenders. Further, because of the competitive business environment and the need to provide assurances to their customers, employees and vendors that arrangements were in place for an immediate recapitalization of the Debtors, the Debtors also considered it crucial to have an agreed upon restructuring in place at the time of filing. Therefore, the debtor-in- possession financing and the RSA were negotiated and the Chapter 11 Cases were filed.

At the time the Debtors' Board voted to approve the RSA with the Majority Consenting Lenders and authorized the filing of the Chapter 11 Cases, the Board was presented with another uncommitted proposal to restructure the Debtors. That proposal that was not accepted by the Board. The proposal if accepted would have resulted in a greater ownership interest for existing equity holders but a significantly decreased payment for the Debtors' creditor body and faced significant execution risk. Specifically, such other proposal did not have committed financing and had significant conditionality and contingencies to funding and closing that would have been difficult, if not impossible, to achieve.

Because of the Debtors' cash situation at the time of filing, had the Debtors not filed bankruptcy immediately, the businesses would have shut down, all employees would have lost their jobs, and the unsecured creditors, including critical vendors and others who have been paid during the course of these Chapter 11 Cases, would have received nothing. The Debtors negotiated for significant payments to unsecured creditors as part of the RSA, including par payments of $1,409,000 to critical vendors, $1,050,000 to potential mineral lien contractors, and a carve out for the professionals of the Committee. The Debtors were also successful in

negotiating a $1.2 million cash pot for general unsecured creditors (which has since been increased to $2.6 million) which was a significant achievement given the Debtors significant cash burn, need for a significant amount of DIP and exit financing, and need to pay numerous other par claims such as priority tax claims to have a chance to successfully exit chapter 11. At the time, the Consenting Lenders had not agreed to support a plan providing for larger recoveries to unsecured creditors than those included in the present Plan because of the foregoing liquidity constraints and extreme cash needs of the Debtors. Based on the Debtors' understanding of the bankruptcy process, however, the Debtors were hopeful that once the Plan was filed there might be negotiations between the Committee and the Majority Consenting Lenders or other developments which might provide an opportunity for the unsecured creditors to receive greater recoveries than under the present Plan. Such hopes were realized when the Consenting Lenders and the Consenting Holders agreed to increase the General Unsecured Claims Fund to $2.6 million (minus the aggregate amounts paid to Unsecured Convenience Class and certain expenses to be incurred in the resolution of Claims) and the Consenting Lenders agreed to fund the Debtors' repurchase, from Radiance Capital Receivables Twenty, LLC, of the claims stemming from the GE Capital litigation at a significant discount thus reducing the pool of asserted unsecured creditor claims by approximately $14 million, which may materially improve the pro rata recoveries of the remaining general unsecured creditors from the "pot" compared to the initial Plan.

The Liquidation Analysis proves that the Debtors' general unsecured creditors are receiving significantly more through the Plan than they would receive in a chapter 7 liquidation due to the Senior Credit Facility Lenders' agreement to forego their rights to any deficiency claim.

The Debtors believe that under all of the circumstances of the Chapter 11 Cases and based on the evidence to be presented at the Confirmation Hearing, the Bankruptcy Court will find the Debtors filed the Plan in good faith as required under section 1129(a)(3).

G. ABSOLUTE PRIORITY RULE/IMPERMISSIBLE GIFTING

The Debtors believe that all impaired classes under the Plan will vote to accept the Plan. In the event that any impaired class of claims does not vote as a class to accept the Plan, Section 1129(b)(2)(B) of the Bankruptcy Code provides that he Plan may still be confirmed where it is fair and equitable with respect to such rejecting class and the following requirements are met:

> i. the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or
>
> ii. With respect to a class of unsecured claims, the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property….

11 U.S.C. § 1129(b)(2)(B) (emphasis added). This section is often referred to as the absolute priority rule.

The Debtors believe that that the Bankruptcy Court will find after considering the evidence at the Confirmation Hearing that the Plan satisfies the absolute priority rule. Additionally, this issue will be moot if the Class 9 General Unsecured Claims vote in favor of the Plan, which the Debtors fully expect to occur.

H. 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 liquidation of the Debtors is not provided for in the Plan and the Debtors believe that following the confirmation of the Plan it is not likely that such confirmation

will be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets the feasibility requirement, the Debtors, with the assistance of Opportune, have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared a projected consolidated income statement, which includes the consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning December 1, 2017 and continuing through December 31, 2020. The Financial Projections are based on an assumed Effective Date of November 30, 2017. To the extent that the Effective Date occurs before or after November 30, 2017, recoveries on account of Allowed Claims could be impacted. Creditors and other interested parties should review Article VIII.G of this Disclosure Statement for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

The Financial Projections are attached hereto as **Exhibit "D-6"** and incorporated herein by reference. Based upon the Financial Projections, the Debtors believe they will be a viable operation following the Chapter 11 Cases and that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization under Chapter 11 of the Bankruptcy Code.

I. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN (THE PLAN SUPPLEMENT 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. General Considerations

The formulation of a reorganization plan is the principal purpose of a chapter 11 case. The Plan sets forth the means for satisfying the various Claims against and Interests in the Debtors. Reorganization of the Debtors under the proposed Plan also avoids the potentially adverse impact of a liquidation on their employees, and on many of the Debtors' suppliers and trade vendors.

2. Certain Bankruptcy Considerations

a. Risk of Liquidation of Debtors' Estates

If the Plan is not confirmed and consummated, there can be no assurance that Debtors' Chapter 11 Cases will continue rather than be converted to a liquidation under Chapter 7 or the assets sold in a sale under Section 363 of the Bankruptcy Code, or that any alternative plan of reorganization would be on terms as favorable to holders of Claims and Interests as the terms of the Plan. If a liquidation or protracted reorganization were to occur, the distributions to holders of Allowed Claims and holders of Allowed Interests under the Plan would be drastically reduced, if not completely eliminated. Debtors believe that in a liquidation under Chapter 7, additional administrative expenses of a Chapter 7 trustee and such trustee's attorneys, accountants, and other professionals would cause a substantial diminution in the value of Debtors' Estates. In addition, certain additional Claims would arise by reason of the liquidation under Chapter 7 and from the rejection of unexpired leases and other executory contracts in connection with the cessation of the Debtors' operations. This will negatively impact on the

amount of distributions, if any, to holders of Allowed Claims and holders of Allowed Interests.

b. Risk of Non-Confirmation of Plan; Feasibility

Even if all impaired Classes of Claims and Interests accept or are deemed to have accepted the Plan, or, with respect to a Class that rejects or is deemed to reject the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which can exercise substantial discretion, may determine that the Plan does not meet the requirements for confirmation under Sections 1129(a) and (b) of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code requires, among other things, a demonstration that the confirmation of the Plan will not be followed by liquidation or need for further financial reorganization of the Debtors and that the value of distributions to creditors and equity security holders who vote to reject the Plan not be less than the value of distributions such creditors and equity security holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Although Debtors believe that the Plan will meet the requirements for confirmation, there can be no assurance that the Bankruptcy Court will reach the same conclusion. In the event that the assets were sold in a sale under Section 363 of the Bankruptcy Code, there is no assurance that Administrative and Priority Claims of the estates will be paid, or that unsecured creditors will recover anything.

c. 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 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.

d. 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 Claimant may not know that its Claim will be objected to until after the Effective Date.

3. Other Risk Factors

a. Variances From Projections For Reorganized Debtors

The Financial Projections accompanying this Disclosure Statement reflect the most recent data collected in connection with the Reorganized Debtors' business plan. The business plan upon which the Financial Projections are based relies upon the success of a business strategy that has not been tested for the Reorganized Debtors. There can be no assurance that such strategy will be successful or, even if successful, that it will have the effects that are reflected in and anticipated by the Financial Projections. Although the Debtors believe that the Financial Projections are achievable if all assumptions are met, and that those assumptions are reasonable, there can be no assurance that the results set forth in such Financial Projections will be obtained. This could result in a subsequent bankruptcy, and possible liquidation of the Reorganized Debtors.

J. FUTURE OPERATIONS AND FEASIBILITY OF PLAN

The Debtors believe that the Plan is feasible and the Reorganized Debtors will be able to make the payments required under the Plan after their emergence from bankruptcy. With regard to the Debtors' Financial Projections, the Debtors believe that the Reorganized Debtors have a solid understanding of their business and their markets and they are optimistic about their future prospects.

Upon confirmation of the Plan, a substantial amount of the approximately $200 million of Secured Senior Credit Facility Claims will be converted to equity in Reorganized Knight and into $25.5 million of Initial New First Lien Term Loans shall be incurred. Further, the Debtors will be able to draw an additional $30 million in Additional New First Lien Term Loans of which an estimated $16.7 million will be used to repay the DIP Financing Claims, pay taxes, pay Convenience Claims in full, and create a fund for holders of General Unsecured Claims. After those payments are made, the Reorganized Debtors will then have access to the remaining $13.3 million of Additional New First Lien Term Loans under the New First Lien Facility to draw down for capital improvements and working capital. To further provide the Debtors the greatest possible opportunity to continue to grow and prosper, interest on all New First Lien Terms Loans under the New First Lien Facility will accrue for three years and does not have to be paid in cash, and the remainder of the Senior Credit Facility Claims – the Senior Credit Facility Deficiency Claim – will be treated as unsecured debt.

The Plan proposes to refinance the JPM Loans and the Iberia Loans with terms that are reasonable and provide the Debtors with the opportunity to make all the payments proposed under the Plan. At emergence, the Debtors will have total business debt of approximately $43.6 million, a significant deleveraging of its current pre-petition business operation debt of approximately $237.2 million.

The payments under the Plan to creditors holding Allowed Claims are to be made out of advances of Additional New First Lien Term Loans and from revenues generated from the future business operations of the Debtors and. The Financial Projections prepared by the Debtors with the assistance of Opportune are attached hereto as **Exhibit "D-6"**.

XII. CONCLUSION AND RECOMMENDATION

The Debtors 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. Any other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtors urge holders of impaired Claims and Interests to vote in favor of and to accept the Plan.

The Committee also supports confirmation of the Plan, as set forth in more detail in a letter from the Committee which is part of the Solicitation Package.

Dated: October 17, 2017

DISCLOSURE STATEMENT FILED BY:

BY: */s/Gary L. Pittman*
Gary L. Pittman
Chief Restructuring Officer of the Debtors